



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

2017



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2 CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. LIAO Qian (Chairman)
(appointed on 1 January 2017)
Mr. YUAN Bing (Chairman)
(resigned on 1 January 2017)

Executive Directors

Mr. LI Jian (Chief executive officer)
Mr. OUYANG Hongping
Ms. YANG Yunfang
Mr. ZHAO Yong

Independent Non-Executive Directors

Ms. HSU Wai Man Helen
Mr. XU Yan
Mr. LI Yang

COMPANY SECRETARY

Ms. CHOY Fung Yee, Solicitor, Hong Kong
(resigned on 25 April 2017)
Ms. CHEUNG Bo Man, Solicitor, Hong Kong
(appointed on 25 April 2017)

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors
Room 501, 5/F
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM1022
Hamilton HM DX
Bermuda

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.
Unit 1408-10, 14/F
Dominion Centre,
43-59 Queen's Road East,
Wan Chai
Hong Kong

TICKER SYMBOL

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

WEBSITE

<http://www.cdoth8.com>

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	<i>Notes</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	5	1,497,294	1,449,610
Cost of sales		(1,354,384)	(1,404,626)
Gross profit		142,910	44,984
Other income and gains	5	7,592	19,269
Selling and distribution expenses		(20,805)	(18,367)
Administrative expenses		(38,939)	(35,411)
Other expenses		(1,143)	(1,864)
Finance costs	7	(16,523)	(7,949)
PROFIT BEFORE TAX	6	73,092	662
Income tax (expense)/credit	8	(8,004)	3,348
PROFIT FOR THE PERIOD		65,088	4,010



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Note		
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	690	(1,711)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	690	(1,711)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	690	(1,711)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	65,778	2,299
Profit attributable to:		
Owners of the parent	67,173	4,010
Non-controlling interests	(2,085)	–
	65,088	4,010
Total comprehensive income attributable to:		
Owners of the parent	67,863	2,299
Non-controlling interests	(2,085)	–
	65,778	2,299
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10	
Basic	RMB3.35 cents	RMB0.23 cents
Diluted	RMB3.29 cents	RMB0.23 cents

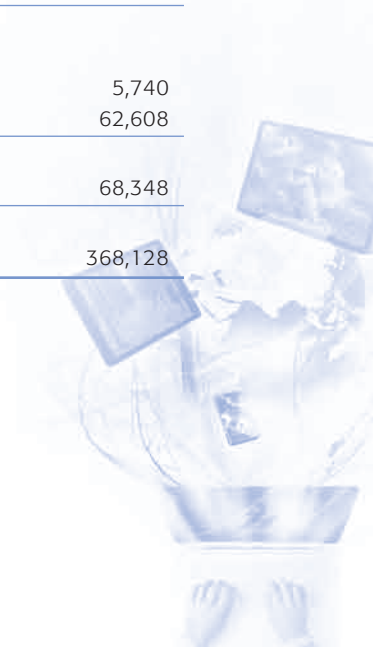
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		263,147	193,281
Intangible assets		438	67
Deposits paid for purchase of items of property, plant and equipment		87,757	43,279
Deferred tax assets		16,157	17,564
Total non-current assets		367,499	254,191
CURRENT ASSETS			
Inventories	11	250,049	367,086
Trade and bills receivables	12	835,404	990,452
Prepayments, deposits and other receivables		97,011	44,344
Cash and cash equivalents	13	228,840	464,889
Total current assets		1,411,304	1,866,771
CURRENT LIABILITIES			
Trade and bills payables	14	665,619	1,319,937
Other payables and accruals		205,572	192,363
Interest-bearing bank borrowings	15	337,527	120,000
Dividend payable	9	35,275	–
Tax payable		32,283	52,186
Total current liabilities		1,276,276	1,684,486
NET CURRENT ASSETS		135,028	182,285
TOTAL ASSETS LESS CURRENT LIABILITIES		502,527	436,476
NON-CURRENT LIABILITIES			
Deferred income		4,573	5,740
Bonds payable		60,746	62,608
Total non-current liabilities		65,319	68,348
Net assets		437,208	368,128



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

		30 June 2017	31 December 2016
		(Unaudited)	(Audited)
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	165,163	165,065
Reserves		244,420	203,063
		409,583	368,128
Non-controlling interests		27,625	–
		437,208	368,128



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated (loss)/profit RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		165,065	236,758	(77,970)	-	12,604	4,879	43,633	(3,727)	(13,114)	-	368,128
Profit for the period		-	-	-	-	-	-	-	-	67,173	(2,085)	65,088
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	690	-	-	690
Total comprehensive income for the period		-	-	-	-	-	-	-	690	67,173	(2,085)	65,778
Exercise of share options		98	875	-	-	(252)	-	-	-	-	-	721
Share award scheme arrangement	17	-	-	-	-	-	5,597	-	-	-	-	5,597
Equity-settled share option arrangement	18	-	-	-	-	2,259	-	-	-	-	-	2,259
Reduction of share premium		-	(237,633)	-	237,633	-	-	-	-	-	-	-
Contribution from non-controlling interests		-	-	290	-	-	-	-	-	-	29,710	30,000
Final 2016 dividend declared		-	-	-	(35,275)	-	-	-	-	-	-	(35,275)
At 30 June 2017 (unaudited)		165,163	-*	(77,680)*	202,358*	14,611*	10,476*	43,633*	(3,037)*	54,059*	27,625	437,208

* These reserve accounts comprise the positive reserves of RMB244,420,000 (31 December 2016: positive reserve of RMB203,063,000) in the condensed consolidated statement of financial position.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated (loss) RMB'000	Total equity RMB'000
At 1 January 2016	138,561	109,572	(77,970)	-	-	34,482	(4,633)	(95,073)	104,939
Profit for the period	-	-	-	-	-	-	-	4,010	4,010
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,711)	-	(1,711)
Total comprehensive income for the period	-	-	-	-	-	-	(1,711)	4,010	2,299
Issue of shares	22,071	114,766	-	-	-	-	-	-	136,837
Share issue expenses	-	(3,154)	-	-	-	-	-	-	(3,154)
Share award scheme arrangement	-	-	-	-	9,873	-	-	-	9,873
Equity-settled share option arrangement	-	-	-	4,902	-	-	-	-	4,902
At 30 June 2016 (unaudited)	160,632	221,184	(77,970)	4,902	9,873	34,482	(6,344)	(91,063)	255,696



