

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)

Interim Report

2022





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. LIAO Qian (*Chairman*)

Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. ZHANG Feng

Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

COMPANY SECRETARY

Ms. CHEUNG Bo Man, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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2 Church Street
Hamilton HM11
Bermuda

TICKER SYMBOL

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

WEBSITE

<http://www.cdoth8.com>



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CONTINUING OPERATIONS			
Revenue	5	2,735,253	2,852,542
Cost of sales		(2,526,357)	(2,628,908)
Gross profit		208,896	223,634
Other income and gains	5	31,341	19,489
Selling and distribution expenses		(18,120)	(32,020)
Administrative expenses		(102,831)	(115,736)
(Provision for)/reversal of impairment on financial assets		(151)	36
Other expenses		(5,201)	(1,393)
Finance costs	8	(793)	(1,537)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	113,141	92,473
Income tax credit/(expense)	9	20,832	(21,648)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		133,973	70,825
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	7	–	33,223
PROFIT FOR THE PERIOD		133,973	104,048
Attributable to:			
Owners of the parent		133,973	97,552
Non-controlling interest		–	6,496
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT 11			
Basic			
–For profit for the period		RMB6.44 cents	RMB4.65 cents
–For profit from continuing operations		RMB6.44 cents	RMB3.38 cents
Diluted			
–For profit for the period		RMB6.44 cents	RMB4.65 cents
–For profit from continuing operations		RMB6.44 cents	RMB3.38 cents



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	133,973	104,048
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	43	(81)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	43	(81)
OTHER COMPREHENSIVE INCOME, NET OF TAX	43	(81)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	134,016	103,967
Attributable to:		
Owners of the parent	134,016	97,471
Non-controlling interest	-	6,496
	134,016	103,967



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		437,158	443,546
Intangible assets		3,530	4,515
Deposits paid for purchase of items of property, plant and equipment		12,259	12,758
Deferred tax assets		23,280	21,898
Right-of-use assets		36,853	31,552
Time deposits	14	–	19,000
Total non-current assets		513,080	533,269
CURRENT ASSETS			
Inventories	12	195,968	405,647
Trade and bills receivables	13	884,135	824,740
Prepayments and other receivables		56,270	64,959
Derivative financial instruments		–	5,005
Time deposits	14	19,000	–
Cash and cash equivalents	14	1,015,860	1,053,445
Total current assets		2,171,233	2,353,796
CURRENT LIABILITIES			
Trade payables	15	1,286,510	1,477,768
Other payables and accruals		299,359	420,427
Derivative financial instruments		–	6,151
Interest-bearing bank and other borrowings	16	67,000	76,224
Lease liabilities		7,761	2,924
Tax payable		24,738	54,637
Total current liabilities		1,685,368	2,038,131
NET CURRENT ASSETS		485,865	315,665
TOTAL ASSETS LESS CURRENT LIABILITIES		998,945	848,934
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	20,302	2,000
Lease liabilities		–	215
Deferred income		20,656	15,222
Total non-current liabilities		40,958	17,437
Net assets		957,987	831,497



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	172,134	172,134
Reserves		785,853	659,363
Total equity		957,987	831,497



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Notes	Attributable to owners of the parent										
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022 (Audited)	172,134	79,476	(77,680)	167,911	7,870	50	(13,080)	80,904	(2,495)	416,407	831,497
Profit for the period	-	-	-	-	-	-	-	-	-	133,973	133,973
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:											
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	43	-	43
Total comprehensive income for the period	-	-	-	-	-	-	-	-	43	133,973	134,016
Equity-settled share option arrangements	19	-	53	-	(7,529)	(50)	-	-	-	-	(7,526)
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	14,199	-	(14,199)	-
At 30 June 2022 (Unaudited)	172,134	79,476*	(77,627)*	167,911*	341*	-*	(13,080)*	95,103*	(2,452)*	536,181*	957,987

* These reserve accounts comprise the reserves of RMB785,853,000 (31 December 2021: RMB659,363,000) in the condensed consolidated statement of financial position.



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2021

	Attributable to owners of the parent												Total equity RMB'000
	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	
At 1 January 2021 (Audited)		172,118	79,331	(77,680)	167,911	8,628	50	(13,080)	63,610	(2,306)	240,486	111,436	750,504
Profit for the period		-	-	-	-	-	-	-	-	-	97,552	6,496	104,048
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:													
Exchange differences on translation of financial statements		-	-	-	-	-	-	-	-	(81)	-	-	(81)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(81)	97,552	6,496	103,967
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	(117,932)	(117,932)
Equity-settled share option arrangements	19	-	-	-	-	(14)	-	-	-	-	-	-	(14)
Appropriations to statutory surplus reserve		-	-	-	-	-	-	-	7,894	-	(7,894)	-	-
At 30 June 2021 (unaudited)		172,118	79,331	(77,680)	167,911	8,614	50	(13,080)	71,504	(2,387)	330,144	-	736,525



