

# China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

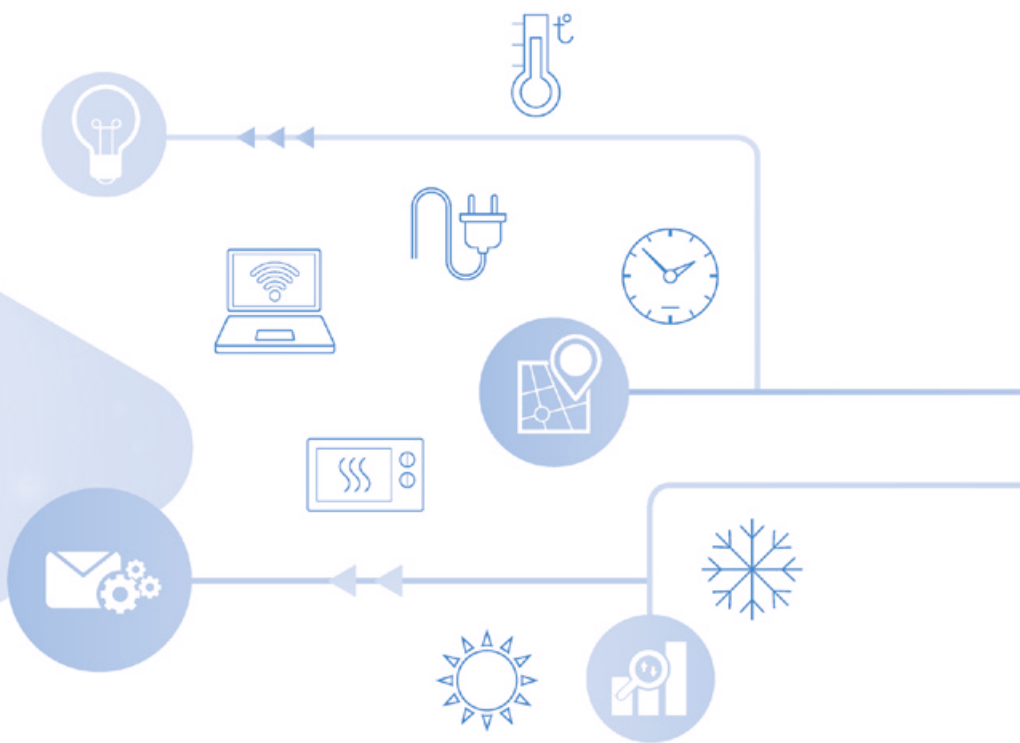
(Incorporated in Bermuda with limited liability)

(Stock Code: 334)



Annual Report

2023



## CONTENTS

<b>2</b>	Corporate Information
<b>3</b>	Financial Highlights
<b>4</b>	Chairman's Statement
<b>6</b>	Management Discussion and Analysis
<b>13</b>	Directors and Senior Management
<b>17</b>	Corporate Governance Report
<b>35</b>	Human Resources and Social Responsibility
<b>38</b>	Report of the Directors
<b>52</b>	Independent Auditor's Report
<b>56</b>	Consolidated Statement of Profit or Loss
<b>57</b>	Consolidated Statement of Comprehensive Income
<b>58</b>	Consolidated Statement of Financial Position
<b>60</b>	Consolidated Statement of Changes in Equity
<b>61</b>	Consolidated Statement of Cash Flows
<b>63</b>	Notes to Financial Statements
<b>128</b>	Five Year Financial Summary





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive Director

Mr. LIAO Qian (*Chairman*)

### Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. XI Wenbo (appointed on 2 June 2023)

Mr. ZHANG Feng (resigned on 2 June 2023)

### Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

## COMPANY SECRETARY

Ms. CHEUNG Bo Man, Solicitor, Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants  
27/F, One Taikoo Place,  
979 King's Road,  
Quarry Bay,  
Hong Kong

## LEGAL ADVISOR

Ronald Tong & Co.  
Room 501, 5/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Building 22E  
Phase Three  
Hong Kong Science Park  
Pak Shek Kok  
New Territories  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong Limited  
under the share ticker number 334

## WEBSITE

<http://www.cdoth8.com>



# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE

(RMB Million)	Year ended 31 December 2023	Year ended 31 December 2022
Revenue	<b>2,577</b>	4,208
Gross profit	<b>174</b>	344
Gross profit margin (%)	<b>6.8%</b>	8.2%
Profit attributable to owners of the parent	<b>13</b>	169
Basic earnings per share (RMB cents)	<b>0.62</b>	8.06

## FINANCIAL POSITION

(RMB Million)	31 December 2023	31 December 2022
Property, plant and equipment	<b>723</b>	582
Cash and cash equivalents	<b>23</b>	279
Total assets	<b>2,532</b>	2,580
Total liabilities	<b>1,522</b>	1,580
Net assets	<b>1,009</b>	1,000

## OPERATION INDICATORS

	Year ended 31 December 2023	Year ended 31 December 2022
Inventory turnover (days)	<b>25</b>	25
Trade receivables turnover (days)	<b>88</b>	65
Trade payables turnover (days)	<b>154</b>	116
Current ratio	<b>1.14</b>	1.27

*Note:* The above turnover days are calculated on average balance of the beginning and end of the year.



## CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of China Display Optoelectronics Technology Holdings Limited, I hereby present to you the annual report of the Group for the year ended 31 December 2023.

### **FORGED AHEAD AMID ADVERSITY LEVERAGING A STABLE FOUNDATION**

In 2023, the world has emerged from the gloom of the pandemic, but the global economy's recovery remained sluggish. The global economy shifted from globalisation towards regionalisation and localisation, inflation remained at a high level, while China's economy has been facing greater uncertainty, which had a significant impact on consumer confidence and demand, leading to contraction in the consumer market. At the same time, geopolitical conflicts have also posed greater risks to the supply chains. Both the supply and demand sides of the mobile phone market faced downward pressure throughout the year, with shipments recording a year-on-year decline for the ninth consecutive quarter. Facing internal and external challenges, the Group rose to the challenges and maintained a spirit of determination to strive for excellence. In the second half of 2023, the Group reversed the loss-making situation in the first half of the year, with the profit attributable to owners of the parent for the whole year of 2023 amounted to RMB 13.1 million, the debt-to-asset ratio was controlled at 0.1%. The Group's financial position remained robust.



# CHAIRMAN'S STATEMENT

## ENHANCED CAPABILITIES WITH SMART FACTORY IMPROVING BUSINESS OPERATIONS

Facing the fiercely competitive market environment, improving relative competitiveness and enhancing capability have been the key to industry transformation and upgrading. During the Review Period, the Group continued to increase automation and its database system, and completed the construction of the Group's new display module smart factory. The new factory's intelligent production infrastructure can significantly improve production efficiency, enhance production accuracy, reduce wastage in time, materials and labour costs, thereby lowering production costs, and simultaneously enhance the Group's product quality and economies-of-scale advantages. Moreover, in the face of a complex and volatile operating environment, apart from taking advantage of the expansion of economies of scale to reduce costs, the Group also relied on its technological innovations and improvement in craftsmanship to cope with the challenges in the market and to come out ahead in the "involved" competitive environment.

## IMPROVE COMPARATIVE COMPETITIVENESS AND SEIZE MARKET OPPORTUNITIES

Looking ahead to 2024, a continued slowdown in global economic growth is expected, but consumer electronics products are likely to maintain an uptrend in growth. According to research firm TechInsight, revenue of the global consumer electronics industry is projected to exceed the US\$1 trillion mark for the first time in 2024. This growth momentum is believed to drive the gradual recovery of smartphone shipments.

In the display industry, benefitting from the continuous extension of applicable scenarios and the increasingly robust development of smart cities and digital lifestyles, the demand for smart displays is on the rise. The online learning model during the pandemic has become a new normal, driving the demand for medium-sized products, especially educational and learning tablets. According to data from a research firm, Sigmaintell, global shipments of A-Si LCD panels in the year of 2023 were approximately 1.12 billion units, representing a year-on-year increase of approximately 35.2%. The Group has been maintaining close collaborations with TCL CSOT and has together formed a business model of panel and module integration to seize the huge opportunities in the medium-sized display market to enhance comparative competitiveness, expand its customer base, and further improve the Group's profitability.

In the long run, the Group remains cautiously optimistic about the development prospects of the display module business. The Group will continue to strengthen its equipment and improve product categories to lay a solid foundation for horizontal expansion of its business. At the same time, the Group will also actively seize market share in the smart home and medium-sized markets in order to open up new room for growth.

Last but not least, I would like to express my sincerest gratitude to the shareholders, business partners, brand customers and all employees of the Group for their enduring support and trust. The Group will persistently drive the business forward and generate good and stable returns for shareholders.

**LIAO Qian**

*Chairman*

Hong Kong, 15 March 2024



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 to 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	%	
<b>Sale of TFT LCD modules</b>					
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%
<b>Processing TFT LCD modules</b>					
Non-laminated modules	–	–	0.2	0.3	-100.0%
Laminated modules	4.8	10.1	1.5	2.8	+217.0%
<b>Total</b>	<b>47.6</b>	<b>100.0</b>	54.2	100.0	-12.1%





# MANAGEMENT DISCUSSION AND ANALYSIS

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

	2023		For the year ended 31 December 2022		Change
	RMB million	%	RMB million	%	
<b>Sale of TFT LCD modules</b>					
Non-laminated modules	<b>103.5</b>	<b>4.0</b>	145.6	3.4	-28.9%
Laminated modules	<b>2,408.4</b>	<b>93.5</b>	4,027.2	95.7	-40.2%
<b>Processing TFT LCD modules</b>					
Non-laminated modules	-	-	2.4	0.1	-100.0%
Laminated modules	<b>64.9</b>	<b>2.5</b>	33.2	0.8	+95.4%
<b>Total</b>	<b>2,576.8</b>	<b>100.0</b>	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 RMB759.9 million, respectively, which together accounted for 99.97% of the Group's total revenue.

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS



Integrated fully automatic inline production lines



Intelligent warehouse

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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, revenue of the global consumer electronic products industry will exceed the US\$1 trillion mark for the first time in 2024. 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, 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 ("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 and other borrowings were RMB3.2 million. Please refer to note 25 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 RMB'000	31 December 2022 RMB'000
Contracted, but not provided for:		
Plant and machinery	<b>46,839</b>	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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.



# DIRECTORS AND SENIOR MANAGEMENT

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

### Mr. LIAO Qian

aged 44, was appointed as a non-executive director and the chairman of the Company, and also the chairman of the nomination committee (“Nomination Committee”) and a member of the remuneration committee (“Remuneration Committee”) of the Company on 1 January 2017. Mr. Liao is currently an executive director, the senior vice president and the secretary of the board of directors of TCL Technology Group Corporation (“TCL Technology”). Mr. Liao Qian possesses a master degree qualification and he also holds a Chinese legal professional qualification certificate. Mr. Liao obtained the degree of bachelor of economics from Fuzhou University in 2002. He further obtained the master degree of laws from Yunnan University in 2006. Mr. Liao joined TCL Technology in March 2014, and was appointed as the vice-chairman of Tianjin 712 Communication and Broadcasting Co., Limited (stock code: 603712.SH) in June 2019, an executive director of TCL Zhonghuan Renewable Energy Technology Co., Limited (stock code: 002129.SZ) in October 2020, and the Chairman of Tonly Technology Holding Co., Limited in November 2021. He was a non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777.HK) from March 2017 to May 2020 and from December 2020 to September 2021 successively, an independent director of Jiawei Renewable Energy Co., Ltd. (stock code: 300317.SZ) from November 2016 to June 2022, and the chairman and non-executive director of Tonly Electronics Holdings Limited (stock code: 1249.HK, which was delisted as a result of privatisation in March 2021) in January 2017.

## EXECUTIVE DIRECTORS

### Mr. OUYANG Hongping

aged 47, was appointed as an executive director of the Company in June 2015, was re-designated from the position of Chief Operating Officer of the Company (“COO”) to the Chief Executive Officer of the Company (“CEO”), and was appointed as a member of the Remuneration Committee and a member of the Nomination Committee in March 2019. Mr. Ouyang is also a director of certain subsidiaries of the Company. He joined TCL Technology and its subsidiaries (together “TCL Technology Group”) in 2004. From August 2004 to December 2008, he was the chief engineer of China Display Optoelectronics Technology (Huizhou) Company Limited\* (華顯光電技術(惠州)有限公司, hereinafter “CDOT Huizhou”), responsible for supervising engineering related matters, including production planning and management. Since January 2009, he has also been the deputy general manager of CDOT Huizhou, responsible for supervising engineering related matters, including research and development, procurement, production planning and management, and was appointed as a director and the general manager of CDOT Huizhou in September 2016. Mr. Ouyang subsequently was appointed as a director of Wuhan China Star Optoelectronics Technology Limited Company\* (武漢華星光電技術有限公司, “Wuhan CSOT”) in November 2021. Mr. Ouyang was appointed as a vice president and subsequently a senior vice president of TCL China Star Optoelectronics Technology Co., Ltd.\* (TCL華星光電技術有限公司, a subsidiary of TCL Technology, hereinafter “TCL CSOT”) in December 2021 and November 2022 respectively. Mr. Ouyang graduated from the University of Nanchang in July 1999 with a Bachelor’s degree in industrial automation.

### Mr. WEN Xianzhen

aged 51, was appointed as an executive director of the Company in March 2018 and the deputy general manager of CDOT Huizhou in April 2022. Mr. Wen was appointed as the finance director of the Company and CDOT Huizhou from November 2017 to June 2023. Mr. Wen joined TCL Technology Group in 2004 and has over 20 years of experience in the field of accounting and finance. Mr. Wen held the position of finance manager of Huizhou Shenghua Industrial Co. Ltd.\* (惠州市昇華工業有限公司, a subsidiary of TCL Technology) from September 2004 to February 2008. Mr. Wen was appointed as the finance director of Huizhou TCL King High Frequency Electronics Co. Ltd.\* (惠州TCL王牌高頻電子有限公司) from March 2008 to June 2010. From July 2010 to April 2012, Mr. Wen held the positions of deputy general manager and finance director of TCL Air-Conditioner (Zhongshan) Co., Ltd.\* (TCL空調器(中山)有限公司) and was responsible for finance management and analysis. From April 2012 to October 2017, Mr. Wen held the positions of deputy general manager and finance director of Huizhou TCL Environmental Resource Co., Ltd.\* (惠州TCL環保資源有限公司), then he was appointed as the finance director, deputy general manager and general manager of Huizhou TCL Environment Technology Co., Ltd.\* (惠州TCL環境科技有限公司). Mr. Wen graduated with a Bachelor of Accounting from Central South Institute of Technology\* (中南工學院) (now merged into Nanhua University\* (南華大學)) in June 1997 and currently is a certified public accountant of the Chinese Institute of Certified Public Accountants and a Hong Kong certified financial planner.



## DIRECTORS AND SENIOR MANAGEMENT

### **Mr. XI Wenbo**

aged 45, was appointed as an executive director and the financial director of the Company in June 2023. Mr. XI graduated from Jiangxi University with a bachelor dual degree in insurance and accounting and a master's degree in accounting. He held various positions in TCL Technology, including cost accountant, general ledger manager, senior finance manager and head of finance & operation department, etc., since he joined TCL Technology Group in February 2005. Since November 2022, he has become the vice president and chief director of financial center of TCL CSOT.

### **Mr. ZHANG Feng (resigned on 2 June 2023)**

aged 45, was appointed as an executive director of the Company from March 2021 to June 2023, graduated from Beijing University of Chemical Technology with a bachelor degree in material science & engineering and a master's degree in material science. He obtained an executive master of business administration degree from China Europe International Business School in 2019. From July 2003 to April 2010, Mr. Zhang successively held various engineering or technology-related positions in Shanghai Guangdian NEC Liquid-Crystal Display Limited\* (上海廣電NEC液晶顯示器有限公司) and Shanghai Avic Optoelectronics Co., Ltd.\* (上海中航光電子有限公司) respectively. Mr. Zhang joined TCL CSOT in April 2010. He is also the legal representative of Wuhan CSOT and Wuhan China Display Optoelectronics Technology Limited Company\* (武漢華顯光電技術有限公司), the senior vice president of TCL CSOT and a director of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited\* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT). Mr. Zhang has been appointed as the chairman and legal representative of CDOT Huizhou since September 2020.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

### **Ms. HSU Wai Man, Helen**

aged 54, was appointed as an independent non-executive director and the chairperson of the audit committee of the Company ("Audit Committee"), and also a member of the Remuneration Committee and the Nomination Committee in June 2015. Ms. Hsu has over 20 years' experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a Bachelor's degree in business administration. Ms. Hsu had worked with Ernst & Young for 18 years and was a partner before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is currently an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Beijing Gas Blue Sky Holdings Limited (Stock code: 6828.HK) since July 2020, Perfect Optronics Limited (Stock code: 8311.HK) since September 2020, Perfect Medical Health Management Limited (stock code: 1830.HK) since December 2011 and Richly Field China Development Limited (stock code: 313.HK) since November 2013. Ms. Hsu was also an independent non-executive director of Harmonicare Medical Holdings Limited (previous stock code: 1509.HK, the securities of which were delisted from the Stock Exchange on 25 March 2021) from August 2020 to March 2021.





