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)

Annual Report
2022


CPU

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Mr. LIAO Qian *(Chairman)*

Executive Directors

Mr. OUYANG Hongping *(Chief Executive Officer)*
Mr. WEN Xianzhen
Mr. ZHANG Feng

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

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Certified Public Accountants
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Hong Kong

LEGAL ADVISOR

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PRINCIPAL SHARE REGISTRAR

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2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
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Pak Shek Kok
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Hong Kong

REGISTERED OFFICE

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Bermuda

TICKER SYMBOL

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

WEBSITE

http://www.cdoth8.com

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

(RMB Million)	**Year ended 31 December 2022**	Year ended 31 December 2021
Revenue	**4,208**	5,840
Gross profit	**344**	495
Gross profit margin (%)	**8.2%**	8.5%
Profit attributable to owners of the parent	**169**	193
Basic earnings per share (RMB cents)	**8.06**	9.22

FINANCIAL POSITION

(RMB Million)	**31 December 2022**	31 December 2021
Property, plant and equipment	**582**	444
Cash and cash equivalents	**279**	1,053
Total assets	**2,580**	2,887
Total liabilities	**1,580**	2,056
Net assets	**1,000**	831

OPERATION INDICATORS

	Year ended 31 December 2022	Year ended 31 December 2021
Inventory turnover (days)	**25**	33
Trade receivables turnover (days)	**65**	47
Trade payables turnover (days)	**116**	95
Current ratio	**1.27**	1.15

Note: The above turnover days are calculated on average balance of the beginning and end of the year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Display Optoelectronics Technology Holdings Limited, I hereby present to you the annual report of the Group for the year ended 31 December 2022.

OVERCAME DIFFICULTIES AND TAPPED INTO MARKET DEMAND

2022 was a turbulent year for the world. Surging worldwide inflation and COVID-19 flare-ups weakened the global economy. China's economic development also encountered unprecedented challenges due to the domestic COVID-19 epidemic control measures. Both the supply and demand sides of the mobile phone market faced downward pressure throughout the year, dragging down the panel market. In view of the ferocious internal and external challenges, the Group confronted difficulties and seized opportunities. The profit attributable to the parent company for the year was RMB169 million and the gearing ratio was controlled at 2.4%. The Group's financial position remained robust.

In the face of slowing demand for panels, the supply of AMOLED display modules and LTPS display modules have exceeded demand, while the supply and demand for the cost-effective A-Si display modules have remained relatively balanced. In addition, benefitted from the increasing number of different applications and the development of smart cities and digital living, the demand for smart displays has continued to rise, which will further drive the demand for A-Si display modules and boost the Group's sales in the long run.

During the Review Period, the Group has completed the acquisition of 100% equity interest in Kedate Zhixian, a supplier of IoT related products. We believe that Kedate Zhixian will help the Group to establish and improve its software platform, so as to generate synergistic benefits with the Group's module business and provide customers with a comprehensive IoT solution of "Hardware Products + Platform Services", further facilitating the Group's future business development.

STRENGTHEN THE FOUNDATION AND OPTIMISE BUSINESS OPERATIONS

Facing a harsh operating environment, the Group continued to upgrade automation and reduce manual operations, and strived to minimise the impact of external factors through stringent production cost control.

Apart from reducing costs and increasing efficiency, the Group kept optimising its customer and product mix, and remained committed to providing high-quality and customised services to deepen cooperation with brand customers. The Group and TCL CSOT have been working closely together to develop the medium-sized professional display market. The two parties have formed an integrated business model of panel modules, which can capture the huge opportunities in the medium-sized professional display market, helping to develop new sources of customers and enhance the overall profitability.

DRIVE GROWTH THROUGH INNOVATION

Looking ahead in 2023, increased risk of global economic uncertainties will continue to dampen consumer sentiment, an indication that the industry is in a downward cycle. According to Gartner, a global research company, the total global device shipment (PC, tablets and mobile phones) is expected to decline by 4.4% in 2023, among which global smartphone shipment will decline by 4%. Therefore, the demand for smartphones will remain under pressure, which is not likely to rebound shortly. The Group believes that 2023 will be filled with challenges.

Nevertheless, with the advent of the era of smart technology, the market is switching its focus on to the development of digitisation, networkisation, and smart technologies. The market demand for IT display application products has increased accordingly, and is expected to drive up the demand for panels. In order to improve production capacity, further reduce costs and increase efficiency, the Group has invested in intelligent production equipment, and the production lines were gradually relocated to the new display module smart factory in Chenjiang, Huizhou, enhancing the accuracy of production and reducing the waste of time, material and labour costs. It improved the Group's advantages in both technology and economies of scale in one move.

In the long run, the Group remains cautiously optimistic about the development prospects of the display module business. While responding to challenges, it will also strive to maintain a balance between sales growth and healthy development. At the same time, the Group will continue to monitor the latest developments in the market, actively build up a presence in the medical, smart home and medium-sized industrial display markets, develop new customer base, and strengthen infrastructure and improve the product portfolio, in order to lay a solid foundation for the horizontal expansion of the business to enhance the competitiveness of the Group.

Last but not least, I would like to express my sincere gratitude to the shareholders, business partners, all employees and customers for their enduring support and trust. The Group will persistently drive the business forward and generate good and stable returns for shareholders.

LIAO Qian
Chairman
Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

For the year ended 31 December 2022 (the "Review Period"), due to uncertainties including high global inflation, ongoing geopolitical tensions and the recurrence of the coronavirus disease 2019 ("COVID-19") pandemic, the demand in the smartphone market has been under pressure, and brand customers were under increasing strain to clear their inventories as consumers' replacement cycles were prolonged. Facing the continued downturn in the mobile phone market, brand customers have become more cautious in their inventory control. According to the report from International Data Corporation, an international research institute, global smartphone shipments declined by 9.7% and 18.3% year-on-year in the third quarter and fourth quarter of 2022, respectively. The annual smartphone shipments hit a record low since 2013, decreasing by 11.3% year-on-year to 1,210 million units. The overall mobile phone market in Mainland China has been also relatively sluggish, according to the data issued by the China Academy of Information and Communications Technology, the shipment volume of mobile phones in Mainland China in 2022 reached 272 million units, representing a decrease of 22.6% year-on-year, recording the largest decline ever.

