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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. LIAO Qian (Chairman)

Executive Directors

Mr. LI Jian (*resigned on 7 March 2019*)

Mr. OUYANG Hongping

(*re-designated as Chief Executive Officer on 7 March 2019*)

Mr. WEN Xianzhen

Mr. ZHAO Jun (*appointed on 7 March 2019*)

Mr. ZHAO Yong (*resigned on 7 March 2019*)

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 54, 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 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Revenue	5	3,516,593	1,263,756
Cost of sales		(3,439,612)	(1,239,663)
Gross profit		76,981	24,093
Other income and gains	5	31,339	28,032
Selling and distribution expenses		(16,441)	(15,911)
Administrative expenses		(44,329)	(39,639)
Other expenses		(3,006)	(4,345)
Finance costs	7	(27,336)	(4,578)
PROFIT/(LOSS) BEFORE TAX	6	17,208	(12,348)
Income tax expense	8	(6,569)	(1,059)
PROFIT/(LOSS) FOR THE PERIOD		10,639	(13,407)
Attributable to:			
Owners of the parent		13,122	(11,896)
Non-controlling interest		(2,483)	(1,511)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
For profit/(loss) for the period		RMB0.63 cents	RMB(0.58) cents
Diluted			
For profit/(loss) for the period		RMB0.63 cents	RMB(0.58) cents



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	10,639	(13,407)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	493	659
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	493	659
OTHER COMPREHENSIVE INCOME, NET OF TAX	493	659
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX	11,132	(12,748)
Attributable to:		
Owners of the parent	13,615	(11,237)
Non-controlling interest	(2,483)	(1,511)
	11,132	(12,748)



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		623,665	602,543
Intangible assets		4,965	5,664
Deposits paid for purchase of items of property, plant and equipment		55,419	60,736
Deferred tax assets		19,360	17,545
Right-of-use assets		35,370	–
Total non-current assets		738,779	686,488
CURRENT ASSETS			
Inventories	11	375,059	574,606
Trade and bills receivables	12	2,779,681	2,145,233
Prepayments and other receivables		143,646	129,242
Cash and cash equivalents	13	671,138	277,437
Total current assets		3,969,524	3,126,518
CURRENT LIABILITIES			
Trade payables	14	2,156,607	2,256,864
Other payables and accruals		409,342	371,868
Interest-bearing bank borrowings	15	1,365,898	360,683
Tax payable		18,869	47,557
Bonds payable		8,797	–
Total current liabilities		3,959,513	3,036,972
NET CURRENT ASSETS		10,011	89,546
TOTAL ASSETS LESS CURRENT LIABILITIES		748,790	776,034
NON-CURRENT LIABILITIES			
Other borrowings	15	24,000	24,000
Other payables and accruals		124	–
Deferred income		9,798	10,357
Bonds payable		–	61,341
Deferred tax liabilities		6,925	–
Total non-current liabilities		40,847	95,698
Net assets		707,943	680,336



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2019

		30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	172,118	169,768
Reserves		403,067	375,333
		575,185	545,101
Non-controlling interests		132,758	135,235
		707,943	680,336



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		169,768	58,000	(77,680)	167,911	15,301	60	(12,375)	47,946	(2,385)	178,555	135,235	680,336
Profit for the period		-	-	-	-	-	-	-	-	-	13,122	(2,483)	10,639
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:													
Exchange differences on translation of financial statements		-	-	-	-	-	-	-	493	-	-	-	493
Total comprehensive income for the period		-	-	-	-	-	-	-	493	13,122	(2,483)	-	11,132
Share Award Scheme arrangements	17	-	-	-	-	14	-	-	-	-	-	6	20
Vesting shares under Share Award Scheme	17	-	-	-	-	-	(705)	-	-	-	-	-	(705)
Equity-settled share option arrangements	18	-	-	-	-	(232)	-	-	-	-	-	-	(232)
Share options exercised	18	2,350	21,331	-	-	(6,289)	-	-	-	-	-	-	17,392
Appropriations to statutory surplus reserve		-	-	-	-	-	-	-	3,549	-	(3,549)	-	-
At 30 June 2019 (unaudited)		172,118	79,331*	(77,680)*	167,911*	8,780*	74*	(13,080)*	51,495*	(1,892)*	188,128*	132,758	707,943

* These reserve accounts comprise the reserves of RMB403,067,000 (31 December 2018: RMB375,333,000) 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 2018

	Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	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 that may be reclassified to profit or loss in subsequent periods:													
Exchange differences on translation of financial statements		-	-	-	-	-	-	-	659	-	-	-	659
Total comprehensive loss for the period		-	-	-	-	-	-	-	659	(11,896)	(1,511)	(12,748)	
Repurchase shares under Share Award Scheme		-	-	-	-	-	(1,518)	-	-	-	-	(1,518)	
Share Award Scheme arrangements	17	-	-	-	-	476	-	-	-	-	8	484	
Vesting shares under Share Award Scheme	17	-	(80)	-	-	(5,973)	6,053	-	-	-	-	-	
Equity-settled share option arrangements	18	-	-	-	-	454	-	-	-	-	-	454	
Share options exercised	18	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



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		17,208	(12,348)
Adjustments for:			
Finance costs	7	27,336	4,578
Bank interest income	5	(4,067)	(2,607)
Loss on disposal of items of property, plant and equipment		–	2
Depreciation	6	58,056	30,611
Amortisation of intangible assets	6	741	633
Depreciation of right-of-use assets	6	5,416	–
Equity-settled share award expense	6	20	484
Equity-settled share option expense	18	(232)	454
Fair value gains, net:			
Derivative financial instruments – transactions not qualifying as hedges	5	–	(3,982)
Exchange loss		981	2,556
Decrease/(increase) in inventories		199,547	(10,747)
(Increase)/decrease in trade and bills receivables		(634,448)	255,667
Increase in prepayments, deposits and other receivables		(14,404)	(28,890)
Decrease in trade payables		(100,257)	(321,060)
Increase in other payables and accruals		31,128	26,876
(Decrease)/increase in deferred income		(559)	6,688
Cash used in operations		(413,534)	(51,085)
Hong Kong tax paid		–	(1,368)
Mainland China tax paid		(30,156)	–
Net cash flows used in operating activities		(443,690)	(52,453)



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2019

	<i>Notes</i>	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net cash flows used in operating activities		(443,690)	(52,453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,067	2,607
Purchases of land-use-right		(30,168)	–
Purchases of items of property, plant and equipment		(73,866)	(96,500)
Purchases of items of intangible assets		(42)	(374)
Net cash flows used in investing activities		(100,009)	(94,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		17,392	1,718
Purchase of shares for Share Award Scheme		–	(1,518)
New bank loans		1,365,897	184,209
Repayment of bank loans		(412,492)	(349,609)
Interest paid		(27,150)	(2,745)
Principal portion of lease payments		(5,035)	–
Dividends paid		–	30,000
Net cash flows from/(used in) financing activities		938,612	(137,945)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		394,913	(284,665)
Cash and cash equivalents at beginning of period		277,437	507,622
Effect of foreign exchange rate changes, net		(1,212)	(1,192)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	671,138	221,765



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

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 2019, 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.

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Display Optoelectronics Technology (Huizhou) Co., Ltd. ("CDOT Huizhou")*	PRC/Mainland China	RMB231,900,000	RMB231,900,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets
Wuhan China Display Optoelectronics Technology Co., Ltd. ("Wuhan CDOT")*	PRC/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.**	PRC/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

* These entities are registered as limited liability companies under PRC law.

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has 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 information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2018.

3. CHANGES TO THE GROUP’S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All the assets were assessed for any impairment. The Group elected to present the right-of-use assets separately in the statement of financial position.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase RMB'000 (Unaudited)
Assets:	
Increase in right-of-use assets	9,773
Increase in total assets	9,773
Liabilities:	
Increase in other payables and accruals – current	9,385
Increase in other payables and accruals – non-current	388
Increase in total liabilities	9,773

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Increase RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018:	10,028
Weighted average incremental borrowing rate as at 1 January 2019	4.374%
Discounted operating lease commitments as at 1 January 2019	9,773
Lease liabilities as at 1 January 2019	9,773



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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

(a) (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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

(a) (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables and accruals"), and the movement during the period are as follows:

	Right-of-use assets			Lease liabilities RMB'000
	Lands RMB'000	Plants and properties RMB'000	Subtotal RMB'000	
As at 1 January 2019	–	9,773	9,773	9,773
Additions	30,168	820	30,988	820
Depreciation charge	(201)	(5,215)	(5,416)	–
Interest expense	–	–	–	186
Payments	–	–	–	(5,035)
Exchange realignment	–	25	25	25
As at 30 June 2019	29,967	5,403	35,370	5,769

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Since the Group had considered the uncertain tax positions arising from the transfer pricing at each year end, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Mainland China*	3,205,897	758,636
Other countries/areas	310,696	505,120
	3,516,593	1,263,756

