



# 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

2018





# CONTENTS

Corporate Information	2
Interim Results	3
Management Discussion & Analysis	36
Other Information	41

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive Director

Mr. LIAO Qian (Chairman)

### Executive Directors

Mr. LI Jian (Chief executive officer)

Mr. OUYANG Hongping

Mr. WEN Xianzhen (*appointed on 23 March 2018*)

Ms. YANG Yunfang (*resigned on 23 March 2018*)

Mr. ZHAO Yong

### Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

## COMPANY SECRETARY

Ms. CHEUNG Bo Man, Solicitor, Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants  
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>

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	<i>Notes</i>	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	5	<b>1,263,756</b>	1,497,294
Cost of sales		<b>(1,239,663)</b>	(1,354,384)
Gross profit		<b>24,093</b>	142,910
Other income and gains	5	<b>28,032</b>	7,592
Selling and distribution expenses		<b>(15,911)</b>	(20,805)
Administrative expenses		<b>(39,639)</b>	(38,939)
Other expenses		<b>(4,345)</b>	(1,143)
Finance costs	7	<b>(4,578)</b>	(16,523)
(LOSS)/PROFIT BEFORE TAX	6	<b>(12,348)</b>	73,092
Income tax expense	8	<b>(1,059)</b>	(8,004)
(LOSS)/PROFIT FOR THE PERIOD		<b>(13,407)</b>	65,088
Attributable to:			
Owners of the parent		<b>(11,896)</b>	67,173
Non-controlling interest		<b>(1,511)</b>	(2,085)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
For (loss)/profit for the period		<b>RMB(0.58) cents</b>	RMB3.35 cents
Diluted			
For (loss)/profit for the period		<b>RMB(0.58) cents</b>	RMB3.29 cents

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	<b>(13,407)</b>	65,088
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>659</b>	690
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>659</b>	690
OTHER COMPREHENSIVE INCOME, NET OF TAX	<b>659</b>	690
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	<b>(12,748)</b>	65,778
Attributable to:		
Owners of the parent	<b>(11,237)</b>	67,863
Non-controlling interest	<b>(1,511)</b>	(2,085)
	<b>(12,748)</b>	65,778

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>505,643</b>	463,204
Intangible assets		<b>5,338</b>	5,597
Deposits paid for purchase of items of property, plant and equipment		<b>60,948</b>	37,500
Deferred tax assets		<b>15,994</b>	15,333
<b>Total non-current assets</b>		<b>587,923</b>	521,634
<b>CURRENT ASSETS</b>			
Inventories	11	<b>235,413</b>	224,666
Trade and bills receivables	12	<b>856,795</b>	1,114,507
Prepayments, deposits and other receivables		<b>119,421</b>	90,531
Financial assets at fair value through profit or loss	13	<b>5,147</b>	726
Cash and cash equivalents	14	<b>221,765</b>	507,622
<b>Total current assets</b>		<b>1,438,541</b>	1,938,052
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	<b>806,543</b>	1,127,603
Other payables and accruals		<b>235,242</b>	206,533
Financial liabilities at fair value through profit or loss	13	<b>1,094</b>	752
Interest-bearing bank borrowings	16	<b>224,210</b>	389,610
Tax payable		<b>35,426</b>	35,685
Dividend payable	9	<b>35,185</b>	–
<b>Total current liabilities</b>		<b>1,337,700</b>	1,760,183
<b>NET CURRENT ASSETS</b>		<b>100,841</b>	177,869
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>688,764</b>	699,503
<b>NON-CURRENT LIABILITIES</b>			
Other borrowings	16	<b>24,000</b>	24,000
Deferred income		<b>10,097</b>	3,410
Bonds payable		<b>59,017</b>	58,506
Deferred tax liabilities		<b>573</b>	181
<b>Total non-current liabilities</b>		<b>93,687</b>	86,097
<b>Net assets</b>		<b>595,077</b>	613,406

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2018

		<b>30 June 2018</b>	31 December 2017
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
Net assets		<b>595,077</b>	613,406
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	17	<b>169,768</b>	169,536
Reserves		<b>281,708</b>	328,766
		<b>451,476</b>	498,302
Non-controlling interests		<b>143,601</b>	115,104
Total equity		<b>595,077</b>	613,406



# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Notes	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated retained profit RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 (audited)	169,536	55,936	(77,680)	202,357	15,009	5,515	(16,909)	46,637	(1,715)	99,616	115,104	613,406
Impact on initial application of HKFRS 9	-	-	-	-	-	-	-	-	-	(1,534)	-	(1,534)
Adjusted balance at 1 January 2018	169,536	55,936	(77,680)	202,357	15,009	5,515	(16,909)	46,637	(1,715)	98,082	115,104	611,872
Loss for the period	-	-	-	-	-	-	-	-	-	(11,896)	(1,511)	(13,407)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	659	-	-	659
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	659	(11,896)	(1,511)	(12,748)
Repurchase shares under Share Award Scheme	18	-	-	-	-	-	(1,518)	-	-	-	-	(1,518)
Share Award Scheme arrangements	18	-	-	-	-	476	-	-	-	-	8	484
Vesting shares under Share Award Scheme	18	-	(80)	-	-	(5,973)	6,053	-	-	-	-	-
Equity-settled share option arrangements	19	-	-	-	454	-	-	-	-	-	-	454
Share options exercised	19	232	2,144	-	(658)	-	-	-	-	-	-	1,718
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Final 2017 dividend declared	-	-	-	(35,185)	-	-	-	-	-	-	-	(35,185)
At 30 June 2018 (unaudited)	169,768	58,000*	(77,680)*	167,172*	14,805*	18*	(12,374)*	46,637*	(1,056)*	86,186*	143,601	595,077

\* These reserve accounts comprise the reserves of RMB281,708,000 (31 December 2017: RMB328,766,000) in the condensed consolidated statement of financial position.