## DIRECTORS AND SENIOR MANAGEMENT

### Mr. XU Yan

aged 60, was appointed as an independent non-executive director and the chairman of the Remuneration Committee, and also a member of the Audit committee and the Nomination committee in June 2015. Mr. Xu has been associate professor and professor successively of the Department of Information Systems, Business Statistics and Operations Management of the Hong Kong University of Science and Technology from 2004 up to the present day. Mr. Xu was appointed as the Associate Director of the Center for Business Strategy and Innovation of HKUST in 2023. Mr. Xu has also been associate dean of the School of Business of the Hong Kong University of Science and Technology for the programs of EMBA for Chinese Executives, Executive Education and China Strategy from 2011 to 2023. Mr. Xu has rich experiences in management of technology innovation as well as research in telecommunication regulations and policies. He is currently a member of the board of directors of the International Telecommunications Society, and was appointed as a member of the Communications Authority of Hong Kong by the Chief Executive from 2017 to 2019. Mr. Xu graduated from Beijing Institute of Posts and Telecommunications\* (北京郵電學院), now known as Beijing University of Posts and Telecommunications, in July 1984 with a Bachelor's degree in telecom engineering. He obtained a Master's degree in telecom management from Beijing University of Posts and Telecom in April 1987 and a Doctor of Philosophy degree in research in telecommunications policy in the Department of Human Resource Management from Strathclyde University, the United Kingdom, in July 1997. Mr. Xu was appointed as an independent non-executive director of Akeso, Inc. (stock code: 9926.HK) in April 2020.

### Mr. LI Yang

aged 55, was appointed as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee in June 2015. Mr. Li obtained PRC lawyer qualification in 1998 and was admitted as a practicing lawyer in 2002. He was a professor and doctoral tutor of the School of Law, Sun Yat-sen University from January 2016 to January 2021, and has served as professor and doctoral tutor of The Civil, Commercial and Economic Law School, China University of Political Science and Law\* (中國政法大學民商經濟法學院) since January 2021. Mr. Li graduated from the Zhongnan Institution of Political Science and Law\* (中南政法學院) (now known as Zhongnan University of Economics and Law) in 1990 with a Bachelor's degree in law. He received his Master's degree and Doctorate degree in law from the Peking University Law School in 1996 and 2003 respectively and finished the post-doctoral research fellowship in Wuhan University in 2006. Mr. Li was appointed as an independent director of 37 Interactive Entertainment Network Technology Group Co., Ltd whose shares are listed on the Shenzhen Stock Exchange (stock code: 002555.SZ) in December 2019. Mr. Li has rich experiences in intellectual property law (including patent, trademark, copyright, anti-unfair competition and antitrust), intellectual property management and intellectual property personnel training. Mr. Li is currently the vice president and deputy secretary-general of China Intellectual Property Law Association, a part time researcher of the Intellectual Property Judicial Protection Research Center of the Supreme People's Court\* (最高人民法院知識產權司法保護研究中心) and the Fifth Special Advisor to the Supreme People's Court.

### SENIOR MANAGEMENT

### Mr. HU Yudong

aged 48, is the human resources director of the Company. Mr. Hu joined the Group in March 2019. Mr. Hu joined TCL Technology Group in 1998 and has more than 16 years of experience in human resource management. From July 1998 to June 2010, he served as the regional sales manager, deputy director of human resource department, director of human resource department and other management roles successively at TCL International Electronics (Huizhou) Co., Ltd. From July 2010 to August 2012, he served as vice general manager of Guangzhou Zhi Zhiyuan Oil Industry Co., Ltd.\* (廣州植之元油脂實業有限公司), responsible for the Company's human resource and administrative work. From September 2012 to February 2019, he served as director of the human resources department of TCL CSOT. Since March 2019, Mr. Hu was appointed as the human resource director of CDOT Huizhou. Mr. Hu graduated from Nankai University in June 1998 and obtained his bachelor's degree in economics; and graduated from Shanghai University of Finance and Economics in May 2010 and obtained his master's degree in business administration.



## DIRECTORS AND SENIOR MANAGEMENT

### Mr. WANG Xinfu

aged 50, is the deputy general manager in charge of the operating of the Company. Mr. Wang joined the Group in March 2004. He joined the TCL Technology Group in 2004. Since March 2004, he has held the positions of engineer and the head of facility section in CDOT Huizhou, in charge of the engineering and facility section. Since August 2008, he has served as the head of production department of CDOT Huizhou. Since 2015, he assumed the role of manufacturing director, responsible for the engineering management of manufacturing and production engineering management of CDOT Huizhou. Since December 2016, he has been the person in charge of the delivery centre of CDOT Huizhou, responsible for the operation and management of the delivery centre. In 2016, he received the Award of Outstanding Leader of HZZK Hi-tech Industrial Development Zone\* (惠州仲愷高新技術開發區凱旋人才領軍人物獎). Mr. Wang graduated from Changchun University of Technology in July 1999, with a Bachelor's degree in engineering.

### Mr. ZHANG Hongjun

aged 48, is the marketing director of the Company. He graduated from Inner Mongolia Agriculture and Animal Husbandry College\* (內蒙古農牧學院) (currently known as Inner Mongolia Agricultural University\* (內蒙古農業大學)) with his bachelor's degree in 1996. He has more than 20 years' experience in sales. Mr. Zhang worked as business director at Pudong company of Shanghai Volkswagen Motor Sales Co., Ltd. in 1996. He joined TCL Technology Group in 1998 and successively held several positions of Inner Mongolia TCL Electrical Appliance Sales Co., Ltd.\* (內蒙古TCL電器銷售有限公司), i.e. business manager, general manager of branch AV business center, assistant to the general manager of the branch, manager of Hohhot business department. He served as manager of Hengshui business department and manager of Baoding business department of Shijiazhuang TCL Electrical Appliance Sales Co., Ltd.\* (石家莊TCL電器銷售有限公司) in 2000 and 2003 respectively, and served as general manager of Harbin TCL Electrical Appliance Sales Co., Ltd.\* (哈爾濱TCL電器銷售有限公司) in 2004. Mr. Zhang served as general manager of Inner Mongolia Hongsheng Agriculture and Animal Husbandry Co. Ltd.\* (內蒙古宏晟農牧業有限公司) from 2007 to 2010, and marketing director of CDOT Huizhou from 2010 to 2017. Since 2017, he has been the marketing director of the Company.

### COMPANY SECRETARY

### Ms. CHEUNG Bo Man

aged 35, was appointed as the Company Secretary of the Company on 25 April 2017. She is a practising lawyer in Hong Kong and a partner of Ronald Tong & Co., Hong Kong. Ms. Cheung graduated from the University of Hong Kong with the Bachelor of Business Administration (Law) and Bachelor of Laws in 2009 and 2011 respectively and obtained a Postgraduate Certificate in Laws from the University of Hong Kong in 2012.



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The board (“Board”) of directors (“Directors”) of the Company aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the leader in the LCD module industry. The Group’s ultimate goal is to maximise values for its shareholders (“Shareholders”) and customers, and to provide opportunities for employees.

The Company has adopted a corporate governance code prepared based on the code provisions (the “Code Provisions”) of the corporate governance code (the “CG Code”) as set out in Appendix C1 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has taken steps to comply with and apply the Code Provisions and principles of good corporate governance under the CG Code wherever appropriate.

## CORPORATE VALUES, CULTURE AND STRATEGY

### Building a Sustainable & Connected Future with Advanced Technology

The board has established the Company’s purpose, values and strategy, and has satisfied itself that the Company’s culture is aligned. The Company’s mission is to build a sustainable and connected future with advanced technology, and its culture is moulded by our values.

All Directors must act with integrity, lead by example, and promote the desired culture of acting lawfully, ethically and responsibly.

Our values:

- Change – Adaptive to change, embrace challenges and ready to make breakthrough
- Innovation – Be bold, creative and take smart risks
- Accountability – Act with sincerity and proactivity, inspire others with your passion
- Excellence – Strive for excellence, do the right thing even it’s a tough decision

## CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2023, the Company has complied with the Code Provisions as set out in the CG Code except for the following deviation:

Under Code Provision C.6.1 of the CG Code, 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.



# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received the confirmations (“Confirmations”) signed by TCL Technology and TCL CSOT confirming that for the year ended 31 December 2023 and up to the date of signing the Confirmations (both days inclusive), save for holding direct or indirect interest in the Company, each of them has fully complied with the deed of non-competitions dated 17 April 2015 (the “Deed of Non-Competition”) executed by TCL Technology and T.C.L. Industries Holdings (H.K.) Limited (“TCL Industries”) in favour of the Company (as supplemented and amended by the first deed of variation dated 25 May 2021 (“First Deed of Variation”) entered into among TCL Technology, TCL Industries, TCL CSOT and the Company).

The independent non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition (as supplemented and amended by the First Deed of Variation) have been complied with during the year ended 31 December 2023.

## DIRECTORS

### The Board

The Board, led by the chairman, steers the Company’s business direction. It is responsible for maintaining good corporate governance, formulating the Company’s long-term strategies, setting business development goals, assessing results of management policies, establishing and shaping the corporate culture, monitoring the management’s performance and ensuring effective implementation of risk management measures on a regular basis. The Board is accountable to the Shareholders for the long-term development and success of the Company.

The Directors meet regularly to review the Group’s financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the Directors in person or through other electronic means of communication.

During the year ended 31 December 2023, as part of its corporate governance function, the Board has performed the following:

- reviewed the Company’s policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company’s policies and practices on compliance with legal and regulatory requirements;
- reviewed and monitored the code of conduct applicable to employees and Directors; and
- reviewed the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.



# CORPORATE GOVERNANCE REPORT

## Board Composition

There are currently 7 Directors as at the date of this report, all with professional backgrounds and/or extensive expertise for the direction and oversight of the Group's strategic priorities. During the year ended 31 December 2023 and as at the date of this report, the Board comprises the following Directors:

### Non-Executive Director

Mr. LIAO Qian (Chairman)

### Executive Directors

Mr. OUYANG Hongping (Chief Executive Officer)

Mr. WEN Xianzhen

Mr. XI Wenbo (appointed on 2 June 2023)

Mr. ZHANG Feng (resigned on 2 June 2023)

### Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

An updated list of the Company's Directors specifying each of their role and function is at all times available on the websites of the Company and the Stock Exchange.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors appear in the section "Directors and Senior Management" of this annual report on pages 13 to 16.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board and between the Chairman of the Board and the chief executive.

### Number of meetings attended/eligible to attend during the year ended 31 December 2023

During the year ended 31 December 2023, the Board held 4 regular meetings and 4 additional meetings. The Company held 2 general meetings during the year ended 31 December 2023.



# CORPORATE GOVERNANCE REPORT

Attendance of individual Directors at the Board meetings and general meetings in 2023 is as follows:

	Regular Board Meetings	Additional Board Meetings concerning Special Matters requiring the Board's Decisions	General Meetings
<b>Non-Executive Director</b>			
Mr. LIAO Qian (Chairman)	3/4	4/4	2/2
<b>Executive Directors</b>			
Mr. OUYANG Hongping (Chief Executive Officer)	3/4	4/4	2/2
Mr. WEN Xianzhen	4/4	4/4	2/2
Mr. XI Wenbo (appointed on 2 June 2023)	2/2	1/1	1/1
Mr. ZHANG Feng (resigned on 2 June 2023)	2/2	1/2	0/1
<b>Independent Non-Executive Directors</b>			
Ms. HSU Wai Man Helen	4/4	4/4	2/2
Mr. LI Yang	4/4	4/4	1/2
Mr. XU Yan	4/4	4/4	2/2

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the Board members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to include additional matter in the agenda and to make informed decisions.

The Company has in place effective mechanisms to ensure independent views and input are available to the Board. The Board has conducted an annual review on such mechanisms in 2023 and is of the view that the mechanisms have been properly implemented and are effective. In particular, the Company plans Board and Board committees meeting schedules for the year in advance and provides remote facilities for attendance, so as to facilitate active attendance and participation in the meetings. Board members, especially independent non-executive Directors, are welcome and are encouraged to raise enquiries, suggestions and views during the meetings. The Board and each Director, upon reasonable request, have access to independent professional advice at the Company's expense to assist them in performing their duties to the Company.

Minutes of all Board meetings and meetings of the Audit Committee, Remuneration Committee and Nomination Committee are kept by the company secretary of the Company. All of the above minutes record the discussions and decisions reached as well as the concern raised by Directors or dissenting views expressed by the relevant members in sufficient details. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version of the minutes is sent to all relevant Directors or committee members for their record.



# CORPORATE GOVERNANCE REPORT

According to the current Board practice, any transaction involving a conflict of interests between a substantial shareholder or a Director on the one part and the Company on the other part, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors who have no material interest in the said transaction. A Director shall abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

## **Chairman and the Chief Executive Officer**

Clear division of responsibility between the positions of Chairman of the Board and the Chief Executive Officer (being the chief executive of the Company) is in place to ensure a balance of power and authority. The position of the Chairman was held by Mr. LIAO Qian while the position of the Chief Executive Officer was held by Mr. OUYANG Hongping during the year ended 31 December 2023.

This ensures a clear distinction between the Chairman's duty to manage the Board and the Chief Executive Officer's duty to oversee the overall internal operation of the Company.

## **Non-Executive Directors**

The Company currently has one non-executive Director, namely Mr. LIAO Qian, and three independent non-executive Directors, namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang. Ms. HSU Wai Man, Helen and Mr. LI Yang were last re-elected as independent non-executive Directors at the AGM in 2023 with no specific term, whilst Mr. LIAO Qian and Mr. XU Yan were last re-elected as a non-executive Director and an independent non-executive Director respectively at the AGM in 2022 with no specific term. All non-executive Directors (including independent non-executive Directors) are subject to retirement from office by rotation at least once every three years in accordance with Code Provision B.2.2 of the CG Code and bye-law 84 of the Bye-Laws.

## **Independent Non-Executive Directors**

The independent non-executive Directors play an important role on the Board. Accounting for more than one-third of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise.

Each independent non-executive Director has provided the Company a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed the independence of each independent non-executive Director based on the independence criteria set forth in the Listing Rules by reviewing any potential conflicts of interest that he/she and their immediate family members may have, and considers all of the independent non-executive Directors to be independent.

As at the date of this Report, none of the independent non-executive Directors has served the Board more than 9 years.



# CORPORATE GOVERNANCE REPORT

## **Appointments, re-election and removal of members of the Board**

The appointment or re-appointment of Director are first considered by the Nomination Committee with reference to the policies adopted by the Company from time to time to ensure candidates of high calibre and with the capacity and ability to lead the Company towards achieving sustainable development are appointed.

Under bye-law 84 of the bye-laws of the Company (“Bye-Laws”), at each annual general meeting of the Company (“AGM”), one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election.

## **Responsibilities of Directors**

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices they held in public companies or organisations and other significant commitments and appointments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in serving these public companies or organisations.

The Company is satisfied that during the year ended 31 December 2023, all Directors have devoted sufficient time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured qualitatively and quantitatively with reference to his/her necessary knowledge and expertise. The satisfactory attendance at Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, and their devotion to better understand the views of shareholders of the Company.

In discharging their duties, where they consider it necessary to obtain additional information other than that provided by the management, the Directors would make inquiries during the Board meetings and Board committee meetings. The queries raised by Directors have received prompt and full response by the management.

As for the non-executive Directors, they have been actively performing their roles including but not limited to exercising their independent judgement at Board meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company’s performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company.

## **Directors’ Induction and Continuous Professional Development**

Upon appointment to the Board, each Director receives an induction package containing materials on the duties and responsibilities of a director and introduction on the regulatory framework under the Listing Rules, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and other related laws and regulations of Hong Kong. The officers of the Company would also provide each newly appointed Director with sufficient information relating to the operations and business of the Group. The Company will arrange appropriate training to newly appointed Directors to acquaint with the duties and responsibilities as a Director of the Company and the business operation of the Company.





# CORPORATE GOVERNANCE REPORT

The Company recognizes the Directors' need for continuous professional development to develop and refresh their knowledge on the latest legal and regulatory developments, and business and market changes. During the year ended 31 December 2023, the Company continued to arrange suitable training for the Directors. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development for the year ended 31 December 2023:

Directors	Read materials	Attend seminars/ briefings
<b>Non-Executive Director</b>		
Mr. LIAO Qian (Chairman)	✓	✓
<b>Executive Directors</b>		
Mr. OUYANG Hongping (Chief Executive Officer)	✓	✓
Mr. WEN Xianzhen	✓	✓
Mr. XI Wenbo (appointed on 2 June 2023)	✓	✓
Mr. ZHANG Feng (resigned on 2 June 2023)	✓	✓
<b>Independent Non-Executive Directors</b>		
Ms. HSU Wai Man Helen	✓	✓
Mr. LI Yang	✓	✓
Mr. XU Yan	✓	✓

## Securities Transactions guidelines

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 ("Model Code") under Appendix C3 to the Listing Rules.

Specific enquiries have been made with all Directors and all of them have confirmed that for the year ended 31 December 2023, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The Directors' interests in shares of the Company ("Share(s)") as at 31 December 2023 are set out on page 43 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a Director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the Company or its securities, in respect of their dealings in the Company's securities.



# CORPORATE GOVERNANCE REPORT

## DELEGATION BY THE BOARD

### Management Functions

The Board has adopted a set of consolidated memorandum setting out principles of delegation and matters reserved for the Board's approval. The Board is responsible for approving matters in relation to, among others, corporate and capital structure, corporate strategy, significant policies affecting the Company as a whole, annual business plan and budgets, key financial matters and communication with key stakeholders.

