



China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

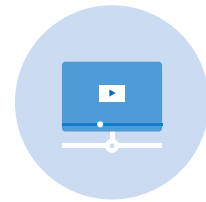
(Incorporated in Bermuda with limited liability)

(Stock Code: 334)

Interim Report

2020





CONTENTS

- 2** Corporate Information
- 3** Interim Results
- 33** Management Discussion & Analysis
- 38** Other Information



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. LIAO Qian (*Chairman*)

Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. ZHAO Jun

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

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
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 2102, 21/F
Overseas Trust Bank Building,
160 Gloucester Road,
Wanchai
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

The following interim condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee of China Display Optoelectronics Technology Holdings Limited (the "Company").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	5	1,622,061	3,516,593
Cost of sales		(1,692,308)	(3,439,612)
Gross (loss)/profit		(70,247)	76,981
Other income and gains	5	10,461	29,761
Selling and distribution expenses		(15,587)	(16,441)
Administrative expenses		(37,499)	(44,329)
Impairment losses on financial assets		110	1,578
Other expenses		(2,179)	(3,006)
Finance costs	7	(5,845)	(27,336)
(LOSS)/PROFIT BEFORE TAX	6	(120,786)	17,208
Income tax expense	8	(17,162)	(6,569)
(LOSS)/PROFIT FOR THE PERIOD		(137,948)	10,639
Attributable to:			
Owners of the parent		(88,527)	13,122
Non-controlling interest		(49,421)	(2,483)
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10		
Basic			
For (loss)/profit for the period		(RMB4.22 cents)	RMB0.63 cents
Diluted			
For (loss)/profit for the period		(RMB4.22 cents)	RMB0.63 cents

INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(137,948)	10,639
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	133	493
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	133	493
OTHER COMPREHENSIVE INCOME, NET OF TAX	133	493
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	(137,815)	11,132
Attributable to:		
Owners of the parent	(88,394)	13,615
Non-controlling interest	(49,421)	(2,483)
	(137,815)	11,132



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		897,521	831,412
Intangible assets		5,031	5,889
Deposits paid for purchase of items of property, plant and equipment		13,026	11,628
Deferred tax assets		26,084	21,205
Right-of-use assets		43,213	47,257
Total non-current assets		984,875	917,391
CURRENT ASSETS			
Inventories	11	127,146	229,453
Trade and bills receivables	12	856,631	1,862,040
Prepayments and other receivables		66,019	93,035
Derivative financial instruments		904	624
Cash and cash equivalents	13	304,337	101,054
Total current assets		1,355,037	2,286,206
CURRENT LIABILITIES			
Trade payables	14	751,627	815,697
Other payables and accruals		610,247	523,915
Derivative financial instruments		460	491
Interest-bearing bank borrowings	15	231,279	1,008,396
Lease liabilities		9,441	9,255
Tax payable		34,370	39,215
Bonds payable		9,134	8,959
Total current liabilities		1,646,558	2,405,928
NET CURRENT LIABILITIES		(291,521)	(119,722)
TOTAL ASSETS LESS CURRENT LIABILITIES		693,354	797,669
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	41,174	24,498
Lease liabilities		4,888	8,773
Deferred income		23,565	13,395
Deferred tax liabilities		16,839	6,300
Total non-current liabilities		86,466	52,966
Net assets		606,888	744,703

INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2020

		30 June 2020	31 December 2019
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	172,118	172,118
Reserves		353,932	442,326
		526,050	614,444
Non-controlling interests		80,838	130,259
Total equity		606,888	744,703



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	172,118	79,331	(77,680)	167,911	8,697	50	(13,080)	56,705	(1,852)	222,244	130,259	744,703
Loss for the period	-	-	-	-	-	-	-	-	-	(88,527)	(49,421)	(137,948)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:												
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	133	-	-	133
Total comprehensive income for the period	-	-	-	-	-	-	-	-	133	(88,527)	(49,421)	(137,815)
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	2,950	-	(2,950)	-	-
At 30 June 2020 (unaudited)	172,118	79,331*	(77,680)*	167,911*	8,697*	50*	(13,080)*	59,655*	(1,719)*	130,767*	80,838	606,888