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2017

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated (losses)/retained profit RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	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	-	-	-	-	-	5,597	-	-	-	-	5,597
Equity-settled share option arrangement	-	-	-	-	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

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(12,348)</b>	73,092
Adjustments for:			
Finance costs	7	<b>4,578</b>	16,523
Bank interest income	5	<b>(2,607)</b>	(2,196)
Loss on disposal of items of property, plant and equipment		<b>2</b>	–
Depreciation	6	<b>30,611</b>	22,555
Amortisation of intangible assets	6	<b>633</b>	45
Write-back of inventory provision	6	<b>(292)</b>	–
Write-down of inventories to net realisable value	6	<b>–</b>	270
Equity-settled share award expense	18	<b>484</b>	5,597
Equity-settled share option expense	19	<b>454</b>	2,259
Fair value gains, net:			
Financial assets/liabilities at fair value through profit or loss	5	<b>(3,982)</b>	–
Exchange loss/(gain)		<b>2,556</b>	(624)
		<b>20,089</b>	117,521
(Increase)/decrease in inventories		<b>(10,455)</b>	116,767
Decrease in trade and bills receivables		<b>255,667</b>	155,048
Increase in prepayments, deposits and other receivables		<b>(28,890)</b>	(52,667)
Decrease in trade and bills payables		<b>(321,060)</b>	(654,318)
Increase in other payables and accruals		<b>26,876</b>	11,225
Increase/(decrease) in deferred income		<b>6,688</b>	(1,167)
Cash used in operations		<b>(51,085)</b>	(307,591)
Hong Kong tax paid		<b>(1,368)</b>	–
Mainland China tax paid		<b>–</b>	(26,500)
Net cash flows used in operating activities		<b>(52,453)</b>	(334,091)

# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2018

	<i>Notes</i>	For the six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		<b>2,607</b>	2,196
Purchases of items of property, plant and equipment		<b>(96,500)</b>	(136,899)
Purchases of items of intangible assets		<b>(374)</b>	(417)
Net cash flows used in investing activities		<b>(94,267)</b>	(135,120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	17	<b>1,718</b>	720
Purchase of shares for Share Award Scheme		<b>(1,518)</b>	–
New bank loans		<b>184,209</b>	337,527
Repayment of bank loans		<b>(349,609)</b>	(120,000)
Interest paid		<b>(2,745)</b>	(14,538)
Contribution from a non-controlling shareholder		<b>30,000</b>	30,000
Net cash flows (used in)/from financing activities		<b>(137,945)</b>	233,709
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		<b>507,622</b>	464,889
Effect of foreign exchange rate changes, net		<b>(1,192)</b>	(547)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<b>221,765</b>	228,840

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

### 1. CORPORATE AND GROUP INFORMATION

China Display Optoelectronics Technology Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. 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.

During the six months ended 30 June 2018, 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 “High Value”, an indirect wholly-owned subsidiary of Shenzhen China Star Optoelectronics Technology Co., Ltd.) acquired an aggregate of 1,093,616,758 shares representing 53.81% of the then total number of issued shares of the Company from T.C.L. Industries Holdings (H.K.) Limited (“TCL Industries”), TCL Intelligent Display Holdings Limited, Taibang Investment Limited, Ketai Investment Limited, Litai Investment Limited, Taigang Investment Limited, Liyuan Holdings Limited, Gaosheng Holdings Limited, Zhuoxian Investment Limited, Jinyuan Investment Limited, Taihua Investment Limited and Shengmao Holdings Limited (the “Acquisition”). Following the Acquisition, High Value further acquired 463,019 shares representing 0.02% of the then total number of issued shares of the Company in the unconditional mandatory general cash offer. As a result, High Value’s shareholding in the Company increased to approximately 53.83% of the then total number of issued shares of the Company. Accordingly, 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 Islands, and TCL Corporation, a limited liability company established in the PRC and listed on the Shenzhen Stock Exchange, respectively.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 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	RMB400,000,000	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	RMB20,000,000	RMB20,000,000	–	100	Development and sale of software and technical consultancy service
Taijia Investment Limited	Hong Kong	HK\$10,000	HK\$10,000	–	100	Investment holding, Merchandising and sales
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK\$1	HK\$1	–	100	Investment holding, Merchandising and sales
TCL Intelligent Display Electronics Limited	Bermuda	HK\$1	HK\$1	100	–	Investment holding
TCL Display Technology (BVI) Limited	British Virgin Islands	US\$1	US\$1	–	100	Investment holding
Taixing Investment Limited	Bermuda	HK\$10,000	HK\$10,000	100	–	Investment holding

\* This entity is registered as a wholly-foreign-owned enterprise under PRC law.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 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.

The 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 consolidated financial statements as at 31 December 2017.

### 3. CHANGES TO THE GROUP'S 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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. The analysis of the effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

The Group mainly engages in the business of sales of LCD modules. The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

The application of HKFRS 15 in the current interim period has had no impact on the amounts reported in these condensed consolidated financial statements.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

#### HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 retrospectively with the initial application date of 1 January 2018. The Group selected not to adjust the comparative information for the period beginning from 1 January 2017.

#### (a) Classification and measurement

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and bills receivables, other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise derivative instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKFRS 9, the Group's debt instruments were classified as financial assets at fair value through profit or loss.

The assessment of the Group's business model was made as of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial liabilities measured at fair value, with the changes in fair value recognised in the statement of profit or loss.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

#### HKFRS 9 Financial Instruments (Continued)

##### (b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade receivables and Other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increase in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to retained earnings.

The statement of financial position at 1 January 2018 was restated, resulting in decrease in trade and bills receivables and retained profits amounting to RMB2,045,000 and RMB1,534,000 and increase in deferred tax asset amounting to RMB511,000, respectively.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment as follows:

The display products segment 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	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Mainland China*	758,636	857,061
Other countries/areas	505,120	640,233
	<b>1,263,756</b>	1,497,294

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.