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		113,141	92,473
From a discontinued operation	7	–	40,718
Adjustments for:			
Finance costs	8	912	1,537
Bank interest income	5	(13,999)	(8,200)
Gain on disposal of a subsidiary	7	–	(10,822)
Depreciation of property, plant and equipment	6	26,714	98,840
Amortisation of intangible assets	6	986	1,138
Loss on disposal of items of property, plant and equipment	6	–	23
Depreciation of right-of-use assets	6	7,008	6,953
Impairment of trade and bills receivables	6	152	63
Reversal of impairment of other receivables	6	–	(99)
Write-down of inventories/(reversal of write-down of) to net realisable value	6	2,010	(1,478)
Equity-settled share option expense	19	–	(14)
Fair value gains, net:			
Exchange loss		472	379
Loss on change in fair value		(1,146)	–
Decrease in inventories		207,669	291,774
Increase in trade and bills receivables		(59,546)	(257,769)
(Increase)/decrease in prepayments, deposits and other receivables		(18,688)	29,969
(Decrease)/increase in trade payables		(192,871)	117,477
(Decrease)/increase in other payables and accruals		(56,846)	4,875
(Increase)/decrease in derivative financial instruments		(11,156)	1,058
Increase/(decrease) in deferred income		5,434	(1,909)
Cash from operations		10,246	406,986
Hong Kong tax paid		–	(128)
Mainland China tax paid		(7,704)	(14,270)
Net cash flows from operating activities		2,542	392,588





INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
	Notes		
Net cash flows from operating activities		2,542	392,588
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,999	8,200
Purchases of items of property, plant and equipment		(79,680)	(130,071)
Purchases of items of intangible assets		-	(396)
Disposal of a subsidiary	7	-	82,607
Increase in time deposits		-	(40,000)
Proceeds from disposal of items of property, plant and equipment		77	1,872
Net cash flows used in investing activities		(65,604)	(77,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		67,000	121,004
Repayment of bank loans		(54,207)	(500)
Interest paid		(737)	(14,757)
Principal portion of lease payments		(7,922)	(6,998)
Repayment of bonds		-	(8,417)
Net cash flows from financing activities		4,134	90,332
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(58,928)	405,132
Cash and cash equivalents at beginning of period		1,053,455	416,730
Effect of foreign exchange rate changes, net		21,333	(374)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	1,015,860	821,488
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	94,603	801,301
Non-pledged time deposits with original maturity of less than three months when acquired	14	921,257	20,187
Cash and cash equivalents as stated in the statement of cash flows		1,015,860	821,488



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended 30 June 2022, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of LCD modules for use in smart devices, and providing processing service of LCD modules.

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Display Optoelectronics Technology (Huizhou) Co., Ltd. ("CDOT Huizhou")*	PRC/Mainland China [#]	RMB231,900,000	RMB231,900,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and providing processing service of LCD modules
Tajija Investment Limited	Hong Kong	HK\$10,000	HK\$10,000	–	100	Investment holding, merchandising and sales
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK\$1	HK\$1	–	100	Investment holding, merchandising and sales
TCL Intelligent Display Electronics Limited	Bermuda	HK\$1	HK\$1	100	–	Investment holding
TCL Display Technology (BVI) Limited	British Virgin Islands	US\$1	US\$1	–	100	Investment holding
Taixing Investment Limited	Bermuda	HK\$10,000	HK\$10,000	100	–	Investment holding

* This entity is registered as limited liability companies under PRC law.

[#] Mainland China means any part of the PRC excluding Hong Kong, Macau and Taiwan.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

3. 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. A reduction in the lease payments arising from the rent concessions of RMB3,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2022. There was no impact on the opening balance of equity as at 1 January 2022.





INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

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 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	1,545,853	1,694,817
Other countries/areas	1,189,400	1,157,725
	2,735,253	2,852,542

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 RMB1,016,830,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,291,139,000) was derived from sales to related companies.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

5. 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Segments	LCD modules	LCD modules
Types of goods and services		
Sale of industrial products	2,710,676	2,830,145
Processing services	24,577	22,397
Total revenue from contracts with customers	2,735,253	2,852,542
Geographical markets		
Mainland China	1,545,853	1,694,817
Other countries/areas	1,189,400	1,157,725
Total revenue from contracts with customers	2,735,253	2,852,542
Timing of revenue recognition		
Goods and services transferred at a point in time	2,735,253	2,852,542



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Other income, net		
Bank interest income	13,999	8,076
Subsidy income*	7,395	1,815
Others	8,450	562
	29,844	10,453
Gains, net		
Fair value gains, net:		
Derivative financial instruments	1,146	1,979
Gain on disposal of raw materials, samples and scraps	274	4,129
Gain on disposal of forward exchange agreement	–	2,928
Gain on disposal of idle equipment	77	–
	31,341	19,489

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold	2,625,357	2,628,132
Depreciation	26,714	40,564
Amortisation of intangible assets	986	939
Depreciation of right-of-use assets	7,008	6,953
Research and development costs:		
Current period expenditures*	77,413	87,003
Employee benefit expense (including directors' remuneration):		
Wages and salaries	103,689	103,998
Equity-settled share option expense	(7,530)	(14)
Pension scheme contributions	9,837	9,230
	105,996	113,214
Exchange differences, net	5,937	379
Impairment of trade and bills receivables	152	63
Reversal of impairment of financial assets included in prepayments, other receivables	-	(99)
Loss on disposal of items of property, plant and equipment	-	15
Write-down of/(reversal of write-down of) inventories to net realisable value**	2,010	(1,478)

