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

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

Results

	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000* (restated)	**Change**
CONTINUING OPERATIONS			
Revenue	**5,840,094**	3,571,170	**+63.5%**
Gross profit	**494,632**	278,962	**+77.3%**
Profit for the year from continuing operations	**166,488**	54,518	**+205.4%**
Profit attributable to owners of the parent	**193,215**	25,147	**+668.3%**
Basic earnings per share attributable to owners of the parent			
– For profit for the year	**RMB9.22 cents**	RMB1.20 cents	**+668.3%**
– For profit from continuing operations	**RMB7.94 cents**	RMB2.60 cents	**+205.4%**

The board ("Board") of directors (each a "Director", together the "Directors") of China Display Optoelectronics Technology Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 with the corresponding comparative figures for the year ended 31 December 2020 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		For the year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
			(restated)
CONTINUING OPERATIONS			
REVENUE	*5*	**5,840,094**	3,571,170
Cost of sales		**(5,345,462)**	(3,292,208)
Gross profit		**494,632**	278,962
Other income and gains, net	*5*	**43,854**	27,910
Selling and distribution expenses		**(74,387)**	(42,141)
Administrative expenses		**(239,120)**	(179,201)
Reversal of impairment on financial assets		**1,303**	115
Other expenses		**(3,767)**	(3,529)
Finance costs	*7*	**(2,627)**	(3,967)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**219,888**	78,149
Income tax expense	*8*	**(53,400)**	(23,631)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**166,488**	54,518

		For the year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
			(restated)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	*9*	**33,223**	(48,194)
PROFIT FOR THE YEAR		**199,711**	6,324
Attributable to:			
Owners of the parent		**193,215**	25,147
Non-controlling interests		**6,496**	(18,823)
		199,711	6,324
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*11*		
Basic			
– For profit for the year		**RMB9.22 cents**	RMB1.20 cents
– For profit from continuing operations		**RMB7.94 cents**	RMB2.60 cents
Diluted			
– For profit for the year		**RMB9.22 cents**	RMB1.20 cents
– For profit from continuing operations		**RMB7.94 cents**	RMB2.60 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
		(restated)
PROFIT FOR THE YEAR	**199,711**	6,324
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(189)**	(454)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(189)**	(454)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(189)**	(454)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**199,522**	5,870
Attributable to:		
Owners of the parent	**193,026**	24,693
Non-controlling interests	**6,496**	(18,823)
	199,522	5,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**443,546**	898,430
Intangible assets		**4,515**	6,475
Deposits paid for purchase of items of property, plant and equipment		**12,758**	2,784
Deferred tax assets		**21,898**	43,324
Right-of-use assets		**31,552**	42,366
Time deposits		**19,000**	–
Total non-current assets		**533,269**	993,379
CURRENT ASSETS			
Inventories	*12*	**405,647**	608,515
Trade and bills receivables	*13*	**824,740**	1,012,621
Prepayments and other receivables		**64,959**	82,603
Derivative financial instruments		**5,005**	836
Cash and cash equivalents		**1,053,445**	416,730
Total current assets		**2,353,796**	2,121,305
CURRENT LIABILITIES			
Trade payables	*14*	**1,477,768**	1,391,274
Other payables and accruals		**420,427**	646,896
Derivative financial instruments		**6,151**	831
Interest-bearing bank and other borrowings	*15*	**76,224**	170,000
Tax payable		**54,637**	42,519
Lease liabilities		**2,924**	13,644
Bonds payable		**–**	8,417
Total current liabilities		**2,038,131**	2,273,581
NET CURRENT ASSETS/(LIABILITIES)		**315,665**	(152,276)
TOTAL ASSETS LESS CURRENT LIABILITIES		**848,934**	841,103

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**2,000**	48,792
Lease liabilities		**215**	–
Deferred income		**15,222**	26,749
Deferred tax liabilities		**–**	15,058
Total non-current liabilities		**17,437**	90,599
Net assets		**831,497**	750,504
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**172,134**	172,118
Reserves		**659,363**	466,950
		831,497	639,068
Non-controlling interests		**–**	111,436
Total equity		**831,497**	750,504

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, 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).