#### Information about major customers

Revenue of approximately RMB263,732,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB408,295,000) was derived from sales to fellow subsidiaries.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Revenue</b>		
Sale of goods	<b>1,263,756</b>	1,497,294
<b>Other income, net</b>		
Bank interest income	<b>2,607</b>	2,196
Subsidy income*	<b>5,205</b>	5,657
Gains/(loss) on disposal of raw materials, samples and scraps	<b>12,296</b>	(261)
Others	<b>3,942</b>	–
	<b>24,050</b>	7,592
<b>Gains, net</b>		
Fair value gains, net:		
Financial assets/liabilities at fair value through profit or loss	<b>3,982</b>	–

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

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Cost of inventories sold	<b>1,089,671</b>	1,263,218
Depreciation	<b>30,611</b>	22,555
Amortisation of intangible assets	<b>633</b>	45
Research and development costs:		
current period expenditures*	<b>15,662</b>	10,767
Minimum lease payments under operating leases	<b>4,089</b>	3,923
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>95,440</b>	78,737
Pension scheme contributions	<b>18,594</b>	15,628
Equity-settled share award expense	<b>484</b>	5,597
Equity-settled share option expense	<b>454</b>	2,259
	<b>114,972</b>	102,221
Write-back of inventory provision**	<b>(292)</b>	–
Write-down of inventories to net realisable value**	<b>–</b>	270
Exchange loss, net	<b>2,556</b>	984

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

\*\* *Write-back of inventory provision and write-down of inventories to net realisable value are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.*

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest on bank loans and bonds	4,578	7,774
Interest on discounted bills	–	8,749
	<b>4,578</b>	16,523

### 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 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 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Current – Hong Kong Charge for the period	4,213	6,331
Current – Mainland China Charge for the period	–	12,718
Adjustment in respect of current tax of previous periods	(3,397)	(12,452)
Deferred	243	1,407
Total tax charge for the period	<b>1,059</b>	8,004

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 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 2018 (six months ended 30 June 2017: Nil).

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final 2017 dividend – 2.00 HK cents (Final 2016 dividend: 2.00 HK cents) per ordinary share	<b>35,185</b>	35,275

The final dividend for the financial year of 2017 had been approved by the Company's shareholders at the annual general meeting on 8 June 2018.

### 10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount for the six months ended 30 June 2018 is based on the loss for the period attributable to ordinary equity holders of the parent of RMB11,896,000 (six months ended 30 June 2017: the profit of RMB67,173,000), and the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period of 2,045,097,077 (six months ended 30 June 2017: 2,006,056,531).

During the six months ended 30 June 2018, as anti-dilutive effect is resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts in respect of a dilution.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	<b>(11,896)</b>	67,173
	Number of shares For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
<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 (loss)/earnings per share calculations	<b>2,045,097,077</b>	2,006,056,531
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	14,327,530
Awarded shares	–	19,232,624
	<b>2,045,097,077</b>	2,039,616,685

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 11. INVENTORIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Raw materials	165,740	157,569
Work in progress	27,204	27,770
Finished goods	42,469	39,327
	<b>235,413</b>	224,666

### 12. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade receivables	702,151	793,264
Bills receivable	164,722	329,276
Impairment	(10,078)	(8,033)
	<b>856,795</b>	1,114,507

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.

As at 30 June 2018, the Group had pledged certain trade receivables amounting to RMB194,916,000 (31 December 2017: RMB279,273,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB140,000,000 (31 December 2017: RMB231,876,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks (*note 16*).



# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 13. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2018</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2017 (Audited) <i>RMB'000</i>
Forward currency contracts		
Assets	<b>5,147</b>	726
Liabilities	<b>1,094</b>	752

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB3,982,000 were credited to the statement of profit or loss during the period (six months ended 30 June 2017: Nil).

### 14. CASH AND CASH EQUIVALENTS

	<b>30 June 2018</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2017 (Audited) <i>RMB'000</i>
Cash and bank balances denominated in		
– RMB	<b>98,441</b>	188,168
– HK\$	<b>2,698</b>	5,803
– United States dollars (“US\$”)	<b>120,626</b>	313,651
Cash and cash equivalents	<b>221,765</b>	507,622

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

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

As at 30 June 2018, included in cash and bank balances were deposits of RMB82,288,000 (31 December 2017: RMB478,200,000) 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 2017: 0.42%) per annum, based on the savings rates offered by the People’s Bank of China, during the six months ended 30 June 2018. Further details of the interest income from the deposits in the related parties are set out in note 22 to the financial statements.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 15. TRADE AND BILLS PAYABLES

	<b>30 June 2018</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2017 <b>(Audited)</b> <i>RMB'000</i>
Trade payables	<b>806,543</b>	1,127,603

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:

	<b>30 June 2018</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2017 <b>(Audited)</b> <i>RMB'000</i>
Within 30 days	<b>493,228</b>	704,203
31 to 60 days	<b>296,822</b>	296,081
61 to 90 days	<b>12,240</b>	105,751
Over 90 days	<b>4,253</b>	21,568
	<b>806,543</b>	1,127,603

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

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

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	-	-	-	4.40-5.00	2018	157,734
Collateralised bank advances – secured	2.99-5.00	2018	224,210	2.26-4.35	2018	231,876
			<b>224,210</b>			<b>389,610</b>
<b>Non-current</b>						
Other borrowings	0.44	2020	24,000	0.44	2020	24,000
			<b>248,210</b>			<b>413,610</b>
Analysed into:						
Bank loans repayable within one year			<b>224,210</b>			<b>389,610</b>
Other borrowings repayable in the second to fourth years, inclusive			<b>24,000</b>			-
In the third to fifth years, inclusive			-			24,000
			<b>248,210</b>			<b>413,610</b>