The Board delegates its powers and authorities to the executive Directors and management for, among others, implementing day-to-day operations and business strategies, overseeing the timely and effective implementation of the objectives, policies, strategies and decisions taken by the Board. The management team of the Company is accountable to the Board for the operations and businesses of the Group.

The Board also delegates its powers and authorities from time to time to the Board committees in order to ensure operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information and resources in a timely manner in order to make informed decisions for the benefit of the Company.

### Board Committees

For the year ended 31 December 2023, the Board had 3 Board committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

The composition of each Board committee and attendance of the relevant members of the Board committee at the meetings of the respective Board committees for the year ended 31 December 2023 are as follows:

	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
<b>Non-Executive Director</b>			
Mr. LIAO Qian (Chairman)	N/A	2/2	2/2
<b>Executive Directors</b>			
Mr. OUYANG Hongping (Chief Executive Officer)	N/A	2/2	2/2
Mr. WEN Xianzhen	N/A	N/A	N/A
Mr. XI Wenbo (appointed on 2 June 2023)	N/A	N/A	N/A
Mr. ZHANG Feng (resigned on 2 June 2023)	N/A	N/A	N/A
<b>Independent Non-Executive Directors</b>			
Ms. HSU Wai Man Helen	3/3	2/2	2/2
Mr. LI Yang	3/3	2/2	2/2
Mr. XU Yan	3/3	2/2	2/2

### Audit Committee

The Audit Committee is accountable to the Board and supports the Board in monitoring and overseeing the Group's risk management and internal control system and for fulfilling the Group's external financial reporting. The Audit Committee also reviews and monitors the Company's relationship with its external auditors, including the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive Directors. Ms. HSU Wai Man Helen is the chairperson of the Audit Committee.



# CORPORATE GOVERNANCE REPORT

The Audit Committee is governed by its terms of reference, which are made available on the Company's website at <http://www.cdoth8.com> and the Stock Exchange's website at <http://www.hkex.com.hk>.

The Audit Committee usually meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's risk management and internal control system. In addition, in order to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditors of the Company before the commencement of the annual audit to discuss the nature and scope of audit and reporting obligations of the Company.

For the year ended 31 December 2023, the Audit Committee held 3 meetings and the work performed by the Audit Committee included considering the following matters:

- the integrity, completeness and accuracy of the 2022 annual report and the 2023 interim financial statements;
- the Group's compliance with statutory and regulatory requirements;
- the Group's financial and accounting policies and practices, as well as developments in accounting standards and their effect on the Group;
- the effectiveness of the systems of financial reporting and controls, internal audit functions, risk management and internal control systems of the Group;
- the internal control reports submitted by the internal control team of the Company;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2023;
- the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards; and
- review of the continuing connected transactions of the Group.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company where necessary. The Audit Committee is also supported by the members of the internal audit team of the Company.

The Audit Committee recommended to the Board, and the Board agreed and accepted, that subject to Shareholders' approval at the forthcoming annual general meeting, Messrs. Ernst & Young be re-appointed as the Company's external auditor for the year ending 31 December 2024.

## **Nomination Committee**

The Nomination Committee is currently chaired by Mr. LIAO Qian, a non-executive Director, with Mr. OUYANG Hongping, an executive Director, Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, being independent non-executive Directors, as the other members. The majority of the members are independent non-executive Directors. The Nomination Committee held 2 meetings during the year ended 31 December 2023.

The Nomination Committee is governed by its terms of reference, which are closely aligns with the relevant Code Provisions requirements and are available on both the Company's website at <http://www.cdoth8.com> and the Stock Exchange's website at <http://www.hkex.com.hk>.



# CORPORATE GOVERNANCE REPORT

The main duties of the Nomination Committee include the followings:

- review and supervise the structure, size, composition and diversity of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive Directors;
- make recommendations to the Board on the appointment, re-appointment and succession of Directors, and any proposed change to the composition of the Board to implement the Company's corporate strategy;
- review the nomination policy ("Nomination Policy") and board diversity policy ("Board Diversity Policy") of the Company; and
- review the sufficiency of time commitment of Directors to perform their responsibilities.

The work performed by the Nomination Committee for the year ended 31 December 2023 included:

- reviewing the current structure, diversity and composition of the Board (including the skills, knowledge and experience) taking into account the change in executive Director arising from the resignation of Mr. Zhang Feng and the appointment of Mr. Xi Wenbo;
- reviewing the Nomination Policy and Board Diversity Policy;
- reviewing the contribution required from a Director to perform his responsibilities and whether he/she has spent sufficient time performing them;
- assessing the independence of the independent non-executive Directors;
- considering the nomination of Directors to be re-elected as Directors at the AGM in accordance with the Nomination Policy and Board Diversity Policy; and
- discussing and considering the Board composition during the said period and Board succession plan.

The Company has adopted the Nomination Policy on 28 December 2018 (effective on 1 January 2019) which sets out the following procedures for nomination of Directors:

1. When there is a vacancy on the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).
2. The Nomination Committee will consider the role and capabilities required for the particular vacancy.
3. The Nomination Committee will identify candidates through personal contacts or recommendations by Board members, senior management, business partners or investors, and will to the extent possible select from a broad range of candidates who are outside the Board's circle of contacts in accordance with the Company's Board Diversity Policy.
4. The Nomination Committee will, where appropriate, arrange interview(s) with the relevant candidate to evaluate whether he/she meets the established selection and nomination criteria, and verify the information provided by the candidate.
5. The Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors.



# CORPORATE GOVERNANCE REPORT

The Nomination Policy also provides the following criteria for nomination of Directors:

1. Common criteria for all Directors:
  - (a) reputation for character and integrity;
  - (b) commitment in respect of available time;
  - (c) the willingness to assume principal fiduciary responsibility;
  - (d) present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;
  - (e) relevant experience, including experience at the strategy/policy setting level, high-level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company;
  - (f) significant business or public experience relevant and beneficial to the Board and the Company;
  - (g) breadth of knowledge about issues affecting the Company;
  - (h) ability to objectively analyse complex business problems and exercise sound business judgement;
  - (i) ability and willingness to contribute special competencies to Board activities;
  - (j) fit with the Company's culture; and
  - (k) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
2. Criteria applicable to non-executive Directors/independent non-executive Directors:
  - (a) willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director (including attendance at and active participation in Board and Board committee meetings), which will include considering the other responsibility of the relevant candidate (such as other directorships held in public companies the securities of which are listed on any securities market in Hong Kong or overseas and other major appointments, if any) and the effort and time that may be required by the candidate in fulfilling such role;
  - (b) accomplishments of the candidate in his/her field;
  - (c) outstanding professional and personal reputation; and
  - (d) the candidate's ability to meet the independence criteria for directors established in the Listing Rules (for independent non-executive Directors).



# CORPORATE GOVERNANCE REPORT

## Diversity Policy

The Company has adopted the Board Diversity Policy which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimal composition of the Board. All Board appointments and succession will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board has set measurable objectives (in terms of different perspectives including gender, skills and experience) to implement the Board Diversity Policy and has reviewed such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. In particular, in accordance with the requirements under the CG Code, the Company has set an initial target of appointing at least one director of a different gender in the Board and has achieved such target. For the year ended 31 December 2023 and as at the date of this annual report, the Board comprises six male members and one female member thus having a female representation of approximately 14%. The Nomination Committee and the Board will review the Board's target gender diversity ratio from time to time and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. Further, the Board currently consists of members with different skills and professional backgrounds (including business management, production, engineering, accounting, finance, legal and technology). The Nomination Committee considers that the current composition of the Board is diversified after taking into account its own business model and specific needs, both in terms of professional background and skills.

The Nomination Committee will review the Board Diversity Policy, as and when appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will discuss at least annually any changes to the Board Diversity Policy and Board composition that may be required (including the need to identify potential successors to the Board to achieve gender diversity), and make such recommendations to the Board for consideration and approval. The Board has reviewed the Board Diversity Policy in 2023 and is of the view that the Board Diversity Policy has been properly implemented and is effective.

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth. The Group has in place a policy to support diversity across all facets including but not limited to gender diversity. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that discrimination is not involved and a diverse range of candidates are considered. The overall gender diversity of the Group is relatively balanced. As at 31 December 2023, the overall workforce of the Group consisted of 2,127 (approximately 66.1%) male and 1,092 (approximately 33.9%) female employees. There were 3 senior management (as referred to under paragraph 12 of Appendix D2 of the Listing Rules) in the Group and all of them were male employees. Further details on the gender ratio of the Group together with other relevant data are set out on pages 46 to 68 of the Environmental, Social and Governance Report of the Company for the year ended 31 December 2023. Whilst it is relatively more challenging for the Group to achieve equal gender ratio across all business units of the Group due to the characteristics and job nature of different business units, it is the Group's goal to achieve a balanced gender ratio in the overall workforce (including senior management).

## Remuneration Committee

The Remuneration Committee is chaired by Mr. XU Yan, an independent non-executive Director. It currently consists of 5 members, the majority of whom are independent non-executive Directors, including Mr. XU Yan, Ms. HSU Wai Man Helen and Mr. LI Yang, being independent non-executive Directors; Mr. LIAO Qian, being a non-executive Director; and Mr. OUYANG Hongping, being an executive Director.

The Remuneration Committee is governed by its terms of reference, which are made available on the Company's website at <http://www.cdoth8.com> and the Stock Exchange's website at <http://www.hkex.com.hk>.



# CORPORATE GOVERNANCE REPORT

The Remuneration Committee was established pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Company’s policy and structure for remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing a policy on such remuneration. The Remuneration Committee also reviews and approves the management’s remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time, makes recommendations to the Board on the remuneration of non-executive Directors and exercise the delegated powers of the Board to determine the remuneration packages of all executive Directors and senior management.

For the year ended 31 December 2023, the Remuneration Committee held 2 meeting and the work accomplished by it included the following:

- review of the remuneration policy and structure for all Directors and senior management;
- discussion of long-term incentive scheme;
- exercised the delegated powers of the Board to determine the remuneration packages of Mr. Xi Wenbo, the newly appointed executive Director;
- exercised the delegated powers of the Board to determine the remuneration packages of all executive Directors and senior management of the Company and to assess their performance; and
- reviewed and made recommendations to the Board on the remuneration of the non-executive Directors.

There are no material matters relating to the share award scheme or the share option scheme of the Company which are required to be reviewed and/or approved by the Remuneration Committee during the year ended 31 December 2023.

The remuneration of the senior management by band for the year ended 31 December 2023 is set out below:

	Number of persons
HK\$1,500,001 to HK\$2,000,000	3

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

## Emolument Policy and Long-Term Incentive Plan

The Group provides a competitive remuneration package to its Directors to attract and retain talents. A large portion of the package for executive Directors is linked to their performance, which in turn is aligned with the interests of the shareholders, so as to provide an incentive for the executive Directors to achieve the best performance for the Group. Part of the remuneration of executive Directors may comprise of a long-term incentive plan which includes share options and restricted shares. The emoluments payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The purpose of the long-term incentive plan of the Group is to reward outstanding performance measured by achieved targets, which is closely linked with the performance of the Group. The benefit or award granted under the plan will only be vested over a period of time so as to provide an incentive for the executives or employees to consistently perform at a high standard and bring about long-term benefits to the Group.



# CORPORATE GOVERNANCE REPORT

The non-executive Directors' compensation relates to their time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee; and
- share options which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the Directors are set out in note 8 to the financial statements.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in its annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which should give a true and fair view of the state of affairs, the results and cash flows of the Group for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 52 to 55.

The Directors, having made appropriate and reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 56 to 127 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 6 to 12 in this annual report.

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The management also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, financial position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

### Internal Control and Risk Management Systems

The Board is responsible for maintaining and reviewing the Company's risk management and internal control systems on an ongoing basis and ensuring that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually. Whilst the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, the directors acknowledge their responsibility to establish, maintain and review from time to time the Group's internal control and risk management systems and their effectiveness.





# CORPORATE GOVERNANCE REPORT

The Company has adopted a set of internal control policies and procedures to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations and conducts annual review of the risk management and internal control systems according to the annual risk management and internal control plan. Staff at the relevant departments are required to conduct a routine self-evaluation on risk management and internal control, to allow the Company to identify any deficiencies in its internal control practices and to identify, evaluate and manage significant risks (if any). Results of the risk management and internal control evaluation are reported to the management and (where appropriate) independent non-executive Directors by email on a quarterly basis, and are submitted to the Board half-yearly for the preparation of risk management and internal control report. In addition, as a subsidiary of TCL Technology, the Company's risk management and internal control systems are subject to annual review by Da Hua Certified Public Accountants, the external auditor engaged by TCL Technology.

The Company exercises audit control over its business activities by developing corporate mechanisms, management measures and operating guidelines, and creating segregated posts. In addition, internal control investigations are regularly conducted by the Company's internal control task force.

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Board.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in the preparation of the audit report, which often covers issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit team. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

During the Review Period, the Board, through the Audit Committee, has reviewed the effectiveness of the internal control and risk management systems of the Group covering all material controls, including financial, operational and compliance controls. In particular, the Board has reviewed matters including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function, as well as those relating to the Group's environmental, social and governance performance and reporting, the nature and extent of significant risks (including environmental, social and governance risks, the Company's ability to respond to changes in its business and external environment, the significant control failings or weaknesses (if any), as well as the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. The Board concluded that the risk management and internal control systems were adequate and effective during the year ended 31 December 2023.

The Company has adopted its own Information Disclosure Guideline which, among others, sets out the procedures and internal controls for handling and dissemination of inside information, including prohibiting unauthorised use of inside information and limiting communication of sensitive information on a need-to-know basis only. The Company has established the Disclosure Executive Committee which has been authorised by the Board to coordinate and organise disclosure of the inside information of the Company.

## **Internal Audit Functions**

The Company has established an internal audit function. The Company's internal audit team independently reviewed the effectiveness of the Company's risk management and internal control systems, including the financial, operational and compliance aspects of the Company's key business activities. The head of the Company's internal audit team reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the risk management and the internal control systems of the Group.

The Audit Committee had reviewed and was satisfied with the effectiveness, adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's internal audit function.



# CORPORATE GOVERNANCE REPORT

The Company has consolidated, codified and adopted a whistleblowing policy and an anti-corruption policy pursuant to the CG Code, so as to promote and support anti-corruption laws and regulations and provide a channel for employees and parties dealing with the Company to raise concerns about possible improprieties in any matter related to the Company. Both policies are made available on the Company's website (<http://www.cdoth8.com>).

## Connected Transactions

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in relation to connected transactions. Accordingly, the Company had implemented various internal control mechanisms to monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or better and on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the Shareholders in accordance with Listing Rules. Details of the connected transactions of the Company during the year ended 31 December 2023 are set out in the Report of the Directors at pages 48 to 50.

## Auditors' Remuneration

For the year ended 31 December 2023, the remuneration paid for services provided by the auditor is approximately as follows:

Statutory audit services	HK\$1,425,000
Non-audit services (including agreed-upon procedures)	HK\$120,000

## Dividend Policy

Pursuant to the dividend policy of the Company, in considering whether to declare any dividend, the Board would consider factors in all aspects whether on the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the shareholders of the Company, including but not limited to:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors that the Board deem appropriate.

If the Group records a profit and the Board, having considered factors of all aspects (including but not limited to those factors set out in above), is satisfied that the declaration and distribution of dividends does not affect the Group's normal operations, and subject to compliance with any restrictions under the Companies Act of Bermuda and the Bye-Laws:

- the Company may declare and distribute dividends to the shareholders of the Company;
- the Company will take priority to distributing dividends in cash and shares its profits with the Shareholders;
- yet, any such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board.



# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

The position of Company Secretary is held by Ms. CHEUNG Bo Man, a practising solicitor of Hong Kong, who 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 of the Company, as the contact person with the company secretary. The company secretary is responsible to the Board and reports to the Board chairman from time to time. All Directors have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed and complied with.

Ms. CHEUNG has taken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of making timely, fair and transparent disclosure, in compliance with the Listing Rules and other regulatory requirements. The Group also highly values investor feedback and comments to facilitate the Group's growth and sustainable development and to enhance shareholder value.

The objectives of our investor relations programs are to promote effective communication with the investment community through various channels to enhance their knowledge and understanding of the Group's affairs and development. The investor relations team maintains an ongoing dialogue with institutional investors and analysts through different channels, including investor meetings, conference calls, non-deal roadshows and factory visits. During the year ended 31 December 2023, the Group had arranged conference calls and investor conferences in Hong Kong in which received favourable responses from research analysts and institutional investors attended with favourable response.

The general meetings of the Company provide the best opportunity for communication between the Board and the Shareholders.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the members of the independent Board committee, are available to answer questions at the Shareholders' meetings. Representatives of the Company's external auditor, Ernst & Young also attended the annual general meeting held on 1 June 2023 to answer questions in relation to the audit process, the preparation and contents of the auditors' report, the relevant accounting policies and auditor independence.

All published information, including all the statutory announcements and press releases, is promptly posted on the Company's website at <http://www.cdoth8.com>. For inquiries and suggestions, please send an email to [ir.cdot@tcl.com](mailto:ir.cdot@tcl.com) or directly by raising questions at the general meeting of the Company.

