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China Display Optoelectronics Technology Holdings Limited
華顯光電技術控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 334)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

Unaudited results for the six months ended 30 June

	2024	2023	Change
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Revenue	1,841,000	1,226,859	50.1%
Gross profit	69,605	86,774	(19.8%)
Profit/(loss) for the period	6,974	(7,418)	N/A
Profit/(loss) attributable to owners of the parent	6,974	(7,418)	N/A
Basic earnings/(loss) per share attributable to owners of the parent			
– For profit/(loss) for the period	RMB0.33 cents	(RMB0.35 cents)	N/A

The board (the “Board”) of directors (each a “Director”, together the “Directors”) of China Display Optoelectronics Technology Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 (the “Review Period”) with comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	4	1,841,000	1,226,859
Cost of sales		<u>(1,771,395)</u>	<u>(1,140,085)</u>
Gross profit		<u>69,605</u>	<u>86,774</u>
Other income and gains	4	32,035	36,076
Selling and distribution expenses		(5,813)	(12,259)
Administrative expenses		(96,231)	(70,763)
(Provision for)/reversal of impairment on financial assets		(67)	221
Other expenses		(1,135)	(50,533)
Finance costs	6	<u>(51)</u>	<u>(592)</u>
LOSS BEFORE TAX	5	<u>(1,657)</u>	<u>(11,076)</u>
Income tax credit	7	<u>8,631</u>	<u>3,658</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>6,974</u>	<u>(7,418)</u>

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:			
	Owners of the parent	<u><u>6,974</u></u>	<u><u>(7,418)</u></u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO OWNERS			
OF THE PARENT			
		<i>9</i>	
Basic			
	– For profit/(loss) for the period	<u><u>RMB0.33 cent</u></u>	<u><u>(RMB0.35 cent)</u></u>
Diluted			
	– For profit/(loss) for the period	<u><u>RMB0.33 cent</u></u>	<u><u>(RMB0.35 cent)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT/(LOSS) FOR THE PERIOD	<u>6,974</u>	<u>(7,418)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(1,226)</u>	<u>(9,353)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(1,226)</u>	<u>(9,353)</u>
OTHER COMPREHENSIVE LOSS, NET OF TAX	<u>(1,226)</u>	<u>(9,353)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX	<u>5,748</u>	<u>(16,771)</u>
Attributable to:		
Owners of the parent	<u>5,748</u>	<u>(16,771)</u>
	<u>5,748</u>	<u>(16,771)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		717,624	722,606
Intangible assets		12,981	12,499
Goodwill		3,011	3,011
Deposits paid for purchase of items of property, plant and equipment		8,733	2,453
Deferred tax assets		8,468	8,475
Right-of-use assets		28,568	29,456
Treasury deposits at related party		235,000	15,000
Time deposits		19,000	19,000
		<hr/>	<hr/>
Total non-current assets		1,033,385	812,500
CURRENT ASSETS			
Inventories		205,458	200,641
Trade and bills receivables	<i>10</i>	660,465	542,417
Prepayments and other receivables		96,657	119,252
Derivative financial instruments		–	2,486
Treasury deposits at related party		841,121	831,403
Cash and cash equivalents		36,286	23,178
		<hr/>	<hr/>
Total current assets		1,839,987	1,719,377

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	<i>11</i>	1,219,933	1,049,888
Other payables and accruals		592,851	409,907
Derivative financial instruments		2,780	5,036
Interest-bearing bank and other borrowings	<i>12</i>	–	3,161
Lease liabilities		–	337
Tax payable		23,159	41,468
		<u>1,838,723</u>	<u>1,509,797</u>
Total current liabilities			
		<u>1,264</u>	<u>209,580</u>
NET CURRENT ASSETS			
		<u>1,034,649</u>	<u>1,022,080</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities		–	234
Deferred income		17,984	10,929
Deferred tax liabilities		1,469	1,469
		<u>19,453</u>	<u>12,632</u>
Total non-current liabilities			
		<u>1,015,196</u>	<u>1,009,448</u>
Net assets			
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	172,134	172,134
Reserves		843,062	837,314
		<u>1,015,196</u>	<u>1,009,448</u>
Total equity			

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2. CHANGES TO THE GROUP’S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the current period’s financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 1	<i>Amendments to Non-current Liabilities and Covenants</i>
Amendments to HKAS 7	<i>Amendments to Supplier Finance Arrangements</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</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 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 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.
- (c) 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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment being the display products segment which principally engages in the processing, manufacture and sale of LCD module products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024 (Unaudited) <i>RMB'000</i>	2023 (Unaudited) <i>RMB'000</i>
Mainland China	1,628,833	196,576
Other countries/areas	<u>212,167</u>	<u>1,030,283</u>
	<u>1,841,000</u>	<u>1,226,859</u>