When the Company has, directly or indirectly, 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

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

[4] As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

[5] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Mainland China*	**3,234,790**	2,558,918
Other countries/areas	**2,605,304**	1,012,252
	5,840,094	3,571,170

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

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

Information about major customers

Revenue of approximately RMB2,887,222,000 during the year ended 31 December 2021 (year ended 31 December 2020 (restated): RMB1,515,801,000) was derived from sales to related parties of the Company.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Revenue from contracts with customers	**5,840,094**	3,571,170

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**LCD modules**
	RMB'000
Types of goods or services	
Sale of industrial products	**5,794,994**
Processing and manufacturing services	**45,100**
Total revenue from contracts with customers	**5,840,094**
Geographical markets	
Mainland China	**3,234,790**
Hong Kong	**2,588,660**
Vietnam	**15,803**
Thailand	**841**
Total revenue from contracts with customers	**5,840,094**
Timing of revenue recognition	
Goods and services transferred at a point in time	**5,840,094**

For the year ended 31 December 2020

Segments	LCD modules *RMB'000* (restated)
Type of goods or services	
Sale of industrial products	3,490,868
Processing and manufacturing services	80,302
Total revenue from contracts with customers	3,571,170
Geographical markets	
Mainland China	2,558,918
Hong Kong	963,460
South Korea	47,073
Turkey	1,064
Thailand	649
Taiwan	6
Total revenue from contracts with customers	3,571,170
Timing of revenue recognition	
Goods and services transferred at a point in time	3,571,170

(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:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Other income, net		
Bank interest income	**21,151**	8,252
Subsidy income*	**4,492**	8,276
Gain on disposal of raw materials, samples and scraps	**9,610**	6,911
Others	**601**	206
	35,854	23,645
Gains, net		
Fair value gains, net:		
Derivative financial instruments		
– transactions not qualifying as hedges	**8,000**	4,265
	43,854	27,910

* *Subsidy income represents various government grants received from the relevant government authorities to support the development of the relevant projects of the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.*

6. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Cost of inventories sold*	**5,345,462**	3,292,208
Depreciation of property, plant and equipment	**77,467**	82,223
Amortisation of intangible assets	**1,908**	1,699
Depreciation of right-of-use assets	**14,223**	13,907
Auditor's remuneration	**1,020**	1,227
Research and development costs^:		
Current year expenditures	**188,857**	133,385
Lease payments not included in the measurement of lease liabilities	**4,359**	1,891
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**344,498**	226,997
Equity-settled share option expense	**(714)**	(69)
Pension scheme contributions	**23,423**	21,452
	367,207	248,380
Exchange losses, net	**1,420**	7,458
Reversal of impairment of trade and bills receivables	**(110)**	(23)
Reversal of impairment of other receivables	**(118)**	–
Reversal of write-down of inventories to net realisable value**	**(883)**	(1,012)
Loss on disposal of items of property, plant and equipment	**501**	966

^ *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 RMB351,598,000 (31 December 2020 (restated): RMB265,747,000) 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.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Interest on bank loans and bonds	**928**	1,435
Interest on lease liabilities	**362**	985
Interest on discounted bills	**1,337**	1,547
	2,627	3,967

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Current		
Charge for the year	**56,766**	27,429
Adjustment in respect of current tax of previous periods	**(3,333)**	(1,496)
Deferred	**(33)**	(2,302)
Total tax charge for the year from continuing operations	**53,400**	23,631
Total tax charge/(credit) for the year from a discontinued operation	**7,495**	(12,887)
	60,895	10,744

9. DISCONTINUED OPERATION

On 25 May 2021, the Group announced that it has entered into the sale and purchase agreement to dispose of Wuhan China Display Optoelectronics Technology Company Limited ("Wuhan CDOT"). The Group disposed of its 70% interest in Wuhan CDOT to the Company's fellow subsidiary Wuhan China Star Optoelectronics Technology Co., Ltd. ("Wuhan CSOT"). Wuhan CDOT engages in the low-temperature poly-silicon ("LTPS") modules business. The disposal of Wuhan CDOT was completed on 30 June 2021.

The results of Wuhan CDOT for the year are presented below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the business of Wuhan CDOT as a discontinued operation.