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

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

7. DISCONTINUED OPERATION

On 25 May 2021, China Display Optoelectronics Technology (Huizhou) Co., Ltd.* (華顯光電技術(惠州)有限公司, an indirect wholly-owned subsidiary of the Group, “CDOT Huizhou”) and Wuhan China Star Optoelectronics Technology Company Limited* (武漢華星光電技術有限公司, “Wuhan CSOT”) entered into 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 China Display Optoelectronics Technology Company Limited* (武漢華顯光電技術有限公司, “Wuhan CDOT”) for a consideration of RMB286 million (the “Wuhan CDOT Disposal”), which was satisfied in cash. The Wuhan CDOT Disposal had been completed on 30 June 2021.

The Wuhan CDOT Disposal constituted a discontinued operation.

The results of the discontinued operation for the six months ended 30 June 2021 are presented below:

	For the six months ended 30 June 2021 (Unaudited) RMB'000
Revenue	456,638
Expenses	(426,742)
Finance costs	-
	29,896
Gain on disposal of the discontinued operation	10,822
Profit before tax from the discontinued operation	40,718
Income tax:	
Related to pre-tax profit	(7,495)
Profit for the period from the discontinued operation	33,223



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

7. DISCONTINUED OPERATION (Continued)

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

	For the six months ended 30 June 2021 (Unaudited) RMB'000
Operating activities	38,862
Investing activities	(39,832)
Financing activities	–
Net cash outflow	(970)
Earnings per share:	
Basic, from the discontinued operation	RMB1.27 cents
Diluted, from the discontinued operation	RMB1.27 cents

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	For the six months ended 30 June 2021 (Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	RMB26,727,000
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 per share calculations (<i>note 11</i>)	2,096,717,906



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest on bank loans and bonds	109	146
Interest on lease liabilities	241	257
Interest on discounted notes with recourses and factored trade receivables	443	1,134
	793	1,537

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current – Hong Kong Charge for the period	-	-
Current – Mainland China Charge for the period	21,030	26,606
Adjustment in respect of current tax of previous periods	(40,480)	(3,333)
Deferred	(1,382)	(1,625)
Total tax (credit)/expense for the period from continuing operations	(20,832)	21,648
Total tax charge for the period from a discontinued operation	-	7,495
	(20,832)	29,143



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

10. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount for the six months ended 30 June 2022 is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,081,500,942 (six months ended 30 June 2021: 2,096,717,906) 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 2022.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations		
From continuing operations	133,973	70,825
From a discontinued operation	–	26,727
<hr/>		
	Number of shares For the six months ended 30 June	
	2022 (Unaudited)	2021 (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 per share calculations	2,081,500,942	2,096,717,906



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

12. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	134,169	263,606
Work in progress	16,952	41,150
Finished goods	44,847	100,891
	195,968	405,647

13. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	874,443	799,745
Bills receivable	10,920	26,071
Impairment	(1,228)	(1,076)
	884,135	824,740

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2022 (the "Interim Period"), based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 month	374,790	444,913
1 to 2 months	418,362	199,350
2 to 3 months	87,977	125,715
Over 3 months	3,006	54,762
	884,135	824,740

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.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

14. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
Cash and bank balances	94,603	883,445
Time deposits	940,257	189,000
	1,034,860	1,072,445
Less: time deposits over three months	19,000	19,000
Cash and cash equivalents	1,015,860	1,053,445
Cash and cash equivalents and time deposits denominated in		
– RMB	941,566	803,696
– HK\$	4,236	2,600
– United States dollars (“US\$”)	89,058	266,149
Cash and cash equivalents and time deposits	1,034,860	1,072,445

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 June 2022, included in cash and bank balances were the balance of advances to TCL Technology under the meaning of Chapter 13 of the Listing Rules, which comprised of deposits of RMB974,676,833 (31 December 2021: RMB1,041,788,715) placed with TCL Finance Co., Ltd. (a fellow subsidiary of the Company and a financial institution approved by the People’s Bank of China) pursuant to the terms of the Master Financial Services (2020 Renewal) Agreement dated 2 December 2019 entered into among the Company, TCL Technology and TCL Finance Co., Ltd., repayable within one year and without collateral. The interest rate for the deposits placed with TCL Finance Co., Ltd. during the six months ended 30 June 2022 was 0.35% (six months ended 30 June 2021: 0.35%) per annum, which was determined based on the savings rates offered by the People’s Bank of China. Further details of the Master Financial Services (2020 Renewal) Agreement are set out in the circulars of the Company dated 9 December 2019 and 12 July 2021. Further details of the interest income from the deposits in the related parties are set out in note 21 to the financial information.





INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

15. TRADE PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	1,286,510	1,477,768

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 30 days	875,512	733,229
31 to 60 days	329,188	431,890
61 to 90 days	55,806	283,365
Over 90 days	26,004	29,284
	1,286,510	1,477,768

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	-	-	-	0.461	2022	52,224
Bank loans – unsecured	2.95	2022	67,000	-	-	-
Other borrowings	-	-	-	1.1	2022	24,000
			67,000			76,224
Non-current						
Bank loans – secured	3.85-4.15	2029	20,302	4.15	2024-2029	2,000
			20,302			2,000
			87,302			78,224
Analysed into:						
Bank loans repayable						
Within one year			67,000			52,224
In the third to eighth years, inclusive			-			2,000
In the seventh year			20,302			-
			87,302			54,224
Other borrowings repayable						
Within one year			-			24,000
			-			24,000
			87,302			78,224

Notes:

- The Group had banking facilities of RMB1,500,000,000 (31 December 2021: RMB1,510,000,000), of which RMB87,300,000 (31 December 2021: RMB737,607,000) had been utilised as at the end of the Interim Period.
- The Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB67,000,000 (31 December 2021: RMB54,224,000) as at the end of the Interim Period.
- All borrowings are denominated in RMB as at 30 June 2022.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

17. SHARE CAPITAL

	30 June 2022	31 December 2021
Authorised:		
4,000,000,000 (31 December 2021: 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 2021: 2,114,307,929) ordinary shares (HK\$'000)	211,431	211,431
Equivalent to RMB'000	172,134	172,134

As at 30 June 2022, the total number of issued ordinary shares of the Company was 2,114,307,929 (2021: 2,114,307,929) shares which included 17,399,523 (2021: 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.

Share Options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 19 to the financial information.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

18. SHARE AWARD SCHEME

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

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

On 20 May 2016, the Company entered into a trust deed with BOCI-Prudential Trustee Limited thereby appointing it as the Trustee.

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

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





INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

18. SHARE AWARD SCHEME (Continued)

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

Since the Adoption Date and up to 30 June 2022, 103,289,988 Shares in aggregate have been granted under the Share Award Scheme of the Company, of which 102,946,488 Shares had been vested, and 343,500 Shares had been forfeited.

As at 30 June 2022, an aggregate of 1,710,704 Awarded Shares (As at 31 December 2021: 1,710,704 Awarded Shares) were unvested and deemed as returned shares. Accordingly, an amount of RMB705,000 (As at 31 December 2021: RMB705,000) was charge to the Shares held for the Share Award Scheme reserve.

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

19. SHARE OPTION SCHEME

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

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

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

19. SHARE OPTION SCHEME (Continued)

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

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

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

The following share options were outstanding under the Share Option Scheme during the Interim Period:

	2022		2021	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.74	32,807	0.74	36,108
Forfeited during the period	0.74	(32,807)	0.74	(60)
At 30 June	0.74	–	0.74	36,048

There are no share options outstanding at the end of the Interim Period.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

19. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during 2016 was RMB18,502,000 (HK\$0.28 each). During the period, 32,806,987 share options were forfeited, and the Group reversed the share option expense of RMB14,000 accordingly.

According to the scheme limit of the Share Option Scheme as refreshed at the annual general meeting held on 11 May 2016, the Company may further grant 172,149,980 share options, representing approximately 8.14% of the number of issued shares of the Company as at 30 June 2022.

At the date of approval of these interim condensed consolidated financial information, the Company had no outstanding share options.

20. COMMITMENTS

The Group had the following capital commitments as at 30 June 2022:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	131,274	114,315





INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

21. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties, which were categorised as transactions conducted with TCL Technology and its affiliates and TCL Industries Holdings Co., Ltd. ("TCL Holdings") and its affiliates during the Interim Period:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
TCL Technology and its then affiliates:		
Sales of products	673,601	945,541
Processing services	24,577	479,035
Sales of raw materials and samples	6,979	22
Purchases of products	70,734	154,134
Purchases of plant, vehicles, furniture and fixtures	1,673	9,027
Purchases of services	1,225	2,481
Rental and other related charges	–	1,564
Sales of services	15	–
Purchases of office supplies	693	628
Interest income	12,522	6,198
Guarantee fee	119	28
	792,138	1,598,658
TCL Holdings and its then affiliates:		
Sales of products	318,652	323,201
Sales of raw materials and samples	688	3,768
Purchases of products	14,987	–
Purchases of services	1,538	2,231
Rental and other related charges	148	145
Interest income	72	146
	336,085	329,491



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB67,000,000 (31 December 2021: RMB54,224,000) as at the end of the Interim Period, as further detailed in note 16 to the financial information.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Current:				
TCL Technology and the then affiliates:	204,608	169,550	75,696	85,923
TCL Holdings and the then affiliates:	138,872	283,912	5,013	14,599
	343,480	453,462	80,709	100,522
Non-current:				
TCL Technology and the then affiliates:	31	365	-	-
TCL Holdings and the then affiliates:	-	-	-	-
	31	365	-	-
	343,511	453,827	80,709	100,522

As at 30 June 2022, the current balance due to the immediate holding company, being an affiliate of TCL Technology, included an amount of RMB31,484,000 relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company. The remaining balances with TCL Technology and its affiliates and TCL Holdings and its affiliates are mainly trading balances which are repayable on credit terms similar to those offered to the major customers of the Group.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2022

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	1,430	1,220

22. TRANSFERS OF FINANCIAL ASSETS

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

At 30 June 2022, the Group did not retain any rights on the use of discounting certain bills receivable to banks in exchange for cash (the "Discounted Bills") (31 December 2021: Nil). In the opinion of the Directors, the Group had retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the associated interest-bearing bank borrowings.