* These reserve accounts comprise the reserves of RMB353,932,000 (31 December 2019: RMB442,326,000) 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 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 profit 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



INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(120,786)	17,208
Adjustments for:			
Finance costs	7	5,845	27,336
Bank interest income	5	(3,853)	(4,067)
Depreciation	6	73,777	58,056
Amortisation of intangible assets	6	936	741
Depreciation of right-of-use assets	6	4,918	5,416
Reversal of impairment of trade and bills receivables		(183)	(1,578)
Write-down of/(reversal of write-down of) inventories to net realisable value		7,683	(4,109)
Equity-settled share award expense		-	20
Equity-settled share option expense		-	(232)
Fair value gains, net:			
Exchange loss		253	981
Decrease in inventories		94,624	203,656
Decrease/(increase) in trade and bills receivables		1,005,592	(632,870)
Decrease/(increase) in prepayments, deposits and other receivables		27,016	(14,404)
Decrease in trade payables		(64,070)	(100,257)
Increase in other payables and accruals		115,881	31,128
Increase in derivative financial instruments		(311)	-
Increase/(decrease) in deferred income		10,170	(559)
Cash from/(used in) operations		1,157,492	(413,534)
Hong Kong tax paid		(1,841)	-
Mainland China tax paid		(14,426)	(30,156)
Net cash flows from/(used in) operating activities		1,141,225	(443,690)

INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2020

	<i>Notes</i>	For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net cash flows from/(used in) operating activities		1,141,225	(443,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,853	4,067
Purchases of land-use-right		–	(30,168)
Purchases of items of property, plant and equipment		(171,102)	(73,866)
Purchases of items of intangible assets		(78)	(42)
Proceeds from disposal of items of property, plant and equipment		378	–
Net cash flows used in investing activities		(166,949)	(100,009)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		–	17,392
New bank loans		247,955	1,365,897
Repayment of bank loans		(1,008,396)	(412,492)
Interest paid		(5,551)	(27,150)
Principal portion of lease payments		(4,976)	(5,035)
Net cash flows (used in)/from financing activities		(770,968)	938,612
NET INCREASE IN CASH AND CASH EQUIVALENTS		203,308	394,913
Cash and cash equivalents at beginning of period		101,054	277,437
Effect of foreign exchange rate changes, net		(25)	(1,212)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<i>13</i>	304,337	671,138



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended 30 June 2020, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the manufacture and sale of LCD modules for use in mobile phones and tablets, and providing processing service of LCD modules.

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

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 for the year ended 31 December 2019.

As at 30 June 2020, the Group had total current liabilities in excess of total current assets of RMB291,521,000. The Group’s ability to repay its debts when they fall due relies on its future operating cash flows and its ability to renew the bank loans.

In view of the above, the board of Directors (“Board”) has carefully assessed the Group’s liquidity position having taken into account (i) the revolving bank facilities of RMB590,000,000 which will not expire until 30 June 2021, and (ii) the Company’s intermediate holding company, TCL China Star Optoelectronics Technology Co., Ltd. has agreed to provide financial support to the Group to meet in full its financial obligations for at least the next 12 months from the date of approval of the Company’s financial statements.

On the basis of the above considerations, the Board believed that the Group can satisfy its financial obligation in the foreseeable future and accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

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

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have significant impact on the financial position and performance of the Group as the Group does not have any significant rent concession for the 6 months ended 30 June 2020 ("Review Period").
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Mainland China	1,454,322	3,205,897
Other countries/areas	167,739	310,696
	1,622,061	3,516,593

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

(b) Non-current assets

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

Information about major customers

Revenue of approximately RMB544,763,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB2,287,055,000) was derived from sales to related companies.