	2021	2020
	RMB'000	*RMB'000*
Revenue	**456,638**	781,634
Expenses	**(426,742)**	(839,281)
Finance costs	**–**	(3,434)
Profit/(loss) before tax from the discontinued operation	**29,896**	(61,081)
Income tax:		
Related to pre-tax profit	**(7,495)**	12,887
	22,401	(48,194)
Gain on disposal of the discontinued operation	**10,822**	–
Profit/(loss) for the year from the discontinued operation	**33,223**	(48,194)

The net cash flows incurred by Wuhan CDOT are as follows:

	2021	2020
	RMB'000	*RMB'000*
Operating activities	**38,848**	805,298
Investing activities	**(39,832)**	(155,369)
Financing activities	**–**	(664,713)
Effect of foreign exchange rate	**14**	1,727
Net cash inflow	**(970)**	(13,057)

Earnings/(losses) per share:		
Basic, from the discontinued operation	**RMB1.27 cents**	RMB(1.40) cents
Diluted, from the discontinued operation	**RMB1.27 cents**	RMB(1.40) cents

The calculation of basic earnings per share from the discontinued operation is based on:

	2021	2020
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	**RMB26,727,000**	RMB(29,371,000)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year used in the basic earnings/(losses) per share calculation *(note 11)*	**2,096,800,418**	2,096,717,906

10. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends recognised as distribution	**–**	–

The Board does not recommend to declare any final dividend for the year ended 31 December 2021.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to owners of the parent of RMB193,215,000 (2020: RMB25,147,000), 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 2,096,800,418 (2020: 2,096,717,906).

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

	2021	2020
	RMB'000	*RMB'000*
		(restated)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation		
From continuing operations	**166,488**	54,518
From a discontinued operation	**26,727**	(29,371)
	193,215	25,147

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme during the year used in the basic earnings per share calculation	**2,096,800,418**	2,096,717,906

12. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**263,606**	226,250
Work in progress	**41,150**	40,469
Finished goods	**100,891**	341,796
	405,647	608,515

13. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**799,745**	813,169
Bills receivable	**26,071**	200,638
Impairment	**(1,076)**	(1,186)
	824,740	1,012,621

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade 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 RMB444,405,000 (31 December 2020: RMB630,959,000), 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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**444,913**	559,419
1 to 2 months	**199,350**	259,115
2 to 3 months	**125,715**	90,466
Over 3 months	**54,762**	103,621
	824,740	1,012,621

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**1,186**	1,301
Reversal of impairment losses, net	**(110)**	(115)
At end of year	**1,076**	1,186

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 2021

	Past due		
	Less than 6 months	**Over 6 months**	**Total**
Expected credit loss rate	**0.13%**	**1.50%**	**0.13%**
Gross carrying amount *(RMB'000)*	**799,478**	**267**	**799,745**
Expected credit losses *(RMB'000)*	**1,072**	**4**	**1,076**

As at 31 December 2020

	Past due Less than 6 months	Past due Over 6 months	Total
Expected credit loss rate	0.14%	10.42%	0.15%
Gross carrying amount *(RMB'000)*	813,073	96	813,169
Expected credit losses *(RMB'000)*	1,176	10	1,186

The Group's bills receivable have been accepted by notable banks with high credit ratings. As at 31 December 2021 and 31 December 2020, the probability of default and the loss given default were estimated to be minimal.

14. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**1,477,768**	1,391,274

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

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**733,229**	1,136,550
31 to 60 days	**431,890**	222,720
61 to 90 days	**283,365**	21,905
Over 90 days	**29,284**	10,099
	1,477,768	1,391,274

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**0.461**	**2022**	**52,224**	2.48-2.80	2021	170,000
Other borrowings	**1.1**	**2022**	**24,000**	–	–	–
			76,224			170,000
Non-current						
Bank loans – secured	**4.15**	**2024-2029**	**2,000**	4.75	2024	24,792
Other borrowings	**–**	**–**	**–**	0.44-1.1	2022	24,000
			2,000			48,792
			78,224			218,792
Analysed into:						
Bank loans repayable						
Within one year			**52,224**			170,000
In the third to fifth years, inclusive			**2,000**			24,792
			54,224			194,792
Other borrowings repayable						
Within one year			**24,000**			–
In the second year			**–**			24,000
			24,000			24,000
			78,224			218,792

Notes:

(a) The Group had banking facilities of RMB1,510,000,000 (31 December 2020: RMB2,010,000,000), of which RMB737,607,000 (31 December 2020: RMB548,785,000) had been utilised as at the end of the reporting period.