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

(b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue of approximately RMB888,916,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB485,285,000) was derived from sales to related companies.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Segments	LCD modules	LCD modules
Types of goods and services		
Sale of industrial products	1,818,142	1,209,564
Processing services	<u>22,858</u>	<u>17,295</u>
Total revenue from contracts with customers	<u>1,841,000</u>	<u>1,226,859</u>
Geographical markets		
Mainland China	1,628,833	196,576
Other countries/areas	<u>212,167</u>	<u>1,030,283</u>
Total revenue from contracts with customers	<u>1,841,000</u>	<u>1,226,859</u>
Timing of revenue recognition		
Goods and services transferred at a point in time	<u>1,841,000</u>	<u>1,226,859</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income, net		
Bank interest income	17,785	7,694
Subsidy income*	12,391	2,071
Gain on disposal of raw materials, samples and scraps	1,042	6,322
Others	1,418	48,453
	<u>32,636</u>	<u>64,540</u>
Gains, net		
Exchange gains	833	19,655
Fair value gains, net:		
Derivative financial instruments –		
transactions not qualifying as hedges	(230)	(9,419)
Realised gain on derivative financial instruments	(1,204)	(38,700)
	<u>32,035</u>	<u>36,076</u>

* Subsidy income represented various government grants received by the Group in Mainland China. In the opinion of the management, there are no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE TAX

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

	For the six months	
	ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	1,771,395	1,140,085
Depreciation	44,543	51,559
Amortisation of intangible assets	1,320	1,252
Depreciation of right-of-use assets	217	217
Research and development costs:		
Current period expenditures*	64,236	52,136
Employee benefit expense (including directors' remuneration):		
Wages and salaries	176,128	155,462
Pension scheme contributions	7,884	9,065
	184,012	164,527
Exchange gains, net	(833)	(19,655)
Realised loss on derivative financial instruments***	1,204	38,700
Fair value loss on derivative financial instruments***	230	9,419
Impairment/(reversal of impairment) of trade and bills receivables	78	(208)
Reversal of impairment of financial assets included in prepayments and other receivables	(12)	(7)
Write-down of inventories to net realisable value**	1,863	132

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

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans and bonds	–	580
Interest on lease liabilities	–	1
Interest on discounted notes without recourse and factored trade receivables	<u>51</u>	<u>11</u>
	<u>51</u>	<u>592</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Hong Kong		
Charge for the period	<u>–</u>	<u>–</u>
Current – Mainland China		
(Credit)/charge for the period	(997)	6,597
Adjustment in respect of current tax of previous periods	(7,890)	(10,884)
Deferred	<u>256</u>	<u>629</u>
Total tax credit for the period	<u>(8,631)</u>	<u>(3,658)</u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings/(loss) per share amount for the six months ended 30 June 2024 is based on the profit/(loss) for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,096,908,406 (six months ended 30 June 2023: 2,096,520,150) in issue less shares held for the share award scheme of the Company (“Share Award Scheme”) during the period, as adjusted to reflect the rights issue during the period.

The Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024.

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings/(Loss)		
Profit/(loss) attributable to owners of the parent, used in the basic and diluted earnings/(loss) per share calculations	6,974	(7,418)
	Number of shares	
	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic and diluted earnings/(loss) per share calculations	2,096,908,406	2,096,520,150

10. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	651,208	532,506
Bills receivable	9,977	10,553
Impairment	(720)	(642)
	<u>660,465</u>	<u>542,417</u>

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2024 (the “Interim Period”), based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 1 month	201,841	223,225
1 to 2 months	222,705	186,819
2 to 3 months	217,659	125,955
Over 3 months	18,260	6,418
	<u>660,465</u>	<u>542,417</u>

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

11. TRADE PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables	<u>1,219,933</u>	<u>1,049,888</u>

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 30 days	617,729	587,058
31 to 60 days	286,427	225,483
61 to 90 days	189,924	149,125
Over 90 days	<u>125,853</u>	<u>88,222</u>
	<u>1,219,933</u>	<u>1,049,888</u>

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–	0.20-0.21	2024	3,161
			–			3,161
			–			3,161
Analysed into:						
Bank loans repayable						
Within one year			–			3,161
			–			3,161
			–			3,161

Notes:

- (a) The Group had banking facilities of RMB1,770,000,000 (31 December 2023: RMB1,760,000,000), of which RMB5,500,000 (31 December 2023: RMB435,618,000) had been utilised as at the end of the Interim Period.
- (b) As at 30 June 2024, the Group had nil interest-bearing bank borrowings, thus the Company's ultimate holding company provided nil guarantee on the Group's interest-bearing bank borrowings (31 December 2023: RMB3,161,000).