In the upstream panel market, demand for panels was dragged down by the decline in global smartphones demand, which in turn caused a steady decrease in the costs of other raw materials. According to the data from CINNO Research, an international research institute, the global panel shipments in 2022 dropped by more than 8% year-on-year. With the slowdown of demand growth for panels, there have been an oversupply in active-matrix organic light-emitting diode ("AMOLED") display modules and low temperature poly-silicon ("LTPS") display modules, while the supply and demand for amorphous silicon ("A-Si") display modules which has a good value for money remained balanced. At the same time, benefitting from the expansion of application scenarios, the industrial personal computer market ("IPC market"), which includes both industrial and public display panels, continued to grow steadily. According to the report from OMDIA, a global technology market research institute, the market share of industrial and public display panels in the panel market has grown from 7.6% in 2020 to 8.7% in 2022. Market research institute MarketsandMarkets Research also pointed out that the market size of IPC market is valued at approximately USD5,000 million in 2023, and is expected to reach approximately USD6,600 million in 2028 with a composite annual growth rate of 5.5%. The Group expects that the growing demand in the IPC market will further drive up the sales of A-Si display modules.

BUSINESS REVIEW

Due to the weak demand in mobile phone market, brand customers have been prudent in setting their business strategies and reduced their orders to destock, which affected the Group's sales performance for the year 2022. During the Review Period, the Group achieved a total sales volume of 54.2 million units, representing a year-on-year decrease of 18.7%, while the Group's total revenue decreased by 27.9% year-on-year to RMB4,208.4 million accordingly.

During the Review Period, the sales business was the principal continuing operation of the Group. The Group's sales volume of modules for sale amounted to 52.5 million units, accounting for 96.9% of the Group's total sales volume, the corresponding revenue was RMB4,172.8 million. Meanwhile, due to the decreasing demand in smartphone market, the profit margin of upstream supply chain has diminished, with the overall average selling price of the Group declining by 12.7% year-on-year to RMB79.4 during the Review Period (excluding processing modules).

The Group's sales performance was affected by factors such as the downturn in the smartphone market and high global inflation. However, the Group is committed to minimising the impact of external factors through stringent production cost control, and recorded a gross profit of RMB343.7 million during the Review Period, with a gross profit margin of 8.2%. During the Review Period, profit from continuing operations was RMB169.0 million, representing a year-on-year increase of 1.5%, which was mainly attributable to the following reasons:

(i) An increase in subsidies in the form of tax deduction as the Group was entitled to preferential tax treatment applicable to high-tech and innovative enterprises; and

(ii) Implementation of various budget and cost-control policies which enhanced the operational efficiency of the Group by maintaining the administrative and operating expenditures at a relatively low level.

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

	For the year ended 31 December				
	2022		2021		Change
	RMB million	**%**	RMB million	%	%
Sale of TFT LCD module					
Non-laminated modules	**145.6**	**3.4**	151.6	2.6	−4.0
Laminated modules	**4,027.2**	**95.7**	5,643.4	96.6	−28.6
Processing TFT LCD module					
Non-laminated modules	**2.4**	**0.1**	–	–	–
Laminated modules	**33.2**	**0.8**	45.1	0.8	−26.4
Total	**4,208.4**	**100.0**	5,840.1	100.0	−27.9

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

	For the year ended 31 December				
	2022		2021		Change
	million units	**%**	million units	%	%
Sale of TFT LCD module					
Non-laminated modules	**3.7**	**6.9**	2.4	3.6	+57.0
Laminated modules	**48.8**	**90.0**	61.3	91.9	−20.4
Processing TFT LCD module					
Non-laminated modules	**0.2**	**0.3**	–	–	–
Laminated modules	**1.5**	**2.8**	3.0	4.5	−49.4
Total	**54.2**	**100.0**	66.7	100.0	−18.7

During the Review Period, China remained the main market for the Group. The revenue from Hong Kong and Mainland China were RMB2,232.8 million and RMB1,973.9 million, respectively, which together accounted for 99.96% of the Group's total revenue.

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

	For the year ended 31 December				
	2022		2021		Change
	RMB million	**%**	RMB million	%	%
Hong Kong	**2,232.8**	**53.06**	2,588.7	44.33	–13.7
Mainland China	**1,973.9**	**46.90**	3,234.8	55.39	–39.0
Others	**1.7**	**0.04**	16.6	0.28	–89.7
Total	**4,208.4**	**100.00**	5,840.1	100.0	–27.9

Create synergies through acquisition to prepare for development in the field of IoT

With the increasing popularity of technologies such as 5G, big data and IoT (Internet of Things), the demand for information technology ("IT") display application products surged. The Group is committed to developing its medium-sized display module and smart home device segments to capitalise on the opportunities brought about by market trends and is constantly striving to expand its product range and technology platform to enhance its competitiveness. During the Review Period, the Group has completed the acquisition of 100% equity interest of Huizhou Kedate Zhixian Technology Company Limited* (惠州科達特智顯科技有限公司，"Kedate Zhixian") (formerly known as Huizhou Gaoshengda Zhixian Technology Company Limited* (惠州高盛達智顯科技有限公司)) at a consideration of RMB51.0 million (the "Acquisition"). Please refer to the Company's announcements dated 1 August 2022 and 11 August 2022 for further details.

The Acquisition was completed on 31 August 2022. Kedate Zhixian, as a supplier of IoT related products for the Group, is expected to create synergies with the Group's existing display module business to establish a solid foundation for the Group's future development in the field of IoT. The Group's long-term planning of Kedate Zhixian's production chain will further develop its production technology and make full use of its production capacity, allowing it to capture potential business opportunities arising in the future.