(b) In addition, the Company's ultimate holding company has provided a guarantee of up to RMB54,224,000 (31 December 2020: RMB24,792,000) to secure certain of the Group's interest-bearing bank borrowings as at the end of the reporting period.

(c) The other borrowings amounting to RMB24,000,000 are with a tenure of 5 years starting from 2017. Interest is chargeable at 1.1% per annum and payable annually in arrears expiring on 22 February 2022.

(d) As at 31 December 2021, except for the secured bank loan of RMB52,224,000 (2020: Nil) bearing effective interest rate of 0.461%, which is denominated in US$, all borrowings are denominated in RMB.

16. SHARE CAPITAL

	2021	2020
Authorised:		
4,000,000,000 (31 December 2020: 4,000,000,000) ordinary shares of HK$0.10 each *(HK$'000)*	**400,000**	400,000
Issued and fully paid:		
2,114,307,929 (31 December 2020: 2,114,117,429) ordinary shares *(HK$'000)*	**211,431**	211,412
Equivalent to RMB'000	**172,134**	172,118

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium account** *RMB'000*
At 1 January 2021	2,114,117,429	172,118	79,331
Share options exercised *(Note (a))*	190,500	16	145
At 31 December 2021	2,114,307,929	172,134	79,476

As at 31 December 2021, the total number of issued ordinary shares of the Company was 2,114,307,929 (2020: 2,114,117,429) of which 17,399,523 (2020: 17,399,523) shares were held by the trustee appointed for the Share Award Scheme adopted by the Company.

Note:

(a) The subscription rights attaching to 190,500 (2020: Nil) share options were exercised at the subscription price of HK$0.74 per share, resulting in the issue of 190,500 (2020: Nil) shares for a total cash consideration, before expenses, of RMB117,000 (2020: Nil). An amount of RMB44,000 (2020: Nil) was transferred from the share option reserve to share premium account upon the exercise of the share options.

INDUSTRY REVIEW

The global economy has shown signs of recovery at the beginning of 2021, which led to the strong and continued growth in smartphone shipment volume. In the second half of the year, the resurgence of the new coronavirus disease ("COVID-19") pandemic has caused supply chain disruptions and component shortages, resulting in reduced product inventory and production delays, ultimately affecting the sales volume of smartphones. According to the media organisation DIGITIMES, the global smartphone shipment volume was in a downtrend, decreasing in the second half of 2021 as compared to the first half of the year and registered declines across two consecutive quarters, with a total shipment volume of less than 700 million units. For the entire year 2021, the smartphone shipment volume has reached approximately 1,320 million units, representing a year-on-year increase of 6.1%, which was slightly lower than expectations.

According to research organisation Omdia, the top five brands by global smartphone sales volume in 2021 were Samsung, Apple, Xiaomi, OPPO, and vivo. The top three fastest-growing smartphone brands were Realme, Motorola and Transsion. Among them, Motorola and Transsion have expanded in the North America and Africa market, recording a significant increase of 44.2% and 31.7% year-on-year in their respective global smartphone sales volume during the year. As the commercial use of 5G in the China market has officially entered its second year, 5G terminals have become predominant in the domestic market. According to data issued by the China Academy of Information and Communications Technology, the cumulative domestic shipment volume of 5G phones in 2021 increased by 63.5% year-on-year to 266 million units, accounting for 75.9% of total mobile phone shipments in China. Globally, there has been a consistent demand for 5G smartphones in regions with higher penetration rates of 5G networks, which has driven up the growth of the 5G smartphone business of leading smartphone manufacturers. To capture the growth opportunities in the 5G sector in 2021, Samsung has expanded its entry-level and intermediate 5G smartphone models, retaining its top ranking among global smartphone manufacturers in terms of shipment volume.