## Voting by Poll

The chairman of the meeting would explain the voting procedure and answer any questions from the Shareholders regarding voting by poll at the general meetings.



# CORPORATE GOVERNANCE REPORT

## Shareholders' Rights

### Procedure to Convene a Special General Meeting

Under bye-law 58 of the Bye-Laws, shareholders at the date of deposit of the requisition holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition and/or add resolutions to an agenda of such meeting.

Such meeting to be convened pursuant to the requisition shall be held in the form of a physical meeting only and within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner.

### Procedures to put enquiries to the Board

A shareholders' communication policy was formulated and adopted by the Company to ensure the shareholders are provided with ready, equal and timely access to balanced information about the Company. The Board has taken appropriate steps to provide effective communication with Shareholders.

Shareholders can submit enquiries, provide their views or suggest proposals to be put forward at general meetings to the Board or the management by sending emails to [ir.cdottcl.com](mailto:ir.cdottcl.com) or directly by raising questions at the general meetings of the Company, which will be promptly handled by the Company's dedicated investor relations team. The Investor Relations Department of the Company takes a proactive approach to communicate with existing and potential shareholders, investors and stakeholders in a timely manner by various methods including making regular face-to-face meetings and conference calls in order to solicit and understand their views.

The Board has reviewed the Company's prevailing shareholders' communication policy during the year ended 31 December 2023, and believes that, in light of the multiple channels of communication and engagement in place as stated above, the current shareholders' communication policy of the Company has been properly implemented during 2023 and is effective.

## Constitutional Documents

During the year ended 31 December 2023, no amendment had been made to the Bye-Laws, being the constitutional documents of the Company.

## Conclusion

Going forward, the Company will continue to work diligently to maintain the highest possible level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements and press releases are available on the Company's website at <http://www.cdottcl.com>. Enquiries can also be sent to the Board or senior management by contacting the investor relations team via e-mail to [ir.cdottcl.com](mailto:ir.cdottcl.com) or directly through the questions and answers session at shareholder meetings or press conference.



# HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

## HUMAN RESOURCES

The Group embraces its business approach of “progressive revolution and solid foundation”. It has launched a series of human resources management practices, which serve as a direct and effective support for the Group’s strategy implementation, organizational performance improvement and staff development.

### Basic Information on Human Resources

As at 31 December 2023, the Group had a total of 3,219 employees. The male-to-female ratio was 1.95:1. The overall turnover rate was 2.87%.

#### Employees by Geographic Region:

Mainland China	3,217
Hong Kong	2

#### Employees by Age:

Employees aged 18 to 30	2,233
Employees aged 31 or above	986

### Key Efforts in Human Resources

During the Review Period, to align with its development strategies, the Group has taken a range of proactive and corresponding measures to improve its staff appraisal and incentives, recruitment, training and development, strategic communication and morale. For example, in terms of assessment and incentives, the Group has developed a set of tactics based on its remuneration philosophy which is “ability-oriented, performance-oriented and value-contribution-oriented” to achieve its strategic objectives, together with a complementary appraisal and incentive mechanism. In terms of development and training, the Group has established and improved its vocational skills training management system and annually invested various resources in employee training.

### Career Development

The Group upholds the principle of fairness and openness in cultivating and selecting key technical talents. Based on the ECP Certification Management System formulated in 2022, the Group formulated the On-site Employee Skill Certification Management Standards in 2023. Currently, a career development path covering all employees has been established. It provides universal standards for personnel evaluation, promotion and development, with an aim to make employees aware of their career development paths and directions of improvement and stimulate their enthusiasm for work. During the Review Period, 28 sessions of ECP certification and skill level assessment were held. After review and deliberation by a panel of professional judges, a total of 714 personnel were found to meet the competence requirements of relevant levels and passed the promotion/grading certification. With regard to the structure of personnel promoted this year, the proportion of senior engineers and experienced engineers increased to 44% while the proportion of middle-level employees increased to 54%.



# HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

## Training

Employee training provides an effective channel to improve employees' skills and capabilities and to match employees' abilities with their posts, plays an essential role in cultivating and forging common values and enhancing cohesion; and is critical to improving the efficiency of enterprises and organisations. The Group believes that training can stimulate the personal potential of employees, enhance the vitality, cohesion and creativity of the team, deepen the understanding of the employees on the industry and the operation and management of the Company, and guide employees to fully utilise their creativity to drive the profit growth of the Company.

During the Review Period, the percentage of trained employees of the Group reached 100%. The percentage of employees trained by different categories and the number of training hours is available in the Environmental, Social and Governance Report of the Group for the year ended 31 December 2023. The major trainings organised by the Group during the Review Period were as follows:

### Young Eagle Power Camp

As one of the important annual training projects of TCL Technology, the Young Eagle Power Camp plays an important role in training fresh college graduates. In the two-week Young Eagle Power Camp, the Group provided over ten theoretical courses, including Corporate Culture, Basic Knowledge on Products and Introduction to the Industry, and Safety Education, with a total of 88 training hours for each participant. In addition to theoretical courses, the Group also organised outbound trainings of nearly 10 hours to raise their team awareness and cohesion. Moreover, to ensure that fresh college graduates can fit in the Group as soon as possible and accelerate their smooth transition into the workplace, TCL Technology provided all fresh college graduates with one-on-one mentorship to help them formulate reasonable transition plans based on their current abilities and job training objectives, and offer comprehensive guidance for their learning and work.

### Online Learning

Compared to offline face-to-face courses, online learning offers greater convenience and flexibility with more opportunities for employees to utilise fragmented time for learning, enabling them to significantly reduce learning time. In 2023, the Group continued to launch online learning activities, covering a wide range of courses on digital transformation, information security, product knowledge, process technology and career advancement for all staff, with an average of over 5 training hours for each trainee. At the same time, the Group actively promoted e-learning of its existing offline courses. In 2023, six high-quality courses were selected for content updates and iterations before being uploaded to the online learning platform, further enriching the learning channels for employees.

The Group arranged 17 employees to participate in external professional courses, in addition to providing various internal professional training for employees. The Group has also engaged external professional trainers to conduct three training sessions. The training topics covered safety, professional management and other aspects. A total of 83 employees attended these training sessions with cumulative training of 1,236 hours. The Group's external training costs exceeded RMB300,000.

### Six Sigma Training

Six Sigma is an internationally-recognised management strategy that aims to reduce defects in products and services by setting extremely high objectives, collecting data and analysing outcomes. In 2023, the Group hired professional instructors to provide "Six Sigma Green Belt" training and project coaching to employees. During the year, 32 technical staff members from various departments participated in systematic training and initiated Six Sigma projects. Over the years, the Group has conducted several Six Sigma training sessions and project coaching. As one of the key annual training projects, the Group will monitor such training project to ensure its smooth implementation.



# HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

## SOCIAL RESPONSIBILITY

In 2023, the Group diligently fulfilled its corporate social responsibilities and complied with relevant laws and regulations without being subject to any litigation in relation to social responsibilities. In addition, the Group has also continued to optimise its social responsibility-related management system and obtained relevant certificates. For specific certificates, please refer to the Environmental, Social and Governance Report of the Group for the year ended 31 December 2023. Furthermore, the Group has also made certain achievements in certain major social responsibility efforts such as employee care, environmental protection, occupational health and safety, labour and employment, and community welfare:

### Employee Care

In terms of physical assistance, the new factory in Huizhou was officially opened in 2023, and all facilities including canteens and dormitories were renovated to provide employees with a more comfortable working and living environment. In terms of employee activities, the labour union, the administration department and the human resources team organised and carried out a number of cultural and sports activities for all employees in 2023, which enriched the employees' spare time and was well received by employees. In terms of employee communication and psychological care, in view of the adaptation and integration of employees after the factory relocation, the Group continues to provide support to employees on issues of concern in work and personal life through mental health knowledge promotion, themed activities, community psychological counseling service information sharing and other forms. In addition, the Group has carried out "Employee Assistance Programme". The Group combines employees' feedback and demands and regularly provides relevant information through emails and public service accounts to continuously improve the convenience and practicality of employees' access to such services.

### Environmental Protection

During the Review Period, the Group continuously optimised the ISO 14001 environmental management system, established the environmental protection responsibility system, hazardous waste prevention responsibility system and standardised management rules for hazardous waste, optimised pollutant emission management standards, and set emission targets. In 2023, the Group invested approximately RMB5.58 million in building new environmental protection facilities and approximately RMB1.08 million in environmental protection management. Professional tests conducted by independent third parties showed that the Group's discharge and emissions of wastewater, exhaust gas and waste met the national standards. The Group also carried out activities to promote environmental protection and energy conservation, in an effort to raise employees' awareness on environmental protection and energy conservation, promote "green and low-carbon" production and lifestyle, and reduce the generation of pollutants from the source.

In 2023, the Group applied air conditioning and air pressure group control systems and carried out improvement projects on production efficiency and product yield rate to increase energy efficiency, saving a total of 6,938,000 kWh of electricity and 177,000 tons of water. In terms of wastewater, waste gas and solid waste management, the Group complied with relevant laws and regulations and identified no violation of laws and regulations during the Review Period.

### SOCIAL WELFARE ACTIVITIES

In 2023, the Group actively implemented its internal policy on Regulations on the Management of Public Welfare Activities by visiting a number of public welfare organisations in the communities and the superior management units of volunteer teams to proactively respond to the public welfare needs of the communities; and cooperated with various public welfare organisations to organise and plan public welfare activities with different themes (including environment protection, showing loving care for teenagers, plogging and community cultural dissemination, etc.) to fulfill its corporate responsibility. The Group's business activities, as well as all of the resources and services provided by the Group support the concept of sustainable development and are in the interest of the community.



# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2023.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 56 to 127.

The Board does not recommend the payment of any final dividend by the Company for the year ended 31 December 2023 (2022: none).

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out on pages 6 to 8 of this annual report. Discussions on non-financial performance including human resources management initiatives and the Group's environmental policies and performance are disclosed in the section headed "Human Resources and Social Responsibility" of this annual report. The above discussions form part of this Report of the Directors.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business of the Group, discussion and analysis of the Group's performance during the year using key financial performance indicators, an account of the Group's key relationships with its stakeholders, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, and the material factors underlying its results and financial position, and an indication of the likely future development in the business of the Group, is set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 12 of this annual report. Those discussions form part of this Report of the Directors.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, there was no material non-compliance with regulations related to occupational safety, including but not limited to the Fire Prevention Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupation Diseases. Occupational safety of employees is ensured by implementing the following measures: weekly inspection of safety production risks including risks of fire, piling up of hazardous materials and electricity; regular disinfection of workplace and arranging professional medical institutions for physical examination for employees; accelerating the automatization of factories and assigning dangerous operation to machines to minimize occupational hazards.

During the year ended 31 December 2023, there was no material non-compliance with regulations related to production materials and emission, including but not limited to the Environmental Protection Law of the People's Republic of China. The Group carries out supervision mainly by the following methods: regular commissioning of professional institutions to implement indicator monitoring on pollution discharge so as to meet the national standard; reasonable storage and isolation of dangerous materials; strict selection of suppliers and materials that meet the registration, evaluation, authorisation & restriction of chemicals ("REACH") standards and restriction of hazardous substances ("RoHS") standards of the European Union are given priority.

Any non-compliance with the relevant laws and regulations may cause interruption to the Group's production. As at 31 December 2023 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations which had a significant impact on the Company.





# REPORT OF THE DIRECTORS

## SIGNIFICANT RISKS AND UNCERTAINTIES

Some significant risk and uncertainties affecting the Group are outlined below. They are not exhaustive and there may be other additional risks and uncertainties which are now unknown or immaterial to the Group but could become material in future.

### Market competition

Substantially most of the Group's revenue were attributable to the revenue from sale of smartphone display modules for the consumer mobile device market. Therefore, the general outlook of the global economy, market condition and consumers' behaviour may have significant impact on the operating results and financial condition of the Group. The global market for the Group's products and services is highly competitive and is subject to ever-changing technological advancements, market development, changes in customer needs, evolving industry standards, and frequent product launches and upgrades.

To minimise the risks stated above, the Group will continue to reduce costs and increase production efficiency, while deepening its cooperation with TCL CSOT and its synergy with the LCD panel production line t9, which enables the Group to extend its reach to different end products so as to diversify its source of revenue and profit, and in turn reducing its dependency on one single type of products. In addition, through improved planning in the industry chain and leveraging on economies of scale, the Group has provided high-quality and customised services to first-tier customers, and has successfully formed strategic partnership with some first-tier brand customers in order to maintain robust profitability of the Group.

### Foreign Exchange Risks

The Group reports its results in Renminbi but the Group's business and operations is facing the international market. Consequently, the Group is exposed to potential adverse impact of currency fluctuations on translation of the accounts. Although the Group actively manages its currency exposures, depreciation or fluctuation of the currencies in which the Group conducts its operations relative to the Renminbi could have a material adverse effect on the Group's financial condition and operational results.

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 enters into various forward currency contracts from time to time to manage its exchange rate exposure. In addition, pursuant to the principle of prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions.

As regards the risks concerning the Group's customers and suppliers, please refer to the paragraph headed "Customers and Suppliers" under Management Discussion and Analysis on pages 11 and 12, which discussions form part of this Report of the Directors.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the relevant financial statements and restated and/or reclassified as appropriate, is set out on page 128. This summary does not form part of the audited financial statements.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2024 to 23 May 2024 (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. 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. 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.



# REPORT OF THE DIRECTORS

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the financial statements.

## SHARES ISSUED IN THE YEAR

Details of the Shares issued during the year ended 31 December 2023, together with the reasons therefore are set out in note 27 to the financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda ("Bermuda Law") which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## 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 year ended 31 December 2023.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set out in note 39 to the financial statements and the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution amounted to RMB167,911,000, none of which has been proposed as a final dividend for the year ended 31 December 2023. Under Bermuda Law, a company may make distribution to its shareholders out of contributed surplus.

## DONATIONS AND CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group did not make any donations or charitable contributions.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2023 attributable to the Group's major suppliers and customers are as follows:

### Purchases

– the largest supplier	13%
– the five largest suppliers combined	42%

### Sales

– the largest customer	53%
– the five largest customers combined	89%



# REPORT OF THE DIRECTORS

One of the five largest customers of the Group is a subsidiary of TCL Technology. As at 31 December 2023, the following Directors were interested in or deemed to be interested in shares in TCL Technology within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, hereinafter the "SFO"): (i) Mr. LIAO Qian, a non-executive Director, was deemed to be interested in 1,564,782 shares in TCL Technology (representing approximately 0.0083% of the issued share capital of TCL Technology); (ii) Mr. OUYANG Hongping, an executive Director, was deemed to be interested in 481,344 shares in TCL Technology (representing approximately 0.0026% of the issued share capital of TCL Technology); and (iii) Mr. XI Wenbo, an executive Director, was deemed to be interested in 693,500 shares in TCL Technology (represent approximately 0.0037% of the issued share capital of TCL Technology). Save as aforesaid, none of the Directors of the Company, their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this report were:

### Non-Executive Director

Mr. LIAO Qian (Chairman)

### Executive Directors

Mr. OUYANG Hongping (Chief Executive Officer)

Mr. WEN Xianzhen

Mr. XI Wenbo (appointed on 2 June 2023)

Mr. ZHANG Feng (resigned on 2 June 2023)

### Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

According to bye-law 83(2) of the Bye-laws, any person appointed as a Director to fill a casual vacancy on the Board shall hold office until the first annual general meeting of members of the Company after his appointment and be subject to re-election at such meeting.

According to bye-law 84(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

According to bye-law 84(2) of the Bye-laws, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to bye-law 83(2) of the Bye-laws and therefore required to retire shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.



# REPORT OF THE DIRECTORS

Accordingly, (i) Mr. XI Wenbo shall hold office until the forthcoming AGM, and (ii) each of Mr. Liao Qian and Mr. XU Yan shall retire and all of the aforesaid Directors, being eligible, offer themselves for re-election at the forthcoming AGM. An ordinary resolution will also be proposed at the forthcoming AGM for the purpose of authorising the Board to fix the Directors' remuneration.

## **REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS**

Particulars of the remuneration of the Directors and the five highest paid individuals (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

## **EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES**

Please refer to the Corporate Governance Report contained on page 29 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the Directors.

## **PENSION SCHEMES**

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements. The Group's contribution to the MPF Scheme are expensed as incurred and not reduced by forfeited contribution (by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions).

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

Save as otherwise disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year ended 31 December 2023.

## **CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS**

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries.



# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and/or short position of the Directors and chief executives of the Company in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules were as follows:

### Interests in the Company – Long Positions

Name of Director	Nature of interest	Number of Ordinary Shares Held Personal Interest	Number of Shares Held under Equity Derivatives (Note 1)	Total	Approximate Percentage of Issued Share Capital of the Company (Note 2)
OUYANG Hongping	Beneficial owner	14,037,998	–	14,037,998	0.66%

Note:

- These equity derivatives were outstanding share options granted to the relevant Directors under the share option scheme of the Company.
- Such percentage was calculated based on the number of Shares and underlying Shares of the Company in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at 31 December 2023, being 2,114,307,929 Shares in issue.