Deepen cooperation with TCL CSOT to optimise customer and product mix

As a qualified supplier for the world's top mobile phone brands, the Group consistently provides customers with high-quality and customised services to consolidate the relationship with brand customers. The Group has been deepening its cooperation with TCL China Star Optoelectronics Technology Company Limited ("TCL CSOT"), working together to tap into the medium-sized professional display market. With the commissioning of TCL CSOT's liquid-crystal display ("LCD") panel production line "t9" during the Review Period, which targets medium-sized IT and professional display market, the Group has been able to form an integrated panel module business model with TCL CSOT to provide customised services to multiple first-tier brand customers, capturing the huge opportunities in the medium-sized display module market to acquire more customer sources. The Group has also built long-term and stable relationships with its customers by optimising its customer mix to further enhance the Group's competitive edge and profitability.

OUTLOOK

In the first quarter of 2023, which is the traditional off-season for smartphone, brand customers have continued to digest their inventories and, as a result, panel prices are in a downward cycle. According to CINNO Research, a research institute, A-Si panel price is expected to remain low. At the same time, due to geopolitical and global economic uncertainties, the demand for mobile phones may not recover in the short term and the forecast for the overall shipment of mobile phones in the first half of 2023 is not optimistic. According to the forecast of DIGITIMES Research, a research institute, the smartphones shipment in Mainland China is expected to record a slight year-on-year increase of 1.9% in 2023. The Group expects orders from first-tier brand customers to decrease in line with market demand.

Going forward, the Group will closely monitor the market trend. On the one hand, the Group will consolidate its customer base by leveraging its existing partnerships and actively reduce costs and increase efficiency to maximise industrial efficiency and effectiveness; on the other hand, the Group will continue to actively expand its presence in the medical, smart home and medium-sized industrial display markets, constantly explore and monitor the market development, seize the huge opportunities and improve its product mix, so as to expand its business horizontally.

In addition, the Group has relocated its production lines to the new display module smart factory in Chenjiang, Huizhou, which have officially commenced operation. Factory audits conducted by brand customers are expected to complete in the first quarter of 2023. The intelligent production equipment and fully automated production lines in the factory can provide automated data to improve the accuracy of production forecasts and effectively further reduce production costs, so as to maximise production efficiency. With the completion and utilisation of the new factory, the Group hopes to capture business opportunities from future global economic market upturn through the advantages of enhanced production technology and economies of scale, and to lay the foundation for the Group's long-term development.

In the long run, the Group remains cautiously optimistic about the development of the display module business. It is confident that its competitiveness will be enhanced by improving the planning of production chain and amplifying its technological and scale advantages. While responding to the challenges, it will maintain a balance between sales growth and robust development, and strive to create better value for the Group and its shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and interest-bearing bank loans.

The Group's cash and cash equivalents and time deposits balance as at 31 December 2022 amounted to RMB298.0 million, of which 87.4% was in US dollar, 12.0% was in RMB and 0.6% was in HK dollar.

As at 31 December 2022, the Group's interest-bearing bank loans and other borrowings were RMB62.3 million. Please refer to note 24 to the financial statements for further details in respect of the maturity profile and interest rate structure of borrowings of the Group.

As at 31 December 2022, total equity attributable to owners of the parent was RMB1,000.2 million (31 December 2021: RMB831.5 million), and the gearing ratio was 2.4% (31 December 2021: 2.7%). The gearing ratio is calculated based on the Group's total interest-bearing loans (including bank and other borrowings) divided by its total assets.

Pledge of Assets

As at 31 December 2022, no asset of the Group was pledged (31 December 2021: Nil).

Capital Commitments and Contingent Liabilities

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	**133,618**	114,315

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2022.

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 risks arising from foreign exchange transactions and conversion.

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. The Group also used forward currency contracts to reduce the foreign currency exposures. In addition, pursuant to the principle of prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions during the Review Period.

Significant Investments Held

There was no significant investment held by the Group as at 31 December 2022.

Material Acquisitions and Disposals

On 1 August 2022, Huizhou Gaoshengda Technology Co., Ltd.* (惠州高盛達科技有限公司), Huizhou Zhicheng Investment Management Partnership (Limited Partnership)* (惠州市智誠投資管理合夥企業(有限合夥)), Huizhou Zhihe Investment Management Partnership (Limited Partnership)* (惠州市智合投資管理合夥企業(有限合夥)) (together, the "Vendors"), China Display Optoelectronics Technology (Huizhou) Company Limited* (華顯光電技術(惠州)有限公司， an indirect wholly-owned subsidiary of the Group, hereinafter "CDOT Huizhou"), and Kedate Zhixian entered into the equity transfer agreement, pursuant to which the Vendors had conditionally agreed to sell, and CDOT Huizhou had conditionally agreed to acquire 100% of the equity interest in and of Kedate Zhixian for a cash consideration of RMB51 million. The aforesaid transaction was completed on 31 August 2022. Upon completion, Kedate Zhixian has become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Kedate Zhixian would be consolidated into the accounts of the Group. For details, please refer to the Company's announcements dated 1 August and 11 August 2022.

Save as disclosed above, the Group did not undertake any other material acquisition or disposal of subsidiaries, associates or joint ventures during the Review Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, the Group did not have any concrete plans for material investments or capital assets for the year ending 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 2,061 employees. During the Review Period, the total staff costs amounted to RMB279.2 million. The Group aims to provide employees with reasonable, legal and competitive compensation, bonus and welfare by offering remuneration packages which are regularly updated based on local gross domestic production (GDP) growth and the latest laws and regulations. Training and development programmes are also provided on an on-going basis to employees of the Group. During the Review Period, the Company has also 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 share awards to relevant grantees, including employees of the Group, under the Company's share option scheme and share award scheme respectively.

ENVIRONMENTAL POLICY AND COMPLIANCE

The Group is devoted to achieve environmental sustainability and incorporates its philosophy of corporate social responsibility into daily operations. The Group operates its manufacturing facilities in compliance with all applicable local environmental regulations.