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

The Group had no endorsed certain bills receivables accepted by banks (31 December 2021: Nil) to certain of its suppliers (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to two months at the end of the Interim Period. In accordance with the law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group had transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amounts of the Derecognised Bills and the associate trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

For the six months ended 30 June 2022, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the six months or cumulatively.

23. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 19 August 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the six months ended 30 June 2022 (the “Review Period”), global raw material costs rose due to ongoing geopolitical conflicts and continuous outbreak of emerging variants of the coronavirus, whilst the strict pandemic prevention policies in Mainland China have further restricted the supply chain. Economic growth has continued to slow down, mobile phone market has been on the same trend, the smartphone replacement cycle has been prolonged due to weakened consumer sentiments. Global smartphone sales volume has declined for four consecutive quarters. According to the latest release from China Academy of Information and Communications Technology (CAICT), the total shipments of mobile phones in the domestic market amounted to 136 million units in the first half of 2022, representing a year-on-year decrease of 21.8%. According to the latest report from International Data Corporation (IDC), an international research institute, global smartphone shipments are expected to decline by 3.5% to 1,310 million units in 2022, while China’s smartphone shipments will drop by approximately 38 million units, accounting for approximately 80% of worldwide reduction in shipment volume.

According to the analysis of TrendForce, a market researcher, due to the impact of the pandemic in the past two years, border controls and lockdowns have disrupted logistics and labor supply chain. Brand customers have overstocked at different stages of the supply chain to avoid delay in production and shipment. In addition, the subsidence of pandemic-induced demand, and rising global inflation rate combined with weakened end market demand led to a continuous increase in pressure on brand customers in reducing inventory level. The market demand for display panels has also decreased, resulting in oversupply at upstream, and panel prices in various application categories have continued to fall, which has forced module prices down. Similar to the oversupply of panels, the shortage of driver integrated circuit resources since 2021 was gradually resolved in the first half of 2022 as the demand dropped.

BUSINESS REVIEW

During the Review Period, global economic conditions were weaker than expected. Under the significant pressure from the reduction in inventory level and orders by major brand customers, the Group has benefited from its strategic cooperation with key customers and successfully outperformed the industry. During the Review Period, the Group recorded a total sales volume of 32.4 million units, representing a year-on-year decrease of 4.1% and the sales volume of modules for sale decreased by 2.3% year-on-year to 31.2 million units which accounted for 96.5% of the Group’s total sales volume. The Group’s revenue decreased to RMB2,735 million, representing a year-on-year decrease of 4.1%.

During the Review Period, the sales business was the principal continuing operation of the Group. The sales volume of laminated modules for sale was 28.1 million units, representing a year-on-year decrease of 9.2%, and the corresponding revenue was RMB2,580 million, representing a year-on-year decrease of 5.7%. Under the combined pressure of excessive upstream supply and backlogs from downstream, the overall average selling price of the Group decreased by 1.9% year-on-year to RMB86.8 (excluding processing modules).

As a result of shrinking market, during the Review Period, the sales volume of the Group’s display modules for mobile phone products was 30.9 million units, representing a year-on-year decrease of 3.5%. Furthermore, as the demand for electronic educational products declined due to the “Double Reduction” policy of reducing students’ homework and training burden in Mainland China and the decline in popularity of the “stay-at-home economy” globally, the sales volume of the Group’s display modules for tablets decreased by 14.9% on a year-on-year basis to 1.3 million units.

During the Review Period, while the Group was still affected by the sluggish market demand and the fluctuations in the supply chain, by stringent production cost control, the Group recorded a gross profit of RMB209 million with the gross profit margin recorded at 7.6%, representing a slight decrease of 0.2% year-on-year. During the Review Period, the Group recorded profit for the period from continuing operations of RMB134 million, representing a year-on-year increase of 89.2%, which is mainly attributable to the following reasons:

- (i) An increase in subsidies in the form of tax reduction arising from increased number of eligible research and development projects booked by the Group in the first half of 2022; and
- (ii) Implementation of various budget and cost-control policies which facilitated the operational efficiency of the Group by keeping the administrative and operating expenditures at a relatively low level.