In the upstream panel market, the COVID-19 pandemic has changed the mode of business operation and education, remote working and learning have become the norm. The "stay-at-home economy" has consistently boosted the demand for products including medium-sized laptops, tablets and smart educational products. Such products mostly use the more cost-efficient amorphous silicon ("A-Si") liquid-crystal display ("LCD") module. In addition, even though smartphone brands have adopted more active-matrix organic light-emitting diode ("AMOLED") display modules in their high-end products, owing to shortages in the supply of AMOLED panels caused by insufficient production of major domestic manufacturers, smartphone brands have switched to LCD modules for some related products given LCD modules have a more stable supply compared with AMOLED modules. In the meantime, consumers became more rational in the consumption of smart devices. Therefore, the supply and demand for the more cost-effective A-Si LCD modules have been particularly tight.

For other raw materials, the undersupply of integrated circuit ("IC") chips in the market has continued in 2021, which put upward pressure on price for module factories. The increase in 5G network penetration has driven up the demand and usage of IC chips in other products, such as new energy vehicles and smart Internet equipment, which in turn led to the constant rise in the price of IC chips. In addition, due to the United States of America ("US") government's restrictions on exports of certain equipment, accessories and raw materials to China, supply shrank and brand customers kept hoarding IC chips for future production.

BUSINESS REVIEW

For the year ended 31 December 2021 (the "Review Period"), benefitting from the growth in sales to smartphone brand customers, the Group achieved a total sales volume of 66.7 million units, representing a year-on-year increase of 34.0%. Propelled by the growth in the sales of A-Si LCD modules which has a high cost-performance ratio, the Group's sales volume of modules for sale increased by 53.1% year-on-year to 63.7 million units, accounting for 95.5% of the Group's total sales volume. The Group's revenue increased to RMB5,840 million as it optimised its the product mix, representing a year-on-year increase of 63.5%.

During the Review Period, the sales business was the principal continuing operation of the Group. The sales volume of laminated modules for sale was 61.3 million units, representing a year-on-year increase of 57.7%, and the corresponding revenue was RMB5,643 million, representing a year-on-year increase of 72.2%, which has become the main growth driver for the Group. Although the shortage of raw materials such as panels and driver IC has eased slightly, the cost of raw materials has stayed high due to the tight supply. It drove up the overall average selling price of the Group by 8.4% year-on-year to RMB91.0 (excluding processing modules).

While the Group was still affected by the rising costs and unstable supply chain in 2021, it benefitted from the enhanced efficiency brought about by the increase in scale and the automation upgrade of production line equipment. It recorded a gross profit of RMB 495 million, the gross profit margin was 8.5%, representing an increase of 0.7 percentage points year-on-year, which drove the profits attributable to owners of the parent of the Company to grow significantly to RMB193 million, representing a year-on-year increase of 668.3%. During the Review Period, the Group recognised an one-off gain of approximately RMB11 million from the disposal of 70% equity interest in Wuhan China Display Optoelectronics Technology Company Limited* (武漢華顯光電技術有限公司, hereinafter, "Wuhan CDOT"). For details, please refer to the section headed "Disposed of LTPS module business and focused on A-Si module business" below.

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

	For the year ended 31 December				
	2021		2020		Change
	million units	***%***	*million units* (restated)	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**2.4**	**3.6**	2.7	5.5	–12.5
Laminated modules	**61.3**	**91.9**	38.9	78.1	+57.7
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	3.9	7.8	–100.0
Laminated modules	**3.0**	**4.5**	4.3	8.6	–29.7
Total	**66.7**	**100.0**	49.8	100.0	+34.0

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

	For the year ended 31 December				
	2021		2020		Change
	RMB million	*%*	*RMB million* (restated)	*%*	*%*
Sale of TFT LCD module					
Non-laminated modules	**152**	**2.6**	214	6.0	–29.2
Laminated modules	**5,643**	**96.6**	3,277	91.8	+72.2
Processing TFT LCD module					
Non-laminated modules	**–**	**–**	36	1.0	–100.0
Laminated modules	**45**	**0.8**	44	1.2	+3.0
Total	**5,840**	**100.0**	3,571	100.0	+63.5

During the Review Period, China remained the main market for the Group. The revenue from Hong Kong and Mainland China were RMB2,589 million and RMB3,235 million, respectively, which together accounted for 99.7% of the Group's total revenue.