13. SHARE CAPITAL

	30 June 2024	31 December 2023
Authorised:		
4,000,000,000 (31 December 2023: 4,000,000,000) ordinary shares of HK\$0.10 each (HK\$'000)	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:		
2,114,307,929 (31 December 2023: 2,114,307,929) ordinary shares (HK\$'000)	<u>211,431</u>	<u>211,431</u>
Equivalent to RMB'000	<u>172,134</u>	<u>172,134</u>

As at 30 June 2024, the total number of issued ordinary shares of the Company was 2,114,307,929 (2023: 2,114,307,929) shares which included 17,399,523 (2023: 17,399,523) shares held for the Share Award Scheme adopted by the Company.

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

INDUSTRY REVIEW

In the first half of 2024, although the consumer market was gradually recovering, consumer confidence and demand remained weak. The overall mobile phone market was still plagued by challenges, with signs of divergent demand. The trend towards high-end mobile phones and the expansion of emerging markets have driven the gradual growth of the global smartphone market. According to the report of International Data Corporation (“IDC”), the global smartphone shipments in the second quarter of 2024 increased for the fourth consecutive quarter, rising by 6.5% year-on-year to 285.4 million units, with overall shipments in the first half of 2024 exceeding 570 million units. The performance of China’s market was particularly impressive. Driven by extensive promotion activities and improved brand inventory levels, smartphone shipments in the China domestic market reached 139 million units for the first half of 2024, representing a year-on-year growth of 11.6% and outperforming the global market.

In the upstream panel market, the panel industry has gradually entered a new upward cycle since 2023, which proved favourable to the industry’s sustained prosperity, with the panel prices maintaining a moderate uptrend and showing signs of market recovery. The research reports from Sigmaintell revealed that as smartphone brands became more active in the low-end market and the demand for seasonal stocking increased, the demand for amorphous silicon liquid-crystal display (“A-Si LCD”) mobile phone panels continued to rise in June 2024. However, the low-end market remained cost-oriented, and module price competition was fierce. In the tablet panel segment, panel shipments increased to approximately 57.0 million units in the first quarter of 2024, representing a quarter-on-quarter growth of 6.0%. The rise in shipments was mainly due to the growing demand from China domestic tablet brands. China domestic manufacturers have deployed more efforts in their marketing strategies for tablet products, resulting in a significant year-on-year increase of 18.0% in the procurement demand for tablet panels.

BUSINESS REVIEW

For the Review Period, the Group continued to optimise its business and product mix by leveraging its advantages in scale and production line layout and achieved significant growth in revenue driven by the increase in shipment of tablet modules.

During the Review Period, the Group recorded a total revenue of RMB1,841.0 million, representing a year-on-year increase of 50.1%. Total sales volume amounted to 19.8 million units, representing a decrease of 9.8% year-on-year. The Group has benefitted from its integrated panel and module business model with TCL China Star Optoelectronics Technology Company Limited (“TCL CSOT”). With a stable supply of panels, the Group has shifted its focus towards development of medium-sized display modules. Since late 2023, the Group has been gradually supplying tablet modules to first-tier brand customers, prompting the sales volume to increase progressively and rapidly in the first half of 2024. During the Review Period, the sales volume of tablet modules increased by 44.6 times year-on-year to 2.3 million units, contributing a revenue of RMB433.5 million. The advancement and implementation of artificial intelligence (“AI”) technology has accelerated the enhancement of Internet of Things (“IoT”) products, contributing to the structural growth of the market. The Group is dedicated to advancing its smart home business and successfully marketed IoT-related products during the Review Period, recording an almost 5-fold year-on-year increase in the sales volume of commercial display products to 457,700 units, with the corresponding revenue amounting to RMB431.6 million. Due to the challenges in the mobile phone market, the sales volume of mobile phone module products was 13.6 million units, representing a year-on-year decrease of 35.1%, with a corresponding revenue of RMB705.8 million. The high unit price of medium-sized products contributed to a 76.3% year-on-year increase in the overall average selling price of the Group’s products, reaching RMB100.9.