*Notes:*

- (a) The Group had banking facilities of RMB3,080,000,000 (31 December 2017: RMB2,647,300,000), of which RMB477,952,000 (31 December 2017: RMB1,074,784,000) had been utilised as at the end of the reporting period.
- (b) The Group's interest-bearing bank borrowings originally are secured by trade receivables of RMB194,916,000 (31 December 2017: RMB279,273,000).
- In addition, the Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB224,210,000 (31 December 2017: RMB389,610,000) as at the end of the reporting period.
- (c) The other borrowings are with a tenure of 3 years. Interest is chargeable at 0.44% per annum and payable annually in arrears.
- (d) Except for the secured bank loan with effective interest rate of 2.99% amounting to RMB52,933,000 (31 December 2017: RMB71,876,000) which is denominated in US\$, all borrowings are in RMB.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 17. SHARE CAPITAL

	30 June 2018	31 December 2017
Authorised:		
4,000,000,000 (31 December 2017: 4,000,000,000) ordinary shares of HK\$0.10 each ( <i>HK\$'000</i> )	<b>400,000</b>	400,000
Issued and fully paid:		
2,086,718,219 (31 December 2017: 2,083,850,619) ordinary shares ( <i>HK\$'000</i> )	<b>208,672</b>	208,385
Equivalent to RMB'000	<b>169,768</b>	169,536

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

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>
At 1 January 2018	2,083,850,619	169,536	55,936
Vesting shares under Share Award Scheme ( <i>Note (a)</i> )	–	–	(80)
Share options exercised ( <i>Note (b)</i> )	2,867,600	232	2,144
Transfer of share premium	–	–	–
At 30 June 2018	2,086,718,219	169,768	58,000

Notes:

- (a) An amount of RMB5,973,000 was credited to share premium account from the awarded share reserve and an amount of RMB6,053,000 was debited to share premium from shares held for Share Award Scheme during the period upon the vesting of shares under Share Award Scheme.
- (b) The subscription rights attaching to 2,867,600 share options were exercised at the subscription price of HK\$0.74 per share (*note 19*), resulting in the issue of 2,867,600 shares for a total cash consideration, before expenses, of RMB1,718,000. An amount of RMB658,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

#### Share options

Details of the Company's Share Option Scheme and the share options issued under the scheme are included in note 19 to the financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 18. SHARE AWARD SCHEME

On 17 March 2016 (the "Adoption Date"), the Board (for the purposes 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) resolved to adopt a restricted Share Award Scheme (the "Share Award Scheme") for the purpose of providing incentives to the participants under the Share Award Scheme. Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its sole and absolute discretion designate an award ("Award" and collectively "Awards") to be made to a selected participant ("Selected Person" and collectively "Selected Persons"). Participants of the Share Award Scheme cover any employee, adviser, consultant, agent, contractor, client or supplier of any member of the Group and any employee or officer of any affiliated company whom the Board in its sole discretion considers may contribute or have contributed to the Group. Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of administering the Share Award Scheme (the "Trustee"), from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares"), in both 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 9 August 2017, the Share Award Scheme was amended by the Group, pursuant to which, the Board may accelerate the vesting of the unvested Awarded Shares for Grantees on a date prior to the original vesting date and waive or alter any or all of the vesting conditions attached to such Awarded Shares.

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

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

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

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 18. SHARE AWARD SCHEME (Continued)

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

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	
	2018 '000	2017 '000
As at 1 January	6,831	25,823
Granted during the period	–	–
Vested during the period	(6,831)	–
Forfeited during the period	–	(284)
At the end of the period	–	25,539

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

Date of grant	Number of Awarded Shares				As at 30 June 2018 '000	Fair value HK\$ per share	Vesting date
	As at 1 January 2018 '000	Granted during the period '000	Vested during the period '000	Forfeited during the period '000			
9-8-17	6,831	–	(6,831)	–	1.02	12-1-18	
Total	6,831	–	(6,831)	–	–	–	

The fair value of the Awarded Shares granted in 2017 was RMB45,332,000, of which the Group recognized an awarded share expense of RMB484,000 during the six months ended 30 June 2018.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 18. SHARE AWARD SCHEME (Continued)

The following Awarded Shares were outstanding during the reporting period:

	Note	Number of Awarded Shares Six months ended 30 June	
		2018 '000	2017 '000
As at 1 January			
Number of Awarded Shares held by the Trustee		<b>20,856</b>	25,823
Number of Awarded Shares granted but not vested		<b>6,831</b>	25,823
Maximum number of Awarded Shares available for grant*		<b>84,548</b>	120,505
As at 30 June			
Number of Awarded Shares held by the Trustee		<b>15,689</b>	26,107
Number of Awarded Shares granted but not vested		<b>–</b>	25,823
Maximum number of Awarded Shares available for grant*		<b>84,548</b>	120,789
Forfeited during the period		<b>–</b>	(284)
Vested during the period		<b>6,831</b>	–
Purchased during the period	(a)	<b>1,664</b>	–

Notes:

- (a) For the period ended 30 June 2018, the Trustee purchased 1,664,000 (six months ended 30 June 2017: Nil) shares at a total cost (including related transaction costs) of RMB1,518,000 (six months ended 30 June 2017: Nil) from the market out of cash contributed by the Group. Such shares will be held on trust by the Trustee for the Selected Persons until the end of the vesting period subject to fulfilment of the vesting conditions.

\* As mentioned above, the Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Awarded Shares granted under the Share Award Scheme (excluding those cancelled or forfeited) exceeding 10% of the number of issued shares of the Company as at the Adoption Date (i.e. 17 March 2016).