The Group also encourages its employees to protect the environment. To promote environmental awareness among employees, new staff shall attend induction training on energy saving. During the Review Period, the Group improved its management efficiency and implemented various energy saving measures, which effectively reduced the use of resources and further created a safe and healthy workplace and living environment for its staff.

The Group continues to optimise its strategy to shoulder its corporate environmental, social and ethical responsibility and improve corporate governance, in an effort to create greater value for all of the Group's stakeholders including shareholders, customers and employees as well as the communities where it operates.

The Environmental, Social and Governance Report of the Company for the year ended 31 December 2022 prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") will be published separately pursuant to the requirements under Appendix 27 to the Listing Rules.

CUSTOMERS AND SUPPLIERS

The Group recognises that maintaining good and stable relationship with customers and business partners is the key for the sustainable development of the Group. Therefore, the Group keeps good partnership with its major customers and suppliers. During the Review Period, the Group's largest customer and the top five largest customers contributed approximately 46% and 92% (for the year ended 31 December 2021: 36% and 90%) to the revenue of the Group, respectively. Those customers have business relationship with the Group ranging from 1 to 19 years. The Group's largest supplier and the top five largest suppliers accounted for approximately 18% and 54% (for the year ended 31 December 2021: 20% and 57%) of the purchases of the Group, respectively. Those suppliers have been cooperating with the Group ranging from 1 to 9 years.

Major customers

The Group's major customers are all from consumer mobile device industry, including a number of world-renowned brands. As the mobile device industry is characterised by its cycles of integration and emergence of new brands, any loss or changes in market position of any of these customers may materially and adversely affect the business, financial conditions and operating results of the Group. In light of this, the Group has adopted the following strategies to reduce the risk of over-reliance on a single customer base. Firstly, the Group has strengthened the relationship with its existing customers, one of them is a subsidiary of TCL Industries Holdings Company Limited*（TCL實業控股股份有限公司）, which has established a solid partnership with the Group over the years. The other major customers have also maintained long-term cooperation with the Group, keeping the number of orders at a relatively stable level. Secondly, the Group endeavours to expand its business horizontally and attract new customers in different markets by developing a diverse range of product categories.

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 generally ranges from 30 to 90 days, depending on the size and credibility of the customers. Each customer has its own specific credit limit. The Group also maintains credit insurance for trade receivables from customers.

Suppliers

There are numerous suppliers providing materials required for the Group's production and other business operations. However, for certain materials produced by specific suppliers, the Group can only rely on a limited number of suppliers. If the suppliers fail to timely deliver adequate production materials, the Group's production process may be disrupted. Therefore, the Group periodically reviews the market environment and new trends, adopts multiple sourcing policy and strategic inventory management to ensure sufficient supply of materials for production.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LIAO Qian

aged 43, was appointed as a non-executive director and the chairman of the Company, and also the chairman of the nomination committee ("Nomination Committee") and a member of the remuneration committee ("Remuneration Committee") of the Company on 1 January 2017. Mr. Liao is currently an executive director, the senior vice president and the secretary of the board of directors of TCL Technology Group Corporation ("TCL Technology"). Mr. Liao Qian possesses a master degree qualification and he also holds a Chinese legal professional qualification certificate. Mr. Liao obtained the degree of bachelor of economics from Fuzhou University in 2002. He further obtained the master degree of laws from Yunnan University in 2006. Mr. Liao joined TCL Technology in March 2014, and was appointed as the vice-chairman of Tianjin 712 Communication and Broadcasting Co., Limited (stock code: 603712.SH) in June 2019 and an executive director of TCL Zhonghuan Renewable Energy Technology Co., Limited (stock code: 002129.SZ) in October 2020. He was a non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777.HK) from March 2017 to May 2020 and from December 2020 to September 2021 successively, an independent director of Jiawei Renewable Energy Co., Ltd. (stock code: 300317.SZ) from November 2016 to June 2022, and the chairman and non-executive director of Tonly Electronics Holdings Limited (stock code: 1249.HK, which was delisted as a result of privatisation in March 2021) in January 2017.

EXECUTIVE DIRECTORS

Mr. OUYANG Hongping

aged 46, was appointed as an executive director of the Company in June 2015, was re-designated from the position of Chief Operating Officer of the Company ("COO") to the Chief Executive Officer of the Company ("CEO"), and was appointed as a member of the Remuneration Committee and a member of the Nomination Committee in March 2019. Mr. Ouyang is also a director of certain subsidiaries of the Company. He joined TCL Technology and its subsidiaries (together "TCL Technology Group") in 2004. From August 2004 to December 2008, he was the chief engineer of China Display Optoelectronics Technology (Huizhou) Company Limited* (華顯光電技術(惠州)有限公司，hereinafter "CDOT Huizhou"), responsible for supervising engineering related matters, including production planning and management. Since January 2009, he has also been the deputy general manager of CDOT Huizhou, responsible for supervising engineering related matters, including research and development, procurement, production planning and management, and was appointed as a director and the general manager of CDOT Huizhou in September 2016. Mr. Ouyang subsequently was appointed as a director of Wuhan CDOT and Wuhan CSOT in March 2021 and November 2021 respectively. Mr. Ouyang was appointed as a vice president and subsequently a senior vice president of TCL China Star Optoelectronics Technology Co., Ltd.* (TCL華星光電技術有限公司，a subsidiary of TCL Technology, hereinafter "TCL CSOT") in December 2021 and November 2022 respectively. Mr. Ouyang graduated from the University of Nanchang in July 1999 with a Bachelor's degree in industrial automation.