During the Review Period, the overall supply chain unit price was under pressure as a result of a weakening consumer market. Additionally, changes in the Group’s product mix contributed to a decline in the gross profit margin, which was recorded at 3.8%. The gross profit amounted to RMB 69.6 million. The Group experienced a positive shift in profitability during the second half of 2023, achieving a profit attributable to owners of the parent of RMB 7.0 million for the Review Period, compared to a loss of RMB 7.4 million for the corresponding period last year. The turnaround from loss to profit was mainly attributable to:(i) government subsidies amounting to approximately RMB10 million received by the Group’s subsidiaries in the PRC during the Review Period due to the subsidiaries being eligible for enhanced value-added tax (“VAT”) credits; (ii) realised losses on derivative financial instruments (such as forward currency contracts used to hedge the Group’s foreign currency exposure) decreasing from RMB40 million in the corresponding period last year to less than RMB1 million for the Review Period; and (iii) costs reduction and efficiency enhancing measures adopted by the Group.

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

(Unaudited)	For the six months ended 30 June				Change
	2024		2023		
	'000 units	%	'000 units	%	
Sale of Products					
Mobile Phone Modules	13,631.5	68.9	21,011.2	95.7	-35.1%
Tablet Modules	2,264.2	11.4	49.6	0.2	+4,459.3%
Commercial Display Products	457.7	2.3	78.2	0.3	+485.4%
Parts and Others	1,668.6	8.4	0.2	0.0	+758,336.8%
Processing and					
Manufacturing Services	1,780.4	9.0	825.2	3.8	+115.8%
Total	19,802.4	100.0	21,964.4	100.0	-9.8%

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

(Unaudited)	For the six months ended 30 June				Change
	2024		2023		
	RMB million	%	RMB million	%	
Sale of Products					
Mobile Phone Modules	705.8	38.3	1,196.7	97.6	-41.0%
Tablet Modules	433.5	23.6	10.4	0.8	+4,093.1%
Commercial Display Products	431.6	23.5	2.3	0.2	+18,607.3%
Parts and Others	247.3	13.4	0.2	0.0	+128,452.9%
Processing and					
Manufacturing Services	22.8	1.2	17.3	1.4	+32.2%
Total	1,841.0	100.0	1,226.9	100.0	+50.1%

During the Review Period, China remained the Group's principal market. The revenue from Mainland China and Hong Kong were RMB1,628.8 million and RMB212.2 million respectively, which accounted for 88.5% and 11.5% of the Group's total revenue respectively.

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

	For the six months ended 30 June				Change
	2024		2023		
	<i>RMB million</i>	%	<i>RMB million</i>	%	
Mainland China	1,628.8	88.48	196.6	16.02	+728.6%
Hong Kong	212.2	11.52	1,029.8	83.94	-79.4%
Others	–	–	0.5	0.04	–
Total	1,841.0	100.00	1,226.9	100.00	+50.1%

Synergy with TCL CSOT t9 production line to improve core competitiveness

Following the commencement of production of TCL CSOT's LCD panel t9 production line, which focuses on the medium-sized IT and professional display markets, in 2022 and the formation of an integrated panel and module business model between the Group and TCL CSOT, the Group has been actively developing its medium-sized display modules and smart home products, and providing customised services to a number of first-tier brand customers. During the Review Period, an additional production line for medium-sized modules was implemented in order to meet the market demand and capitalise on the huge opportunities in the smart home and IoT markets. During the Review Period, the Group has made great advancements in its tablet module products and other smart home products, thereby refining its product mix. The initiative not only mitigated the risks associated with the single-product strategy, but also provided renewed momentum for the Group's development, further improving its profitability.

The Group's smart factory in Chenjiang, Huizhou, is equipped with several intelligent production lines and a comprehensive digitalized system. The Group intends to enhance its production efficiency and product quality by upgrading its technology and craftsmanship, as well as expanding economies of scale to reduce costs. This strategic initiative aims to strengthen the Group's core competitiveness.

OUTLOOK

Looking ahead, plagued by geopolitical conflicts, persistently high interest rates, and elevated economic costs, the growth of the global economy will remain sluggish. The Chinese economy is showing a steady recovery supported by enhanced policies, however, the improvement of consumer confidence and spending levels require additional time. This situation presents a challenge for the growth of the consumer electronics industry in the second half of 2024.

The mobile phone market is showing signs of weak recovery, with modest projected growth in shipment volume. IDC's forecast indicated that, the advancement of 5G and new technologies such as AI in emerging markets is anticipated to drive global smartphone shipments to a year-on-year growth of 4%, reaching 1,210 million units in the entire year of 2024. This trend is expected to remain stable in the next few years. The tablet market is anticipated to enter a replacement cycle, driven by consumers' demand for enhanced performance and experience. As a result, there will be a shift towards high-end tablet products. The Group will continue to expand its product categories and actively seek new growth drivers by leveraging the advancements presented by 5G, IoT and AI.