MANAGEMENT DISCUSSION AND ANALYSIS

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

(Unaudited)	For the six months ended 30 June					Change %
	2022		2021			
	Million units	%	Million units	%		
Sale of TFT LCD module						
Non-laminated modules	3.2	9.7	1.1	3.1	+198.0	
Laminated modules	28.1	86.7	30.9	91.6	-9.2	
Processing TFT LCD module						
Non-laminated modules	0.1	0.4	-	-	-	
Laminated modules	1.0	3.2	1.8	5.3	-42.8	
Total	32.4	100.0	33.8	100.0	-4.1	

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

(Unaudited)	For the six months ended 30 June					Change %
	2022		2021			
	RMB Million	%	RMB Million	%		
Sale of TFT LCD module						
Non-laminated modules	130	4.8	93	3.2	+39.9	
Laminated modules	2,581	94.3	2,738	96.0	-5.7	
Processing TFT LCD module						
Non-laminated modules	2	0.1	-	-	-	
Laminated modules	22	0.8	22	0.8	+0.3	
Total	2,735	100.0	2,853	100.0	-4.1	

During the Review Period, China remained the main market for the Group. The revenue from Hong Kong and Mainland China were RMB1,187 million and RMB1,546 million, respectively, which accounted for 99.9% of the Group's total revenue.

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

	For the six months ended 30 June					Change %
	2022		2021			
	RMB Million	%	RMB Million	%		
Mainland China	1,546	56.5	1,695	59.4	-8.8	
Hong Kong	1,187	43.4	1,142	40.0	+4.0	
Others	2	0.1	16	0.6	-89.1	
Total	2,735	100.0	2,853	100.0	-4.1	



MANAGEMENT DISCUSSION AND ANALYSIS

Optimise Clients and Product Structure to Strengthen the Group's Profitability

The Group continued to provide customers with high-quality and customised services and consolidate its relationship with brand customers. With years of effort, the Group has established strategic partnerships with a number of brand customers, including Samsung and Transsion. The proportion of orders from the world's top 10 brand customers increased to 71.0% during the Review Period.

The Group will also continue to expand its business horizontally, focus on product development and explore more markets, and monitor the industry environment periodically to bring opportunities to the Company and further enhance the Group's profitability.

OUTLOOK

Looking forward, there are multiple downside risks to the global economic outlook, including the rise in geopolitical tensions and persistently high inflation which in turn would trigger further interest rate hikes by the Federal Reserve of the United States of America. The resurgence of the pandemic and strict pandemic control measures have also hindered China's economic recovery. In addition to macro factors, the technological and morphological changes of mobile phones tend to be stagnant in recent years, the improvement of chips and image functions has been limited, and the lack of superior experience of 5G and folding-screen design has also adversely affected the consumers' desire to replace mobile phones. According to IDC, the smartphone market is facing challenges from many aspects and is expected to recover slowly in 2023. At the same time, the upstream of the industry is also facing the trough of the industry cycle, and the imbalance of supply and demand is expected to continue in the short term, bringing pressure to the whole industry in the second half of 2022.

Meanwhile, according to IDC, China's smart home device market recorded shipments of more than 220 million units in 2021, up by 9.2% year-on-year. Although China's smart home market has been developing for several years, smart home products are still not widely used. After the product structure adjustment and functional upgrade in 2021, it is believed that the market demand for smart home products is expected to grow further in the future. For the tablets market, although the short-term demand will fall after the peak of "stay-at-home economy", the Group believed that the peak season in the second half of the year will help to increase the sales volume and the reduce inventory level. The restart of electronic educational products buying cycle will also lift the shipment volume of new tablets, it is expected the market demand for tablets will hover around 150 million units in the next two to three years.

The Group's new display module factory located in Chenjiang, Huizhou will be gradually put into operation by the end of 2022. The intelligent production equipments and fully automated production lines in the factory will ensure maximum production efficiency, and the production capacity of the Group is expected to gradually increase in the coming five years. In addition, in early August 2022, the Group acquired 100% equity interest in and of Huizhou Gaoshengda Zhixian Technology Co., Ltd.* (惠州高盛達智顯科技有限公司, hereinafter "Gaoshengda Zhixian") from Huizhou Gaoshengda Technology Co., Ltd.* (惠州高盛達科技有限公司), Huizhou Zhicheng Investment Management Partnership (Limited Partnership)* (惠州市智誠投資管理合夥企業(有限合夥)) and Huizhou Zhihe Investment Management Partnership (Limited Partnership)* (惠州市智合投資管理合夥企業(有限合夥)) at a consideration of RMB51 million. For details, please refer to the company's its announcements dated 1 August and 11 August 2022. After the said acquisition, Gaoshengda Zhixian will be a supplier of Internet of Things ("IoT") related products of the Group, thus creating synergy effect with the existing display module business of the Group, and also laying the foundation for the development of the Group in the IoT field in the future. The Group believes that through long-term production chain planning and the advantages in production technology and economies of scale, the Group will be able to seize the huge opportunities in the medium size display module market.

Despite the continuous challenges and fierce competition, the Group believes that challenges and opportunities coexist and that the trough of the industry cycle will help the Group to expand their market share further and take advantage of economies of scale to establish the Group as one of the top display module manufacturers in the market. The Group remains cautiously optimistic about the development of its display module business in 2022 and will pay utmost effort and commit to creating better value for the Group and shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

During the Review Period, the Group's principal financial instruments comprised cash and cash equivalents, time deposits and interest-bearing bank loans.

The Group's cash and cash equivalents and time deposits balance as at 30 June 2022 amounted to RMB1,035 million, of which 8.6% was in US dollar, 91.0% was in RMB and 0.4% was in HK dollar.