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 RMB2,287,055,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB263,732,000) was derived from sales to related companies.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Segments	LCD modules	LCD modules
Type of goods and services		
Sale of goods	3,496,846	1,263,756
Processing services	19,747	–
Total revenue from contracts with customers	3,516,593	1,263,756
Geographical markets		
Mainland China	3,205,897	758,636
Hong Kong	238,355	298,006
South Korea	69,026	203,405
Turkey	3,024	–
Thailand	291	–
Taiwan	–	3,709
Total revenue from contracts with customers	3,516,593	1,263,756
Timing of revenue recognition		
Goods transferred at a point in time	3,496,846	1,263,756
Services transferred over time	19,747	–
Total revenue from contracts with customers	3,516,593	1,263,756



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Other income, net		
Bank interest income	4,067	2,607
Subsidy income*	1,526	5,205
Gains on disposal of raw materials, samples and scraps	14,970	12,296
Others	10,776	3,942
	31,339	24,050
Gains, net		
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	–	3,982

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of inventories sold	3,186,445	1,089,671
Depreciation	58,056	30,611
Amortisation of intangible assets	741	633
Depreciation of right-of-use assets	5,416	–
Research and development costs: current period expenditures*	9,699	15,662
Employee benefit expense (including Directors' remuneration):		
Wages and salaries	186,682	95,440
Pension scheme contributions	29,887	18,594
Equity-settled share award expense	20	484
Equity-settled share option expense	(232)	454
	216,357	114,972
Exchange differences, net	981	2,556
Reversal of impairment of trade and bills receivables	(1,578)	–
Reversal of write-down of inventories to net realisable value**	(4,109)	(292)

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

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest on bank loans and bonds	3,979	4,578
Interest on discounted notes with recourses and factored trade receivables	23,357	–
	27,336	4,578

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current – Hong Kong Charge for the period	204	4,213
Current – Mainland China Charge for the period	3,546	–
Adjustment in respect of current tax of previous periods	(2,291)	(3,397)
Deferred	5,110	243
Total tax charge for the period	6,569	1,059



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

9. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Final 2018 dividend – nil (Final 2017 dividend: 2.00 HK cents) per ordinary share	–	35,185

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

The calculation of the basic earnings/(losses) per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB13,122,000 (six months ended 30 June 2018: the loss of RMB11,896,000), and the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period of 2,084,049,501 (six months ended 30 June 2018: 2,045,097,077).

During the six months ended 30 June 2019, the share options had an anti-dilutive effect on the basic earnings per share, no adjustment has been made to the basic earnings per share amounts in respect of a dilution.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

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

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings/(losses)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(losses) per share calculations	13,122	(11,896)
	Number of shares	
	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic earnings/(losses) per share calculations	2,084,049,501	2,045,097,077

11. INVENTORIES

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	113,782	329,779
Work in progress	46,241	63,540
Finished goods	215,036	181,287
	375,059	574,606



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

12. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Trade receivables	1,676,726	1,819,415
Bills receivable	1,105,279	337,752
Impairment	(2,324)	(11,934)
	2,779,681	2,145,233

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2019 (the "Review Period"), based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Within 1 month	1,330,242	965,618
1 to 2 months	552,400	819,391
2 to 3 months	695,146	152,122
Over 3 months	201,893	208,102
	2,779,681	2,145,233

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 2019, the Group had pledged certain trade receivables amounting to RMB48,407,000 (31 December 2018: RMB48,040,000) and sales orders of RMB103,120,000 (31 December 2018: nil) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB42,000,000 (31 December 2018: RMB35,000,000) and proceeds from pledging the sales orders of RMB60,000,000 (31 December 2018: nil) were accounted for as collateralised bank advances until the trade receivables or sales orders were collected or the Group made good of any losses incurred by the banks (*note 15*).

As at 30 June 2019, the Group had discounted certain bills receivables and factored certain trade receivables amounting to RMB1,263,898,000 (31 December 2018: RMB220,682,000) to bank in exchange for cash. The proceeds from discounting the bills receivables and factoring the trade receivables of RMB1,263,898,000 (31 December 2018: RMB220,682,000) were accounted for as bank loans until the bills receivables and trade receivables were collected (*note 15*).

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

13. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Cash and bank balances denominated in		
– RMB	634,311	131,946
– HK\$	12,995	2,817
– United States dollars (“US\$”)	23,832	142,674
Cash and cash equivalents	671,138	277,437

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 2019, included in cash and bank balances were deposits of RMB622,436,224 (31 December 2018: RMB221,392,899) 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 2018: 0.42%) per annum, based on the savings rates offered by the People’s Bank of China, during the six months ended 30 June 2019. Further details of the interest income from the deposits in the related parties are set out in note 20 to the financial information.