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		73,092	662
Adjustments for:			
Finance costs	7	16,523	7,949
Bank interest income	5	(2,196)	(2,133)
Depreciation	6	22,555	22,915
Amortisation of intangible assets	6	45	29
Write-down/(recovery) of inventories to net realisable value	6	270	(3,586)
Awarded share expense	17	5,597	9,873
Share option expense	18	2,259	4,902
Exchange gain		(624)	–
		117,521	40,611
Decrease/(increase) in inventories		116,767	(119,547)
Decrease/(increase) in trade and bills receivables		155,048	(350,232)
(Decrease)/increase in prepayments, deposits and other receivables		(52,667)	26,332
(Decrease)/increase in trade and bills payables		(654,318)	292,466
Increase/(decrease) in other payables and accruals		11,225	(20,766)
(Decrease)/increase in deferred income		(1,167)	250
Cash used in operations		(307,591)	(130,886)
Mainland China tax paid		(26,500)	(8,547)
Net cash flows used in operating activities		(334,091)	(139,433)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	<i>Notes</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,196	2,133
Purchases of items of property, plant and equipment		(136,899)	(42,796)
Purchases of items of intangible assets		(417)	(48)
Net cash flows used in investing activities		(135,120)	(40,711)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	16	720	136,837
Share issue expenses		–	(3,154)
New bank loans		337,527	237,933
Repayment of bank loans		(120,000)	(195,118)
Interest paid		(14,538)	(5,524)
Proceed from non-controlling interests		30,000	–
Net cash flows from financing activities		233,709	170,974
NET DECREASE IN CASH AND CASH EQUIVALENTS		(235,502)	(9,170)
Cash and cash equivalents at beginning of period		464,889	286,605
Effect of foreign exchange rate changes, net		(547)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	228,840	277,435



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. CORPORATE AND GROUP INFORMATION

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

With effect from 4 January 2017, the name of the Company was changed from TCL Display Technology Holdings Limited to China Display Optoelectronics Technology Holdings Limited.

During the six months ended 30 June 2017, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the manufacture and sale of LCD modules for mobile phones and tablets.

On 27 April 2017, High Value Ventures Limited (the "Offeror", an indirect wholly-owned subsidiary of Shenzhen China Star Optoelectronics Technology Co., Ltd.) acquired 53.81% of the then total number of issued shares of the Company. The acquisition completed on 27 April 2017. Pursuant to Rule 26.1 of the Codes on Takeovers and Mergers of Hong Kong, the Offeror was required to make an unconditional mandatory general cash offer for all the issued shares not held and/or agreed to be acquired by the Offeror, Rally Praise Limited and Opus International Advisors Limited (the "Share Offer") and outstanding options (the "Option Offer", collectively the "Offers"). Upon the close of the Offers on 12 June 2017, the Offeror received valid acceptance of the Share Offer in respect of 463,019 shares (representing approximately 0.02% of the then total number of issued shares of the Company) and Option Offer in respect of 0 option. As a result, the Offeror's shareholding in the Company increased to approximately 53.83% of the total number of issued shares of the Company. Following the aforesaid acquisition, the Company has become a subsidiary of Shenzhen China Star Optoelectronics Technology Co., Ltd., while TCL Corporation ("TCL Corporation"), the holding company of Shenzhen China Star Optoelectronics Technology Co., Ltd., remained as the ultimate controlling shareholder of the Company.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are High Value Ventures Limited, a limited liability company incorporated in British Virgin Island, and TCL Corporation, a limited liability company established in the PRC and listed on the Shenzhen Stock Exchange, respectively.



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

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")*	Mainland China	RMB231,900,000	RMB231,900,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets
Wuhan China Display Optoelectronics Technology Co., Ltd. ("Wuhan CDOT")**	Mainland China	RMB100,000,000	RMB500,000,000	–	70	Manufacture and sale of LCD modules for mobile phones and tablets
China Display Software Development Services (Xi'an) Co., Ltd.***	Mainland China	RMB6,000,000	RMB20,000,000	–	100	LCD modules research and development
Taijia Investment Limited	Hong Kong	HK\$10,000	HK\$10,000	–	100	Investment holding
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK\$1	HK\$1	–	100	Investment holding
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 wholly-foreign-owned enterprise under PRC law.

** With the capital contribution from the non-controlling shareholder during the period, Wuhan CDOT's percentage of equity attributable to the Company had been changed from 100% to 70%.

*** This entity is registered as wholly-owned subsidiary of CDOT Huizhou.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The adoption of the new standards and amendments does not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment which principally engages in the 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	
	2017 (Unaudited) RMB’000	2016 (Unaudited) RMB’000
Mainland China*	857,061	927,017
Other countries/areas	640,233	522,593
	1,497,294	1,449,610

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

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

(b) Non-current assets

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



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue of approximately RMB408,295,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB402,425,000) was derived from sales to fellow subsidiaries.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue		
Sale of goods	1,497,294	1,449,610
Other income and gains		
Bank interest income	2,196	2,133
Subsidy income*	5,657	2,649
(Loss)/gains on disposal of raw materials, samples and scraps	(261)	3,200
Gain on a litigation compensation	-	11,287
	7,592	19,269

* 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.



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Cost of inventories sold	1,263,218	1,302,990
Depreciation	22,555	22,915
Amortisation of intangible assets	45	29
Research and development costs: current period expenditures*	10,767	8,822
Minimum lease payments under operating leases	3,923	3,351
Employee benefit expense (including directors' remuneration):		
Wages and salaries	78,737	73,945
Pension scheme contributions	15,628	8,532
Awarded share expense	5,597	9,873
Share option expense	2,259	4,902
	102,221	97,252
Write-down/(Recovery) of inventories to net realisable value**	270	(3,586)
Exchange loss, net	984	1,958

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

** Write-down/(recovery) of inventories to net realisable value is included in "Cost of sales" in the condensed consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Interest on bank loans and bonds	7,774	3,016
Interest on discounted bills	8,749	4,933
	16,523	7,949

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current – Hong Kong Charge for the period	6,331	–
Current – Mainland China Charge for the period	12,718	2,589
Adjustment in respect of current tax of previous periods Deferred	(12,452) 1,407	(8,326) 2,389
Total tax charge for the period	8,004	(3,348)

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend by the Company for the six months ended 30 June 2017.