As at 30 June 2022, the Group's interest-bearing bank and other borrowings were RMB87 million, which were denominated in RMB. Please refer to note 16 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

As at 30 June 2022, total equity attributable to owners of the parent was RMB958 million (31 December 2021: RMB831 million), and the gearing ratio was 3.3% (31 December 2021: 2.7%). 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 2022, no asset of the Group was pledged (31 December 2021: nil).

Capital Commitments and Contingent Liabilities

	30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Plant and equipment	131,274	114,315

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Pending Litigation

The Group had not been involved in any material litigation for the six months ended 30 June 2022.

Significant Investments Held

There was no significant investment held by the Group as at 30 June 2022.

Material Acquisitions and Disposals

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

After the Review Period, on 1 August 2022, Huizhou Gaoshengda Technology Co., Ltd.* (惠州高盛達科技有限公司), Huizhou Zhicheng Investment Management Partnership (Limited Partnership)* (惠州市智誠投資管理合夥企業(有限合夥)), Huizhou Zhihe Investment Management Partnership (Limited Partnership)* (惠州市智合投資管理合夥企業(有限合夥)) (together, the "Vendors"), China Display Optoelectronics Technology (Huizhou) Company Limited* (華顯光電技術(惠州)有限公司, an indirect wholly-owned subsidiary of the Group, hereinafter "CDOT Huizhou"), and Huizhou Gaoshengda Zhixian Technology Co., Ltd.* (惠州高盛達智顯科技有限公司) (the "Target Company") entered into the equity transfer agreement, pursuant to which the Vendors had conditionally agreed to sell, and CDOT Huizhou had conditionally agreed to acquire 100% of the equity interest in and of the Target Company at a consideration of RMB51,000,000, which shall be paid in cash. Upon completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group. For details, please refer to the Company's announcements dated 1 August and 11 August 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 2,627 employees. During the Review Period, the total staff costs amounted to approximately RMB106 million. The Group aims to provide employees with reasonable, legal and competitive compensation and welfare by offering remuneration packages and bonuses which are regularly updated based on local gross domestic production (GDP) growth and the latest laws and regulations. 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 addition, training and development programmes are provided on an on-going basis throughout the Group. 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.

Future Plans for Material Investments or Capital Assets

As at 30 June 2022, the Group did not have any concrete plans for material investments or capital assets for the second half of the year 2022.



OTHER INFORMATION

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

As at 30 June 2022, the interests and/or short position of the Directors and chief executives of the Company in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong, hereinafter the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

Interests in the Company – Long Positions

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

Notes:

- Such percentage was calculated based on the number of Shares and underlying Shares in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at 30 June 2022, being 2,114,307,929 Shares in issue.

Interests in Associated Corporation of the Company – Long Positions

TCL Technology Group Corporation ("TCL Technology") (Note 1)

Name of Director	Nature of interest	Number of Ordinary Shares held Personal Interests	Other interests	Number of Shares under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Technology (Note 2)
LIAO Qian	Beneficial owner	229,596	–	–	229,596	0.0016%
OUYANG Hongping	Beneficial owner	26,600	–	–	26,600	0.0002%
ZHANG Feng	Beneficial owner	358,148	–	–	358,148	0.0026%

Notes:

- TCL Technology, a joint stock limited company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- Such percentage was calculated based on the number of issued share capital of TCL Technology as at 30 June 2022, being 14,030,642,421 shares in issue, as informed by TCL Technology.

Save as disclosed above, as at 30 June 2022, none of the Directors nor the chief executives of the Company had registered an interest and/or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate Percentage of Issued Share Capital of the Company (Note 3)
TCL Technology	Interest of controlled corporation	1,357,439,806 (Note 1)	64.20%
TCL China Star Optoelectronics Technology Co., Ltd.	Interest of controlled corporation	1,357,439,806 (Note 2)	64.20%

Notes:

- For the purposes of Part XV of the SFO, TCL Technology is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly-owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly owned by TCL China Star Optoelectronics Technology Co., Ltd. ("TCL CSOT") which is owned as to 83.02% by TCL Technology as at 30 June 2022.
- For the purposes of Part XV of the SFO, TCL CSOT is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly-owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly-owned by TCL CSOT as at 30 June 2022.
- Such percentage was calculated based on the total number of Shares in which each of the substantial shareholders was interested as disclosed on the website of the Stock Exchange against the number of issued shares of the Company as at 30 June 2022, being 2,114,307,929 Shares.
- As at 30 June 2022, the following Directors were directors/employees of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
 - Mr. LIAO Qian was also an executive director, senior vice president and secretary of the board of directors of TCL Technology.
 - Mr. OUYANG Hongping was also a general manager of low-temperature polysilicon division of small and medium-sized display business group of TCL CSOT, a director and a general manager of Wuhan CDOT (a subsidiary of TCL Technology) and a general manager of Wuhan CSOT (a subsidiary of TCL Technology).
 - Mr. ZHANG Feng was also the legal representative of Wuhan CSOT and Wuhan CDOT, the senior vice president of TCL CSOT, the general manager of small and medium-sized display business group of TCL CSOT, a director and the general manager of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT).