14. TRADE PAYABLES

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Trade payables	2,156,607	2,256,864

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

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Within 30 days	1,417,152	1,795,450
31 to 60 days	201,024	209,835
61 to 90 days	185,124	243,594
Over 90 days	353,307	7,985
	2,156,607	2,256,864

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.08-4.35	2019	1,263,898	3.40-3.60	2019	220,682
Collateralised bank advances – unsecured	–	–	–	3.70-5.44	2019	105,001
Collateralised bank advances – secured	3.55-3.60	2019	102,000	4.20	2019	35,000
			1,365,898			360,683
Non-current						
Other borrowings	0.44	2022	24,000	0.44	2020	24,000
			1,389,898			384,683
Analysed into:						
Bank loans repayable						
Within one year			1,365,898			360,683
Other borrowings repayable						
In the second year			–			24,000
In the third to fifth years, inclusive			24,000			–
			1,389,898			384,683

Notes:

- The Group had banking facilities of RMB2,760,000,000 (31 December 2018: RMB3,495,224,000), of which RMB596,868,000 (31 December 2018: RMB546,921,000) had been utilised as at the end of the Review Period.
- The Company's ultimate holding company has guaranteed certain of the Group's interest-bearing bank borrowings up to RMB1,365,898,000 (31 December 2018: RMB360,683,000) as at the end of the Review Period.
- The other borrowings are with a tenure of 5 years (31 December 2018: 3 years) starting from 2017. Interest is chargeable at 0.44% per annum and payable annually in arrears.
- All borrowings are denominated in RMB as at 30 June 2019.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

16. SHARE CAPITAL

	30 June 2019	31 December 2018
Authorised:		
4,000,000,000 (31 December 2018: 4,000,000,000) ordinary shares of HK\$0.10 each (<i>HK\$'000</i>)	400,000	400,000
Issued and fully paid:		
2,114,117,429 (31 December 2018: 2,086,718,219) ordinary shares (<i>HK\$'000</i>)	211,412	208,672
Equivalent to RMB'000	172,118	169,768

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 2019	2,086,718,219	169,768	58,000
Share options exercised (<i>Note (a)</i>)	27,399,210	2,350	21,331
At 30 June 2019	2,114,117,429	172,118	79,331

Note:

- (a) The subscription rights attaching to 27,399,210 share options were exercised at the subscription price of HK\$0.74 per share (*note 18*), resulting in the issue of 27,399,210 shares for a total cash consideration, before expenses, of RMB17,392,000. An amount of RMB6,289,000 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 18 to the financial information.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

17. 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 cases the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any). The specific mandate for the issuance and allotment of new shares as Awarded Shares pursuant to the Share Award Scheme was approved by the shareholders of the Company at the special general meeting of the Company held on 11 May 2016 (the "Approval Date"). On 9 August 2017, the Share Award Scheme was amended by the Group, pursuant to which, the Board may accelerate the vesting of the unvested Awarded Shares for grantees on a date prior to the original vesting date and waive or alter any or all of the vesting conditions attached to such Awarded Shares.

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

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

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

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

In aggregate, 103,289,988 shares have been granted under the Share Award Scheme of the Company, of which 102,946,488 shares had been vested, and 343,500 shares had been forfeited as at 31 December 2018. During the six months ended 30 June 2019, 1,710,704 shares of originally vested Awarded Shares were returned by certain Selected Persons to the Company. Accordingly, an amount of RMB705,000 was charged to the Share held for Share Award Scheme reserve.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

18. 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 substantial 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 does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised. The exercise period of the share options granted is determinable by the Directors, and commences on a specified date and ends on a date which is not later than ten years from the date of grant of the relevant share option.

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

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

18. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Share Option Scheme of the Company during the Review Period:

	2019		2018	
	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>
At 1 January	0.74	65,180	0.74	69,678
Exercised during the period	0.74	(27,399)	0.74	(2,868)
Forfeited during the period	0.74	(1,012)	0.74	(1,105)
At 30 June	0.74	36,769	0.74	65,705

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

30 June 2019

Date of grant	Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
18 March 2016	36,769	0.74	18 December 2016 to 17 March 2022

The fair value of the share options granted during 2016 was RMB18,502,000 (HK\$0.28 each). During the period, 1,012,000 share options were forfeited, the Group reversed the share option expense of RMB232,000 accordingly.

At the end of the Review Period, the Company had 36,769,220 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 36,769,220 additional ordinary share of the Company and additional share capital of HK\$3,677,000 and share premium of HK\$23,532,000 (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 8.14% of the issued share capital of the Company as at 30 June 2019.