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Segments	LCD modules	LCD modules
Types of goods and services		
Sale of industrial products	1,299,993	3,496,846
Processing services	322,068	19,747
Total revenue from contracts with customers	1,622,061	3,516,593
Geographical markets		
Mainland China	1,454,322	3,205,897
Other countries/areas	167,739	310,696
Total revenue from contracts with customers	1,622,061	3,516,593
Timing of revenue recognition		
Goods and services transferred at a point in time	1,622,061	3,516,593



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Other income, net		
Bank interest income	3,853	4,067
Subsidy income*	2,358	1,526
Gains on disposal of raw materials, samples and scraps	3,902	14,970
Others	37	9,198
	10,150	29,761
Gains, net		
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	311	–
	10,461	29,761

* 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 2020

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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold*	1,692,308	3,439,612
Depreciation	73,777	58,056
Amortisation of intangible assets	936	741
Depreciation of right-of-use assets	4,918	5,416
Research and development costs: current period expenditures**	11,987	9,699
Employee benefit expense (including directors' remuneration):		
Wages and salaries	222,290	186,682
Pension scheme contributions	23,466	29,887
	245,756	216,569
Exchange differences, net	253	981
Reversal of impairment of trade and bills receivables	(183)	(1,578)
Loss on disposal of items of property, plant and equipment	260	–
Write-down of/(reversal of write-down of) inventories to net realisable value***	7,683	(4,109)

* The amount included wages and salaries, depreciation, amortisation and lease payments of RMB300,749,000 (for the six months ended 30 June 2019: RMB251,185,000) in aggregate which have been included in the respective expense items disclosed below.

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

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



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and bonds	1,435	3,793
Interest on lease liabilities	404	186
Interest on discounted notes with recourses and factored trade receivables	4,006	23,357
	5,845	27,336

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Review 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	–	204
Current – Mainland China		
Charge for the period	12,380	3,546
Adjustment in respect of current tax of previous periods	(878)	(2,291)
Deferred	5,660	5,110
Total tax charge for the period	17,162	6,569

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

9. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic (losses)/earnings per share amount for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the parent of RMB88,527,000 (six months ended 30 June 2019: the profit of RMB13,122,000), and the weighted average number of ordinary shares of the Company in issue less shares held for share award scheme of the Company ("Share Award Scheme") during the Review Period of 2,096,717,906 (six months ended 30 June 2019: 2,084,049,501).

During the six months ended 30 June 2020, 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.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Losses)/earnings		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (losses)/earnings per share calculations	(88,527)	13,122

	Number of shares For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the Review Period used in the basic (losses)/earnings per share calculations	2,096,717,906	2,084,049,501



INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

11. INVENTORIES

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Raw materials	72,861	101,865
Work in progress	17,663	17,613
Finished goods	36,622	109,975
	127,146	229,453

12. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Trade receivables	609,283	814,722
Bills receivable	248,466	1,048,619
Impairment	(1,118)	(1,301)
	856,631	1,862,040

An ageing analysis of the trade and bills receivables as at the end of the Review Period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Within 1 month	350,815	350,994
1 to 2 months	189,821	419,924
2 to 3 months	71,364	249,843
Over 3 months	244,631	841,279
	856,631	1,862,040

The Group's trading terms with its customers are mainly on credit, except for certain customers, where payment in advance is normally required. The credit period is generally 30 to 90 days, depending on the size and credibility of the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

13. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Cash and bank balances denominated in		
– RMB	239,655	55,336
– HK\$	7,014	10,855
– United States dollars (“US\$”)	57,668	34,863
<hr/>		
Cash and cash equivalents	304,337	101,054

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 2020, included in cash and bank balances were deposits of RMB281,688,000 (31 December 2019: RMB77,041,000) placed with TCL Finance Co., Ltd. (a fellow subsidiary of the Company and a financial institution approved by the People’s Bank of China) pursuant to the terms of the Master Financial Services (2020 Renewal) Agreement dated 2 December 2019 entered into among the Company, TCL Technology and TCL Finance Co., Ltd.. The interest rate for the deposits placed with TCL Finance Co., Ltd. during the six months ended 30 June 2020 was 0.42% (six months ended 30 June 2019: 0.42%) per annum, which was determined based on the savings rates offered by the People’s Bank of China. Further details of the interest income from the deposits in the related parties are set out in note 20 to the financial information.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

14. TRADE PAYABLES

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Trade payables	751,627	815,697

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 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Within 30 days	394,956	470,441
31 to 60 days	113,847	194,020
61 to 90 days	198,578	123,484
Over 90 days	44,246	27,752
	751,627	815,697