Save as disclosed above, as at 30 June 2022, no person, other than the Directors and chief executives of the Company whose interests or short positions are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.





OTHER INFORMATION

SHARE OPTION SCHEME

By way of a resolution of the shareholders of the Company passed on the further special general meeting of the Company on 11 March 2015, the Company adopted the share option scheme ("Share Option Scheme") with effect from the resumption of trading in the Shares on the Stock Exchange on 25 June 2015, the purpose of which is to recognise and motivate the contribution of the eligible participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

The offer of a grant of share options may be accepted by each grantee until 5:00 p.m. of the 5th business day following the date of offer provided that no such offer shall be open for acceptance after the expiry or termination of the Share Option Scheme, and upon payment of a non-refundable nominal consideration of HK\$1.00 by each grantee. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are set out in note 19 to the financial statements in this interim report. As at 30 June 2022, the total number of Shares available for issue in respect thereof was 172,149,980 shares, representing approximately 8.14% of the then issued shares of the Company.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the share options as set out in note 19 to the financial statements in this interim report, which are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

As at 30 June 2022, there was no outstanding share options. The total number of Shares that could be issued upon exercise of all share options that could be granted under the then available scheme mandate limit was 172,149,980 Shares, which represented about 8.14% of the issued shares of the Company as at 30 June 2022.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2022 are as follows:

Name or category of participant	Number of share options					As at 30 June 2022	Date of grant of share options	Closing price of Shares immediately before the date of grant of share options HK\$	Exercise price of share options HK\$	Exercise period of share options
	As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period (Note 4)	Cancelled during the period					
OUYANG Hongping	9,076,528	-	-	9,076,528	-	-	18 March 2016	0.73	0.74	Note 1
HSU Wai Man, Helen	260,000	-	-	260,000	-	-	18 March 2016	0.73	0.74	Note 1
LI Yang	260,000	-	-	260,000	-	-	18 March 2016	0.73	0.74	Note 1
XU Yan	260,000	-	-	260,000	-	-	18 March 2016	0.73	0.74	Note 1
Other employees of the Group	19,842,960	-	-	19,842,960	-	-	18 March 2016	0.73	0.74	Note 1
Those who may contribute or have contributed to the Group (Note 2)	3,107,499	-	-	3,107,499	-	-	18 March 2016	0.73	0.74	Note 3

Notes:

- (i) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (ii) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (iii) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.



OTHER INFORMATION

2. This represents participants who have contributed to the Group and who are also employees of TCL Technology (the ultimate controlling shareholder of the Company) and TCL Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司) and/or their subsidiaries.
3. Subject to the fulfillment of the conditions that the relevant holder (i) has paid the costs incurred or to be incurred by the Company for the relevant part of the share options and (ii) remains to be an employee of TCL Technology and its subsidiaries on 31 December 2016, 31 December 2017 and 31 December 2018 respectively, (a) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (b) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (c) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
4. The 32,806,987 share options lapsed in accordance with the terms of the Share Option Scheme were regarded as forfeited under applicable accounting standards. For further details, please refer to note 19 to the financial statements.

SHARE AWARD SCHEME

The Board on 17 March 2016 resolved to adopt the share award scheme (“Share Award Scheme”), for the purposes of providing incentives to the participants under Share Award Scheme. The Share Award Scheme was subsequently approved by the shareholders of the Company during the special general meeting on 11 May 2016.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion designate an award (“Award” and collectively “Awards”) to be made to a selected participant (“Selected Person” and collectively “Selected Persons”). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group.

Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administrating the Share Award Scheme (the “Trustee”), from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company, in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any) in accordance with the provisions of the Share Award Scheme. As at 30 June 2022, an aggregate of 68,859,992 awarded Shares were available for grant in the form of existing Shares or new Shares under the Share Award Scheme, and hence an aggregate of 68,859,992 Shares can be issued under the Share Award Scheme. For further details, please see note 18 to the financial statements.

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”, the Share Option Scheme as disclosed in the section “Share Option Scheme”, and the Share Award Scheme as disclosed in the section “Share Award Scheme” and under note 18 to the financial statements in this interim report, at no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: Nil).

CHANGE OF PARTICULARS OF THE DIRECTORS

As at 26 August 2022, being the latest practicable date for ascertaining information for the purpose of this section, certain particulars of Directors have been changed in the following respects since the publication date of the 2021 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Liao Qian, a non-executive Director and the chairman of the Company, resigned as the chief of the staff of TCL Technology with effect from 5 July 2022.

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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has complied with the code provisions (the "Code Provisions") set out in Part 2 of the Corporate Governance Code under Appendix 14 to the 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 2022, 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 2022, fully complied with the Code Provisions.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all Directors and all of them have confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 June 2022.

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 controls. The audit committee of the Company currently comprises three members, namely Ms. HSU Wai Man, Helen (as the chairperson), Mr. LI Yang and Mr. XU Yan, all of whom are independent non-executive Directors. The Group's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2022 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, 19 August 2022