Mr. WEN Xianzhen

aged 50, was appointed as an executive director of the Company in March 2018, the finance director of the Company and CDOT Huizhou in November 2017 and the deputy general manager of CDOT Huizhou in April 2022. Mr. Wen joined TCL Technology Group in 2004 and has over 20 years of experience in the field of accounting and finance. Mr. Wen held the position of finance manager of Huizhou Shenghua Industrial Co. Ltd.* (惠州市昇華工業有限公司，a subsidiary of TCL Technology) from September 2004 to February 2008. Mr. Wen was appointed as the finance director of Huizhou TCL King High Frequency Electronics Co. Ltd.* (惠州TCL王牌高頻電子有限公司) from March 2008 to June 2010. From July 2010 to April 2012, Mr. Wen held the positions of deputy general manager and finance director of TCL Air-Conditioner (Zhongshan) Co., Ltd.* (TCL空調器(中山)有限公司) and was responsible for finance management and analysis. From April 2012 to October 2017, Mr. Wen held the positions of deputy general manager and finance director of Huizhou TCL Environmental Resource Co., Ltd.* (惠州TCL環保資源有限公司), then he was appointed as the finance director, deputy general manager and general manager of Huizhou TCL Environment Technology Co., Ltd.* (惠州TCL環境科技有限公司). Mr. Wen graduated with a Bachelor of Accounting from Central South Institute of Technology* (中南工學院) (now merged into Nanhua University* (南華大學)) in June 1997 and currently is a certified public accountant of the Chinese Institute of Certified Public Accountants and a Hong Kong certified financial planner.

Mr. ZHANG Feng

aged 44, was appointed as an executive director of the Company in March 2021, graduated from Beijing University of Chemical Technology with a bachelor degree in material science & engineering and a master's degree in material science. He obtained an executive master of business administration degree from China Europe International Business School in 2019. From July 2003 to April 2010, Mr. Zhang successively held various engineering or technology-related positions in Shanghai Guangdian NEC Liquid-Crystal Display Limited* (上海廣電NEC液晶顯示器有限公司) and Shanghai Avic Optoelectronics Co., Ltd.* (上海中航光電子有限公司) respectively. Mr. Zhang joined TCL CSOT in April 2010. He is also the legal representative of Wuhan CSOT and Wuhan CDOT, the senior vice president of TCL CSOT and a director of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司, a subsidiary of TCL CSOT). Mr. Zhang has been appointed as the chairman and legal representative of CDOT Huizhou since September 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HSU Wai Man, Helen

aged 53, was appointed as an independent non-executive director and the chairperson of the audit committee of the Company ("Audit Committee"), and also a member of the Remuneration Committee and the Nomination Committee in June 2015. Ms. Hsu has over 20 years' experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a Bachelor's degree in business administration. Ms. Hsu had worked with Ernst & Young for 18 years and was a partner before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is currently an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Beijing Gas Blue Sky Holdings Limited (Stock code: 6828.HK) since July 2020, Perfect Optronics Limited (Stock code: 8311.HK) since September 2020, Perfect Medical Health Management Limited (stock code: 1830.HK) since December 2011 and Richly Field China Development Limited (stock code: 313.HK) since November 2013. Ms. Hsu was also an independent non-executive director of Circle International Holdings Limited (stock code: CCH) whose shares are listed on the National Stock Exchange of Australia (NSX) from July 2017 to May 2020 and an independent non-executive director of Harmonicare Medical Holdings Limited (previous stock code: 1509.HK, the securities of which were delisted from the Stock Exchange on 25 March 2021) from August 2020 to March 2021.

Mr. LI Yang

aged 54, was appointed as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee in June 2015. Mr. Li obtained PRC lawyer qualification in 1998 and was admitted as a practicing lawyer in 2002. He was a professor and doctoral tutor of the School of Law, Sun Yat-sen University from January 2016 to January 2021, and has served as professor and doctoral tutor of The Civil, Commercial and Economic Law School, China University of Political Science and Law* (中國政法大學民商經濟法學院) since January 2021. Mr. Li graduated from the Zhongnan Institution of Political Science and Law* (中南政法學院) (now known as Zhongnan University of Economics and Law) in 1990 with a Bachelor's degree in law. He received his Master's degree and Doctorate degree in law from the Peking University Law School in 1996 and 2003 respectively and finished the post-doctoral research fellowship in Wuhan University in 2006. Mr. Li was appointed as an independent director of 37 Interactive Entertainment Network Technology Group Co., Ltd whose shares are listed on the Shenzhen Stock Exchange (stock code: 002555.SZ) in December 2019. Mr. Li has rich experiences in intellectual property law (including patent, trademark, copyright, anti-unfair competition and antitrust), intellectual property management and intellectual property personnel training. Mr. Li is currently the vice president and deputy secretary-general of China Intellectual Property Law Association, a part time researcher of the Intellectual Property Judicial Protection Research Center of the Supreme People's Court* (最高人民法院知識產權司法保護研究中心) and the Fifth Special Advisor to the Supreme People's Court.

Mr. XU Yan

aged 59, was appointed as an independent non-executive director and the chairman of the Remuneration Committee, and also a member of the Audit committee and the Nomination committee in June 2015. Mr. Xu has been associate professor and professor successively of the Department of Information Systems, Business Statistics and Operations Management of the Hong Kong University of Science and Technology from 2004 up to the present day. Mr. Xu has also been associate dean of the School of Business of the Hong Kong University of Science and Technology for the programs of EMBA for Chinese Executives, Executive Education and China Strategy since 2011. Mr. Xu has rich experiences in management of technology innovation as well as research in telecommunication regulations and policies. He is currently a member of the board of directors of the International Telecommunications Society, and was appointed as a member of the Communications Authority of Hong Kong by the Chief Executive from 2017 to 2019. Mr. Xu graduated from Beijing Institute of Posts and Telecommunications* (北京郵電學院), now known as Beijing University of Posts and Telecommunications, in July 1984 with a Bachelor's degree in telecom engineering. He obtained a Master's degree in telecom management from Beijing University of Posts and Telecom in April 1987 and a Doctor of Philosophy degree in research in telecommunications policy in the Department of Human Resource Management from Strathclyde University, the United Kingdom, in July 1997. Mr. Xu was appointed as an independent non-executive director of Akeso, Inc. (stock code: 9926.HK) in April 2020.