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 2020

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.48-2.84	2020	231,279	3.40-3.60	2020	908,396
Collateralised bank advances – unsecured	-	-	-	3.60	2020	100,000
			231,279			1,008,396
Non-current						
Other secured bank loans	4.75	2024	17,174	4.75	2024	498
Other borrowings	0.44	2022	24,000	0.44	2022	24,000
			41,174			24,498
			272,453			1,032,894
Analysed into:						
Bank loans repayable						
Within one year			231,279			1,008,396
In the third to fifth years, inclusive			17,174			498
			248,453			1,008,894
Other borrowings repayable						
Within one year			-			-
In the second year			-			-
In the third to fifth years, inclusive			24,000			24,000
			24,000			24,000
			272,453			1,032,894

Notes:

- The Group had banking facilities of RMB2,010,000,000 (31 December 2019: RMB2,460,000,000), of which RMB368,863,000 (31 December 2019: RMB399,901,000) 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 RMB17,174,000 (31 December 2019: RMB100,498,000) as at the end of the Review Period.
- The other borrowings are with a tenure of 5 years starting from 2017. Interest is chargeable at 0.44% per annum and payable annually in arrears. The Group had obtained an extension of the repayment date for another two years, and hence such borrowing will be payable on 22 February 2022.
- All borrowings are denominated in RMB as at 30 June 2020.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

16. SHARE CAPITAL

	30 June 2020	31 December 2019
Authorised:		
4,000,000,000 (31 December 2019: 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 2019: 2,114,117,429) ordinary shares (<i>HK\$'000</i>)	211,412	211,412
Equivalent to RMB'000	172,118	172,118

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

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>
At 30 June 2020	2,114,117,429	172,118	79,331

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 2020

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 of Hong Kong Limited ("Stock Exchange") for the listing of, and permission to deal in, such new Shares. The conditions were all fulfilled on 11 May 2016.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

17. 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 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.

Since the Adoption Date and up to 30 June 2020, 103,289,988 Shares in aggregate have been granted under the Share Award Scheme of the Company, of which 102,946,488 Shares had been vested, and 343,500 Shares had been forfeited.

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

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 of the Company. 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.

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

18. SHARE OPTION SCHEME (Continued)

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

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

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

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

	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.74	36,407	0.74	65,180
Exercised during the period	0.74	–	0.74	(27,399)
Forfeited during the period	0.74	(165)	0.74	(1,012)
At 30 June	0.74	36,242	0.74	36,769

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

30 June 2020

Date of grant	Number of options '000	Exercise price HK\$ per share	Exercise period
18 March 2016	36,242	0.74	18 December 2016 to 17 March 2022



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

18. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during 2016 was RMB18,502,000 (HK\$0.28 each).

At the end of the Review Period, the Company had 36,242,486 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 36,242,486 additional ordinary share of the Company and additional share capital of HK\$3,624,000 and share premium of HK\$23,195,000 (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 number of issued shares of the Company as at 30 June 2020.

At the date of approval of these interim condensed consolidated financial information, the Company had 36,242,486 share options outstanding under the Share Options Scheme, which represented approximately 1.71% of the Company' shares in issue as at that date.

19. COMMITMENTS

The Group had the following capital commitments as at 30 June 2020:

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Plant and machinery	10,223	22,726

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
TCL Technology and its then affiliates:		
Sales of products	193	1,924,027
Sales of services	2,277	–
Processing services	322,068	19,747
Sales of raw materials and samples	4,313	350,027
Purchases of products	28,794	643,134
Purchases of services	961	–
Rental and other related charges	1,800	–
Interest income	3,707	2,697
Interest expense	–	1,884
Guarantee fee	19	8
	364,132	2,941,524
TCL Holdings and its then affiliates:		
Sales of products	222,501	343,281
Sales of services	119	–
Sales of raw materials and samples	2,935	55,595
Purchases of products	–	262
Purchases of plant, vehicles, furniture and fixtures	483	1,386
Purchases of services	1,200	–
Rental and other related charges	155	127
Interest income	–	258
Interest expense	–	56
	227,393	400,965



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Other transactions with related parties

The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB17,174,000 (31 December 2019: RMB1,008,894,000) 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current:				
TCL Technology and its then affiliates:	306,251	1,077,440	64,412	63,107
TCL Holdings and its then affiliates:	113,886	148,321	33,091	13,921
	420,137	1,225,761	97,503	77,028
Non-current:				
TCL Holdings and its then affiliates:	967	629	-	-
	967	629	-	-
	421,104	1,226,390	97,503	77,028

As at 30 June 2020, the current balance with the immediate holding company, an affiliate of TCL Technology, comprised bonds payable of RMB9,134,000, interest of the bonds payable of RMB14,786,000 and an amount of RMB34,565,000 relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company. The remaining balances with TCL Technology and its affiliates and TCL Holdings and its affiliates are mainly trading balances which are repayable on credit terms similar to those offered to the major customers of the Group.

