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

**RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**FINANCIAL HIGHLIGHTS**

*Unaudited results for the six months ended 30 June*

	<b>2022</b>	2021	<b>Change</b>
	<b>(Unaudited)</b>	(Unaudited)	
	<b>RMB'000</b>	RMB'000	
<b>CONTINUING OPERATIONS</b>			
Revenue	<b>2,735,253</b>	2,852,542	(4.1%)
Gross profit	<b>208,896</b>	223,634	(6.6%)
Profit for the period from continuing operations	<b>133,973</b>	70,825	89.2%
Profit attributable to owners of the parent	<b>133,973</b>	97,552	37.3%
Basic earnings per share attributable to owners of the parent			
– For profit for the period	<b>RMB6.44 cents</b>	RMB4.65 cents	38.5%
– For profit from continuing operations	<b>RMB6.44 cents</b>	RMB3.38 cents	90.5%

The board (the “Board”) of directors (each a “Director”, together the “Director(s)”) of China Display Optoelectronics Technology Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “Review Period”) with comparative figures for the corresponding period in 2021 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2022*

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>CONTINUING OPERATIONS</b>			
Revenue	4	2,735,253	2,852,542
Cost of sales		<u>(2,526,357)</u>	<u>(2,628,908)</u>
Gross profit		<u>208,896</u>	<u>223,634</u>
Other income and gains	4	31,341	19,489
Selling and distribution expenses		(18,120)	(32,020)
Administrative expenses		(102,831)	(115,736)
(Impairment)/reversal of impairment on financial assets		(151)	36
Other expenses		(5,201)	(1,393)
Finance costs	7	<u>(793)</u>	<u>(1,537)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	<u>113,141</u>	<u>92,473</u>
Income tax credit/(expense)	8	<u>20,832</u>	<u>(21,648)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u><u>133,973</u></u>	<u><u>70,825</u></u>

		<b>For the six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	6	<u>–</u>	<u>33,223</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>133,973</u></b>	<b><u>104,048</u></b>
Attributable to:			
Owners of the parent		<b>133,973</b>	97,552
Non-controlling interest		<u>–</u>	<u>6,496</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
	10		
Basic			
– For profit for the period		<b>RMB <u>6.44 cents</u></b>	<b>RMB <u>4.65 cents</u></b>
– For profit from continuing operations		<b>RMB <u>6.44 cents</u></b>	<b>RMB <u>3.38 cents</u></b>
Diluted			
– For profit for the period		<b>RMB <u>6.44 cents</u></b>	<b>RMB <u>4.65 cents</u></b>
– For profit from continuing operations		<b>RMB <u>6.44 cents</u></b>	<b>RMB <u>3.38 cents</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
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		–	19,000
		<hr/>	<hr/>
Total non-current assets		<b>513,080</b>	533,269
<b>CURRENT ASSETS</b>			
Inventories		195,968	405,647
Trade and bills receivables	11	884,135	824,740
Prepayments and other receivables		56,270	64,959
Derivative financial instruments		–	5,005
Time deposits		19,000	–
Cash and cash equivalents		1,015,860	1,053,445
		<hr/>	<hr/>
Total current assets		<b>2,171,233</b>	2,353,796
<b>CURRENT LIABILITIES</b>			
Trade payables	12	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	13	67,000	76,224
Lease liabilities		7,761	2,924
Tax payable		24,738	54,637
		<hr/>	<hr/>
Total current liabilities		<b>1,685,368</b>	2,038,131
<b>NET CURRENT ASSETS</b>		<hr/> <b>485,865</b>	<hr/> 315,665
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>998,945</b>	<hr/> 848,934

		<b>30 June</b>	31 December
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>13</i>	<b>20,302</b>	2,000
Lease liabilities		–	215
Deferred income		<b>20,656</b>	15,222
		<hr/>	<hr/>
Total non-current liabilities		<b>40,958</b>	17,437
		<hr/>	<hr/>
Net assets		<b>957,987</b>	831,497
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>14</i>	<b>172,134</b>	172,134
Reserves		<b>785,853</b>	659,363
		<hr/>	<hr/>
Total equity		<b>957,987</b>	831,497
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

**1. 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.

**2. CHANGES TO THE GROUP’S ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 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.

### 3. OPERATING SEGMENT INFORMATION

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

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

#### Geographical information

##### (a) Revenue from external customers

	For the six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Mainland China	1,545,853	1,694,817
Other countries/areas	1,189,400	1,157,725
	<u>2,735,253</u>	<u>2,852,542</u>

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



**(b) Non-current assets**

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

**Information about major customers**

Revenue of approximately 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.

**4. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue is as follows:

**Disaggregated revenue information for revenue from contracts with customers**

Segments	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
	LCD modules	LCD modules
<b>Types of goods and services</b>		
Sale of industrial products	2,710,676	2,830,145
Processing services	24,577	22,397
Total revenue from contracts with customers	<u>2,735,253</u>	<u>2,852,542</u>
<b>Geographical markets</b>		
Mainland China	1,545,853	1,694,817
Other countries/areas	1,189,400	1,157,725
Total revenue from contracts with customers	<u>2,735,253</u>	<u>2,852,542</u>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<u>2,735,253</u>	<u>2,852,542</u>

An analysis of other income and gains is as follows:

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

\* 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.