SENIOR MANAGEMENT

Mr. HU Yudong

aged 47, is the human resources director of the Company. Mr. Hu joined the Group in March 2019. Mr. Hu joined TCL Technology Group in 1998 and has more than 16 years of experience in human resource management. From July 1998 to June 2010, he served as the regional sales manager, deputy director of human resource department, director of human resource department and other management roles successively at TCL International Electronics (Huizhou) Co., Ltd. From July 2010 to August 2012, he served as vice general manager of Guangzhou Zhi Zhiyuan Oil Industry Co., Ltd.* (廣州植之元油脂實業有限公司), responsible for the Company's human resource and administrative work. From September 2012 to February 2019, he served as director of the human resources department of TCL CSOT. Since March 2019, Mr. Hu was appointed as the human resource director of CDOT Huizhou. Mr. Hu graduated from Nankai University in June 1998 and obtained his bachelor's degree in economics; and graduated from Shanghai University of Finance and Economics in May 2010 and obtained his master's degree in business administration.

Mr. WANG Xinfu

aged 49, is the person in charge of the delivery centre of the Company. Mr. Wang joined the Group in March 2004. He joined the TCL Technology Group in 2004. Since March 2004, he has held the positions of engineer and the head of facility section in CDOT Huizhou, in charge of the engineering and facility section. Since August 2008, he has served as the head of production department of CDOT Huizhou. Since 2015, he assumed the role of manufacturing director, responsible for the engineering management of manufacturing and production engineering management of CDOT Huizhou. Since December 2016, he has been the person in charge of the delivery centre of CDOT Huizhou, responsible for the operation and management of the delivery centre. In 2016, he received the Award of Outstanding Leader of HZZK Hi-tech Industrial Development Zone* (惠州仲愷高新技術開發區凱旋人才領軍人物獎). Mr. Wang graduated from Changchun University of Technology in July 1999, with a Bachelor's degree in engineering.

Mr. ZHANG Hongjun

aged 47, is the marketing director of the Company. He graduated from Inner Mongolia Agriculture and Animal Husbandry College*（內蒙古農牧學院）(currently known as Inner Mongolia Agricultural University*（內蒙古農業大學））with his bachelor's degree in 1996. He has more than 20 years' experience in sales. Mr. Zhang worked as business director at Pudong company of Shanghai Volkswagen Motor Sales Co., Ltd. in 1996. He joined TCL Technology Group in 1998 and successively held several positions of Inner Mongolia TCL Electrical Appliance Sales Co., Ltd.*（內蒙古TCL電器銷售有限公司）, i.e. business manager, general manager of branch AV business center, assistant to the general manager of the branch, manager of Hohhot business department. He served as manager of Hengshui business department and manager of Baoding business department of Shijiazhuang TCL Electrical Appliance Sales Co., Ltd.*（石家莊TCL電器銷售有限公司）in 2000 and 2003 respectively, and served as general manager of Harbin TCL Electrical Appliance Sales Co., Ltd.*（哈爾濱TCL電器銷售有限公司）in 2004. Mr. Zhang served as general manager of Inner Mongolia Hongsheng Agriculture and Animal Husbandry Co. Ltd.*（內蒙古宏晟農牧業有限公司）from 2007 to 2010, and marketing director of CDOT Huizhou from 2010 to 2017. Since 2017, he has been the marketing director of the Company.

COMPANY SECRETARY

Ms. CHEUNG Bo Man

aged 34, was appointed as the company secretary of the Company on 25 April 2017. She is a practising lawyer in Hong Kong and a partner of Ronald Tong & Co., Hong Kong. Ms. Cheung graduated from the University of Hong Kong with the Bachelor of Business Administration (Law) and Bachelor of Laws in 2009 and 2011 respectively and obtained a Postgraduate Certificate in Laws from the University of Hong Kong in 2012.

INTRODUCTION

The board ("Board") of directors ("Directors") of the Company aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the leader in the LCD module industry. The Group's ultimate goal is to maximise values for its shareholders ("Shareholders") and customers, and to provide opportunities for employees.

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has taken steps to comply with and apply the Code Provisions and principles of good corporate governance under the CG Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2022, the Company has complied with the Code Provisions as set out in the CG Code except for the following deviation:

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

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

During the year ended 31 December 2022, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations Department of the Company as the contact person with Ms. CHEUNG to ensure that information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Ms. CHEUNG through the contact person assigned, to enable the company secretary to get hold of the Group's development promptly without material delay. With her expertise and experience, the Company is confident that having Ms. CHEUNG as its company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2022, fully complied with the Code Provisions.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received the confirmations ("Confirmations") signed by TCL Technology and TCL CSOT confirming that for the year ended 31 December 2022 and up to the date of signing the Confirmations (both days inclusive), save for holding direct or indirect interest in the Company, each of them has fully complied with the deed of non-competitions dated 17 April 2015 (the "Deed of Non-Competition") executed by TCL Technology and T.C.L. Industries Holdings (H.K.) Limited ("TCL Industries") in favour of the Company (as supplemented and amended by the first deed of variation dated 25 May 2021 ("First Deed of Variation") entered into among TCL Technology, TCL Industries, TCL CSOT and the Company) and, in particular, each of them and their respective close associates have not, directly or indirectly, carried on or engaged or interested in the research and development, manufacturing, sales and distribution of LCD modules (excluding LTPS modules) for use in mobile phones, which is from time to time carried on or engaged or interested in by the Group.

The independent non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition (as supplemented and amended by the First Deed of Variation) have been complied with during the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for maintaining good corporate governance, formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, establishing and shaping the corporate culture, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Board is accountable to the Shareholders for the long-term development and success of the Company.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the Directors in person or through other electronic means of communication.