INTERIM RESULTS

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2020

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	1,181	1,700

21. TRANSFERS OF FINANCIAL ASSETS

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

At 30 June 2020, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills") with a carrying amount of RMB231,279,000 (31 December 2019: RMB908,396,000) (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 Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the associated interest-bearing bank borrowings.

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

The Group had endorsed certain bills receivables accepted by banks amounted to RMB9,235,000 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 2020, 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 21 August 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2020, the novel coronavirus (“COVID-19”) pandemic has taken a heavy toll on the global economy and the supply chain has been disrupted. The lengthening cycle of smartphone replacement has adversely affected the sales volume of the global smartphone industry. According to the report from global market researcher IDC for the first and second quarter of 2020, the global smartphone shipment volume for the first half of 2020 decreased by 13.9% year-on-year to approximately 554 million units. The data from the China Academy of Information and Communications Technology also showed that the smartphone shipment volume in China was 149 million units for the first half of 2020, representing a decrease of 16.1% year-on-year. Huawei, vivo, OPPO and Xiaomi continued to maintain important roles as the four major domestic smartphone manufacturers, of which their total domestic market share in aggregate increased from 84.1% to 89.1% in the first quarter of 2020.

In terms of products, full-screen products with Low Temperature Poly-silicon (“LTPS”) or Active-Matrix Organic Light-Emitting Diode (“AMOLED”) panels remained the leading products in the market. In addition, awareness of the 5G concept has become more widespread, which facilitated the expansion of the smart home and Internet of Things market, and propelled the development of the smartphone market. According to the information on the development of domestic 5G phone released by the China Academy of Information and Communications Technology, the domestic 5G phone shipment volume in the first half of 2020 reached approximately 63.6 million units, accounting for 41.5% of all mobile phone shipments during the same period.

BUSINESS REVIEW

For the Review Period, smartphone brand customers became more cautious in their operations due to the global COVID-19 pandemic. As a result, the Group’s total sales volume decreased by 14.8% year-on-year to 42.3 million units. The Group launched the comprehensive processing business in the second half of 2019, which registered a sales volume of 27.6 million units, accounting for 65.4% of total sales volume of the Group, and contributed a revenue of RMB322 million during the Review Period. Given that only processing fee was charged for such service, the total revenue dropped by 53.9% year-on-year to RMB1,622 million. For non-processing products, the revenue of laminated LCD module products was RMB1,196 million, representing a year-on-year decrease of 58.7%; whereas the revenue of non-laminated LCD module products was RMB104 million, representing a year-on-year decrease of 82.7%. The decrease in revenue from non-processing products was mainly due to the shift from selling LCD modules to the processing mode of business. Since the cost of the panel was not included in the unit price of certain products in the same period last year, and the Group continued to expand product variety, the overall average selling price (excluding processing LCD modules) of the Group for the first half of 2020 increased by 21.1% year-on-year to RMB88.9, driven by the increase in unit selling price of smart home and electronic education products.

During the Review Period, the Group recorded a gross loss of approximately RMB70.2 million, compared with the gross profit of approximately RMB77.0 million in the same period last year. The Group recorded a consolidated net loss of approximately RMB138 million during the Review Period, which was mainly due to:

- 1) The COVID-19 pandemic resulted in difficulties for certain staff of Wuhan CDOT (an indirect subsidiary of the Company) to report to work. The supply chain and other commercial activities of Wuhan CDOT were severely affected, which had a negative impact on the normal operation of the Group’s production base located in Wuhan (“Wuhan Production Base”). Meanwhile, the Wuhan Production Base had a low operating rate during the Review Period due to a year-on-year decline in the Group’s sales volume.
- 2) An increase in the production cost during the Review Period due to the addition in production lines and leased production equipment at the Wuhan Production Base from 2019 to 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite recording a net loss in the Review Period, recent data of the Group showed encouraging signs. The sales volume and revenue of the Group in the second quarter of 2020 achieved a quarter-on-quarter growth of 8.4% and 11.5%, respectively. In addition, the production capacity of the Wuhan Production Base has gradually increased since May 2020, and has basically recovered to the level of the same period last year in June 2020. Coupled with various operating measures, including cessation to lease certain equipment to reduce lease expenses, the Group's consolidated net loss in the second quarter of 2020 has seen a substantial quarter-on-quarter decrease, and the Group has started to record a consolidated net profit from June 2020.

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

(Unaudited)	For the six months ended 30 June				
	2020		2019		Change
	<i>RMB Million</i>	%	<i>RMB Million</i>	%	
Sale of TFT LCD module					
Non-laminated modules	104	6.4%	598	17.0%	-82.7%
Laminated modules	1,196	73.8%	2,899	82.4%	-58.7%
Processing TFT LCD module					
Non-laminated modules	33	2.0%	–	–	N/A
Laminated modules	289	17.8%	20	0.6%	+1,365.8%
Total	1,622	100.0%	3,517	100.0%	-53.9%

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

(Unaudited)	For the six months ended 30 June				
	2020		2019		Change
	<i>Million units</i>	%	<i>Million units</i>	%	
Sale of TFT LCD module					
Non-laminated modules	1.3	3.0%	13.8	27.9%	-90.8%
Laminated modules	13.4	31.6%	33.8	68.1%	-60.5%
Processing TFT LCD module					
Non-laminated modules	3.9	9.3%	–	–	N/A
Laminated modules	23.7	56.1%	2.0	4.0%	+1,099.5%
Total	42.3	100.0%	49.6	100.0%	-14.8%

During the Review Period, Mainland China remained the main market for the Group. The revenue from Hong Kong and Mainland China were RMB166 million and RMB1,454 million, respectively, together accounting for 99.9% of the Group's total revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

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

(Unaudited)	For the six months ended 30 June				
	2020		2019		Change
	<i>RMB</i> Million	%	<i>RMB</i> Million	%	
Hong Kong	166	10.2%	239	6.8%	-30.4%
Mainland China	1,454	89.7%	3,206	91.1%	-54.6%
Others	2	0.1%	72	2.1%	-97.6%
Total	1,622	100.0%	3,517	100.0%	-53.9%

The Group has continued to devote its efforts to the research and development of new products and new technologies to increase the sales proportion of mid-to high-end products. It has developed various customised products with TCL China Star Optoelectronics Technology Co., Ltd., to meet customers' increasing demands for such products. During the Review Period, the Group's blind hole products accounted for approximately 7.2% of its overall sales volume.

The COVID-19 pandemic has ushered in a "study from home" mode in education across the globe. In this situation, the demand for electronic education and remote office has surged. IDC pointed out in its latest report that the boost in online education has diversified the demand for terminal hardware in the consumer market. Leveraging its technical advantages in the production line of medium-sized modules, the Group cooperated with end customers to provide a variety of electronic education products to the market. During the Review Period, the revenue of the Group's smart home-related product accounted for 9.0% of its total sales revenue, and the shipment volume of smart home-related products reached 1.7 million units.

OUTLOOK

Looking ahead to the second half of 2020, the COVID-19 pandemic has ushered in a new normal globally and the delay in the resumption of work and potential risks of a second wave around the world remain. IDC's latest report forecast that the worldwide smartphone market will decline by 11.9% year-on-year in 2020 with shipments totaling 120 million units, and growth for global smartphone shipment is not likely to resume until the first quarter of 2021. While the Group expects difficulties in the second half of 2020, based on the fact that the second half is usually the peak season of the mobile phone market, the Group believes that there will be an increase in both the number and stability of orders in the second half of 2020.