### Interests in Associated Corporation of the Company – Long Positions

#### TCL Technology (Note 1)

Name of Director	Nature of interest	Number of Ordinary Shares Held Personal Interest	Other Interest (Note 2)	Number of Shares Held under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Technology (Note 3)
LIAO Qian	Beneficial owner	1,240,944	323,838	–	1,564,782	0.0083%
OUYANG Hongping	Beneficial owner	277,338	204,006	–	481,344	0.0026%
XI Wenbo	Beneficial owner	424,698	268,802	–	693,500	0.0037%

Notes:

- TCL Technology, a joint stock limited company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- These interests are incentive shares that has been granted to the relevant Director under the incentive scheme adopted by TCL Technology and were not vested as at 31 December 2023.
- Such percentage was calculated based on the number of issued share capital of TCL Technology as at 31 December 2023, being 18,779,080,767 shares in issue, as informed by TCL Technology.



# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executives of the Company had registered an interest and/or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 3)
TCL Technology	Interest of controlled corporation	1,357,439,806 (Note 1)	64.20%
TCL CSOT	Interest of controlled corporation	1,357,439,806 (Note 2)	64.20%

#### Notes:

- For the purpose of Part XV of the SFO, TCL Technology is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly owned by TCL CSOT which is owned as to 79.17% by TCL Technology as at 31 December 2023.
- For the purpose of Part XV of the SFO, TCL CSOT is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly-owned by TCL CSOT.
- Such percentage was calculated based on the total number of Shares in which each of the substantial shareholders was interested as disclosed on the website of the Stock Exchange against the number of issued shares of the Company as at 31 December 2023, being 2,114,307,929 Shares.
- As at 31 December 2023, the following Directors were directors/employees of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
  - Mr. LIAO Qian was also an executive director, senior vice president and the secretary of the board of directors of TCL Technology;
  - Mr. OUYANG Hongping was also the senior vice president of TCL CSOT, a director of Wuhan CSOT (a subsidiary of TCL Technology) and a director and a general manager of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited\* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT); and
  - Mr. XI Wenbo was also the vice president and head of financial centre of TCL CSOT.



# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, no person, other than the Directors and chief executives of the Company whose interests or short positions are set out in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”, the share option scheme as disclosed under the heading “Share Option Scheme”, and the share award scheme as disclosed under the heading “Share Award Scheme” in this annual report, at no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in the Company or any other body corporate.

## **SHARE OPTION SCHEME**

By way of a resolution of the shareholders of the Company passed on the further special general meeting of the Company on 11 March 2015, the Company adopted the share option scheme (“Share Option Scheme”) with effect from the resumption of trading in the Company’s shares on the Stock Exchange on 25 June 2015 and, unless otherwise terminated, will remain in force for 10 years from that date until 24 June 2025. The purpose of the Share Option Scheme is to recognise, motivate and provide incentives and rewards to the eligible participants who contribute to the success of the Group’s operations, and to help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Eligible participants of the Share Option Scheme include employees of the Company or any of its subsidiaries (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. The Share Option Scheme has not yet been amended according to the latest amendments to Chapter 17 of the Listing Rules which took effect from 1 January 2023.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue on the date of approval of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the issued Shares from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantive shareholder, independent non-executive director or other associates) of the issued Shares unless otherwise approved by the Shareholders at a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.



## REPORT OF THE DIRECTORS

The offer of a grant of share options may be accepted by each grantee (and upon payment of a non-refundable nominal consideration of HK\$1.00 by each grantee) until 5:00 p.m. of the 5th business day following the date of offer, provided that no such offer shall be open for acceptance after the expiry or termination of the Share Option Scheme. The Share Option Scheme does not specify any minimum holding period or vesting period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the Shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option. The exercise price of a share option to subscribe for Shares is determined by the Board, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant; (ii) the average closing price of the Shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares. Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

For further details, please refer to note 29 to the financial statements in this annual report. Both as at 31 December 2023 and as at 10 April 2024, being the latest practicable date of this annual report, the total number of Shares available for issue in respect of the Share Option Scheme was 172,149,980 shares, representing approximately 8.14% of the then issued Shares as at both 31 December 2023 and 20 April 2023.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the share options as set out in note 29 to the financial statements in this annual report, which are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

During the year ended 31 December 2023, no share options has been granted, exercised, lapsed, canceled or forfeited. As at 1 January 2023 and 31 December 2023, there was no outstanding share option granted under the Share Option Scheme.

During the year ended 31 December 2023, no share was issued pursuant to the Share Option Scheme.

### SHARE AWARD SCHEME

The Board resolved to adopt the share award scheme ("Share Award Scheme") with effect from 17 March 2016. The purposes and objectives of the Share Award Scheme are to recognise and motivate the contribution of its participants and to provide them with incentives, to help the Company in retaining its existing employees and attracting and recruiting suitable personnel as additional employees for further development of the Group, and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The specific mandate for the issuance and allotment of new shares as awarded Shares pursuant to the Share Award Scheme was subsequently approved by the special general meeting of the Company on 11 May 2016. On 9 August 2017, the Share Award Scheme was amended by the Board, pursuant to which, the Board may accelerate the vesting of the unvested awarded Shares for grantees on a date prior to the original vesting date and waive or alter any or all of the vesting conditions attached to such awarded Shares. Unless otherwise terminated, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from 17 March 2016 until 16 March 2026. The Share Award Scheme has not yet been amended according to the latest amendments to Chapter 17 of the Listing Rules which took effect from 1 January 2023.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion designate an award ("Award" and collectively "Awards") to be made to a selected participant ("Selected Person" and collectively "Selected Persons"). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company (i.e. TCL Technology and its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as an affiliated companies in the financial statements of TCL Technology, which shall include any companies in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital (or in case such companies have no share capital, a power to exercise or control the exercise not less than 20% of voting in its members' meeting)) whom the Board in its sole discretion considers may contribute or have contributed to the Group.





## REPORT OF THE DIRECTORS

Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administering the Share Award Scheme (the "Trustee"), from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company, in both case the costs of which will be borne by the Company, and will be held on trust by the trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any) in accordance with the provisions of the Share Award Scheme.

Subject to the refreshment of the scheme limit and the adjustment in the event of consolidation or subdivision of shares, the Board shall not make any further award of awarded Shares which will result in: (i) the aggregate number of the Shares awarded under the Share Award Scheme exceeding 10% of the issued Share capital of the Company as at the date of adoption of the Share Award Scheme (i.e. 172,149,980 Shares); and (ii) the aggregate number of the Shares held by public Shareholders falling below the minimum percentage as prescribed under the Listing Rules.

Unless otherwise approved by the Shareholders and subject to the adjustment in the event of consolidation or subdivision of Shares, the aggregate number of new Shares to be granted as awarded Shares in each financial year shall not exceed 3% of the total number of issued Shares as at the date of approval of the Share Award Scheme (i.e. 51,644,994 Shares) or the latest new approval date (i.e. latest date on which the relevant Shareholders' approval of the refreshed scheme limit is obtained), as the case may be.

Unless otherwise approved by the Shareholders and subject to the adjustment in the event of consolidation or subdivision of Shares, the maximum number of Shares which may be awarded to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% of the issued share capital of the Company as at the adoption date of the Share Award Scheme (i.e. 17,214,998 Shares) or the latest new approval date (i.e. latest date on which the relevant Shareholders' approval of the refreshed scheme limit is obtained), as the case may be, provided that the aggregate interests of the connected persons in the Share Award Scheme shall at all time be less than 30%.

The Share Award Scheme does not specify any minimum vesting period. Pursuant to the Share Award Scheme, the Board has the authority to determine, among other things, the vesting period and schedule, the number and form of awarded Shares, and the terms and conditions for each grant of Award in respect of the Awards. In general, the grantees of the Award are not required to pay for the awarded Shares.

During the year ended 31 December 2023, no Award has been granted, vested, cancelled, lapsed or deducted. There was no outstanding or unvested Award granted under the Share Award Scheme as at 1 January 2023 and as at 31 December 2023.

Since the adoption date of the Share Award Scheme and up to 31 December 2023, 103,289,988 Shares in aggregate have been granted under the Share Award Scheme, of which 102,946,488 Shares had been vested, and 343,500 Shares had been forfeited. Accordingly, both as at 1 January 2023 and as at 31 December 2023, an aggregate of 68,859,992 awarded Shares were available for grant in the form of existing Shares or new Shares under the existing scheme mandate/scheme limit of the Share Award Scheme, and hence an aggregate of 68,859,992 Shares can be issued under the Share Award Scheme, which represented approximately 3.26 % of the issued Shares of the Company as at 1 January 2023, 31 December 2023 and 10 April 2024, being the latest practicable date of this annual report. For further details, please see note 28 to the financial statements

During the year ended 31 December 2023, no share option under the Share Option Scheme nor Award under the Share Award Scheme was granted. As disclosed above, as at 1 January 2023, nil share option and nil Award was outstanding/unvested and hence no Shares may be issued pursuant thereto.



# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group entered into a number of connected transactions with TCL Technology (being the ultimate controlling shareholder of the Company) and its subsidiaries and/or its associates (as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2023:

- (a) Pursuant to the Master Financial Services (2023-2025) Agreement dated 31 October 2022 entered into among the Company, TCL Technology and the Finance Company (as amended and supplemented by the Supplemental Agreement with a term from 1 January 2023 to 31 December 2025, the Company may from time to time utilise the financial services provided by TCL Financial Services Associates (as defined in the circulars of the Company dated 21 November 2022 and 22 November 2023 respectively) including deposit services, financing services, cash pooling services and other financial services.

During the year ended 31 December 2023, (i) the maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits and deposits as security) due from the Finance Company was RMB887,628,000; (ii) aggregate face value of bills discounted was nil; and (iii) no financial service charges in respect of other financial services has been paid by the Group pursuant to the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement).

As at 31 December 2023, the relevant balance of advance to TCL Technology under the meaning of Chapter 13 of the Listing Rules amounted to RMB846,403,000, which was deposits placed with TCL Technology pursuant to the Master Financial Services (2023-2025) Agreement (as amended and supplemented by the Supplemental Agreement); out of which: (i) approximately RMB831,403,000 was placed with TCL Technology with interest rates ranging from 1.05% to 2.55% per annum and repayable within one year and without collateral; (ii) approximately RMB15,000,000 was placed with TCL Technology with interest rates of 2.85% per annum and repayable in the third year and without collateral.

Further details of the Master Financial Services (2023-2025) Agreement and the Supplemental Agreement are set out in the circulars of the Company dated 21 November 2022 and 22 November 2023 respectively.

- (b) Pursuant to the Master Sale and Purchase (2022-2024) Agreement dated 24 November 2021 entered into between the Company and TCL Technology for a term commencing from 1 January 2022 to 31 December 2024, the Group (i) purchased materials from members of TCL Technology Group and/or associates of TCL Technology amounting to RMB298,319,000, and (ii) sold products to members of TCL Technology Group and/or associates of TCL Technology amounting to RMB842,783,000, during the year ended 31 December 2023.

The respective aggregate amount of purchase of materials from TCL Technology Group and/or associates of TCL Technology by the Group and aggregate amount of sales of products to TCL Technology Group and/or associates of TCL Technology during the year ended 31 December 2023 did not exceed 50% of the Group's then total revenue in the year ended 31 December 2023.

Further details of the Master Sale and Purchase (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.



## REPORT OF THE DIRECTORS

- (c) Pursuant to the Master Processing (2022-2024) Agreement dated 24 November 2021 entered into between the Company and TCL Technology for a term commencing from 1 January 2022 to 31 December 2024, if any member of TCL Technology Group and/or associates of TCL Technology so requests, the Group may from time to time process raw materials into semi-finished materials and/or finished goods, and the Group received processing fee from TCL Technology Group and/or associates of TCL Technology amounting to RMB64,875,000 during the year ended 31 December 2023.

Further details of the Master Processing (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.

- (d) Pursuant to the Master Human Resources Subcontracting (2022-2024) Agreement dated 24 November 2021 entered into between the Company and Huizhou TCL Human Resources Services Company Limited\* (惠州TCL人力資源服務有限公司, hereinafter "Huizhou TCL", an associate of TCL Technology) (Huizhou TCL and its subsidiaries together referred to as "Huizhou TCL Group") for a term commencing from 1 January 2022 to 31 December 2024, the Group may from time to time engage the Huizhou TCL Group for provision of human resources services. During the year ended 31 December 2023, service fees in the amount of RMB35,843,000 have been paid by the Group to the Huizhou TCL Group for the human resources services.

Further details of the Master Human Resources Subcontracting (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.

- (e) Pursuant to the Master Import Agency and Logistics Services (2022-2024) Agreement dated 13 December 2021 entered into between the Company and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.\* (深圳前海啟航供應鏈管理有限公司, hereinafter "Qianhai Sailing", an associate of TCL Technology) for a term commencing from 1 January 2022 to 31 December 2024, the Group utilised the logistics services and import agency services provided by Qianhai Sailing and paid RMB1,229,000 to Qianhai Sailing as service fees during the year ended 31 December 2023.

Further details of the Master Import Agency and Logistics Services (2022-2024) Agreement are set out in the announcement of the Company dated 13 December 2021.

- (f) Pursuant to the Master Equipment Rental (2023-2025) Agreement dated 4 April 2023 entered into between the Company and Wuhan CSOT for a term commencing from 4 April 2023 to 31 December 2025, the Group may from time to time rent machineries, equipment, tools and articles from Wuhan CSOT. During the year ended 31 December 2023, rental fees in the amount of RMB3,708,000 have been paid by the Group to Wuhan CSOT for renting equipment.

Further details of the Master Equipment Rental (2023-2025) Agreement are set out in the announcement of the Company dated 4 April 2023.

All the related party transactions set out in note 34 to the financial statements (except for transactions with Shenzhen Jucai Supply Chain Technology Co., Ltd.\* (深圳聚採供應鏈科技有限公司, an affiliate of TCL Technology) (which included purchases of plant, vehicles, furniture and fixtures of RMB2,800,000 and purchases of products of RMB48,918,000) and transactions with TCL Holdings and its then affiliates or associates) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions, and confirmed that such continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.



# REPORT OF THE DIRECTORS

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange. Ernst & Young has confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions entered into during the year ended 31 December 2023, (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing has come to their attention that causes them to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the year ended 31 December 2023 and up to the date of this report, none of the Directors has any interest in business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **MANAGEMENT CONTRACT**

Save for employment contracts, no contracts concerning the management and administration of the whole or substantial part of any business of the Company were entered into or subsisted during the year ended 31 December 2023.

## **PERMITTED INDEMNITY PROVISION**

The Bye-laws provides that each Director or other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all losses which he or she may incur or sustain in or about the execution of the duties of his or her office. The Company has taken out and maintained Directors' liability insurance which provides aforesaid indemnities with appropriate cover for the Directors and directors of the subsidiaries of the Company. The permitted indemnity provisions (within the meaning in section 469 of the Companies Ordinance, Cap. 622 of Laws of Hong Kong) contained in the Bye-laws and the Directors' liability insurance were in force during the financial year ended 31 December 2023 and as at the date of this annual report.

## **EQUITY-LINKED AGREEMENTS**

Save for the Share Option Scheme and the Share Award Scheme as disclosed in the paragraphs headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" in this Report of the Directors, no equity linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreement that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the said period.

## **CORPORATE GOVERNANCE**

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 17 to 34 in this annual report.



# REPORT OF THE DIRECTORS

## 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. 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.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total number of issued Shares was held by the public for the year ended 31 December 2023 and up to the date of this annual report.

## AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely, Ms. HSU Wai Man, Helen (as the chairperson), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive Directors of the Company. The Group's annual results for the year ended 31 December 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.

## AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

## LIAO QIAN

*Chairman*

Hong Kong  
15 March 2024



# INDEPENDENT AUDITOR'S REPORT



## To the shareholders of China Display Optoelectronics Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

### OPINION

We have audited the consolidated financial statements of China Display Optoelectronics Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 127, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<b>Inventories provision</b>	
<p>The Group is principally engaged in the research and development, manufacture, sale and distribution of liquid crystal display (“LCD”) modules. The Group’s inventories are subject to the significant risk of obsolescence accompanying with the rapid technology development of the LCD module industry. Significant management judgement is accordingly involved when determining the extent of write-down of inventories to net realisable value. Management is required to estimate the respective future selling prices and selling costs to determine if any provision should be made or should be reversed.</p> <p>Details of the inventory provision are disclosed in note 3 and note 6 to the consolidated financial statements.</p>	<p>We assessed the process and methods used by management to make provision for obsolete inventories. Our assessment included evaluating management’s inventory ageing profiles, selecting samples covering each ageing period of the ageing reports and checking the original goods receipt notes and invoices.</p> <p>We evaluated the inventory’s net realisable value, on a sampling basis, by comparing the forecast selling price and estimated costs to completion to existing contracts and recent market prices. Furthermore, we considered the subsequent sales trend analysis and assessed management’s sales plan.</p> <p>We reviewed and assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.</p>

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.



# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

*Certified Public Accountants*  
Hong Kong  
15 March 2024



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	5	<b>2,576,806</b>	4,208,350
Cost of sales		<b>(2,402,755)</b>	(3,864,606)
Gross profit		<b>174,051</b>	343,744
Other income and gains, net	5	<b>86,722</b>	70,124
Selling and distribution expenses		<b>(19,807)</b>	(39,824)
Administrative expenses		<b>(164,563)</b>	(173,143)
Reversal of impairment of financial assets		<b>571</b>	8
Other expenses		<b>(57,976)</b>	(31,557)
Finance costs	7	<b>(651)</b>	(1,646)
PROFIT BEFORE TAX	6	<b>18,347</b>	167,706
Income tax (expense)/credit	10	<b>(5,261)</b>	1,319
PROFIT FOR THE YEAR		<b>13,086</b>	169,025
Attributable to:			
Owners of the parent		<b>13,086</b>	169,025
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	12		
Basic			
– For profit for the year		<b>RMB0.62 cents</b>	RMB8.06 cents
Diluted			
– For profit for the year		<b>RMB0.62 cents</b>	RMB8.06 cents



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT FOR THE YEAR	<b>13,086</b>	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	<b>(3,803)</b>	(357)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(3,803)</b>	(357)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<b>(3,803)</b>	(357)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>9,283</b>	168,668
Attributable to:		
Owners of the parent	<b>9,283</b>	168,668

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	722,606	582,110
Intangible assets	16	12,499	16,262
Goodwill	15	3,011	3,011
Deposits paid for purchase of items of property, plant and equipment	19	2,453	12,385
Deferred tax assets	26	8,475	11,767
Right-of-use assets	14(a)	29,456	30,896
Treasury deposits at related party	20	15,000	–
Time deposits	22	19,000	19,000
<b>Total non-current assets</b>		<b>812,500</b>	675,431
<b>CURRENT ASSETS</b>			
Inventories	17	200,641	135,129
Trade and bills receivables	18	542,417	730,865
Prepayments and other receivables	19	119,252	745,551
Derivative financial instruments	21	2,486	14,233
Treasury deposits at related party	20	831,403	–
Cash and cash equivalents	22	23,178	278,972
<b>Total current assets</b>		<b>1,719,377</b>	1,904,750
<b>CURRENT LIABILITIES</b>			
Trade payables	23	1,049,888	1,072,636
Other payables and accruals	24	409,907	380,273
Derivative financial instruments	21	5,036	5,220
Interest-bearing bank and other borrowings	25	3,161	2,815
Lease liabilities	14(b)	337	532
Tax payable		41,468	42,905
<b>Total current liabilities</b>		<b>1,509,797</b>	1,504,381
<b>NET CURRENT ASSETS</b>		<b>209,580</b>	400,369
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,022,080</b>	1,075,800
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	25	–	59,508
Lease liabilities	14(b)	234	562
Deferred income		10,929	13,695
Deferred tax liabilities	26	1,469	1,870
<b>Total non-current liabilities</b>		<b>12,632</b>	75,635
<b>Net assets</b>		<b>1,009,448</b>	1,000,165



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Share capital	27	<b>172,134</b>	172,134
Reserves	30	<b>837,314</b>	828,031
		<b>1,009,448</b>	1,000,165
Total equity		<b>1,009,448</b>	1,000,165

**Ouyang Hongping**  
*Director*

**Xi Wenbo**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital	Share premium account	Capital reserve	Contributed surplus	Share option reserve	Share award reserve	Shares held for the Share Award Scheme	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(note 27)	(note 30)	(note 30)	(note 29)	(note 28)	(note 28)	(note 30)			
At 1 January 2022	172,134	79,476	(77,680)	167,911	7,870	50	(13,080)	80,904	(2,495)	416,407	831,497
Profit for the year	-	-	-	-	-	-	-	-	-	169,025	169,025
Other comprehensive loss for the year:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	(357)	-	(357)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(357)	169,025	168,668
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	19,698	-	(19,698)	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	(7,870)	-	-	-	-	7,870	-
At 31 December 2022	<b>172,134</b>	<b>79,476*</b>	<b>(77,680)*</b>	<b>167,911*</b>	<b>-*</b>	<b>50*</b>	<b>(13,080)*</b>	<b>100,602*</b>	<b>(2,852)*</b>	<b>573,604*</b>	<b>1,000,165</b>

	Attributable to owners of the parent										
	Share capital	Share premium account	Capital reserve	Contributed surplus	Share option reserve	Share award reserve	Shares held for the Share Award Scheme	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(note 27)	(note 30)	(note 30)	(note 29)	(note 28)	(note 28)	(note 30)			
At 1 January 2023	172,134	79,476	(77,680)	167,911	-	50	(13,080)	100,602	(2,852)	573,604	1,000,165
Profit for the year	-	-	-	-	-	-	-	-	-	13,086	13,086
Other comprehensive loss for the year:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	(3,803)	-	(3,803)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	(3,803)	13,086	9,283
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	8,576	-	(8,576)	-
At 31 December 2023	<b>172,134</b>	<b>79,476*</b>	<b>(77,680)*</b>	<b>167,911*</b>	<b>-*</b>	<b>50*</b>	<b>(13,080)*</b>	<b>109,178*</b>	<b>(6,655)*</b>	<b>578,114*</b>	<b>1,009,448</b>

\* These reserve accounts comprise the reserves of RMB837,314,000 (2022: RMB828,031,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023



	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>18,347</b>	167,706
Adjustments for:			
Finance costs	7	<b>651</b>	1,646
Bank interest income		<b>(35,297)</b>	(20,050)
Loss/(gain) on disposal of items of property, plant and equipment		<b>3,259</b>	(88)
Depreciation		<b>74,661</b>	63,850
Impairment of items of property, plant and equipment		<b>267</b>	–
Amortisation of intangible assets		<b>4,566</b>	2,829
Depreciation of right-of-use assets	14(a)	<b>5,609</b>	14,089
(Reversal of impairment)/impairment of trade and bills receivables	6	<b>(435)</b>	1
Reversal of impairment of other receivables	6	<b>(92)</b>	–
(Reversal of write-down)/write-down of inventories to net realisable value	6	<b>(1,791)</b>	526
Realised loss on derivative financial instruments	6	<b>42,023</b>	28,619
Covid-19-related rent concessions from lessors	14(c)	–	(72)
Exchange gains, net		<b>(22,648)</b>	(16,991)
		<b>89,120</b>	242,065
(Increase)/decrease in inventories		<b>(63,721)</b>	270,401
Decrease in trade and bills receivables		<b>188,883</b>	95,178
(Increase)/decrease in prepayments, deposits and other receivables		<b>(76,788)</b>	12,459
Decrease in trade payables		<b>(22,748)</b>	(405,973)
Decrease in other payables and accruals		<b>(8,795)</b>	(43,562)
Decrease/(increase) in derivative financial instruments		<b>11,563</b>	(10,159)
Decrease in deferred income		<b>(2,766)</b>	(1,527)
Cash from operations		<b>114,748</b>	158,882
Chinese Mainland taxes paid		<b>(17,306)</b>	(29,391)
Net cash flows from operating activities		<b>97,442</b>	129,491
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>35,297</b>	20,050
Purchases of items of property, plant and equipment		<b>(151,150)</b>	(169,700)
Purchases of items of intangible assets	16	<b>(803)</b>	(1,218)
Proceeds from disposal of items of property, plant and equipment		<b>3,566</b>	844
Advances to the ultimate holding company		<b>693,247</b>	(693,247)
Increase in treasury deposits at related party		<b>(846,403)</b>	–
Acquisition of a subsidiary	31	–	(50,133)
Proceeds from disposal of financial assets at fair value through profit or loss, net		<b>(42,023)</b>	6,110
Net cash flows used in investing activities		<b>(308,269)</b>	(887,294)



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New bank loans and other borrowings		<b>3,161</b>	60,323	
Repayment of bank loans		<b>(62,323)</b>	(52,224)	
Repayment of other loans		-	(24,000)	
Interest paid		<b>(652)</b>	(1,652)	
Principal portion of lease payments	<i>32(b)</i>	<b>(4,761)</b>	(15,838)	
Net cash flows used in financing activities		<b>(64,575)</b>	(33,391)	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of year	<i>22</i>	<b>278,972</b>	1,053,445	
Effect of foreign exchange rate changes, net		<b>19,608</b>	16,721	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>23,178</b>	278,972	
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	<i>22</i>	<b>23,178</b>	268,371	
Non-pledged time deposits with original maturity of less than three months when acquired	<i>22</i>	-	10,601	
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		<i>22</i>	<b>23,178</b>	278,972





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE AND GROUP INFORMATION

China Display Optoelectronics Technology Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is located at 8/F, Building 22E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

During the year ended 31 December 2023, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the manufacture and sale of LCD modules for mobile phones and tablets, and the provision of processing service of LCD modules.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are High Value Ventures Limited, a limited liability company incorporated in the British Virgin Islands, and TCL Technology Group Corporation (formerly known as “TCL Technology”), a limited liability company registered in the People’s Republic of China (the “PRC”) and listed on the Shenzhen Stock Exchange, respectively.

### Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Display Optoelectronics Technology (Huizhou) Co., Ltd. (“CDOT Huizhou”)*	PRC/Chinese Mainland	RMB451,686,900	RMB451,686,900	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and processing service of LCD modules
Huizhou Kedate Zhixian Technology Co., Ltd. (“Kedate Zhixian”)*	PRC/Chinese Mainland	RMB51,000,000	RMB51,000,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and processing service of LCD modules
Taijia Investment Limited	Hong Kong	HK\$10,000	HK\$10,000	–	100	Investment holding, merchandising and sales
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK\$1	HK\$1	–	100	Investment holding, merchandising and sales
TCL Intelligent Display Electronics Limited	Bermuda	HK\$1	HK\$1	100	–	Investment holding
TCL Display Technology (BVI) Limited	British Virgin Islands	US\$1	US\$1	–	100	Investment holding
Taixing Investment Limited	Bermuda	HK\$10,000	HK\$10,000	100	–	Investment holding

\* CDOT Huizhou and Kedate Zhixian are registered as limited liability companies under PRC law.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES

### 2.1 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.2 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	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

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

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2024*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2025*

<sup>3</sup> *No mandatory effective date yet determined but available for adoption*

<sup>4</sup> *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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards (Continued)

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.

### 2.4 Material Accounting Policies

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### **Business combinations and goodwill (Continued)**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Fair value measurement**

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Plant and machinery	14% to 32%
Office and other equipment	14% to 32%
Leasehold improvements	19% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

##### *Computer software*

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

##### *Patents and licences*

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Intangible assets (other than goodwill) (Continued)

##### *Research and development costs*

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Plant and properties	44 months
Equipment	60 months

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Leases (Continued)

##### *Group as a lessee (Continued)*

##### (b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Investments and other financial assets (Continued)

##### *Initial recognition and measurement (Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative financial instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Impairment of financial assets (Continued)

##### *General approach (Continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and other borrowings, financial liabilities at fair value through profit or loss and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, derivative financial instruments, interest-bearing bank and other borrowings.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Financial liabilities (Continued)

##### *Subsequent measurement (Continued)*

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### **Derivative financial instruments**

##### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

##### *Sale of industrial products*

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the LCD module products.

##### *Processing and manufacturing services*

Revenue from processing and manufacturing service is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the LCD module products.

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

#### Share-based payments

The Company operates the Share Award Scheme and the Share Option Scheme (as defined in note 28 and note 29 to the financial statements, respectively) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each year until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

As disclosed in note 28 to the financial statements, the Group has engaged a trustee to administer the Share Award Scheme, where the trustee may purchase shares issued by the Company from the market as awards to the relevant participants. The consideration paid by the Company, including any directly attributable incremental costs, is presented as “shares held for the Share Award Scheme” and deducted from the Group’s equity.

#### Other employee benefits

##### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries in accordance with the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2. ACCOUNTING POLICIES (Continued)

### 2.4 Material Accounting Policies (Continued)

#### Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### Foreign currencies

The functional currency of the Company is HKD and these financial statements are presented in RMB. Most of the turnover of the Group is contributed by the business in Chinese Mainland and the presentation currency of RMB could provide users of the financial statements with more comparable information with other companies in similar industries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in these financial statements:

#### Tax

The New PRC Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Chinese Mainland to its foreign investors in respect of its earnings, from 1 January 2008 or thereafter, shall be subject to withholding corporate income tax at an applicable rate of 5% or 10%. The Group evaluates the necessity of dividend distribution of its subsidiaries established in Chinese Mainland out of profits earned after 1 January 2008 and makes decisions on such dividend distributions based on senior management's judgement. As at 31 December 2023, the aggregate unremitted earnings of RMB686,256,000 (31 December 2022: RMB609,304,000) of the Group's subsidiaries established in Chinese Mainland that are subject to withholding taxes were considered to be not probable to distribute in the foreseeable future and accordingly, the related deferred tax liabilities of RMB34,313,000 as at 31 December 2023 (31 December 2022: RMB30,465,000) were not recognised.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB3,011,000 (2022: RMB3,011,000). Further details are given in note 15.

#### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Provision for expected credit losses on trade receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

#### Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each year and makes a provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the year in which such estimates have been changed. During the year ended 31 December 2023, the amount of the reversal of write-down of the inventories recognised in the consolidated statement of profit or loss was RMB1,791,000 (31 December 2022: write-down of RMB526,000).



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 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 RMB'000	2022 RMB'000
Chinese Mainland*	759,949	1,973,836
Other countries/areas	1,816,857	2,234,514
	<b>2,576,806</b>	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.





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	<b>2,576,806</b>	4,208,350

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

For the year ended 31 December 2023

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (a) Disaggregated revenue information (Continued)

For the year ended 31 December 2022

Segments	LCD modules RMB'000
<b>Type of goods or services</b>	
Sale of industrial products	4,172,765
Processing and manufacturing services	35,585
<b>Total revenue from contracts with customers</b>	<b>4,208,350</b>
<b>Geographical markets</b>	
Chinese Mainland	1,973,836
Hong Kong	2,232,800
Thailand	1,714
<b>Total revenue from contracts with customers</b>	<b>4,208,350</b>
<b>Timing of revenue recognition</b>	
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 RMB'000	2022 RMB'000
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Sale of industrial products	<b>56,815</b>	79,989



## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (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 RMB'000	2022 RMB'000
<b>Other income</b>		
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
	<b>65,358</b>	33,321
<b>Other net gain</b>		
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
	<b>21,364</b>	36,803
	<b>86,722</b>	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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold*		<b>2,402,755</b>	3,866,531
Depreciation of property, plant and equipment	13	<b>74,661</b>	63,850
Amortisation of intangible assets	16	<b>4,566</b>	2,829
Depreciation of right-of-use assets	14	<b>5,609</b>	14,089
Auditor's remuneration		<b>1,284</b>	1,233
Research and development costs <sup>^</sup> : Current year expenditures		<b>118,211</b>	132,047
Lease payments not included in the measurement of lease liabilities		<b>3,694</b>	886
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		<b>182,421</b>	256,745
Pension scheme contributions		<b>25,546</b>	22,450
		<b>207,967</b>	279,195
Exchange gains, net		<b>(15,357)</b>	(23,732)
Fair value loss on derivative financial instruments***		<b>11,659</b>	-
Realised loss on derivative financial instruments***		<b>42,023</b>	28,619
(Reversal of impairment)/impairment of trade and bills receivables		<b>(435)</b>	1
Reversal of impairment of other receivables		<b>(92)</b>	-
(Reversal of write-down)/write-down of inventories to net realisable value**		<b>(1,791)</b>	526
Loss/(Gains) on disposal of items of property, plant and equipment		<b>3,259</b>	(88)

<sup>^</sup> 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans and other borrowings	546	725
Interest on lease liabilities ( <i>note 14 (b)</i> )	69	432
Interest on discounted bills	36	489
	<b>651</b>	1,646

## 8. DIRECTORS' REMUNERATION

Directors' remuneration during the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	486	465
Other emoluments:		
Salaries, allowances and benefits in kind	1,243	1,493
Performance related bonuses	1,938	4,310
Pension scheme contributions	94	89
	<b>3,275</b>	5,892
	<b>3,761</b>	6,357



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 8. DIRECTORS' REMUNERATION (Continued)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees <i>RMB'000</i>	Equity-settled share option expense <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
<b>2023</b>			
Ms. HSU Wai Man Helen	162	–	162
Mr. XU Yan	162	–	162
Mr. LI Yang	162	–	162
	<b>486</b>	<b>–</b>	<b>486</b>
<b>2022</b>			
Ms. HSU Wai Man Helen	155	–	155
Mr. XU Yan	155	–	155
Mr. LI Yang	155	–	155
	465	–	465

All the independent non-executive directors were appointed with effect from 25 June 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 8. DIRECTORS' REMUNERATION (Continued)

### (b) Executive directors and a non-executive director

2023	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. OUYANG Hongping	-	529	36	1,140	1,705
Mr. WEN Xianzhen	-	714	58	798	1,570
Mr. ZHANG Feng*	-	-	-	-	-
Mr. XI Wenbo*	-	-	-	-	-
Non-executive director:					
Mr. LIAO Qian	-	-	-	-	-
	-	1,243	94	1,938	3,275

2022	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. OUYANG Hongping	-	910	3,060	68	4,038
Mr. WEN Xianzhen	-	583	1,250	21	1,854
Mr. ZHANG Feng	-	-	-	-	-
Non-executive director:					
Mr. LIAO Qian	-	-	-	-	-
	-	1,493	4,310	89	5,892

\* Mr. ZHANG Feng resigned as an executive director of the Company and Mr. XI Wenbo was appointed as an executive director of the Company with effect from 2 June 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two director (2022: two), details of whose remuneration are set out in note 8 above. Details of the remuneration during the year of the remaining three (2022: three) non-directors of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,655	1,182
Performance related bonuses	2,358	3,441
Pension scheme contributions	166	82
	<b>4,179</b>	4,705