The work completed by the Board during 2022 as part of its corporate governance function included the following:

- reviewed the Company's policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed and monitored the code of conduct applicable to employees and Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Composition

There are currently 7 Directors as at the date of this report, all with professional backgrounds and/or extensive expertise for the direction and oversight of the Group's strategic priorities. The Board during the year ended 31 December 2022 and as at the date of this report comprises the following Directors:

Non-Executive Director

Mr. LIAO Qian (Chairman)

Executive Directors

Mr. OUYANG Hongping (Chief Executive Officer)
Mr. WEN Xianzhen
Mr. ZHANG Feng

Independent Non-Executive Directors

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

An updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Company and the Stock Exchange. The list specifies whether the Director is an independent non-executive director and expresses the respective roles and functions of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Directors and Senior Management" of this annual report on pages 13 to 16.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board and between the Chairman of the Board and the chief executive.

The independent non-executive Directors play an important role on the Board. Accounting for more than one-third of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has at all material times represented at least one-third of the Board.

Number of meetings attended/eligible to attend during the year ended 31 December 2022

During the year ended 31 December 2022, the Board held 4 regular meetings and 4 additional meetings. The Company held 2 general meetings during the year ended 31 December 2022.

Attendance of individual Directors at the Board meetings and general meetings in 2022 is as follows:

	Regular Board Meetings	Additional Board Meetings concerning Special Matters requiring the Board's Decisions	General Meetings
Non-Executive Director			
Mr. LIAO Qian (Chairman)	4/4	4/4	2/2
Executive Directors			
Mr. OUYANG Hongping (Chief Executive Officer)	4/4	4/4	1/2
Mr. WEN Xianzhen	4/4	4/4	2/2
Mr. ZHANG Feng	2/4	3/4	1/2
Independent Non-Executive Directors			
Ms. HSU Wai Man Helen	4/4	4/4	2/2
Mr. LI Yang	4/4	4/4	2/2
Mr. XU Yan	4/4	4/4	2/2

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the Board members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to include additional matter in the agenda and to make informed decisions.

The Company has in place effective mechanisms to ensure independent views and input are available to the Board. The Board has conducted an annual review on such mechanisms in 2022 and is of the view that the mechanisms have been properly implemented and are effective. In particular, the Company plans Board and Board committees meeting schedules for the year in advance and provides remote facilities for attendance, so as to facilitate active attendance and participation in the meetings. Board members, especially independent non-executive Directors, are welcome and are encouraged to raise enquiries, suggestions and views during the meetings. The Board process as stated above, including agenda setting and provision of meeting information, facilitates effective and active participation by all Directors. The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and meetings of the Audit Committee, Remuneration Committee and Nomination Committee are kept by the company secretary of the Company. All of the above minutes record the discussions and decisions reached as well as the matters considered by the relevant members in sufficient details, including any concern raised by Directors or dissenting views expressed. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version of the minutes is sent to all relevant Directors or committee members for their record.

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder or a Director on the one part and the Company on the other part, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors who have no material interest in the said transaction. The relevant Directors shall abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

Chairman and the Chief Executive Officer

The Company fully supported the division of responsibility between the Chairman of the Board and the Chief Executive Officer (being the chief executive of the Company) to ensure a balance of power and authority. The position of the Chairman was held by Mr. LIAO Qian while the position of the Chief Executive Officer was held by Mr. OUYANG Hongping during the year ended 31 December 2022.

This ensures a clear distinction between the Chairman's duty to manage the Board and the Chief Executive Officer's duty to oversee the overall internal operation of the Company.

Appointments, re-election and removal of members of the Board

Under bye-law 84 of the bye-laws of the Company ("Bye-Laws"), at each annual general meeting of the Company ("AGM"), one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election.

Independent Non-Executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written annual confirmation from each independent non-executive Director of his/her independence (including their immediate family members) to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in the Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationship which will interfere with the exercise of their independent judgement.

The Company confirms that the year of service of all the independent non-executive Directors is less than 9 years.

Non-Executive Directors

The Company currently has one non-executive Director, namely Mr. LIAO Qian, and three independent non-executive Directors, namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang. Ms. HSU Wai Man, Helen and Mr. LI Yang were re-elected as independent non-executive Directors to hold office until the conclusion of the AGM in 2024, whilst Mr. LIAO Qian and Mr. XU Yan were re-elected as a non-executive Director and an independent non-executive Director respectively at the AGM in 2022 with no specific term. All non-executive Directors (including independent non-executive Directors) are subject to retirement from office by rotation at least once every three years in accordance with Code Provision B.2.2 of the CG Code and bye-law 84 of the Bye-Laws.

Nomination of Directors

On 25 June 2015, the Board has established the Nomination Committee to provide a framework and set the standards for the appointment of Directors of high calibre and with the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

If any new Director is appointed, the officers of the Company, with assistance from the Company's external legal advisor as to Hong Kong laws, will work closely with the newly appointed Director(s) both immediately before and after his/her appointment to acquaint the newly appointed Director(s) with the duties and responsibilities as a Director of the Company and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisor as to Hong Kong laws setting out such duties and responsibilities of a director under the Listing Rules, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and other related laws and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The officers of the Company would also provide each newly appointed Director with a package which includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Guidelines for directors issued by the Companies Registry of Hong Kong have been forwarded to each Director for his/her information and easy reference.

During the year ended 31 December 2022, the Board is of the view that the non-executive Directors are well-aware of their functions and have been actively performing their roles including but not limited to exercising their independent judgement at Board meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and Nomination Committee.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices they held in public companies or organisations and other significant commitments and appointments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in serving these public companies or organisations.

During the year ended 31 December 2022, all Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to his/her necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, including executive, non-executive and independent non-executive Directors and ensures the better understanding of the views of shareholders of the Company by all Directors. The extent of participation and contribution by the Directors should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it necessary to obtain additional information other than that is provided by the management, the Directors would make inquiries during the Board meetings and Board committee meetings. The queries raised by Directors have received prompt and full response by the management.