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Final 2016 dividend – 2.00 HK cents per ordinary share	35,275	–

The final dividend of HKD40,649,000 (equivalent to RMB35,275,000) for the financial year of 2016 had been approved by the Company's shareholders at the annual general meeting held on 22 June 2017.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period attributable to equity holders of the Company of RMB67,173,000 (six months ended 30 June 2016: RMB4,010,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the period of 2,006,056,531 (six months ended 30 June 2016: 1,741,363,191).

The calculation of the diluted earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period attributable to equity holders of the Company of RMB67,173,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue less shares held under the share award scheme during the period of 2,006,056,531, as used in the basic earnings per share calculation, and the weighted average of 33,560,154 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 in respect of a dilution as the impact of the share options and awarded shares had an anti-dilutive effect on the basic earnings per share amounts presented.

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	67,173	4,010
Number of shares		
	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	2,006,056,531	1,741,363,191
Effect of dilution – weighted average number of ordinary shares:		
Share options	14,327,530	–
Awarded shares	19,232,624	–
	33,560,154	–
	2,039,616,685	1,741,363,191

11. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Raw materials	202,523	236,445
Work in progress	25,439	39,029
Finished goods	22,087	91,612
	250,049	367,086

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

12. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade receivables	584,131	745,437
Bills receivable	251,273	245,015
Impairment	-	-
	835,404	990,452

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 and each customer will be assigned with a different maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 month	457,960	584,818
1 to 2 months	236,536	253,404
2 to 3 months	85,956	96,000
Over 3 months	54,952	56,230
	835,404	990,452



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

12. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired, is as follows:

	30 June 2017 (Unaudited) <i>RMB'000</i>	31 December 2016 (Audited) <i>RMB'000</i>
Neither past due nor impaired	813,633	953,003
Less than 1 month past due	21,379	37,405
1 to 3 months past due	–	44
4 to 6 months past due	392	–
	835,404	990,452

The trade and bills receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 June 2017, the Group had pledged certain trade receivables amounting to RMB294,088,000 (31 December 2016: RMB147,662,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB265,000,000 (31 December 2016: RMB120,000,000) were accounted for as collateralised bank advances (note 15) until the trade receivables were collected or the Group made good of any losses incurred by the banks.

13. CASH AND CASH EQUIVALENTS

	30 June 2017 (Unaudited) <i>RMB'000</i>	31 December 2016 (Audited) <i>RMB'000</i>
Cash and bank balances denominated in		
– Renminbi (“RMB”)	90,404	83,935
– Hong Kong dollars (“HK\$”)	10,405	80,321
– United States dollars (“US\$”)	128,031	298,831
– Japanese Yen (“JPY”)	–	1,802
Cash and cash equivalents	228,840	464,889

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

13. CASH AND CASH EQUIVALENTS (continued)

As at 30 June 2017, included in cash and bank balances were deposits of RMB85,128,000 (31 December 2016: RMB380,923,000) placed with TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. The interest rate for the deposits placed with TCL Finance Co., Ltd. was 0.42% (six months ended 30 June 2016: 0.42%) per annum, based on the savings rates offered by the People's Bank of China, during the six months ended 30 June 2017. Further details of the interest income from the deposits in the related parties are set out in note 21 to the financial statements.

14. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables	663,798	1,319,937
Bills payable	1,821	–
	665,619	1,319,937

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 30 days	332,226	689,926
31 to 60 days	309,981	453,662
61 to 90 days	295	145,233
Over 90 days	23,117	31,116
	665,619	1,319,937

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	5.00	2018	72,527	–	–	–
Collateralised bank advances – secured and guaranteed	3.80-4.35	2017	265,000	3.10-3.80	2017	120,000
			337,527			120,000
Repayable: Within one year			337,527			120,000

Notes:

- (a) The Group had banking facilities of RMB2,647,300,000 (31 December 2016: RMB2,530,000,000), of which RMB647,768,000 (31 December 2016: RMB1,035,222,000) had been utilised as at the end of the reporting period.
- (b) The Group's bank loans are unsecured and borrowed from TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China. Further details of the interest expense for the loans from the related party are set out in note 21 to the financial statements.
- (c) The Group's collateralised bank advances are secured by trade receivables of RMB294,088,000 (31 December 2016: RMB147,662,000) (note 12).
- In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB265,000,000 (31 December 2016: RMB120,000,000) as at the end of the reporting period.
- (d) As at 30 June 2017 and 31 December 2016, the Group's interest-bearing borrowings loans are denominated in RMB.



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

16. SHARE CAPITAL

	30 June 2017	31 December 2016
Authorised:		
4,000,000,000 (31 December 2016: 4,000,000,000) ordinary shares of HK\$0.10 each (HK\$'000)	400,000	400,000
Issued and fully paid:		
2,032,466,790 (31 December 2016: 2,031,368,800) ordinary shares (HK\$'000)	203,247	203,137
Equivalent to RMB'000	165,163	165,065

A summary of movements in the Company's share capital during the current period is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000
At 1 January 2017	2,031,368,800	165,065	236,758
Excise of share options	1,097,990	98	875
Reduction of share premium	–	–	(237,633)
At 30 June 2017	2,032,466,790	165,163	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

17. SHARE AWARD SCHEME

On 17 March 2016 (the "Adoption Date"), the Board (for the purpose of the Share Award Scheme, defined below, also includes such committee or such sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer, the Share Award Scheme) resolved to adopt a restricted share award scheme (the "Share Award Scheme") for the purposes of providing incentives to the participants under Share Award Scheme. Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion designate an award ("Award" and collectively "Awards") to be made to a selected participant ("Selected Person" and collectively "Selected Persons"). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group. Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administering the Share Award Scheme (the "Trustee"), from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares"), in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any). The specific mandate for the issuance and allotment of new share 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 20 May 2016, the Company entered into a trust deed with BOCI-Prudential Trustee Limited thereby appointing it as the Trustee.