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 19. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of recognising and providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, helping the Group in retaining its existing employees 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% (or 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 Share Option Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 19. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Share Option Scheme of the Company during the reporting period:

	2018		2017	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
As at 1 January	0.74	69,678	0.74	79,319
Exercise during the period	0.74	(2,868)	0.74	(1,098)
Granted during the period	–	–	–	–
Cancelled during the period	0.74	–	0.74	(1,100)
Forfeited during the period	0.74	(1,105)	0.74	(508)
As at 30 June	0.74	65,705	0.74	76,613

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

30 June 2018

Date of grant	Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
18-3-16	65,705	0.74	18-12-16 to 17-3-22

The fair value of the share options granted during the 2016 was RMB18,502,000 (HK\$0.28 each), of which the Group recognised a share option expense of RMB454,000 during the reporting period (six months ended 30 June 2017: RMB2,259,000).

At the end of the period, the Company had 65,704,930 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 65,704,930 additional ordinary share of the Company and additional share capital of RMB6,570,000 and share premium of RMB42,051,000 (before issue expenses).

According to the scheme limit of the Share Option Scheme as refreshed at the annual general meeting held on 11 May 2016, the Company may further grant 172,149,980 share options, representing approximately 8.25% of the issued share capital of the Company as at 30 June 2018.

At the date of approval of these interim condensed consolidated financial statements, the Company had 65,704,930 share options outstanding under the Share Options Scheme, which represented approximately 3.15% of the Company' shares in issue as at that date.

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 20. 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 ranging from one to two years.

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	4,910	6,971
In the second year	1,075	1,025
	<b>5,985</b>	7,996

### 21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments as at 30 June 2018:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for: Plant and machinery	<b>103,632</b>	119,473

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 22. 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:

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Ultimate holding company:			
Purchases of products	(i)	-	-
Interest income	(i)	-	16
Guarantee fee		-	401
		-	417
Immediate holding company:			
Interest expense	(ii)	1,833	1,985
Fellow subsidiaries:			
Sales of products	(i)	263,732	408,295
Sales of raw materials, mould and samples	(i)	1,625	3,540
Purchases of products	(i)	213,249	155,785
Purchases of plant, vehicles, furniture and fixtures	(i)	586	-
Rental and other related charges	(i)	117	3,462
Interest income	(i)	1,870	2,104
Interest expense	(i)	538	3,488
		481,717	576,674

# INTERIM RESULTS

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 22. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (a) Transactions with related parties (Continued)

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.
- (ii) Interest is chargeable at 7.5% per annum for bonds at an aggregate principal amount of HK\$60,000,000 issued to the immediate holding company.

#### (b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB224,210,000 (31 December 2017: RMB389,610,000) as at the end of the reporting period, as further detailed in note 16 to the financial statements.

#### (c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Current:				
The ultimate holding company	–	–	56	56
The immediate holding company	–	–	43,350	41,094
Fellow subsidiaries	180,585	58,040	108,408	183,747
	180,585	58,040	151,814	224,897
Non-current:				
The immediate holding company	–	–	59,017	58,506
	180,585	58,040	210,831	283,403

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 June 2018

### 22. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (c) Outstanding balances with related parties (Continued)

The balances with the ultimate holding company, the immediate holding company and fellow subsidiaries are mainly trading balances which are unsecured, interest-free and have no fixed terms of repayment. The non-current balance with the immediate holding company as at 30 June 2018 was the bonds payable of RMB59,017,000 (31 December 2017: RMB58,506,000). The current balance with the immediate holding company as at 30 June 2018 comprised interest of the bonds payable of RMB11,445,000 (31 December 2017: RMB9,465,000) and an amount of RMB31,904,000 (31 December 2017: RMB31,628,000) relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company.

#### (d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Short-term employee benefits	1,283	1,183
Share-based payment benefit expenses	256	3,278
	<b>1,539</b>	4,461

### 23. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 22 August 2018.

# MANAGEMENT DISCUSSION & ANALYSIS

## INDUSTRY REVIEW

In the first half of 2018, owing to a series of trade protectionist measures implemented by the US, the exchange rate fluctuated as China-US trade tensions heated up. As a result, the world's economy has been facing new uncertainties and challenges, which adversely affected the development of the smartphone industry. Due to the launch of full-screen devices in 2017, the upstream components suppliers delayed their shipments to the fourth quarter of 2017 to accommodate new products development for end customers, resulting in weak sales in the smartphone market in early 2018. According to the latest report from IDC, a global market researcher, the global shipment of smartphones in the second quarter of 2018 was 340 million units, down by 1.8% year-on-year, representing year-on-year declines for three consecutive quarters. In 2018, full-screen products entered the market mainstream, but the supply shortage of some of the upstream components, such as TDDI (Touch and Display Driver Integration) IC (Integrated Circuit) products, led to a delay in the shipment of downstream products. The panel and module prices have undergone cyclical changes brought about by varying market supply and demand, which started to fall in June 2017 and had continued the downward trend for nearly one year. However, with the increasing popularity of notch-cutting products and their limited production capacity, the prices for some of the mid-to high-end display panels and modules, such as low-temperature poly-silicon ("LTPS") products, have stabilised.

## BUSINESS REVIEW

During the six months ended 30 June 2018 (the "Review Period"), the Group recorded sales volume of 17.6 million units, representing a year-on-year decline of 17.5%. The decrease in sales volume was mainly due to: (i) the global demand for smartphones remained weak; (ii) supply shortage of some upstream components; and (iii) delay in certain of the Group's orders as a result of the adjustment in product strategy by end customers of the Group in view of the change in market demand following the launch of full screen devices in the smartphone market. During the Review Period, the Group's revenue amounted to RMB1.26 billion, representing a drop of 15.6% year-on-year, of which the revenue of laminated LCD module products was RMB946 million, an increase of 10.1% year-on-year; while that of non-laminated LCD module products was RMB318 million, a decrease of 50.2% year-on-year. The Group proactively adjusted the product mix so that the sales volume proportion of laminated products jumped to 58.7% with their unit price up slightly by 2.3% to RMB71.9.