Given the trend of "consumption downgrade" and the growing demand in the tablet market, there has been a rise in the demand for A-Si LCD products, which primarily caters to the low-to-mid-end product segment. By leveraging on the production capacity released by TCL CSOT t9 product line, the Group has strategically adjusted its product mix and maintained a relatively stable order volume. The Group will continue to enhance its own technology capabilities and expand its production lines for medium-sized modules, in line with the development of the medium-sized product market.

In the long term, the Group remains cautiously optimistic about the prospects of the development of its display module business and is confident that it will be able to enhance its competitiveness by perfecting its industrial chain and improving its technology and economies of scale. At the same time, the Group will continue to deepen its cooperation with TCL CSOT, consolidate its customer base, boost product sales in a cost-reducing and efficiency-enhancing manner, and endeavour to create better value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the Review Period, the Group's principal financial instruments comprised cash and cash equivalents, short-term deposits and time deposits. 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 30 June 2024 amounted to RMB55.3 million, of which 43.4% was in US dollar, 54.4% was in RMB and 2.2% was in HK dollar. The Group's treasury deposits balance as at 30 June 2024 amounted to RMB1,076.1 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 30 June 2024, the Group had no interest-bearing bank loans and other borrowings. Please refer to note 12 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

As at 30 June 2024, total equity attributable to owners of the parent was RMB1,015.2 million (31 December 2023: RMB1,009.4 million), and the gearing ratio was 0% (31 December 2023: 0.1%). The gearing ratio was calculated based on the Group's total interest-bearing loans (including bank borrowings and other borrowings) divided by total assets.

Pledge of Assets

As at 30 June 2024, no asset of the Group was pledged (31 December 2023: nil).

Capital Commitments and Contingent Liabilities

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Contracted, but not provided for:		
Plant and equipment	<u>110,445</u>	<u>46,839</u>

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

Foreign Exchange Risk

The Group's business and operations is facing the international market, thus it is inevitable for the Group to be exposed to the risk arising from foreign exchange transactions and conversion.

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. The Group also used forward currency contracts to reduce the foreign currency exposures. In addition, pursuant to the principle of prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions during the Review Period.

Pending Litigation

The Group had not been involved in any material litigation for the six months ended 30 June 2024.

Significant Investments Held

There was no significant investment held by the Group as at 30 June 2024.

Material Acquisitions and Disposals

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

Future plans for material investments or capital assets

As at 30 June 2024, the Group did not have any concrete plans for material investments or capital assets for the second half of the year 2024.

Employees and Remuneration Policies

As at 30 June 2024, the Group had a total of 2,322 employees. During the Review Period, the total staff costs amounted to approximately RMB184.0 million. The Group aims to provide employees with reasonable, legal and competitive compensation, bonus and welfare by offering remuneration packages which are regularly updated based on local gross domestic 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 and share award scheme respectively.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2024, the Company has complied with the code provisions (the “Code Provisions”) as set out in Part 2 of the Corporate Governance Code under Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except for the following deviation:

Under Code Provision C.6.1, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer’s affairs.

The company secretary of the Company, Ms. CHEUNG Bo Man (“Ms. CHEUNG”), being a practising solicitor in Hong Kong and a partner of the Company’s legal advisor, is not an employee of the Company.

During the six months ended 30 June 2024, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations Department of the Company as the contact person with Ms. CHEUNG to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. CHEUNG through the contact person assigned, to enable the company secretary to get hold of the Group’s development promptly without material delay. With her expertise and experience, the Company is confident that having Ms. CHEUNG as its company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company has not, throughout the six months ended 30 June 2024, fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made with all Directors and all of them have confirmed that they have complied with the standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the six months ended 30 June 2024.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control procedures. The audit committee currently comprises four members, namely Ms. HSU Wai Man, Helen (as the chairperson), Mr. LI Yang, Mr. XU Yan and Ms. YANG Qiulin, all of whom are independent non-executive Directors. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 27 August 2024

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

As at the date of this announcement, the Board comprises Mr. Liao Qian as Chairman and non-executive Director, Mr. Ouyang Hongping, Mr. Wen Xianzhen and Mr. Xi Wenbo as executive Directors; and Ms. Hsu Wai Man Helen, Mr. Li Yang, Mr. Xu Yan and Ms. Yang Qiulin as independent non-executive Directors.