Subject to the refreshment of the scheme limit and the adjustment in the event of consolidation or subdivision of Shares, the Board shall not make any further award of Awarded Shares which will result in: (i) the aggregate number of the Awarded Shares granted under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date (i.e. 172,149,980 shares); and (ii) the aggregate number of the Shares held by public shareholders of the Company falls 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 17 March 2016, the Board resolved to conditionally grant Awards with new shares to certain grantees ("New Shares Grant") pursuant to the terms of the Share Award Scheme. This involves granting Awards for a total of 51,644,994 Awarded Shares being new shares to 97 Selected Persons. The New Shares Grant 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 (the "Stock Exchange") for the listing of, and permission to deal in, such new shares. The conditions were all fulfilled on 11 May 2016.



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

17. SHARE AWARD SCHEME (continued)

The following Awarded Shares were unvested under the Share Award Scheme of the Company during the period:

	Number of Awarded Shares Six months ended 30 June	
	2017 '000	2016 '000
At 1 January	25,823	–
Granted during the period	–	51,645
Vested during the period	–	–
Forfeited during the period	(284)	–
At 30 June	25,539	51,645

The fair value and vesting dates of the Awarded Shares outstanding under the Share Award Scheme as at the end of the reporting period are as follows:

As at 30 June 2017

Date of grant	Number of Awarded Shares '000	Fair value HK\$ per share	Vesting date
11-5-16	25,539	0.82	18-12-17
	25,539		

The fair value of the Awarded Shares granted in 2016 was HK\$42,349,000 (HK\$0.82 each), of which the Group recognised an awarded share expense of RMB5,597,000 during the six months ended 30 June 2017.

During 2016, a total of 51,644,994 new Shares had been allotted and issued to the Trustee by the Company as Awarded Shares and will be held on trust by the Trustee for the Selected Persons until the end of vesting period subject to fulfilment of the vesting conditions out of which 25,822,000 Awarded Shares were vested.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

18. SHARE OPTION

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

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

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

The offer of a grant of share options may be accepted upon payment of a non-refundable nominal consideration of HK\$1.00 by each grantee. The 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.



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

18. SHARE OPTION (continued)

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 of the Company during the period:

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	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	79,319	–	–
Exercise during the period	0.74	(1,098)	–	–
Granted during the period	–	–	0.74	80,605
Cancelled during the period	0.74	(1,100)	–	–
Forfeited during the period	0.74	(508)	0.74	(298)
At 30 June	0.74	76,613	0.74	80,307

The exercise price and exercise period of the share options outstanding at the end of the reporting period are as follows:

30 June 2017

Date of grant	Number of options '000	Exercise price HK\$ per share	Exercise period
18-3-16	76,613	0.74	18-12-16 to 17-3-22

The fair value of the share options granted during the 2016 was HK\$22,203,000 (HK\$0.28 each), of which the Group recognised a share option expense of RMB2,259,000 during the six months ended 30 June 2017.

At the end of the reporting period, the Company had 76,613,480 share options outstanding under the Share Option Scheme which have not yet been exercised. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 76,613,480 additional ordinary share of the Company and additional share capital of HK\$7,661,000 and share premium of HK\$49,032,000 (before issue expenses).

According to the scheme limit of the Share Options 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 8.47% of the issued share capital of the Company as at 30 June 2017.

At the date of approval of these condensed consolidated financial statements, the Company had 76,613,480 share options outstanding under the Share Options Scheme, which represented approximately 3.77% of the Company' shares in issue as at that date.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

19. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its office properties and dormitories under operating lease arrangements. Leases for these properties are negotiated for terms within one year.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) <i>RMB'000</i>	31 December 2016 <i>(Audited)</i> <i>RMB'000</i>
Within one year	3,757	6,620
In the second year	105	225
Within one year	3,862	6,845

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments as at 30 June 2017:

	30 June 2017 (Unaudited) <i>RMB'000</i>	31 December 2016 <i>(Audited)</i> <i>RMB'000</i>
Contracted, but not provided for: Plant and machinery	189,463	67,064



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

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 during the current period:

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Ultimate holding company:			
Purchases of products	(i)	–	2,052
Interest income	(i)	16	407
Guarantee fee		401	262
		417	2,721
A fellow subsidiary which is formerly the Immediate holding company of the Company*:			
Interest expense	(ii)	1,985	1,923
Fellow subsidiaries:			
Sales of products	(i)	408,295	402,424
Sales of raw materials, mould and samples	(i)	3,540	1,017
Purchases of products	(i)	155,785	4,961
Purchases of plant, vehicles, furniture and fixtures	(i)	–	237
Rental and other rental charges	(i)	3,462	3,351
Interest income	(i)	2,104	689
Interest expense	(i)	3,488	1,256
Loan	(iii)	72,527	–
		649,201	413,935

* On 27 April 2017, High Value Ventures Limited had replaced T.C.L. Industries Holdings (H.K.) Limited and became the immediate holding company of the Company (note 1), and T.C.L. Industries Holdings (H.K.) Limited became a fellow subsidiary of the Company since 27 April 2017.

Notes:

- (i) The sales, purchases, leasehold transactions, interest income and interest expense with the related parties were made according to prices mutually agreed between two parties after arm's length negotiation on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(a) Transactions with related parties (continued)***Notes (continued):*

- (ii) Interest is chargeable at 7.5% per annum for bonds at an aggregate principal amount of HK\$60,000,000 issued to T.C.L. Industries Holdings (H.K.) Limited.
- (iii) The loan with interest expense of RMB1,643,000 for the six month ended 30 June 2017 (for the six months ended 30 June 2016: nil) is from TCL Finance Co., Ltd., a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China.

(b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB265,000,000 (31 December 2016: RMB120,000,000) as at the end of the reporting period, as further detailed in note 15 to the financial statements.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current:				
The ultimate holding company	–	–	16,942	21,394
A fellow subsidiary (formerly the immediate holding company)	–	–	40,907	40,149
Fellow subsidiaries	197,717	110,599	69,612	54,735
	197,717	110,599	127,461	116,278
Non-current:				
A fellow subsidiary (formerly the immediate holding company)	–	–	60,746	62,608
	197,717	110,599	188,207	178,886



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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2017

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(c) Outstanding balances with related parties (continued)**

The balances with the ultimate holding company are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment.