During the Review Period, the Group reported gross profit of RMB24.1 million, representing a 83.1% drop year-on-year. Gross profit margin was 1.9%, representing a decrease of 7.6 percentage points year-on-year and leading to a loss of RMB11.9 million. The loss was mainly attributable to: (i) the increase in marginal costs due to decrease in sales of LCD module products; (ii) the decrease in gross profit margin mainly due to the increase in the cost of raw materials and the increase in labour costs as a result of rise in wages of domestic workers and decreased order visibility.

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

(Unaudited)	For the six months ended 30 June				Change %
	2018		2017		
	RMB'000	%	RMB'000	%	
<b>TFT LCD module</b>					
Non-laminated modules	317,604	25.1	638,302	42.6	-50.2
Laminated modules	946,152	74.9	858,992	57.4	+10.1
<b>Total</b>	<b>1,263,756</b>	<b>100.0</b>	1,497,294	100.0	-15.6

# MANAGEMENT DISCUSSION & ANALYSIS

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

(Unaudited)	For the six months ended 30 June				
	2018		2017		Change
	'000 units	%	'000 units	%	
<b>TFT LCD module</b>					
Non-laminated modules	7,257	41.3	12,620	59.3	-42.5
Laminated modules	10,315	58.7	8,678	40.7	+18.9
<b>Total</b>	<b>17,572</b>	<b>100.0</b>	21,298	100.0	-17.5

During the Review Period, Hong Kong and China remained the major markets for the Group. Revenue derived from Hong Kong and China was RMB298 million and RMB759 million respectively, which in aggregate accounted for 83.6% of the Group's total revenue. Revenue from South Korea has benefited from the growth in orders from LG, a globally renowned South Korean consumer electronics brand, and increased by 40.6% year-on-year to RMB203 million.

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

(Unaudited)	For the six months ended 30 June				
	2018		2017		Change
	RMB'000	%	RMB'000	%	
Hong Kong	298,006	23.6	495,565	33.1	-39.9
China	758,636	60.0	857,061	57.2	-11.5
South Korea	203,405	16.1	144,668	9.7	+40.6
Others	3,709	0.3	-	-	N/A
<b>Total</b>	<b>1,263,756</b>	<b>100.0</b>	1,497,294	100.0	-15.6

## Optimised Product Mix to Strengthen Core Competitiveness

During the Review Period, the Group actively devoted its efforts to the research and development of new products and new technologies to increase the sales proportion of mid-to high-end products and strengthen core competitiveness. In order to meet the rising market demand of full-screen products, the Group became the first manufacturer in China to mass produce full-screen and full-screen notch-cutting module products, including LTPS products, in July 2017 and February 2018, respectively. During the Review Period, the Group's full-screen products accounted for 30.7% of the Group's sales volume, while the proportion of LTPS products rose from 16.2% for same period last year to 38.1% in terms of sales volume. The Group will continue to make use of its outstanding market responsiveness and continuous technology investment to further propel the development of LTPS and active-matrix organic light-emitting diode ("AMOLED") technology, as well as the sales of on-cell/in-cell LCD products and full-screen module products to meet market demand.

## Broadened the Production Capacity of Medium Sized Display Modules to Explore the Smart Home Market

According to the report published by IDC, a global market researcher, the global shipment of smart home devices is anticipated to increase from 150 million units in 2018 to 300 million units in 2022, and the interactive touch screens are expected to become one of the major components of smart home products. During the Review Period, the Group keenly grasped the opportunities brought by the development of smart home market and Internet of Things (IoT). In March 2018, the Group launched a partnership with Baidu to introduce its first smart speakers with interactive touch screen module, which marked the Group's first foray into the smart home market. The Group is planning to expand the production capacity of 8 to 17-inch medium sized display modules for smart home products and devices by adding new dedicated production lines, so as to further explore the smart home market.

# MANAGEMENT DISCUSSION & ANALYSIS

## Upgraded Production Line Automation to Enhance Management Efficiency

In order to fully optimise production efficiency and enhance the company's management innovation and decision-making capabilities, the Group has leveraged on the technological expertise of Foxconn Technology Group and its affiliates (collectively "Foxconn Group"), by purchasing softwares and equipments from Foxconn Group to evolve into a smart factory. The first phase of this project has formally launched in May 2018 in Huizhou and the renovation of the Huizhou production line is expected to be completed by the end of this year. Through the cooperation with Foxconn Group, the Group will build on its existing production line to raise its equipment data collection and analysis capabilities, and develop big data applications to gradually increase the interconnectivity between labour and machines. It is anticipated that this project will help the Group to further enhance transparency in production line management, improve product quality, and effectively reduce costs to achieve sustainable business development.

## Deepened the Cooperation and Amplified the Synergies with CSOT

Wuhan China Display Optoelectronics Technology Co., Ltd., the joint venture between the Group and Wuhan China Star Optoelectronics Technology Co., Ltd.\* ("Wuhan CSOT", 武漢華星光電技術有限公司), commenced mass production in the fourth quarter of 2017 to provide customers with one-stop solutions from panel to module. The Group will continue to deepen the cooperation with Wuhan CSOT in the second half of 2018, so as to expedite the feedback to customers, provide first-tier customers with customised panels and module products, and expand branded customer base. On the other hand, the Group aims to leverage on the expertise and the increasingly stable panel resources of Wuhan CSOT to lift the sales proportion of high-end products such as LTPS products and in-cell products and continue to optimise the product mix during the industry consolidation stage.