The number of non-directors highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK\$1,500,001 to HK\$2,000,000	3	3

## 10. 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 RMB'000	2022 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	<b>5,261</b>	(1,319)



# NOTES TO FINANCIAL STATEMENTS

31 December 2023



## 10. INCOME TAX (Continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

### 2023

	Chinese Mainland		Hong Kong		British Virgin Islands and Bermuda		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<b>74,531</b>		<b>(54,258)</b>		<b>(1,926)</b>		<b>18,347</b>	
Tax at the statutory tax rate	<b>11,194</b>	<b>15.0</b>	<b>(8,953)</b>	<b>16.5</b>	-	-	<b>2,241</b>	<b>12.2</b>
Income not subject to tax	-	-	<b>9,162</b>	<b>(16.9)</b>	-	-	<b>9,162</b>	<b>49.9</b>
Expenses not deductible for tax and others	<b>587</b>	<b>0.8</b>	-	-	-	-	<b>587</b>	<b>3.2</b>
Adjustment in respect of current tax of previous periods	<b>(7,506)</b>	<b>(10.1)</b>	-	-	-	-	<b>(7,506)</b>	<b>(40.9)</b>
Deductible temporary differences not recognised	-	-	<b>(9)</b>	-	-	-	<b>(9)</b>	-
Tax loss not recognised	-	-	<b>786</b>	<b>(1.4)</b>	-	-	<b>786</b>	<b>4.3</b>
Tax charge at the Group's effective tax rate	<b>4,275</b>	<b>5.7</b>	<b>986</b>	<b>(1.8)</b>	-	-	<b>5,261</b>	<b>28.7</b>

### 2022

	Chinese Mainland		Hong Kong		British Virgin Islands and Bermuda		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	193,158		(21,897)		(3,555)		167,706	
Tax at the statutory tax rate	28,989	15.0	(3,613)	16.5	-	-	25,376	15.1
Income not subject to tax	-	-	2,851	(13.0)	-	-	2,851	1.7
Expenses not deductible for tax and others	728	0.4	-	-	-	-	728	0.4
Adjustment in respect of current tax of previous periods	(39,940)	(20.7)	-	-	-	-	(39,940)	(23.8)
Effect on opening deferred tax of decrease in rates	8,759	4.5	-	-	-	-	8,759	5.2
Deductible temporary differences not recognised	-	-	(9)	-	-	-	(9)	-
Tax loss not recognised	-	-	916	(4.2)	-	-	916	0.5
Tax charge at the Group's effective tax rate	(1,464)	(0.8)	145	(0.7)	-	-	(1,319)	(0.8)

The Group has tax losses of RMB27,997,000 arising in Hong Kong (Year ended 31 December 2022: RMB23,234,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 11. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends recognised as distribution	-	-

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

## 12. 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 RMB13,086,000 (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 RMB'000	2022 RMB'000
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	<b>13,086</b>	169,025

	Number of shares	
	2023	2022
<b>Shares</b>		
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	<b>2,096,908,406</b>	2,096,908,406



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2023</b>						
At 31 December 2022:						
Cost	-	473,798	35,100	76,957	435,453	1,021,308
Accumulated depreciation	-	(340,682)	(27,391)	(71,125)	-	(439,198)
Net carrying amount	-	133,116	7,709	5,832	435,453	582,110
At 1 January 2023, net of accumulated depreciation	-	133,116	7,709	5,832	435,453	582,110
Additions	-	83,059	745	13,305	125,140	222,249
Disposal	-	(4,026)	(611)	(2,188)	-	(6,825)
Depreciation provided during the year	(11,895)	(55,597)	(2,918)	(4,251)	-	(74,661)
Impairment	-	(267)	-	-	-	(267)
Transfers	428,225	125,286	768	6,314	(560,593)	-
At 31 December 2023 net of accumulated depreciation and impairment	416,330	281,571	5,693	19,012	-	722,606
At 31 December 2023:						
Cost	428,225	649,928	30,602	24,874	-	1,133,629
Accumulated depreciation and impairment	(11,895)	(368,357)	(24,909)	(5,862)	-	(411,023)
Net carrying amount	416,330	281,571	5,693	19,012	-	722,606
	Plant and machinery RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000	
<b>31 December 2022</b>						
At 31 December 2021:						
Cost	518,953	34,631	72,628	204,023	830,235	
Accumulated depreciation	(295,440)	(23,586)	(67,663)	-	(386,689)	
Net carrying amount	223,513	11,045	4,965	204,023	443,546	
At 1 January 2022, net of accumulated depreciation	223,513	11,045	4,965	204,023	443,546	
Additions	32,103	908	4,943	165,089	203,043	
Acquisition of a subsidiary (note 31)	-	127	-	-	127	
Disposal	(494)	(36)	(226)	-	(756)	
Depreciation provided during the year	(55,665)	(4,335)	(3,850)	-	(63,850)	
Transfers	(66,341)	-	-	66,341	-	
At 31 December 2022 net of accumulated depreciation and impairment	133,116	7,709	5,832	435,453	582,110	
At 31 December 2022:						
Cost	473,798	35,100	76,957	435,453	1,021,308	
Accumulated depreciation and impairment	(340,682)	(27,391)	(71,125)	-	(439,198)	
Net carrying amount	133,116	7,709	5,832	435,453	582,110	

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of plant and properties, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms with 44 months. Other equipment generally has lease terms of 60 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land <i>RMB'000</i>	Right-of-use assets		Total <i>RMB'000</i>
		Plant and properties <i>RMB'000</i>	Equipment <i>RMB'000</i>	
As at 1 January 2022	<b>28,459</b>	<b>391</b>	<b>2,702</b>	<b>31,552</b>
Additions	-	<b>13,333</b>	-	<b>13,333</b>
Depreciation charge	<b>(603)</b>	<b>(12,964)</b>	<b>(522)</b>	<b>(14,089)</b>
Exchange realignment	-	<b>100</b>	-	<b>100</b>
As at 31 December 2022 and 1 January 2023	<b>27,856</b>	<b>860</b>	<b>2,180</b>	<b>30,896</b>
Additions	-	<b>4,156</b>	-	<b>4,156</b>
Depreciation charge	<b>(604)</b>	<b>(4,483)</b>	<b>(522)</b>	<b>(5,609)</b>
Exchange realignment	-	<b>13</b>	-	<b>13</b>
As at 31 December 2023	<b>27,252</b>	<b>546</b>	<b>1,658</b>	<b>29,456</b>



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES (Continued)

### The Group as a lessee (Continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	1,094	3,139
Additions	4,156	13,333
Accretion of interest recognised during the year	69	432
Covid-19-related rent concessions from lessors	–	(72)
Payments	(4,761)	(15,838)
Exchange realignment	13	100
<b>Carrying amount at 31 December</b>	<b>571</b>	<b>1,094</b>
Analysed into:		
Current portion	337	532
Non-current portion	234	562

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

#### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	69	432
Depreciation charge of right-of-use assets	5,609	14,089
Expense relating to short-term leases (included in cost of sales)	3,694	886
Covid-19-related rent concessions from lessors	–	(72)
<b>Total amount recognised in profit or loss</b>	<b>9,372</b>	<b>15,335</b>

#### (d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32(b) to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 15. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost and net carrying amount at 31 December	<b>3,011</b>	3,011

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing.

#### Medium-sized display module cash-generating unit

The recoverable amount of the medium-sized display module cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.95%. The growth rate used to extrapolate the cash flows of the medium-sized display module cash-generating unit beyond the five-year period is 2.3%.

Assumptions were used in the value in use calculation of the sales of the medium-sized display module cash-generating unit for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rates* – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of medium-sized display modules and discount rates are consistent with external information sources.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 16. INTANGIBLE ASSETS

	Patents and licences <i>RMB'000</i>	Computer software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2023</b>			
Cost at 1 January 2023, net of accumulated amortisation	12,467	3,795	16,262
Additions	–	803	803
Amortisation provided during the year	(2,671)	(1,895)	(4,566)
At 31 December 2023	9,796	2,703	12,499
At 31 December 2023:			
Cost	13,358	13,791	27,149
Accumulated amortisation	(3,562)	(11,088)	(14,650)
Net carrying amount	9,796	2,703	12,499
	Patents and licences <i>RMB'000</i>	Computer software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2022</b>			
Cost at 1 January 2022, net of accumulated amortisation	–	4,515	4,515
Additions	–	1,218	1,218
Acquisition of a subsidiary ( <i>note 31</i> )	13,358	–	13,358
Amortisation provided during the year	(891)	(1,938)	(2,829)
At 31 December 2022	12,467	3,795	16,262
At 31 December 2022:			
Cost	13,358	12,988	26,346
Accumulated amortisation	(891)	(9,193)	(10,084)
Net carrying amount	12,467	3,795	16,262

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 17. INVENTORIES

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

## 18. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	532,506	729,085
Bills receivable	10,553	2,857
Impairment	(642)	(1,077)
	<b>542,417</b>	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 RMB'000	2022 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
	<b>542,417</b>	730,865





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 18. TRADE AND BILLS RECEIVABLES (Continued)

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

	2023 RMB'000	2022 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		Total
	Less than 6 months	Over 6 months	
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		Total
	Less than 6 months	Over 6 months	
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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 19. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Non-current:		
Deposits paid for purchase of items of property and equipment	2,453	12,385
Current:		
Prepayments	64,132	1,860
Deposits and other receivables	55,120	743,691
	<b>119,252</b>	745,551

None of the above assets is either past due or impaired. Deposits and other receivables mainly represent deposits paid for purchase of items of property and equipment, deposits paid for value added tax and deposits with suppliers. The expected credit losses are estimated with reference to the historical loss record of the Group. As at 31 December 2023, the probability of default and the loss given default of deposits and other receivables were estimated to be minimal.

Included in the Group's prepayments and other receivables are amounts due from the related parties of RMB19,575,000 (2022: RMB716,482,000).

## 20. TREASURY DEPOSITS AT RELATED PARTY

As at 31 December 2023, the treasury deposits at related party amounted to approximately RMB846,403,000, which were deposits placed with TCL Technology pursuant to the supplemental agreement of the Master Financial Services (2023-2025) Agreement dated 27 October 2023 entered into between the Company, TCL Technology and TCL Technology Finance Co., Ltd. ("Finance Company"), a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China; out of which: (i) approximately RMB831,403,000 was placed with TCL Technology with interest rates ranging from 1.05% to 2.55% per annum and repayable within one year and without collateral; and (ii) approximately RMB15,000,000 was placed with TCL Technology with an interest rate of 2.85% per annum and repayable in the third year and without collateral. For details of the supplemental agreement of the Master Financial Services (2023-2025) Agreement, please refer to the circular of the Company dated 21 November 2023.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 RMB'000		2022 RMB'000	
	Assets	Liabilities	Assets	Liabilities
Forward currency contracts	2,486	5,036	14,233	5,220

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The net losses, including the realised and unrealised, on changes in the fair value of the forward currency contracts amounting to RMB50,329,000 (2022: net losses of RMB15,350,000) were recognised in the consolidated financial statement of profit or loss during the year.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 22. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cash and bank balances	<b>23,178</b>	268,371
Time deposits	<b>19,000</b>	29,601
	<b>42,178</b>	297,972
Less: Non-pledged time deposits with original maturity of more than one year	<b>19,000</b>	19,000
Cash and cash equivalents	<b>23,178</b>	278,972
Cash and cash equivalents and time deposits denominated in		
– RMB	<b>35,210</b>	35,758
– HK\$	<b>2,228</b>	1,830
– US\$	<b>4,740</b>	260,384
Cash and cash equivalents and time deposits	<b>42,178</b>	297,972

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, included in the Group's cash and bank balances and time deposits were deposits of RMB29,528,382 (31 December 2022: RMB41,527,266), placed with Finance Company. The interest rate for the deposits placed with Finance Company. ranges from 0.35% to 2.75% (2022: 1.3% to 2.75%) per annum, being the savings rate offered by the People's Bank of China during the year. Further details of the interest income from the deposits in the related parties are set out in note 34 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 23. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	<b>1,049,888</b>	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	<b>587,058</b>	591,248
31 to 60 days	<b>225,483</b>	83,654
61 to 90 days	<b>149,125</b>	124,277
Over 90 days	<b>88,222</b>	273,457
	<b>1,049,888</b>	1,072,636

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

## 24. OTHER PAYABLES AND ACCRUALS

		2023 RMB'000	2022 RMB'000
Contract liabilities	(a)	<b>50,910</b>	56,815
Salaries and welfare payables		<b>81,545</b>	92,571
Tax payables other than current income tax liabilities		<b>3,767</b>	5,962
Interest payable		–	70
Other payables	(b)	<b>272,796</b>	224,190
Accruals		<b>889</b>	665
		<b>409,907</b>	380,273

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	31 December 2021 RMB'000
<u>Short-term advances received from customers</u>			
Sale of goods	<b>50,910</b>	56,815	79,989

Contract liabilities include short-term advances received to deliver LCD module products. The fluctuation in contract liabilities in 2023 and 2022 was mainly due to the fluctuation in short-term advances received from customers in relation to the sale of LCD module products at the end of the years.

(b) Other payables are non-interest-bearing and have an average term of three months.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

### Notes:

- 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.
- 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.
- Other borrowings included discounted notes receivable of RMB2,815,000 as at 31 December 2022.
- As at 31 December 2023, all borrowings are denominated in RMB.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Impairments <i>RMB'000</i>	Depreciation in excess of related depreciation allowance <i>RMB'000</i>	Accruals <i>RMB'000</i>	Government grants <i>RMB'000</i>	Derivative financial liabilities <i>RMB'000</i>	Loss available for offsetting against future taxable profits <i>RMB'000</i>	Lease liability <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	3,846	10,197	3,762	3,805	288	–	–	21,898
Credited/(charged) to the statement of profit or loss during the year ( <i>note 10</i> )	(1,532)	(5,159)	(1,948)	(1,751)	4	255	–	(10,131)
At 31 December 2022 and 1 January 2023	2,314	5,038	1,814	2,054	292	255	–	11,767
Credited/(charged) to the statement of profit or loss during the year ( <i>note 10</i> )	(356)	(1,392)	(1,334)	(415)	109	345	90	(2,953)
At 31 December 2023	1,958	3,646	480	1,639	401	600	90	8,814

### Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary <i>RMB'000</i>	Right-of-use <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	–	–	–
Acquisition of a subsidiary ( <i>note 31</i> )	2,013	–	2,013
Charged/(credited) to the statement of profit or loss during the year ( <i>note 10</i> )	(143)	–	(143)
At 31 December 2022 and 1 January 2023	1,870	–	1,870
Charged/(credited) to the statement of profit or loss during the year ( <i>note 10</i> )	(401)	339	(62)
At 31 December 2023	1,469	339	1,808



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 26. DEFERRED TAX (Continued)

### Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	8,475	11,767
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,469	1,870

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. No temporary differences associated with the investment in the subsidiary in Chinese Mainland for which deferred tax liabilities have not been recognised as at 31 December 2023 (31 December 2022: Nil).

## 27. 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 28. SHARE AWARD SCHEME

On 17 March 2016 (the "Adoption Date"), the Board (for the purposes of the Share Award Scheme, defined below, also including such committee or such sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer) resolved to adopt a restricted share award scheme (the "Share Award Scheme") for the purpose of providing incentives to the participants under the Share Award Scheme. Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion, designate an award ("Award" and collectively "Awards") to be made to a selected participant ("Selected Person" and collectively "Selected Persons"). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group. Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administering the Share Award Scheme (the "Trustee") from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares"), in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period, subject to fulfilment of the vesting conditions (if any). The specific mandate for the issuance and allotment of new shares as Awarded Shares pursuant to the Share Award Scheme was approved by the shareholders of the Company at the special general meeting of the Company held on 11 May 2016 (the "Approval Date"). On 9 August 2017, the Share Award Scheme was amended by the Group, pursuant to which, the Board may accelerate the vesting of the unvested Awarded Shares for grantees on a date prior to the original vesting date and waive or alter any or all of the vesting conditions attached to such Awarded Shares.

Subject to the refreshment of the scheme limit and the adjustment in the event of consolidation or subdivision of shares, the Board shall not make any further award of Awarded Shares which will result in: (i) the aggregate number of the Awarded Shares granted under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date (i.e. 172,149,980 shares); and (ii) the aggregate number of the Shares held by public shareholders of the Company falling below the minimum percentage as prescribed under the Listing Rules. Unless otherwise approved by the shareholders of the Company, the aggregate number of new shares to be granted as Awarded Shares in each financial year shall not exceed 3% of the total number of issued shares of the Company as at the Approval Date (i.e. 51,644,994 shares) or the latest new approval date (i.e. latest date on which the relevant shareholders' approval is obtained), as the case may be.

On 20 May 2016, the Company entered-into a trust deed with BOCI-Prudential Trustee Limited ("BOCI") whereby the BOCI was appointed as Trustee.

On 17 March 2016, the Board resolved to conditionally grant Awards with new shares to certain grantees (the "Shares Grant A") pursuant to the terms of the Share Award Scheme. This involves granting Awards in front of a total of 51,644,994 Awarded Shares being new shares to 97 Selected Persons. The Shares Grant A was subject to (i) the approval of the specific mandate for the issuance and allotment of new shares as Awarded Shares pursuant to the Share Award Scheme by the shareholders; and (ii) the approval by the listing committee of the Stock Exchange for the listing of, and permission to deal in, such new shares. The conditions were all fulfilled on 11 May 2016.