The current balance with a fellow subsidiary named T.C.L. Industries Holdings (H.K.) Limited which is formerly the immediate holding company comprised the interest of the bonds payable of RMB7,875,000 (31 December 2016: RMB6,104,000), the loan from the fellow subsidiary of RMB193,000 (31 December 2016: RMB199,000) and an amount of RMB32,839,000 (31 December 2016: RMB33,846,000) relating to the reimbursement for the listing expense which was paid by the fellow subsidiary on behalf of the Company as at 30 June 2017.

The non-current balance due to the fellow subsidiary named T.C.L. Industries Holdings (H.K.) Limited which is formerly the immediate holding company as at 30 June 2017 arose from the bonds payable in the sum of RMB60,746,000 (31 December 2016: RMB62,608,000).

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Short-term employee benefits	1,183	1,106
Share-based payment benefit expenses	3,278	4,023
Total compensation paid to key management personnel	4,461	5,129

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 July 2017.



MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY REVIEW

According to the latest report published by TrendForce, a global market researcher, global smartphone shipments for the first quarter of 2017 were approximately 307 million units, down by 23.0% quarter-on-quarter but up by 5.1% year-on-year. The slowdown in growth was because the first quarter is normally the low-season for the smartphone industry; and the China market has reached a growth plateau, resulting in some of the brand manufacturers reducing their component inventories in view of uncertainties in shipments and sales for the second quarter of 2017. Since the second quarter of 2017, global smartphone brand manufacturers have started adjusting their marketing strategy where they reduced the demand for 16:9 display's aspect ratio modules and planned to focus in full screen devices (display's aspect ratio of 18:9 or above) in the second half of the year to stimulate consumer sentiment. As a result, overall shipments for the first half of 2017 remained weak.

To clear inventory, overall panel price was slightly reduced. However, as consumers sought higher quality handheld mobile devices, market demand for the low-temperature poly-silicon ("LTPS") display panels continued to increase, which drove the demand for the LTPS LCD modules, thus maintaining the price for high-end LTPS LCD modules. In addition, emerging markets including India and Africa are still undergoing the transition phase to replace feature phones with smartphones, thus creating huge market potential. Many Chinese manufacturers seized such opportunity to capture market share.

BUSINESS REVIEW

During the six months ended 30 June 2017 (the "Review Period"), as a result of the destocking and adjustment of product strategy by some of the Group's end customers, as well as the promotion of full screen devices, the Group recorded sales volume of LCD module products of 21.3 million units, representing a decrease of 35.8% year-on-year. Benefiting from the increase in average selling price of products as a result of the product mix adjustment, during the Review Period, the Group recorded a revenue of RMB1.50 billion, representing an increase of 3.3% year-on-year. As the cost of raw material panels and upstream components has decreased, and coupled with the increasingly optimised product mix of the Group, during the Review Period, the Group reported gross profit of approximately RMB143 million, representing an increase of 218% year-on-year. Gross profit margin was 9.5%; and profit attributable to owners of the parent amounted to RMB67.2 million, representing an increase of 1,575% year-on-year.

During the Review Period, revenue from non-laminated products increased substantially benefiting from the increase in demand for high-end LTPS products, revenue from non-laminated products grew by 41.1% year-on-year. However, revenue from laminated products decreased by 13.9% year-on-year as a result of the adjustment of product mix by downstream manufacturers. Amid the industry challenges, the Group actively strengthened product research and development and optimised product mix to focus on marketing medium to high-end products with a higher selling price. Sales of the Group's LTPS and Oncell LCD modules grew steadily, coupled with the successful launch of the Group's first batch of Incell LCD modules in June 2016, shipments of such products continued to rise, which facilitated the growth of the average selling price of the Group.



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The table below sets forth the Group's revenue by product segments for the Review Period and the year-on-year change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2017		2016		Change
	RMB'000	%	RMB'000	%	
TFT LCD module					
Non-laminated modules	638,302	42.6	452,280	31.2	+41.1
Laminated modules	858,992	57.4	997,330	68.8	-13.9
Total	1,497,294	100.0	1,449,610	100.0	+3.3

The table below sets forth the Group's sales volume by product segments for the Review Period and the year-on-year change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2017		2016		Change
	'000 units	%	'000 units	%	
TFT LCD module					
Non-laminated modules	12,620	59.3	20,236	61.0	-37.6
Laminated modules	8,678	40.7	12,915	39.0	-32.8
Total	21,298	100.0	33,151	100.0	-35.8

For the six months ended 30 June 2017, Hong Kong and China remained the major markets for the Group. Revenue derived from Hong Kong and China was RMB496 million and RMB857 million respectively, which, in aggregate, accounted for approximately 90.3% of the Group's total revenue.

The table below sets forth the Group's revenue by geographical segments for the Review Period and the year-on-year change of each segment:

<i>(Unaudited)</i>	For the six months ended 30 June				
	2017		2016		Change
	RMB'000	%	RMB'000	%	
Hong Kong	495,565	33.1	381,214	26.3	+30.0
China	857,061	57.2	927,017	63.9	-7.5
South Korea	144,668	9.7	141,379	9.8	+2.3
Total	1,497,294	100.0	1,449,610	100.0	+3.3



MANAGEMENT DISCUSSION & ANALYSIS

STRENGTHENING THE SYNERGIES WITH CSOT

1. Wuhan CDOT helped LTPS high-end products seize market share

On 24 October 2016, China Display Optoelectronics Technology (Huizhou) Co., Ltd (“CDOT Huizhou”), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wuhan China Star Optoelectronics Technology Co., Ltd. (“Wuhan CSOT”, together with its parent, Shenzhen China Star Optoelectronics Technology Co., Ltd. (“Shenzhen CSOT”), collectively, the “CSOT”), a fellow subsidiary of the Group, and Wuhan China Display Optoelectronics Technology Company Limited (“Wuhan CDOT”) for the investment in Wuhan CDOT. In March 2017, Wuhan CDOT was duly registered as a joint venture between CDOT Huizhou and Wuhan CSOT. The production plant of Wuhan CDOT is set up in the proximity of Wuhan CSOT’s production plant for the 6th generation LTPS LCD panels under the Project t3. Wuhan CDOT mainly operates the fully automated production lines of LTPS LCD modules with an average annual production capacity of 50 million units of laminated display modules for mobile phones, which is expected to officially commence mass production in the second half of 2017. Following the commencement of mass production under Project t3 of Wuhan CSOT in the fourth quarter of 2016, the supply of LTPS display panels from Wuhan CSOT to the Group gradually increased during the Review Period, which helped the Group to secure a stable supply of raw materials to increase its production in order to further seize the market share of high-end products.