## 5. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited) RMB'000</b>	<b>2021 (Unaudited) RMB'000</b>
Cost of inventories sold	<b>2,625,357</b>	2,628,132
Depreciation	<b>26,714</b>	40,564
Amortisation of intangible assets	<b>986</b>	939
Depreciation of right-of-use assets	<b>7,008</b>	6,953
Research and development costs:		
Current period expenditures*	<b>77,413</b>	87,003
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>103,689</b>	103,998
Equity-settled share option expense	<b>(7,530)</b>	(14)
Pension scheme contributions	<b>9,837</b>	9,230
	<b>105,996</b>	113,214
Exchange differences, net	<b>5,937</b>	379
Impairment of trade and bills receivables	<b>152</b>	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**	<b>2,010</b>	(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.

## 6. 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) <i>RMB'000</i>
Revenue	456,638
Expenses	(426,742)
Finance costs	<u>—</u>
	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	<u>(7,495)</u>
Profit for the period from the discontinued operation	<u><u>33,223</u></u>

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

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

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 10</i> )	<u><u>2,096,717,906</u></u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
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
	<u>793</u>	<u>1,537</u>

## 8. 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	2021
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
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
	<u>(20,832)</u>	<u>29,143</u>

## 9. 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).

## 10. 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:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations		
From continuing operations	<b>133,973</b>	70,825
From a discontinued operation	<b>–</b>	26,727
	<b><u>133,973</u></b>	<b><u>97,552</u></b>
	<b>Number of shares</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
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	<b>2,081,500,942</b>	2,096,717,906
	<b><u>2,081,500,942</u></b>	<b><u>2,096,717,906</u></b>

## 11. TRADE AND BILLS RECEIVABLES

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

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:

	<b>30 June 2022 (Unaudited) RMB'000</b>	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	<u>3,006</u>	<u>54,762</u>
	<b><u>884,135</u></b>	<b><u>824,740</u></b>

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.



## 12. TRADE PAYABLES

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

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

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

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

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest			Effective interest		
	rate (%)	Maturity	RMB'000	rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	–	–	–	0.461	2022	52,224
Bank loans – unsecured	2.95	2022	67,000	–	–	–
Other borrowings	–	–	–	1.1	2022	24,000
			<u>67,000</u>			<u>76,224</u>
<b>Non-current</b>						
Bank loans – secured	3.85-4.15	2029	20,302	4.15	2024-2029	2,000
			<u>20,302</u>			<u>2,000</u>
			<u>87,302</u>			<u>78,224</u>
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			<u>20,302</u>			–
			<u>87,302</u>			<u>54,224</u>
Other borrowings repayable						
Within one year			–			24,000
			–			24,000
			<u>87,302</u>			<u>78,224</u>

*Notes:*

- (a) 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.
- (b) 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.
- (c) All borrowings are denominated in RMB as at 30 June 2022.

**14. SHARE CAPITAL**

	<b>30 June 2022</b>	31 December 2021
Authorised:		
4,000,000,000 (31 December 2021: 4,000,000,000) ordinary shares of HK\$0.10 each (HK\$'000)	<u><b>400,000</b></u>	<u>400,000</u>
Issued and fully paid:		
2,114,307,929 (31 December 2021: 2,114,307,929) ordinary shares (HK\$'000)	<u><b>211,431</b></u>	<u>211,431</u>
Equivalent to RMB'000	<u><b>172,134</b></u>	<u>172,134</u>

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.

## **INDUSTRY REVIEW**

In the first half of 2022, 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.

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

<i>(Unaudited)</i>	For the six months ended 30 June				
	2022		2021		Change
	<i>Million units</i>	%	<i>Million units</i>	%	%
<b>Sale of TFT LCD module</b>					
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
<b>Processing TFT LCD module</b>					
Non-laminated modules	0.1	0.4	-	-	-
Laminated modules	1.0	3.2	1.8	5.3	-42.8
Total	<u>32.4</u>	<u>100.0</u>	<u>33.8</u>	<u>100.0</u>	<u>-4.1</u>

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

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

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				
	2022		2021		Change
	<i>RMB Million</i>	%	<i>RMB Million</i>	%	%
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	<u>2,735</u>	<u>100.0</u>	<u>2,853</u>	<u>100.0</u>	<u>-4.1</u>

### **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 year will help to increase the sales volume and 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 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 its 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.



## 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 13 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

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

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.

## **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.

## **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.

## **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 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 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 and share award scheme respectively.

## **INTERIM DIVIDEND**

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except for the following deviation:

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

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

During the six months ended 30 June 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 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 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 control procedures. The audit committee 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 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

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

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