In addition, the Group has been actively implementing measures to lower its costs and enhance efficiency, including but not limited to gradually reducing human resources costs in the second half of 2020 to enhance efficiency per individual, as well as actively negotiating with strategic suppliers and logistics partners to seek sound solutions in order to reduce risks. As the pandemic in Wuhan eases, Wuhan CDOT has recorded a consolidated net profit from June to July 2020. The Group expects the production conditions of the Wuhan Production Base to continue to improve, and it is confident that its profitability will improve in the second half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

In the long run, the Group will proactively strengthen its core competitiveness. On the one hand, the Group will proactively respond to the demand of customers and provide first-tier brand customers with customised products while striving for orders from first-tier brand customers and solidifying its brand customer base, in order to expand its market share. On the other hand, building on its forward-looking industry judgement, the Group will continue to advance the display technology including in-display fingerprints and AMOLED technologies. As the domestic supply of foldable AMOLED progressively increases, more and more smartphone manufacturers will launch foldable smartphones, vitalising the industry. According to the research report published by Strategy Analytics, a market research institution, global foldable smartphone shipments will reach 8 million units in 2020 and increase to 100 million units in 2025.

Meanwhile, the Group has also been horizontally expanding its business and continuously cultivating the medium-sized product markets, such as smart home, electronic education, high-end notebooks and wearables display modules, in order to capture the tremendous opportunities in those markets and lay a solid foundation for the implementation of 5G technology, to become a pioneer of technological innovation.

The Group remains cautiously optimistic about the long-term development prospects of the display module business. It is confident that it will further enhance its strengths in technology and economies of scale by improving the industrial value chain, 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 2020 amounted to RMB304 million, of which 19.0% was in US dollar, 78.7% was in RMB and 2.3% was in HK dollar.

As at 30 June 2020, the Group's interest-bearing bank loans were RMB248 million, which were denominated in RMB. The Group's other borrowings were RMB24 million, which were denominated in RMB with a fixed interest rate.

As at 30 June 2020, total equity attributable to owners of the parent was RMB526 million (31 December 2019: RMB614 million), and the gearing ratio was 12.0% (31 December 2019: 33.1%). 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

As at 30 June 2020, no asset of the Group was pledged (31 December 2019: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments and Contingent Liabilities

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Plant and equipment	10,223	22,726

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: 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. 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 2020.

Significant Investments Held

There was no significant investment held by the Group as at 30 June 2020.

Material Acquisitions and Disposals

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

Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 5,744 employees. During the Review Period, the total staff costs amounted to RMB246 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 36,242,486 shares remained outstanding as at 30 June 2020.

Future Plans for Material Investments or Capital Assets

As at 30 June 2020, the Group did not have any concrete plans for material investments or capital assets for the second half of 2020.

OTHER INFORMATION

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

As at 30 June 2020, the interests and/or short position of the directors and chief executives of the Company in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) ("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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") 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 the Share Option Scheme.
- 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 2020, being 2,114,117,429 Shares in issue.

Interests in Associated Corporation of the Company – Long Positions

TCL Technology (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 Technology (Note 2)
OUYANG Hongping	26,600	–	–	26,600	0.0002%

Notes:

- TCL Technology, 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 Technology as at 30 June 2020, being 13,549,648,507 shares in issue, as informed by TCL Technology.



OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, 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 2020, 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 Technology	Interest of controlled corporation	1,357,439,806 (Note 1)	64.21%
TCL China Star Optoelectronics Technology Co., Ltd. (formerly known as 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 Technology is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly owned by TCL China Star Optoelectronics Technology Co., Ltd. which is owned as to 91.56% by TCL Technology as at 30 June 2020.
- For the purposes of Part XV of the SFO, TCL 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 TCL China Star Optoelectronics Technology Co., Ltd. as at 30 June 2020.
- 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 2020, being 2,114,117,429 Shares.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons who had notified the Company of an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

By way of a resolution of the shareholders of the Company passed on the further special general meeting of the Company on 11 March 2015, the Company adopted the Share Option Scheme 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, which are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

As at 30 June 2020, 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 208,392,466 Shares, which represented about 9.86% of the issued shares of the Company as at 30 June 2020.