At the date of approval of these interim condensed consolidated financial information, the Company had 36,769,220 share options outstanding under the Share Options Scheme, which represented approximately 1.74% of the Company' shares in issue as at that date.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

19. COMMITMENTS

The Group had the following capital commitments as at 30 June 2019:

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Plant and machinery	77,295	80,179

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial information, the Group had the following transactions with related parties during the current period:

	<i>Notes</i>	For the six months ended 30 June 2019 (Unaudited) <i>RMB'000</i>	2018 (Unaudited) <i>RMB'000</i>
Immediate holding company:			
Interest expense	<i>(i)</i>	313	1,833
Fellow subsidiaries and other related companies:			
Sales of products	<i>(ii)</i>	2,287,055	263,732
Sales of raw materials, mould and samples	<i>(ii)</i>	405,622	1,625
Purchases of products	<i>(ii)</i>	643,396	213,249
Purchases of plant, vehicles, furniture and fixtures	<i>(ii)</i>	1,386	586
Rental and other related charges	<i>(ii)</i>	127	117
Interest income	<i>(ii)</i>	2,955	1,870
Interest expense	<i>(ii)</i>	1,627	538
		3,342,168	481,717



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Interest is chargeable at 7.5% per annum for bonds issued to the immediate holding company as a result of the debt restructuring.
- (ii) 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.

(b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB1,365,898,000 (31 December 2018: RMB360,683,000) as at the end of the Review Period, as further detailed in note 15 to the financial information.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current:				
The ultimate holding company	-	-	-	59
The immediate holding company	-	-	56,333	47,028
Fellow subsidiaries and other related companies	2,149,254	761,473	236,640	258,154
	2,149,254	761,473	292,973	305,241
Non-current:				
The immediate holding company	-	-	-	61,341
	2,149,254	761,473	292,973	366,582



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Outstanding balances with related parties (Continued)

The balances with the ultimate holding company, the immediate holding company, fellow subsidiaries and other related companies 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 2019 was the bonds payable with amount of nil (31 December 2018: RMB61,341,000). The current balance with the immediate holding company as at 30 June 2019 mainly comprised bonds payable of RMB8,798,000 (31 December 2018: nil), interest of the bonds payable of RMB14,242,000 (31 December 2018: RMB13,867,000) and an amount of RMB33,293,000 (31 December 2018: RMB33,161,000) 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	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Short-term employee benefits	1,700	1,283
Share-based payment benefit expenses	-	256
	1,700	1,539

21. TRANSFERS OF FINANCIAL ASSETS

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

As part of its normal business, the Group entered into trade receivables factoring arrangements and transferred certain trade receivables to banks for cash. In the opinion of the Directors, the Group retained substantially all risks and rewards of the transferred trade receivables, and accordingly, it continued to recognise the full carrying amounts of the transferred trade receivables and the associated liabilities which were the collateralised bank advances. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties.

As at 30 June 2019, the amounts of pledged trade receivables and the collateralised bank advances were RMB48,407,000 (31 December 2018: RMB48,040,000) and RMB42,000,000 (31 December 2018: RMB35,000,000) (note 12), respectively.

At 30 June 2019, the Group discounted certain bills receivables and factored certain trade receivables to bank in exchange for cash (the "Discounted and Factored Bills and Trade Receivables") with a carrying amount of RMB1,263,898,000 (31 December 2018: RMB220,682,000) (note 15). In the opinion of the Directors, the Group had retained the substantial risks and rewards, which include default risks relating to such Discounted and Factored Bills and Trade Receivables, and accordingly, it continued to recognise the full carrying amount of the Discounted and Factored Bills and Trade Receivables and the associated interest-bearing bank borrowings.



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2019

21. TRANSFERS OF FINANCIAL ASSETS (Continued)

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

The Group had endorsed certain bills receivables accepted by banks amounted to RMB 53,815,000 to certain of its suppliers (the “Derecognised Bills”). The Derecognised Bills had a maturity of one to two months at the end of the Review Period. In accordance with the law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors, the Group had transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amounts of the Derecognised Bills and the associate trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair value of the Group’s Continuing Involvement in the Derecognised Bills is not significant.

For the six months ended 30 June 2019, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the six months or cumulatively.

22. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 12 August 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The first half of 2019 was a turbulent time for world politics and the global economy. Owing to the intensified Sino-US trade frictions, the demand for smartphones remained weak, which adversely affected the development of the smartphone industry. In addition, the overall shipment volume decreased significantly due to the lengthening cycle of smartphone replacement and the declining desire for new smartphone purchases. According to the latest report from global market researcher IDC, the global smartphone shipment volume for the second quarter of 2019 was approximately 333 million units, dropped by 2.3% year-on-year, but representing an increase of 6.5% as compared with the previous quarter. As the declines became less severe, it might indicate some recovery was underway in the market. The data from the China Academy of Information and Communications Technology also showed that the smartphone shipment volume in China was 178 million units for the first half of 2019, representing a decrease of 4.3% year-on-year.

As the domestic supply of foldable Active-Matrix Organic Light-Emitting Diode (“AMOLED”) progressively increased, certain smartphone manufacturers have launched foldable smartphones. However, the maturity level of the technology and market penetration were not satisfactory. In the first half of 2019, full-screen products with Low Temperature Poly-silicon (“LTPS”) or AMOLED panel remained the leading products in the market.

BUSINESS REVIEW

For the six months ended 30 June 2019 (the “Review Period”), driven by the increasing orders from major customers, the Group’s sales volume increased by 182.3% year-on-year to 49.6 million units. During the Review Period, the Group recorded a revenue of RMB3.52 billion, representing a year-on-year increase of 178.3%; of which the revenue of laminated LCD module products (excluding processing LCD modules) recorded a rise of 206.4% year-on-year to RMB2.90 billion, revenue of non-laminated LCD module products was RMB598 million, representing an increase of 88.4% year-on-year. During the Review Period, the raw materials of certain products were provided by customers directly and thus the cost of such raw materials was not reflected in the selling price for the relevant products which resulted in a lower selling price. However, the overall average selling price increased by 2.1% year-on-year to RMB73.4 (excluding processing LCD modules), due to the improvement of the product mix.

The Group started providing processing service in June 2019. The new business model enabled the Group to drive down procurement costs and inventory management costs, resulting in a higher gross profit margin as compared to that of selling LCD modules manufactured by the Group, as well as reducing the risk of cost fluctuation of raw materials. During the Review Period, the income from processing service amounted to RMB20 million and accounted for 4.0% of the total sales volume.

As benefited from the growth in sales volume, the Group’s gross profit during the Review Period was RMB77.0 million, increasing by 219.5% year-on-year. The gross profit margin increased by 0.3 percentage point year-on-year to 2.2%. The improvement in gross profit margin was not considerable because: 1) the Group had adopted a relatively aggressive pricing strategy in order to actively seize the market share, increase the scale of the sales, and establish long-term and stable relationships with customers; 2) raw material costs remained high. During the Review Period, the Group’s profit attributable to owners of the parent was RMB13.1 million.

Year-on-year comparison of revenue by product segment :

(Unaudited)	For the six months ended 30 June				
	2019		2018		Change %
	RMB’000	%	RMB’000	%	
Sale of TFT LCD module					
– Non-laminated modules	598,222	17.0	317,604	25.1	+88.4
– Laminated modules	2,898,624	82.4	946,152	74.9	+206.4
Processing TFT LCD modules					
– Laminated modules	19,747	0.6	–	–	N/A
Total	3,516,593	100.0	1,263,756	100.0	+178.3

MANAGEMENT DISCUSSION AND ANALYSIS

Year-on-year comparison of sales volume by product segment:

(Unaudited)	For the six months ended 30 June				
	2019		2018		Change %
	'000 units	%	'000 units	%	
Sale of TFT LCD module					
– Non-laminated modules	13,859	27.9	7,257	41.3	+91.0
– Laminated modules	33,775	68.1	10,315	58.7	+227.4
Processing TFT LCD modules					
– Laminated modules	1,975	4.0	–	–	N/A
Total	49,609	100.0	17,572	100.0	+182.3

During the Review Period, due to new orders placed by the brand customers, sales markets were more concentrated. Revenue derived from China was RMB3.21 billion, accounting for 91.1% of the Group's total revenue, China became the largest single market of the Group. Revenue derived from Hong Kong and other areas (including South Korea, Thailand and Turkey, etc.) amounted to RMB238 million and RMB72.3 million, representing a decrease of 20.0% and 65.1%, respectively.