2. Shenzhen CSOT became the substantial shareholder of the Company upon completion of the acquisition

On 27 April 2017, High Value Ventures Limited (the “Offeror”, an indirect wholly-owned subsidiary of Shenzhen CSOT) acquired 53.81% of the then total number of issued shares of the Company. The acquisition completed on 27 April 2017. Pursuant to Rule 26.1 of the Codes on Takeovers and Mergers of Hong Kong, the Offeror was required to make an unconditional mandatory general cash offer for all the issued shares not held and/or agreed to be acquired by the Offeror, Rally Praise Limited and Opus International Advisors Limited (the “Share Offer”) and outstanding options (the “Option Offer”, collectively the “Offers”). Upon the close of the Offers on 12 June 2017, the Offeror received valid acceptance of the Share Offer in respect of 463,019 shares (representing approximately 0.02% of the then total number of issued shares of the Company) and Option Offer in respect of 0 option. As a result, the Offeror’s shareholding in the Company increased to approximately 53.83% of the total number of issued shares of the Company. Following the aforesaid acquisition, the Company has become a subsidiary of Shenzhen CSOT while TCL Corporation, the holding company of Shenzhen CSOT, remained as the ultimate controlling shareholder of the Company. Accordingly, the acquisition will not affect the business operations of the Group.

The acquisition will effectively collaborate panel technology of CSOT and display module technology of the Group, and is contemplated to facilitate the profound cooperation between CSOT and the Group in manufacturing, supply chain, product mix and customer mix and after-sales service where both parties will standardise and upgrade their systems. At the same time, both parties will continue to work together with the aim to actively expand overseas market and further capture market share.

OUTLOOK

According to the statistics published by IHS Markit, an internationally renowned researcher, the penetration of LTPS-LCD and LTPS-AMOLED in global smartphone market is on the rise. By 2018, the penetration of LTPS-LCD and LTPS-AMOLED will reach 41% and 30% respectively, thus dominating the market share. As the only company equipped with a vertically integrated supply chain in the Mainland China, the Group considers that the collaboration with CSOT effected through Wuhan CDOT provides the Group with a prime opportunity to reduce the costs and expenses of purchasing LTPS display panels, such as logistics and agency fees, develop the high-end market, stimulate business growth and enlarge the Group’s market share in the industry.

In 2017, the Group will actively devote its efforts to the research and development of new products and new technologies to enhance the value of the Group’s product mix. Based on the report published by TrendForce, a global market researcher, following the launch of high display aspect ratio products by smartphone brand manufacturers in the second half of 2017, it is expected that full screen smartphones will account for approximately 10% of the gross smartphone shipments worldwide in 2017. The Group will seize the opportunity and capture the growth in demand for full screen devices from end-user customers. During the Review Period, the Group continued to adjust its product mix, it is expected that mass production of full screen modules will gradually commenced from the second half of 2017.



34 MANAGEMENT DISCUSSION & ANALYSIS

In addition, the Group will also further collaborate with CSOT to generate synergies. On the one hand, the Group can leverage on Wuhan CSOT's panel resources and expertise to secure a stable upstream panel supply in order to develop the high-end products. This will greatly drive sales growth of high-end products to increase revenue so as to maintain steady business growth in the course of business consolidation. On the other hand, the Group will also capitalise on CSOT's clientele to actively explore new customers, secure potential new top-tier brand customers and build a stronger customer base. During the Review Period, construction of Wuhan CSOT's 6th generation flexible LTPS-AMOLED display panel production line under the Project t4 has officially commenced. It primarily specialises in the production of small-to-medium sized flexible foldable AMOLED display panels and is expected to commence mass production in the first half of 2020. By then, the Group will have a more complete upstream LCD panel supply chain and its competitiveness in the area of small-to-medium sized high-end display modules will also increase, thus maximising the profit and value for the Group and its shareholders.

FINANCIAL REVIEW

Results

During the Review Period, the consolidated revenue of the Group increased by 3.3% from RMB1.45 billion for the six months ended 30 June 2016 ("Comparative Period") to RMB1.50 billion.

The gross profit margin of the Group increased from 3.1% for the Comparative Period to 9.5% for the Review Period, such increase was primarily due to the decrease in the cost of the main raw materials, namely LCD display panels as compared to that for the Comparative Period.

For the Review Period, the Group recorded a profit attributable to owners of the parent amounting to RMB67.2 million, as compared to RMB4.01 million for the Comparative Period, increased 1,575% year-on-year, the significant increase was mainly attributable to (i) the decrease in cost of raw materials as compared to that of the corresponding period in 2016 which has resulted in the recovery of the gross profit margin of LCD module products of the Group; and (ii) the increase in average selling price as a result of the improvement in product mix. Basic earnings per share was RMB3.35 cents, as compared to RMB0.23 cents for the Comparative Period, increased 1,357% year-on-year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained robust liquidity position during the Review Period. The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank loans. The Group's cash and cash equivalents balance as at 30 June 2017 amounted to RMB229 million, of which 56.0% was in US dollar, 39.5% was in RMB, and 4.5% was in HK dollar. As at 30 June 2017, the Group's interest-bearing bank loans, which are denominated in RMB, were RMB338 million and are all repayable within one year. As at 30 June 2017, the fixed interest rate debt ratio was approximately 21.5% of the total borrowings. As at 30 June 2017, total equity attributable to owners of the parent was approximately RMB410 million (31 December 2016: RMB368 million), and the gearing ratio was 22.4% (31 December 2016: 8.6%). Gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings and bonds payable) divided by total assets. Please refer to Note 15 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

Pledge of assets

As at 30 June 2017, the Group had pledged certain trade receivables amounting to RMB294,088,000 (31 December 2016: RMB 147,662,000) to banks with recourse in exchange for cash.

Capital commitments and contingent liabilities

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Plant and equipment: Contracted, but not provided	189,463	67,064

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: nil).

MANAGEMENT DISCUSSION & ANALYSIS

Pending litigation

The Group was not involved in any material litigation during the Review Period.