Movements of the share options under the Share Option Scheme during the six months ended 30 June 2020 are as follows:

Name or category of participant	Number of share options					As at 30 June 2020	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 2020	Granted during the period	Exercised during the period	Lapsed during the period (Note 4)	Cancelled during the period					
OUYANG Hongping	9,076,528	-	-	-	-	9,076,528	18 March 2016	0.73	0.74	Note 1
HSU Wai Man, Helen	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
LI Yang	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
XU Yan	260,000	-	-	-	-	260,000	18 March 2016	0.73	0.74	Note 1
Other employees of the Group	23,443,459	-	-	165,000	-	23,278,459	18 March 2016	0.73	0.74	Note 1
Those who may contribute or have contributed to the Group (Note 2)	3,107,499	-	-	-	-	3,107,499	18 March 2016	0.73	0.74	Note 3

Notes:

- (i) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (ii) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (iii) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
- This represents participants who have contributed to the Group and who are also employees of TCL Technology (the ultimate controlling shareholder of the Company) and TCL Holdings and/or their 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 Technology and its subsidiaries on 31 December 2016, 31 December 2017 and 31 December 2018 respectively, (a) 50% of such share options are exercisable commencing from 18 December 2016 to 17 March 2022; (b) 30% of such share options are exercisable commencing from 18 December 2017 to 17 March 2022; and (c) the remaining 20% of such share options are exercisable commencing from 18 December 2018 to 17 March 2022. In any event, no share option can be exercised after 17 March 2022.
- The 165,000 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.

SHARE AWARD SCHEME

The Board on 17 March 2016 resolved to adopt the Share Award Scheme, for the purposes of providing incentives to the participants under Share Award Scheme. The Share Award Scheme was subsequently approved by the special general meeting on 11 May 2016.



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

Awards may be satisfied by (i) existing shares to be acquired by the trustee engaged by the Company for the purpose of 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, in both case the costs of which will be borne by the Company, and will be held on trust by the trustee for the Selected Persons until the end of each vesting period subject to fulfilment of the vesting conditions (if any) in accordance with the provisions of the Share Award Scheme. For further details, please see note 17 to the financial statements.

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” 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 2020 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 2020 (the six months ended 30 June 2019: Nil).

CHANGE OF PARTICULARS OF THE DIRECTORS

As at 4 September 2020, being the latest practicable date for ascertaining certain information in this interim report, certain particulars of Directors have been changed in the following respects since the published date of the 2019 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Effective Date	Changes
14 May 2020	Ms. Hsu Wai Man, Helen, an independent non-executive Director, has resigned as an independent non-executive director of Circle International Holdings Limited (a company incorporated in the Cayman Islands with limited liability which shares are listed on the National Stock Exchange of Australia, stock code: CCH)
29 May 2020	Mr. LIAO Qian, a non-executive Director, has retired as a non-executive director of Fantasia Holdings Group Co., Limited (a company incorporated in the Cayman Islands with limited liability which shares are listed on the Stock Exchange, stock code: 1777)
6 July 2020	Ms. Hsu Wai Man, Helen, an independent non-executive Director, was appointed as an independent non-executive director, a member of the audit committee, nomination committee and remuneration committee of Beijing Gas Blue Sky Holdings Limited (a company incorporated in Bermuda with limited liability which shares are listed on the Stock Exchange, stock code: 6828)
24 August 2020	Ms. Hsu Wai Man, Helen, an independent non-executive Director, was appointed as an independent non-executive director, a member of each of the audit committee and nomination committee, and the chairlady of the remuneration committee of Harmonicare Medical Holdings Limited (a company incorporated in the Cayman Islands with limited liability which shares are listed on the Stock Exchange, stock code: 1509)

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for deviations from Code Provision E.1.2 and F.1.1. The reasons for deviations are as follows:

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business commitments which must be attended to by Mr. LIAO Qian, the chairman of the Board, a non-executive Director and the chairman of the nomination committee of the Company, he was not present at the 2020 annual general meeting of the Company held on 23 June 2020 ("2020 AGM"). However, Mr. XU Yan, the chairman of the remuneration committee of the Company and an independent non-executive Director, and Ms. HSU Wai Man, Helen, being the chairlady of the audit committee of the Company and an independent non-executive Director, were present at the 2020 AGM to maintain an ongoing dialogue and communicate with the Shareholders and encourage their participation.

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 ("Ms. Cheung"), is a partner of the Company's legal advisor, Cheung Tong & Rosa Solicitors.

During the six months ended 30 June 2020, 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. 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 2020.

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. The Group's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2020 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, 21 August 2020