Year-on-year comparison of revenue by geographical segments:

(Unaudited)	For the six months ended 30 June				
	2019		2018		Change %
	RMB'000	%	RMB'000	%	
China	3,205,897	91.1	758,636	60.0	+322.6
Hong Kong	238,355	6.8	298,006	23.6	–20.0
Others	72,341	2.1	207,114	16.4	–65.1
Total	3,516,593	100.0	1,263,756	100.0	+178.3

The Group has been striving to deepen its cooperation with Shenzhen China Star Optoelectronics Technology Co., Ltd.* (深圳市華星光電技術有限公司), the parent company of the Group, and its subsidiaries (collectively "CSOT"), so as to win first-tier brand customers through the one-stop business model that combines panel and module from both parties. Following the Group's entry into the supply chain of China's first-tier brands with CSOT in 2017, the Group has been able to establish partnerships with a number of international first-tier brand customers which is expected to assist in the formation of a solid and strong customer base in the long run. As the Group took on more order from first-tier brands as customers through co-operating with CSOT, the proportion of high-end products in the Group's overall sales volume consistently increased. The sales volume of LTPS products as a portion of the Group's overall sales volume increased from 38% for the same period last year to 88%; while that of full-screen products went up to 90%.

Meanwhile, in order to fulfill the growing demand from first-tier brand customers, Wuhan China Display Optoelectronics Technology Co., Ltd., ("Wuhan CDOT", the joint venture between the Group and Wuhan China Star Optoelectronics Technology Co., Ltd.*, 武漢華星光電技術有限公司) has been remodeling the equipment and production line of its manufacturing plant since the second half of 2018. The expanded production line will have an annual production capacity of approximately 60 million and 120 million units in 2019 and 2020 respectively. With the capacity expansion, the Group will be able to accept more processing orders from customers, which will in turn propel the Group's business as an original design manufacturer and enhance the effective utilization of resources.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking ahead, the international political and economic landscape will continue to be clouded by uncertainties. The escalation of Sino-US trade frictions is reducing the market's investment intentions and the global display industry is experiencing downward pressure, which induces a sense of reluctance to commit to the market among market players. Although the Group has achieved fruitful results in deepening the vertical integration with CSOT, the imbalance between supply and demand in the semiconductor industry will result in intensified market competition before the commercialization of 5G technology and the foldable AMOLED end products gains wide acceptance.

By capitalizing on the existing partnerships, the Group will continue to strengthen its customer base and increase its market share. The Group will also actively reduce costs and increase efficiency to maximize production efficacy and effectiveness while expanding the production capacity of Wuhan CDOT. At the same time, the Group will elevate its research and development capabilities to enhance and prepare for advanced display technology, including in-display fingerprint and AMOLED technologies, so as to lay a solid foundation for future operation. Meanwhile, the Group is also increasing its presence in the smart home and automotive display markets to capture the immense opportunities therein, and expand its business horizontally.

In the long run, the Group still remains cautiously optimistic about the development prospects of the display module business and believes in its ability to maintain a balance between sales growth and healthy progress amidst challenges, so as to create greater value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

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

The Group's cash and cash equivalents balance as at 30 June 2019 amounted to RMB671 million, of which 3.6% was in US dollar, 94.5% was in RMB and 1.9% was in HK dollar.

As at 30 June 2019, the Group's interest-bearing bank loans were RMB1.37 billion, which were denominated in RMB with variable interest rate, and were all repayable within one year. The Group's other borrowings were RMB24 million, which were denominated in RMB with a fixed interest rate, and had a tenure of 5 years.

As at 30 June 2019, total equity attributable to owners of the parent was RMB575 million (31 December 2018: RMB545 million), and the gearing ratio was 29.7% (31 December 2018: 11.7%). The gearing ratio was 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 15 to the financial statements for further details 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 RMB48,407,000 (31 December 2018: RMB48,040,000) and sales orders of RMB103,120,000 (31 December 2018: nil) to banks with recourse in exchange for cash.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments and Contingent Liabilities

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
Plant and equipment	77,295	80,179

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: nil).

Foreign Exchange Risk

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

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. 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.

Pending Litigation

The Group had not been involved in any material litigation for the six months ended 30 June 2019.

Significant Investments Held

There was no significant investment held as at 30 June 2019.

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 2019, the Group had a total of 5,972 employees. During the Review Period, the total staff costs amounted to RMB216 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 36,769,220 shares remained outstanding as at 30 June 2019.



OTHER INFORMATION

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

As at 30 June 2019, the interests and/or short position of the directors and chief executives of the Company in shares of 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)
OUYANG Hongping	14,037,998	9,076,528	23,114,526	1.09%
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 in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at 30 June 2019, being 2,114,117,429 Shares in issue.

Interests in Associated Corporation of the Company – Long Positions

TCL Corporation ("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 2019, being 13,549,648,507 Shares in issue, as informed by TCL Corporation.



OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, 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 2019, the interests and short positions of the person (other than a director or chief executive of the Company) in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate Percentage of Issued Shares of the Company (Note 3)
TCL Corporation	Interest of controlled corporation	1,357,439,806 (Note 1)	64.21%
Shenzhen China Star Optoelectronics Technology Co., Ltd.	Interest of controlled corporation	1,357,439,806 (Note 2)	64.21%

Notes:

- For the purposes of Part XV of the SFO, TCL Corporation is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly owned by Shenzhen China Star Optoelectronics Technology Co., Ltd. which is owned as to 88.82% by TCL Corporation.
- For the purposes of Part XV of the SFO, Shenzhen China Star Optoelectronics Technology Co., Ltd. is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly-owned by Shenzhen China Star Optoelectronics Technology Co., Ltd..
- 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 2019, being 2,114,117,429 Shares.

Save as disclosed above, as at 30 June 2019, 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 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.



OTHER INFORMATION

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 18 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 18 to the financial statements in this interim report.

As at 30 June 2019, the total number of Shares 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 208,919,200 Shares, which represented about 9.88% of the issued shares of the Company as at 30 June 2019.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2019 are as follows:

Name or category of participant	Number of share options					As at 30 June 2019	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 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
OUYANG Hongping	9,076,528	-	-	-	-	9,076,528	18 March 2016	0.73	0.74	Note 1
HSU Wai Man, Helen	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
LI Yang	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
XU Yan	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
Other employees of the Group	51,448,403	-	26,631,210	1,012,000	-	23,805,193	18 March 2016	0.73	0.74	Note 1
			Note 4	Note 5						
Employees of TCL Group (Note 2)	3,875,499	-	768,000	-	-	3,107,499	18 March 2016	0.73	0.74	Note 3

Notes:

- (i) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (ii) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (iii) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
- 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\$0.9662.
- The 1,012,000 share options lapsed in accordance with the terms of the Share Option Scheme were regarded as forfeited under applicable accounting standards. For further details, please refer to note 18 to the financial statements.



OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" in the section "Other Information" 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 2019 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 2019.

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 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, 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 2019, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations of the Company as the contact person with Ms. Cheung to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. Cheung through the contact person(s) assigned, so as to enable the company secretary to get hold of the Group's development promptly without material delay. With her expertise and experience, the Company is confident that having Ms. Cheung as 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 with the same terms as set out in the Model Code as set out in Appendix 10 to the Listing Rule (the "Model Code"). Having made specific enquiry with all Directors, save as disclosed below, 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 2019.

On 25 February 2019, Mr. Li Jian, then executive Director and chief executive officer of the Company, (i) exercised option ("Option") granted to him on 18 March 2016 pursuant to the Share Option Scheme of the Company to subscribe for 80,000 shares of the Company ("Shares") (representing approximately 0.0038% of the then total number of issued Shares as at 25 February 2019) at the exercise price of HK\$0.74 per Share (which was determined at the time of grant), and (ii) disposed on-market of the same parcel of 80,000 Shares at a price of HK\$0.75 per Share ("Disposal") without first notifying the designated Director pursuant to Appendix 10 to the Listing Rules. Whilst the exercise of Option did not constitute a dealing under the Model Code, the Disposal constituted a dealing within the blackout period and hence a breach of Rule A.3(a)(i) of the Model Code.



OTHER INFORMATION

Mr. Li confirmed that he had inadvertently instructed the broker to place such order for the Disposal before notifying and obtaining clearance from the designated Director under Appendix 10 to the Listing Rules. Mr. Li undertook with the Company that he would comply with the required standards as set out in Appendix 10 to the Listing Rules in future. Mr. Li has resigned as an executive Director and all positions he held in the Company with effect from 7 March 2019.

The Board is of the view that the Company has maintained an effective system in monitoring the Directors' dealings (including a notification mechanism) to ensure compliance with Appendix 10 to the Listing Rules. In particular, the Company has on 10 January 2019 notified all Directors of the blackout period. In order to avoid similar incidents in the future, the Company has implemented and will continue to implement the following actions:

- (i) Remind all Directors of the importance of complying with Appendix 10 to the Listing Rules in their dealings of the Shares and in particular the importance of giving written notice prior to conducting any intended dealings. The Company will also provide briefings to develop and refresh the Directors' knowledge and enhance their awareness of good corporate governance practices.
- (ii) As all options granted by the Company to the Directors pursuant to its Share Option Scheme are managed by a broker designated by the Company, the Company has (with consent of and on behalf of the Directors) instructed the relevant broker to refrain from processing and carrying out any instructions for exercising options and any subsequent dealings in such Shares by Directors during any prohibition period under Appendix 10 to the Listing Rules.

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 2019 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, 12 August 2019