Foreign exchange risk

The Group's business and operations targets international markets, thus it is inevitable for the Group to be exposed to the risk arising from foreign exchange transactions and currency 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. In addition, pursuant to prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions or leveraged foreign exchange contracts.

Significant investments held

There was no significant investment held by the Group as at 30 June 2017.

Material acquisitions and disposals

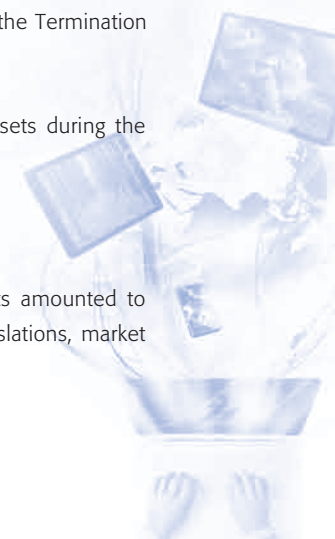
On 11 April 2017, CDOT Huizhou entered into the sale and purchase agreement ("Sale and Purchase Agreement") with Huizhou TCL Mobile Communication Co., Ltd ("TCL Mobile Communication", an indirect wholly-owned Subsidiary of TCL Corporation) pursuant to which, among other matters, TCL Mobile Communication agreed to sell and CDOT Huizhou agreed to purchase 100% equity interest of Huizhou Chuangjie Communication Technology Co. Ltd. ("Target Company") at a consideration of RMB105,305,000. The Target Company is the legal and beneficial owner of the manufacturing plant located in Huizhou, the PRC which the Group has been leasing from since 2014. The Sale and Purchase Agreement and the transactions contemplated thereunder constituted a discloseable transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. Please refer to the announcement of the Company dated 11 April 2017 for further information in relation to the Sale and Purchase Agreement.

Subsequent to the entering into of the Sale and Purchase Agreement, the Company encountered a new investment opportunity. The Company considered that, as compared to the acquisition of the Target Company under the Sale and Purchase Agreement, the said new opportunity would be more conducive to its long-term strategic development and that the resources to be allocated to the Sale and Purchase Agreement and the transactions contemplated thereunder might be better utilised if it was to be allocated to this new investment opportunity. Accordingly, the parties to the Sale and Purchase Agreement entered into a termination agreement (the "Termination Agreement") on 19 May 2017, pursuant to which the parties have amicably agreed, among others, to terminate the Sale and Purchase Agreement with effect from 19 May 2017 and neither parties shall have any claims against each other. Please refer to the announcement of the Company dated 19 May 2017 for further information in relation to the Termination Agreement.

Save as aforesaid, the Group did not undertake any other significant acquisition or disposal of subsidiaries or assets during the Review Period.

Employees and remuneration policies

As at 30 June 2017, the Group had a total of 3,073 employees. During the Review Period, the total staff costs amounted to approximately RMB102 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Group.



36 OTHER INFORMATION

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

As at 30 June 2017, the interests and/or short position of the directors and chief executives of the Company in shares in the Company ("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) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Company – Long Positions

Name of Director	Number of Ordinary Shares held		Number of Shares under Equity Derivatives (Note 2)	Total	Approximate Percentage of Issued Shares of the Company (Note 3)
	Personal interests	Other interests (Note 1)			
LI Jian	12,179,037	2,582,249	11,514,998	26,276,284	1.29%
OUYANG Hongping	8,007,998	2,010,000	9,076,528	19,094,526	0.94%
YANG Yunfang	4,993,821	1,545,000	6,976,734	13,515,555	0.66%
ZHAO Yong	10,946,145	–	5,757,499	16,703,644	0.82%
HSU Wai Man, Helen	–	–	260,000	260,000	0.01%
XU Yan	–	–	260,000	260,000	0.01%
LI Yang	–	–	260,000	260,000	0.01%

Notes:

1. The interests are restricted shares granted to the relevant directors under a restricted share award scheme of the Company and were not vested as at 30 June 2017.
2. These equity derivatives were outstanding share options granted to the relevant Directors under a share option scheme of the Company.
3. Such percentage was calculated based on the number of Shares and underlying Shares of the Company in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares of the Company as at 30 June 2017, being 2,032,466,790 Shares in issue.



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Interests in Associated Corporation of the Company - Long Positions

TCL Corporation (Note 1)

Name of Director	Number of Ordinary Shares held		Number of Shares under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Corporation (Note 2)
	Personal interests	Other interests			

OUYANG Hongping	26,600	–	–	26,600	0.0002%
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Notes:

1. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
2. Such percentage was calculated based on the number of issued share capital of TCL Corporation as at 30 June 2017, being 12,213,681,742 Shares in issue, as informed by TCL Corporation.

TCL Multimedia Technology Holdings Limited ("TCL Multimedia") (Note 1)

Name of Director	Number of Shares held		Number of underlying Shares held under Equity Derivatives (Note 3)	Total	Approximate Percentage of the number of Issued Shares of TCL Multimedia (Note 4)
	Personal interests	Other interests (Note 2)			

LIAO Qian	20,390	22,769	118,739	161,898	0.009%
ZHAO Yong	1,333	–	–	1,333	0.00008%

Notes:

1. TCL Multimedia is a Subsidiary of TCL Corporation.
2. The interests are restricted shares that have been granted to the relevant Director under the award scheme of TCL Multimedia and were not vested as at 30 June 2017.
3. The equity derivatives are share options granted to the relevant Director under the share option scheme of TCL Multimedia which have not been exercised as at 30 June 2017.
4. Such percentage was calculated based on the number of issued Shares of TCL Multimedia as at the 30 June 2017, being 1,743,242,049 Shares, as disclosed on the website of the Stock Exchange.



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Tonly Electronics Holdings Limited ("Tonly Holdings") (Note 1)

Name of Director	Number of Ordinary Shares held		Number of Shares under Equity Derivatives (Note 3)	Total	Approximate Percentage of Issued Shares of Tonly Holdings (Note 4)
	Personal interests	Other interests (Note 2)			
LIAO Qian	4,305	8,611	347,649	360,565	0.14%
ZHAO Yong	133	–	–	133	0.00005%

Notes:

1. Tonly Holdings is a subsidiary of TCL Corporation.
2. The interests are restricted shares that have been granted to the relevant director under the award scheme of Tonly Holdings and were not vested as at 30 June 2017.
3. The equity derivatives are share options granted to the relevant director under the share option scheme of Tonly Holdings which have not been exercised as at 30 June 2017.
4. Such percentage was calculated based on the number of issued Shares of Tonly Holdings as at 30 June 2017, being 253,117,455 Shares in issue, as disclosed on the website of the Stock Exchange.