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

	For the year ended 31 December				
	2021		2020		Change
	RMB million	*%*	*RMB million* (restated)	*%*	*%*
Mainland China	**3,235**	**55.4**	2,559	71.7	+26.4
Hong Kong	**2,589**	**44.3**	963	27.0	+168.7
Others	**16**	**0.3**	49	1.3	–65.9
Total	**5,840**	**100.0**	3,571	100.0	+63.5

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

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

Since 2019, high-end AMOLED display modules have begun to be mass produced in China, with their applications becoming increasingly extensive. The competitive market has driven down the selling price and hence the revenue of low temperature poly-silicon ("LTPS") LCD modules produced by Wuhan CDOT declined, leading to losses incurred by the Group for the past two financial years.

As a result of the Disposal, the Group has shed the burden of the LTPS LCD module business to devote more time and resources to focus on the A-Si LCD module business. The Group can increase the competitiveness and market recognition of the A-Si LCD modules by improving its presence in the industry chain and enhancing its strengths in technology and economies of scale.

Optimise Clients and Products Structure to Strengthen Profitability

As a qualified supplier of the world's top mobile phone brands, the Group continues to provide customers with high-quality and customised services and consolidate the relationship with brand customers. With years of effort, the Group has established strategic partnerships with a number of brand customers. During the Review Period, the proportion of orders from the world's top mobile phone brands in terms of shipment volume continued to increase to over 70% of the Group's total revenue.

The continued strong demand for remote working and learning during the COVID-19 pandemic has boosted up the sales performance of the Group's medium-sized products. During the Review Period, the sales volume of the Group's display modules for tablets and e-learning products increased by 78.3% year-on-year, reaching 3.5 million units. The Group will also continue to actively expand its business horizontally, keep developing products and exploring markets, and monitor the industry environment periodically, in order to bring opportunities to the Company and further enhance the Group's profitability.

OUTLOOK

As 5G technology matures and becomes widely used, it is believed that 5G mobile phones will gradually become mainstream. However, due to the shortage of upstream materials and the COVID-19 pandemic resurgence, the global demand for smartphones is still clouded by uncertainty. Meanwhile, the weakened demand for consumer goods created by the "stay-at-home" economy, coupled with a surge in supply contributed by large-size panel manufacturers switching to mass produce small and medium-sized panels, are expected to cast a shadow over the panel market.

In the face of a relatively complex macro environment and a highly competitive smart device market, the Group continued to improve its competitiveness. In addition to putting new equipment into operation and upgrading automation capability, the construction of the Group's new display module smart factory in Chenjiang, Huizhou was also completed in the third quarter of 2021, and is expected to commence trial run and carry out customer certification assessment in the second quarter of 2022. As the new factory will be put into production in phases, the Group believes that it can help to improve the development of production technology and increase production capacity, and capture the business opportunities brought about by the improvement of the global economy through the advantages of economies of scale.

Looking ahead, the Group will first consolidate the cooperative relationship with existing mobile phone brand customers, maintain the orders from first-tier mobile phone customers, actively reduce costs and increase efficiency, and strive to maximise industrial efficiency and benefits. Secondly, with the rapid development of the automotive industry, the use of display panel for cars will continue to increase, boosting the demand for display modules in the automotive industry significantly. The gradual return of workforce in Europe and the US to the office will be a driving force for the demand for commercial laptops. In order to expand its own business horizontally, the Group will develop the mobile phone display module market, and also actively explore and position itself in the medium-size display module markets including automotive displays, laptops and the equipment of Internet of Things to seize the vast market opportunities.

In the long run, the Group remains cautiously optimistic about the development of the display module business, and it is confident that its competitiveness will be enhanced by improving the planning of industrial chain and amplifying its technological and economies of scale advantages. While responding to the challenges, it will maintain a balance between sales growth and robust development, and strive to create better value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and interest-bearing bank loans.

The Group's cash and cash equivalents and time deposits balance as at 31 December 2021 amounted to RMB1,072 million, of which 24.8% was in US dollar, 74.9% was in RMB and 0.3% was in HK dollar.