## Outlook

Looking ahead, the global smartphone demand will remain weak, and economic developments in countries around the world are facing challenges and risks caused by the intensifying China-US trade war. The Group expects these unfavourable factors affecting the Group's operations to persist in the second half of 2018. In the midst of an uncertain market environment, the Group will actively implement effective measures to improve current business, so as to achieve healthy operation and regain business growth. Such measures include: (i) to reduce risks brought by increasing raw material and labour costs, the Group will further adjust sales prices and control costs to gradually transfer the pressure of rising costs to customers so as to maintain a stable financial position; (ii) to alleviate the pressure from shortage of upstream raw materials, the Group will continue to establish good cooperative relationships with other key upstream material manufacturers in the hope of forging long-term in-depth synergies; (iii) to ensure the Group's sustainable development, it will continue to invest in smart factories and automation enhancement to scale up its production capacities, improve operational efficiency and production yield, and optimise labour costs by adopting an employee downsizing policy; (iv) as the mobile market is getting more centralised, the Group will continue to leverage on the synergies with Wuhan CSOT to provide one-stop solutions and strengthen the strategic cooperation with downstream mobile terminal manufacturers to tap into the opportunities brought by market integration and attain more top-tier branded customers.

As the industry enters its peak season in the second half of the year, on the one hand, while the Group foresees a better performance in its sales volume and gross profit and will strive to achieve a turnaround in the second half of 2018 as compared to the Review Period; on the other hand the smartphone market in the second half of 2018 is not expected to be as prosperous as the same period last year. Coupled with the significant year-on-year decrease in net profits for the first half of 2018, such adverse impact is likely to sustain throughout the second half of 2018 and affect the Group's overall profitability for year 2018.

Although the operating environment in 2018 is relatively difficult, the Group believes that with challenge comes opportunity. With the sixth generation flexible LTPS-AMOLED display panel production line of Wuhan CSOT expected to commence production in the first half of 2019, the Group will collaborate with Wuhan CSOT to step up efforts in the research and development of AMOLED products, laying solid foundation for future operation development. In the meantime, the Group will actively deploy the IoT ecosystem and develop different types of display products. The capacity of the medium-sized display module expanded during the year will be partially applied to smart home products in the second half of the year. In the long term, the Group remains cautiously optimistic towards the prospect of display module business, and believes that it will maintain a balance between sales growth and healthy operations amidst challenges, thus bringing more value for the Group and its shareholders.

\* for identification only



# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL REVIEW

### 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, factorings and interest-bearing bank loans.

The Group's cash and cash equivalents balance as at 30 June 2018 amounted to RMB222 million, of which 54.4% was in US dollar, 44.4% was in RMB and 1.2% was in HK dollar.

As at 30 June 2018, the Group's interest-bearing bank loans were RMB224 million, which were denominated in RMB and USD with variable interest rate, and were all repayable within one year. The Group's other borrowings was RMB24 million, which are denominated in RMB with a fixed interest rate, and a tenure of 3 years.

As at 30 June 2018, total equity attributable to owners of the parent was RMB451 million (31 December 2017: RMB498 million), and the gearing ratio was 15.2% (31 December 2017: 19.2%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank borrowings, other borrowings and bonds payable) divided by total assets. Please refer to note 16 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

### Pledge of Assets

During the Review Period, the Group had pledged certain trade receivables amounting to RMB194,916,000 (31 December 2017: RMB279,273,000) to banks with recourse in exchange for cash.

### Capital Commitments and Contingent Liabilities

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Plant and equipment	103,632	119,473

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: 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 of 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. During the Review Period, the Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. 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.

# MANAGEMENT DISCUSSION & ANALYSIS

## **Pending Litigation**

The Group had not been involved in any material litigation for the six months ended 30 June 2018.

## **Significant Investments Held**

There was no significant investment held as at 30 June 2018.

## **Material Acquisitions and Disposals**

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 2018, the Group had a total of 2,693 employees. During the Review Period, the total staff costs amounted to RMB115 million. The Group has reviewed the remuneration policy by reference to the existing legislations, market conditions, as well as the performances of employees and the Company. In order to align the interests of staff with those of shareholders, share options and restricted shares would be granted to relevant grantees, including employees of the Group, under the Company's share option and share award scheme respectively. Share options carrying rights to subscribe for a total of 65,704,930 shares remained outstanding as at 30 June 2018.

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

As at 30 June 2018, 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 Personal interests	Number of Shares under Equity Derivatives (Note 1)	Total	Approximate Percentage of Issued Shares of the Company (Note 2)
LI Jian	19,925,785	11,514,998	31,440,783	1.51%
OUYANG Hongping	14,037,998	9,076,528	23,114,526	1.11%
ZHAO Yong	10,450,145	2,885,499	13,335,644	0.64%
HSU Wai Man, Helen	–	260,000	260,000	0.01%
LI Yang	–	260,000	260,000	0.01%
XU Yan	–	260,000	260,000	0.01%

Notes:

- These equity derivatives were outstanding share options granted to the relevant Directors under a share option scheme of the Company.
- 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 2018, being 2,086,718,219 Shares in issue.

**Interests in Associated Corporation of the Company – Long Positions**

TCL Corporation (Note 1)

Name of Director	Number of Ordinary Shares held Personal Interests	Other interests	Number of Shares under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Corporation (Note 2)
OUYANG Hongping	26,600	–	–	26,600	0.0002%

Notes:

- TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- Such percentage was calculated based on the number of issued share capital of TCL Corporation as at 30 June 2018, being 13,549,648,507 Shares in issue, as informed by TCL Corporation.

## OTHER INFORMATION

TCL Electronics Holdings Limited ("TCL Electronics", formerly known as "TCL Multimedia Technology Holdings Limited") (Note 1)

Name of Director	Number of Ordinary Shares held		Number of Shares under Equity Derivatives (Note 3)	Total	Approximate Percentage of Issued Share Capital of TCL Electronics (Note 4)
	Personal Interests	Other interests (Note 2)			
LIAO Qian	58,565	52,065	353,206	463,836	0.02%
ZHAO Yong	1,333	–	–	1,333	0.00006%

Notes:

1. TCL Electronics is a subsidiary of TCL Corporation.
2. The interests were restricted shares that have been granted to the relevant Director under the share award scheme of TCL Electronics and were not vested as at 30 June 2018.
3. The equity derivatives were share options granted to the relevant Director under the share option scheme of TCL Electronics which have not been exercised as at 30 June 2018.
4. Such percentage was calculated based on the number of issued Shares of TCL Electronics as at the 30 June 2018, being 2,333,388,113 Shares, as disclosed on the website of the Stock Exchange.