On 9 August 2017, the Board resolved to conditionally grant Awards in front of new shares to certain grantees (the "Shares Grant B") pursuant to the terms of the Share Award Scheme. This involves conditionally granting Awards in front of a total of 44,813,829 Awarded Shares being new shares and 6,831,165 Awarded Shares being existing shares from the market to 145 Selected Persons, who are all employees, and 2 Selected Persons, who are all non-employees, respectively. Out of the 145 Selected Persons of the Shares Grant B, 4 are connected persons of the Company (the "Connected Grantees") who are conditionally granted a total of 15,364,499 Awarded Shares being new Shares. The proposed Awards to such Connected Grantees constitute connected transactions and are therefore also subject to the approval by the independent shareholders, which has been obtained on 13 October 2017.

Unvested Awarded Shares do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

Since the Adoption Date and up to 31 December 2023, 103,289,988 Shares in aggregate have been granted under the Share Award Scheme of the Company, of which 102,946,488 Shares had been vested, and 343,500 Shares had been forfeited.





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 28. SHARE AWARD SCHEME (Continued)

As at 31 December 2023, an aggregate of 1,710,704 Awarded Shares were unvested. There was no movement in the number of the unvested Award Shares during the year (2022: Nil).

During the reporting period, no Award Share has been granted, vested, cancelled, lapsed or deducted. Nor were there any outstanding Awards granted under the Share Award Scheme at the beginning and/or at the end of the reporting period.

## 29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of recognising and providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, helping the Group in retaining its existing employees, recruiting additional employees and providing them with a direct economic interest in attaining the long-term business objectives of the Group. Eligible participants of the Share Option Scheme include employees of the Company or any of its subsidiaries (including any executive and non-executive director or proposed executive and non-executive director of the Company), adviser, consultant, agent, contractor, client or supplier of any member of the Group or any other person whom the Board in its sole discretion considers may contribute or have contributed to the Group. The Share Option Scheme became effective on 25 June 2015 and, unless otherwise terminated, will remain in force for 10 years from that date.

The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of approval of each of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantive shareholder, independent non-executive director or other associates, see the paragraph below) of the issued shares of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK\$1.00 by each grantee. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

The exercise price of a share option to subscribe for shares of the Company is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

In 2022, 32,806,987 share options expired, and the share option reserve was transferred to retained profits accordingly. As at 31 December 2023, there were no outstanding share options under the Share Option Scheme (2022: Nil).



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 30. RESERVES

The amounts of the Group's reserves and the movements therein during the years ended 31 December 2023 and 2022 are presented in the consolidated statement of changes in equity on page 60 of the financial statements.

### Capital reserve

The capital reserve with the amount of RMB77,970,000 arose from the Reverse Takeover Transaction in 2015, with the adjustment of CDOT Huizhou's legal capital to reflect the Company's legal capital, and the capital reserve with the amount of RMB290,000 arose from the contribution from a non-controlling shareholder.

### Statutory surplus reserve

In accordance with the PRC Company Law, the subsidiaries registered in the PRC are required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital of the subsidiaries registered in the PRC, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

### Contributed surplus

Upon compliance with Section 4b(2) of the Companies Act 1981 of Bermuda, the annual general meeting had passed the resolution to cancel the amount standing to the credit of the share premium amount of RMB237,632,000 and to transfer the amount to the contributed surplus account in 2017. Adjustments have been made standing to the debit of the share premium account each time when the Company declared dividend since then.

## 31. BUSINESS COMBINATION

On 1 August 2022, the Group entered into the Equity Transfer Agreement to acquire a 100% interest in Kedate Zhixian from an associate of TCL Holdings at a consideration of RMB51,000,000, and the acquisition completed on 31 August 2022. The acquisition was made as part of the Group's strategy to develop its medium-sized display module business to capitalise on the opportunities brought about by market trends.

The fair values of the identifiable assets and liabilities of Kedate Zhixian as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Current assets	37,487
Non-current assets	13,549
Current liabilities	(1,034)
Non-current liabilities	(2,013)
Total identifiable net assets at fair value	47,989
Goodwill on acquisition	3,011
Satisfied by Cash	51,000



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 31. BUSINESS COMBINATION (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(51,000)
Cash and bank balances acquired	867
Net outflow of cash and cash equivalents included in cash flows from investing activities	(50,133)

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

	2023		
	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payables <i>RMB'000</i>
At 1 January 2023	<b>62,323</b>	<b>1,094</b>	<b>70</b>
Changes from financing cash flows	<b>(59,162)</b>	<b>(4,761)</b>	<b>(652)</b>
New leases	-	<b>4,156</b>	-
Interest expense	-	<b>69</b>	<b>582</b>
Effect of foreign exchange rate changes, net	-	<b>13</b>	-
At 31 December 2023	<b>3,161</b>	<b>571</b>	-
	2022		
	Interest-bearing bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payables <i>RMB'000</i>
At 1 January 2022	78,224	3,139	509
Changes from financing cash flows	(15,901)	(15,838)	(1,652)
New leases	-	13,333	-
Interest expense	-	432	1,213
Covid-19-related rent concessions from lessors	-	(72)	-
Effect of foreign exchange rate changes, net	-	100	-
At 31 December 2022	62,323	1,094	70



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
With operating activities	<b>(3,694)</b>	(886)
With financing activities	<b>(4,761)</b>	(15,838)
	<b>(8,455)</b>	(16,724)

## 33. COMMITMENTS

(a) The Group had the following capital commitments as at the end of the year:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Plant and machinery	<b>46,839</b>	133,618



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 34. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Transactions with related parties

The Group had the following transactions with related parties, namely TCL Technology Group Corporation (“TCL Technology”) and the then affiliates and TCL Holdings and the then affiliates, during the year:

	2023 RMB'000	2022 RMB'000
TCL Technology and the then affiliates:		
Sales of products	770,251	1,321,491
Processing services	64,875	35,585
Sales of raw materials and samples	72,531	13,631
Purchases of products	347,238	202,696
Purchases of plant, vehicles, furniture and fixtures	2,800	2,052
Purchases of services	1,229	2,549
Rental and other related charges	3,708	–
Interest income	32,674	17,680
Purchases of Human Resources Services	35,843	–
Guarantee fee	178	842
	<b>1,331,327</b>	1,596,526
TCL Holdings and the then affiliates:		
Sales of products	144,069	405,804
Sales of raw materials and samples	2,359	1,033
Purchases of products	–	8,000
Purchases of plant, vehicles, furniture and fixtures	4,024	–
Purchases of services	949	3,578
Rental and other related charges	354	260
Interest income	239	129
Purchases of Human Resources Services	–	1,516
	<b>151,994</b>	420,320

### (b) Other transactions with related parties

The Company’s ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB59,508,000 as at 31 December 2022, as further detailed in note 25 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Current:				
TCL Technology and the then affiliates	<b>981,043</b>	<b>1,127,951</b>	269,460	317,506
TCL Holdings and the then affiliates	<b>70,246</b>	<b>49,958</b>	194,264	17,371
	<b>1,051,289</b>	<b>1,177,909</b>	463,724	334,877
Non-current:				
TCL Technology and the then affiliates	<b>15,000</b>	<b>1,257</b>	–	–
TCL Holdings and the then affiliates	–	<b>2,457</b>	–	–
	<b>15,000</b>	<b>3,714</b>	–	–
	<b>1,066,289</b>	<b>1,181,623</b>	463,724	334,877

As at 31 December 2023, the current balance with the immediate holding company, an affiliate of TCL Technology, relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company amounted to RMB34,300,000(2022: RMB33,804,000). The remaining balances with TCL Technology and the then affiliates and TCL Holdings and the then affiliates are mainly trading balances which are repayable on credit terms similar to those offered to the major customers of the Group.

### (d) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	<b>7,454</b>	10,328
	<b>7,454</b>	10,328

Further details of directors' emoluments are included in note 8 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

31 December 2023	Financial assets at fair value through profit or loss Designated as such upon initial recognition <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>
<b>Financial assets</b>		
Trade and bills receivables	–	542,417
Financial assets included in prepayments and other receivables	–	23,117
Treasury deposits at related party	–	846,403
Time deposit	–	19,000
Cash and cash equivalents	–	23,178
Derivative financial instruments	2,486	–
	<b>2,486</b>	<b>1,454,115</b>
<hr/>		
31 December 2022	Financial assets at fair value through profit or loss Designated as such upon initial recognition <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>
<b>Financial assets</b>		
Trade and bills receivables	–	730,865
Financial assets included in prepayments and other receivables	–	728,814
Time deposit	–	19,000
Cash and cash equivalents	–	278,972
Derivative financial instruments	15,590	–
	15,590	1,757,651

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2023	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>
<b>Financial liabilities</b>		
Trade payables	–	1,049,888
Financial liabilities included in other payables and accruals	–	264,071
Interest-bearing bank borrowings and other borrowings	–	3,161
Lease liabilities	–	571
Derivative financial instruments	5,036	–
	<b>5,036</b>	<b>1,317,691</b>
<hr/>		
31 December 2022	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>
<b>Financial liabilities</b>		
Trade payables	–	1,072,636
Financial liabilities included in other payables and accruals	–	215,576
Interest-bearing bank borrowings and other borrowings	–	62,323
Lease liabilities	–	1,094
Derivative financial instruments	5,220	–
	<b>5,220</b>	<b>1,351,629</b>





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 36. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the finance director and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of time deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

The Group enters into forward currency contracts with various counterparties. Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, market risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 71% (2022: 53%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 28% (2022: 12%) of costs were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
<b>31 December 2023</b>		
If RMB weakens against US\$	5	11,820
If RMB strengthens against US\$	(5)	(11,820)
<b>31 December 2022</b>		
If RMB weakens against US\$	5	5,186
If RMB strengthens against US\$	(5)	(5,186)

### Market risk

The Group's production process requires a significant amount of LCD, IC circuits and other materials, and the Group's success depends significantly on its ability to secure sufficient and constant supply of these principal raw materials for its production at acceptable price levels. LCD is the most significant raw material used in the Group's production. The Group does not have long-term, fixed-cost supply contracts of raw materials with its suppliers. Since many of the Group's sales are priced by reference to the market price at the time of a particular order, its exposure to the risk of changes in the price is reduced.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, financial assets included in prepayments and other receivables, and time deposit, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had concentrations of credit risk as 77% (31 December 2022: 89%) of the Group's trade and bills receivables were due from the Group's five largest customers as at 31 December 2023.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023. The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2023

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	RMB'000
Trade receivables*	–	532,506	532,506
Bills receivable			
– Not yet past due	10,553	–	10,553
Financial assets included in prepayments and other receivables			
– Normal **	23,117	–	23,117
Treasury deposits at related party	846,403	–	846,403
Cash and cash equivalents			
– Not yet past due	23,178	–	23,178
Time Deposit			
– Not yet past due	19,000	–	19,000
	<b>922,251</b>	<b>532,506</b>	<b>1,454,757</b>



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Simplified approach RMB'000	RMB'000
Trade receivables*	–	729,085	729,085
Bills receivable			
– Not yet past due	2,857	–	2,857
Financial assets included in prepayments and other receivables			
– Normal **	727,160	–	727,160
Cash and cash equivalents			
– Not yet past due	278,972	–	278,972
Time Deposit			
– Not yet past due	19,000	–	19,000
	1,027,989	729,085	1,757,074

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2023, based on the contractual undiscounted payments, was as follows:

	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2023</b>			
Trade payables	1,049,888	–	1,049,888
Financial liabilities included in other payables and accruals	264,071	–	264,071
Lease liabilities	357	238	595
Interest-bearing bank and other borrowings	3,161	–	3,161
	<b>1,317,477</b>	<b>238</b>	<b>1,317,715</b>

	Less than 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2022</b>			
Trade payables	1,072,636	–	1,072,636
Financial liabilities included in other payables and accruals	215,576	–	215,576
Lease liabilities	567	586	1,153
Interest-bearing bank and other borrowings	2,815	59,578	62,393
	1,291,594	60,164	1,351,758

Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that interest-bearing bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals, lease liabilities less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the years are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables	<b>1,049,888</b>	1,072,636
Other payables and accruals	<b>264,071</b>	215,576
Interest-bearing bank and other borrowings (note 25)	<b>3,161</b>	62,323
Lease liabilities	<b>571</b>	1,094
Less: Cash and cash equivalents	<b>(23,178)</b>	(278,972)
Net debt	<b>1,294,513</b>	1,072,657
Equity attributable to owners of the parent	<b>1,009,448</b>	1,000,165
Capital and net debt	<b>2,303,961</b>	2,072,822
Gearing ratio	<b>56%</b>	52%



# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 38. TRANSFERS OF FINANCIAL ASSETS

### (a) Transferred financial assets that are not derecognised in their entity

As part of its normal business, the Group entered into trade receivable factoring arrangements and transferred certain trade receivables to banks for cash. In the opinion of the directors, the Group retained substantially all risks and rewards of the transferred trade receivables, and accordingly, it continued to recognise the full carrying amounts of the transferred trade receivables and the associated liabilities which were the collateralised bank advances. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties.

At 31 December 2023, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills") with a carrying amount of RMB3,161,000 (31 December 2022: 2,815,000). In the opinion of the directors, the Group had retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the associated interest-bearing bank borrowings.

### (b) Transferred financial assets that are derecognised in their entity

The Group had not endorse certain bills receivable accepted by banks to certain of its suppliers (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of resource against the Group if the PRC banks default (the "Continuing involvement"). In the opinion of the directors, the Group had transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amounts of the Derecognised Bills and associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the year ended 31 December 2023, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	<b>270,098</b>	267,525
Total non-current assets	<b>270,098</b>	267,525
CURRENT ASSETS		
Cash and cash equivalents	<b>85</b>	9
Prepayments and other receivables	<b>102,499</b>	102,597
Total current assets	<b>102,584</b>	102,606
CURRENT LIABILITIES		
Other payables and accruals	<b>132,446</b>	130,572
Total current liabilities	<b>132,446</b>	130,572
NET CURRENT LIABILITIES	<b>(29,862)</b>	(27,966)
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>240,236</b>	239,559
Net assets	<b>240,236</b>	239,559
EQUITY		
Share capital	<b>172,134</b>	172,134
Reserves (Note 30)	<b>68,102</b>	67,425
	<b>240,236</b>	239,559





# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total equity RMB'000
At 1 January 2022	79,476	167,911	7,870	(197,445)	476	58,288
Loss for the year	–	–	–	(3,548)	–	(3,548)
Exchange differences on translation of financial statements	–	–	–	–	12,685	12,685
Total comprehensive income/(loss) for the year	–	–	–	(3,548)	12,685	9,137
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(7,870)	7,870	–	–
At 31 December 2022	79,476	167,911	–	(193,123)	13,161	67,425

	Share premium account RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total equity RMB'000
At 1 January 2023	<b>79,476</b>	<b>167,911</b>	<b>(193,123)</b>	<b>13,161</b>	<b>67,425</b>
Loss for the year	–	–	(1,476)	–	(1,476)
Exchange differences on translation of financial statements	–	–	–	<b>2,153</b>	<b>2,153</b>
Total comprehensive income/(loss) for the year	–	–	(1,476)	<b>2,153</b>	<b>677</b>
At 31 December 2023	<b>79,476</b>	<b>167,911</b>	<b>(194,599)</b>	<b>15,314</b>	<b>68,102</b>

The Company's contributed surplus represents the cancellation of the amount standing to the credit of the share premium and transferred to the contributed surplus account with effect from the resolution approved at the annual general meeting held on 22 June 2017. Pursuant to Bermuda company law, a company may make distributions to its members out of the contributed surplus in certain circumstances. Adjustments have been made standing to the debit of the share premium account each time when the Company declared dividend since then.

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2024.



## FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results, assets and liabilities of the Group for the last five financial years ended 31 December 2023, as extracted from the published audited financial statements and restated and/or reclassified as appropriate, is set out as below:

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000 (restated)	2019 RMB'000 (restated)
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>2,576,806</b>	4,208,350	5,840,094	3,571,170	2,959,600
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	<b>18,347</b>	167,706	219,888	78,149	79,933
Income tax credit/(expense)	<b>(5,261)</b>	1,319	(53,400)	(23,631)	(15,883)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<b>13,086</b>	169,025	166,488	54,518	64,050
<b>DISCONTINUED OPERATIONS</b>					
Profit/(loss) for the year from discontinued operations	–	–	33,223	(48,194)	(16,574)
PROFIT FOR THE YEAR	<b>13,086</b>	169,025	199,711	6,324	47,476
Attributable to:					
Owners of the parent	<b>13,086</b>	169,025	193,215	25,147	52,448
Non-controlling interests	–	–	6,496	(18,823)	(4,972)
	<b>13,086</b>	169,025	199,711	6,324	47,476

### ASSETS AND LIABILITIES

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
TOTAL ASSETS	<b>2,531,877</b>	2,580,181	2,887,065	3,114,684	3,203,597
TOTAL LIABILITIES	<b>(1,522,429)</b>	(1,580,016)	(2,055,568)	(2,364,180)	(2,458,894)
Non-controlling interest	–	–	–	(111,436)	(130,259)
Equity attributable to owners of the parent	<b>1,009,448</b>	1,000,165	831,497	639,068	614,444