As at 31 December 2021, the Group's interest-bearing bank loans were RMB 54 million. The Group's other borrowings were RMB24 million, which are denominated in RMB with a fixed interest rate. Please refer to note 15 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 2021, total equity attributable to owners of the parent was RMB831 million (31 December 2020: RMB639 million), and the gearing ratio was 2.7% (31 December 2020: 7.3%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings, other borrowings and bonds payable) divided by its total assets.

Pledge of Assets

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

Capital Commitments and Contingent Liabilities

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**114,315**	4,442

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

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2021.

Foreign Exchange Risk

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

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

Significant Investments Held

There was no significant investment held by the Group as at 31 December 2021.

Material Acquisitions and Disposals

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

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

Future Plans for Material Investments or Capital Assets

Save for the construction of factory plant and ancillary facilities located in Chenjiang, Huizhou as disclosed in the announcement of the Company dated 8 April 2021, as at 31 December 2021, the Group did not have any concrete plans for material investments or capital assets for the year ending 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 4,111 employees. During the Review Period, the total staff costs amounted to RMB367 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Company. In order to align the interests of staff with those of shareholders, share options and restricted shares would be granted to relevant grantees, including employees of the Group, under the Company's share option scheme and share award scheme respectively. Share options carrying rights to subscribe for a total of 32,806,987 shares of the Company ("Shares") remained outstanding as at 31 December 2021.

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 also encourages its employees to protect the environment. 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 2021 prepared in accordance with Appendix 27 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 27 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 customers contributed approximately 36% and 90% (for the year ended 31 December 2020 (restated): 45% and 89%) to the revenue of the Group, respectively. Those customers have business relationships with the Group ranging from 2-18 years. The Group's largest supplier and the top five suppliers accounted for approximately 20% and 57% (for the year ended 31 December 2020 (restated): 11% and 43%) of the purchases of the Group, respectively. Those suppliers have been cooperating with the Group ranging from 2-11 years.

Major customers

The Group's major customers are all from consumer mobile device industry, including a number of world-renowned brands. As the mobile device industry is characterised by its cycles of integration and emergence of new brands, any loss or changes in market position of any of these customers may materially and adversely affect the business, financial conditions and operating results of the Group. In light of this, the Group has adopted the following strategies to reduce the risk of overreliance on a single customer base. 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 develop 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 produced by specific suppliers, 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. Therefore, the Group periodically reviews the market environment and new trends, adopts multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 2021.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend by the Company for the year ended 31 December 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company ("AGM"), the deadline for share registration will be 23 May 2022, Monday and the register of members of the Company will be closed from 24 May 2022, Tuesday to 27 May 2022, Friday (both dates inclusive). No transfer of the Shares may be registered during the said period. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the AGM is 24 May 2022, Tuesday. 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 23 May 2022, Monday.

ANNUAL GENERAL MEETING

The AGM will be held on 27 May 2022, Friday. The notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE

During the Review Period, the Company has complied with the code provisions (the "Code Provision") of the corporate governance code and corporate governance report ("CG Code", subsequently amended with effect from 1 January 2022 ("Amended CG Code")) as set out in Appendix 14 to the Listing Rules except for the following deviations:

Under the then Code Provision F.1.1 (currently Code Provision C.6.1 under the Amended 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 2021, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations Department of the Company as the contact person with Ms. CHEUNG to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. CHEUNG through the contact person 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 2021, fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors and all of them have confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") has reviewed the Group's consolidated financial statements for the year ended 31 December 2021, including the accounting principles adopted by the Group, with the Company's management. As at the date of this announcement, the Audit Committee comprises three members, namely Ms. HSU Wai Man, Helen (chairlady), Mr. XU Yan and Mr. LI Yang, all being independent non-executive Directors.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this preliminary announcement.

On behalf of the Board
LIAO Qian
Chairman

Hong Kong, 14 March 2022

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

As at the date of this announcement, the Board comprises Mr. LIAO Qian as Chairman and non-executive Director; Mr. OUYANG Hongping, Mr. WEN Xianzhen and Mr. ZHANG Feng as executive Directors; and Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang as independent non-executive Directors.