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 Share Capital of Tonly Holdings (Note 4)
	Personal Interests	Other interests (Note 2)			
LIAO Qian	38,300	39,446	657,274	735,020	0.27%
ZHAO Yong	133	–	–	133	0.00005%

Notes:

1. Tonly Holdings is a subsidiary of TCL Corporation.
2. The interests were restricted shares that have been granted to the relevant director under the share award scheme of Tonly Holdings and were not vested as at 30 June 2018.
3. The equity derivatives were share options granted to the relevant director under the share option scheme of Tonly Holdings which have not been exercised as at 30 June 2018.
4. Such percentage was calculated based on the number of issued Shares of Tonly Holdings as at 30 June 2018, being 268,357,390 Shares in issue, as disclosed on the website of the Stock Exchange.

## OTHER INFORMATION

### 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%
WEN Xianzhen	364,400	–	–	364,400	0.51%
ZHAO Yong	967,806	–	–	967,806	1.34%

#### Notes:

- Huizhou Techne is a subsidiary of TCL Corporation.
- Such percentage was calculated based on the number of issued share capital of Huizhou Techne as at 30 June 2018, being 72,009,400 Shares in issue, as informed by Huizhou Techne.

Save as disclosed above, as at 30 June 2018, 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.

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

As at 30 June 2018, 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	1,097,447,777 (Note 1)	52.59%
Shenzhen China Star Optoelectronics Technology Co., Ltd.	Interest of controlled corporation	1,097,447,777 (Note 2)	52.59%
Mr. LAU Tom Ko Yuen	Interest of controlled corporation	126,930,029 (Note 3)	6.08%
Affluent Talent Limited	Interest of controlled corporation	126,930,029 (Note 3)	6.08%
Empire City International Limited	Interest of controlled corporation	126,930,029 (Note 3)	6.08%
Rally Praise Limited	Interest of controlled corporation	50,000,000 (Note 3)	2.40%
	Beneficial owner	76,930,029 (Note 3)	3.68%
Circle Swing Limited	Beneficial owner	50,000,000 (Note 3)	2.40%

## OTHER INFORMATION

### Notes:

1. For the purpose of the SFO, TCL Corporation is deemed to be interested in 1,097,447,777 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 86.81% by TCL Corporation.
2. For the purpose of the SFO, Shenzhen China Star Optoelectronics Technology Co., Ltd. is deemed to be interested in 1,097,447,777 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..
3. For the purpose of the SFO, each of Mr. LAU Tom Ko Yuen, Affluent Talent Limited, Empire City International Limited and Rally Praise Limited is deemed to be interested in the same block of 126,930,029 Shares, of which (i) 50,000,000 Shares are directly held by Circle Swing Limited, a wholly owned subsidiary of Rally Praise Limited and (ii) 76,930,029 Shares are directly held by Rally Praise Limited, which is a wholly owned subsidiary of Empire City International Limited, Empire City International Limited is wholly-owned by Affluent Talent Limited which in turn is wholly owned by Mr. LAU Tom Ko Yuen.
4. 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 2018, being 2,086,718,219 Shares.

Save as disclosed above, as at 30 June 2018, 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.

### SHARE OPTION SCHEME

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

The major terms of the Share Option Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are set out in note 19 to the financial statements in this interim report.

The directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the share options as set out in note 19 to the financial statements in this interim report.

As at 30 June 2018, 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 237,854,910 Shares, which represented about 11.40% of the issued share capital of the Company as at 30 June 2018.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2018 are as follows:

Name or category of participant	Number of share options					As at 30 June 2018	Date of grant of share options	Closing price of Shares immediately before the date of grant of share options <i>HK\$</i>	Exercise price of share options <i>HK\$</i>	Exercise period of share options
	As at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
LJ 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
ZHAO Yong	2,885,499	-	-	-	-	2,885,499	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
LI Yang	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
XU Yan	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
Other employees of the Group	41,361,706	-	2,683,600	1,105,700	-	37,572,406	18 March 2016	0.73	0.74	Note 1
			Note 4	Note 5						
Employees of TCL Group (Note 2)	4,059,499	-	184,000	-	-	3,875,499	18 March 2016	0.73	0.74	Note 3

Notes:

- (i) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (ii) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (iii) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
- 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.
- 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.
- The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$1.0873.
- The 1,105,700 share options lapsed in accordance to the terms of the Share Option Scheme, were regarded as forfeited under applicable accounting standards. For further details, please refer to note 19 to the financial statements.

### 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" and "Share Option Scheme" in the section "Other Information" and "Share Award Scheme" under note 18 to the financial statements in this Interim Report, at no time during the six months ended 30 June 2018 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.

### INTERIM DIVIDEND

The Board does not recommend to pay any interim dividend for the six months ended 30 June 2018.

## OTHER INFORMATION

### **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 2018.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2018, 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 Provision F.1.1. The reasons for deviations are as follows:

#### **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 company secretary of the Company, Ms. CHEUNG Bo Man, is a partner of the Company's legal advisor, Cheung Tong & Rosa Solicitors.

During the six months ended 30 June 2018, 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. 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 persons assigned, to enable the company secretary to get hold of the Group's development promptly without material delay and with her expertise and experience, the Company is confident that having Ms. Cheung as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

### **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 2018.

### **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. LI Yang and Mr. XU Yan, 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 2018 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, 22 August 2018