Huizhou Techne Corporation ("Huizhou Techne") (Note 1)

Name of Director	Number of Ordinary Shares held		Number of Shares under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of Huizhou Techne (Note 2)
	Personal interests	Other interests			
LI Jian	427,000	–	–	427,000	0.59%
OUYANG Hongping	339,200	–	–	339,200	0.47%
ZHAO Yong	967,806	–	–	967,806	1.34%

Notes:

1. Huizhou Techne is a subsidiary of TCL Corporation.
2. Such percentage was calculated based on the number of issued share capital of Huizhou Techne as at 30 June 2017, being 72,009,400 Shares in issue, as informed by Huizhou Techne.

Save as disclosed above, as at 30 June 2017, none of the directors nor the chief executive 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) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were required to be recorded pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions of the person (other than a director or chief executive of the Company) in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate Percentage of Issued Shares of the Company (Note 4)
TCL Corporation	Interest of controlled corporation	1,094,079,777 (Note 1)	53.83%
Shenzhen China Star Optoelectronics Technology Co., Ltd.	Interest of controlled corporation	1,094,079,777 (Note 2)	53.83%
Mr. LAU Tom Ko Yuen	Interest of controlled corporation	156,930,029 (Note 3)	7.72%

Notes:

- As disclosed in the joint announcement of the Company and High Value Ventures Limited dated 12 June 2017, for the purpose of the SFO, TCL Corporation is deemed to be interested in 1,094,079,777 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 Shenzhen China Star Optoelectronics Technology Co., Ltd. which is owned as to 75.67% by TCL Corporation.
- As disclosed in the joint announcement of the Company and High Value Ventures Limited dated 12 June 2017, for the purpose of the SFO, Shenzhen China Star Optoelectronics Technology Co., Ltd. is deemed to be interested in 1,094,079,777 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 Shenzhen China Star Optoelectronics Technology Co., Ltd..
- For the purpose of the SFO, Mr. LAU Tom Ko Yuen is deemed to be interested in 156,930,029 Shares directly held by Rally Praise Limited, a wholly owned subsidiary of Empire City International Limited, which in turn is wholly owned by Mr. LAU Tom Ko Yuen.
- 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 2017, being 2,032,466,790 Shares.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions in Division 2 and 3 of Part XV of the SFO.



40 OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the section "Other Information" and "Share Option Scheme" under note 18 to the financial statements and "Share Award Scheme" under note 17 to the financial statements in this Interim Report, at no time during the six months ended 30 June 2017 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 any other body corporate.

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 18 to the financial statements in this interim report.

As at 30 June 2017, total number of Shares of the Company that could be issued upon exercise of (i) all outstanding share options and; (ii) all share options that could be granted under the then available scheme mandate limit was 76,613,480 Shares, which represented about 3.77% of the issued share capital of the Company as at 30 June 2017.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2017 are as follows:

Name or category of participant	Number of share options						As at 30 June 2017	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 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Forfeited during the period					
LIAO Qian	-	-	-	-	-	-	-	-	-	-	-
LI Jian	11,514,998	-	-	-	-	-	11,514,998	18 March 2016	0.73	0.74	Note 1
OUYANG Hongping	9,076,528	-	-	-	-	-	9,076,528	18 March 2016	0.73	0.74	Note 1
YANG Yunfang	6,976,734	-	-	-	-	-	6,976,734	18 March 2016	0.73	0.74	Note 1
ZHAO Yong	5,757,499	-	-	-	-	-	5,757,499	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
XU Yan	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
Other employees of the Group	27,940,734	-	1,097,990	307,520	-	-	26,535,224	18 March 2016	0.73	0.74	Note 1
			Note 4	Note 5							
Employees of TCL Group (Note 2)	5,757,499	-	-	1,300,000	-	-	4,457,499	18 March 2016	0.73	0.74	Note 3
				Note 5							

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.
- This represents participants who have contributed to the Group and who are also employees of TCL Corporation (the ultimate controlling shareholder of the Company) and/or its 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 Group 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 weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$1.0325.
5. Out of the such 1,607,520 share options lapsed in accordance to the terms of the Share Option Scheme, 1,100,000 share options were regarded as cancelled and 507,520 share options were regarded as forfeited under applicable accounting standards. For further details, please refer to note 18 to the financial statements.

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 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for deviations from Code Provisions A.6.7 and F.1.1. The reasons for deviations are as follows:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged commitments which must be attended to by him, Mr. LI Yang, being an independent non-executive Director, was not able to attend the annual general meeting held on 22 June 2017.

Under Code Provision F.1.1, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.

The former and current company secretary of the Company, Ms. CHOY Fung Yee (resigned with effect from 25 April 2017) and Ms. CHEUNG Bo Man (appointed with effect from 25 April 2017), is a partner and a solicitor respectively of the Company's legal advisor, Cheung Tong & Rosa Solicitors.

During the six months ended 30 June 2017, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations of the Company and Mr. PENG Bo, the Legal Manager of the Company as the contact persons with Ms. Choy and Ms. Cheung thereafter to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. Choy and Ms. Cheung thereafter through the contact persons assigned, to enable the company secretary to get hold of the Group's development promptly without material delay and with their respective expertise and experience, the Company is confident that having Ms. Choy and Ms. Cheung thereafter as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.



42 OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry with all directors, the directors 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 2017.

DIRECTORS' INFORMATION

Mr. Liao Qian was appointed as a non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777) with effect from 31 March 2017. Save as aforesaid, the Company has not been advised by its Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders.

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 comprises three members, namely, Ms. HSU Wai Man, Helen (as the chairlady), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive directors of the Company. The Group's unaudited consolidated financial statements and the interim report for the six months ended 30 June 2017 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board

LIAO Qian

Chairman

Hong Kong, 27 July 2017