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development for the year ended 31 December 2022:

Directors	Read materials	Attend seminars/ briefings
Non-Executive Director		
Mr. LIAO Qian (Chairman)	✓	✓
Executive Directors		
Mr. OUYANG Hongping (Chief Executive Officer)	✓	✓
Mr. WEN Xianzhen	✓	✓
Mr. ZHANG Feng	✓	✓
Independent Non-Executive Directors		
Ms. HSU Wai Man Helen	✓	✓
Mr. LI Yang	✓	✓
Mr. XU Yan	✓	✓

Securities Transactions guidelines

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") under Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and all of them have confirmed that for the year ended 31 December 2022, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The Directors' interests in shares of the Company ("Share(s)") as at 31 December 2022 are set out on page 41 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a Director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the Company or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board has adopted a set of consolidated memorandum setting out principles of delegation and matters reserved for the Board's approval. The Board is responsible for approving matters in relation to, among others, corporate and capital structure, corporate strategy, significant policies affecting the Company as a whole, annual business plan and budgets, key financial matters and communication with key stakeholders.

The Board delegates its powers and authorities to the executive Directors and management for, among others, implementing day-to-day operations and business strategies, overseeing the realisation of the objectives set by the Board, and ensuring necessary actions are taken to secure the timely and effective implementation of the objectives, policies, strategies and decisions taken by the Board. The management team of the Company is accountable to the Board for the operations and businesses of the Group.

The Board also delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in a timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and provide sufficient resources for them to discharge their duties.

During the year ended 31 December 2022, the Board Committees and the management team of the Company have performed the duties delegated to them.

Board Committees

For the year ended 31 December 2022, the Board had 3 Board committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board committee at the meetings of the respective Board committees for the year ended 31 December 2022 is as follows:

	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Non-Executive Director			
Mr. LIAO Qian (Chairman)	N/A	1/1	1/1
Executive Directors			
Mr. OUYANG Hongping (Chief Executive Officer)	N/A	1/1	1/1
Mr. WEN Xianzhen	N/A	N/A	N/A
Mr. ZHANG Feng	N/A	N/A	N/A
Independent Non-Executive Directors			
Ms. HSU Wai Man Helen	3/3	1/1	1/1
Mr. LI Yang	3/3	1/1	1/1
Mr. XU Yan	3/3	1/1	1/1

Nomination Committee

The Nomination Committee is currently chaired by Mr. LIAO Qian, a non-executive Director, with Mr. OUYANG Hongping, an executive Director, Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, being independent non-executive Directors, as the other members. The majority of the members are independent non-executive Directors. The Nomination Committee held 1 meeting during the year ended 31 December 2022.

The Nomination Committee is governed by its terms of reference, which are closely aligned with the relevant Code Provisions requirements and are available on both the Company's website at http://www.cdoth8.com and the Stock Exchange's website at http://www.hkex.com.hk.

The main duties of the Nomination Committee include the followings:

- review and supervise the structure, size, composition and diversity of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive Directors;
- make recommendations to the Board on the appointment, re-appointment and succession of Directors, and any proposed change to the composition of the Board to implement the Company's corporate strategy;
- review the nomination policy ("Nomination Policy") and board diversity policy ("Board Diversity Policy") of the Company; and
- review the sufficiency of time commitment of Directors to perform their responsibilities.

The work performed by the Nomination Committee for the year ended 31 December 2022 included:

– reviewing the current structure, diversity and composition of the Board (including the skills, knowledge and experience);

– reviewing the Nomination Policy and Board Diversity Policy;

– reviewing the contribution required from a Director to perform his responsibilities and whether he/she has spent sufficient time performing them;

– assessing the independence of the independent non-executive Directors;

– considering the nomination of Directors to be re-elected as Directors at the AGM in accordance with the Nomination Policy and Board Diversity Policy; and

– discussing and considering the Board composition during the said period and Board succession plan.

The Company has adopted the Nomination Policy on 28 December 2018 (effective on 1 January 2019) which sets out the following procedures for nomination of Directors:

1. When there is a vacancy in the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. The Nomination Committee will consider the role and capabilities required for the particular vacancy.

3. The Nomination Committee will identify candidates through personal contacts or recommendations by Board members, senior management, business partners or investors, and will to the extent possible select from a broad range of candidates who are outside the Board's circle of contacts in accordance with the Company's Board Diversity Policy.

4. The Nomination Committee will, where appropriate, arrange interview(s) with the relevant candidate to evaluate whether he/she meets the established selection and nomination criteria, and verify the information provided by the candidate.

5. The Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Policy also provides the following criteria for nomination of Directors:

1. Common criteria for all Directors:

   (a) reputation for character and integrity;

   (b) commitment in respect of available time;

   (c) the willingness to assume principal fiduciary responsibility;

   (d) present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;

   (e) relevant experience, including experience at the strategy/policy setting level, high-level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company;

   (f) significant business or public experience relevant and beneficial to the Board and the Company;

   (g) breadth of knowledge about issues affecting the Company;

   (h) ability to objectively analyse complex business problems and exercise sound business judgement;

   (i) ability and willingness to contribute special competencies to Board activities;

   (j) fit with the Company's culture; and

   (k) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director (including attendance at and active participation in Board and Board committee meetings), which will include considering the other responsibility of the relevant candidate (such as other directorships held in public companies the securities of which are listed on any securities market in Hong Kong or overseas and other major appointments, if any) and the effort and time that may be required by the candidate in fulfilling such role;

   (b) accomplishments of the candidate in his/her field;

   (c) outstanding professional and personal reputation; and

   (d) the candidate's ability to meet the independence criteria for directors established in the Listing Rules (for independent non-executive Directors).

Diversity Policy

The Company has adopted the Board Diversity Policy which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimal composition of the Board. All Board appointments and succession will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board has set measurable objectives (in terms of different perspectives including gender, skills and experience) to implement the Board Diversity Policy and has reviewed such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. In particular, in accordance with the requirements under the CG Codes, the Company has set an initial target of appointing at least one director of a different gender in the Board and has achieved such target. For the year ended 31 December 2022 and as at the date of this annual report, the Board comprises six male members and one female member thus having a female representation of approximately 14%. The Nomination Committee and the Board will review the Board's target gender diversity ratio from time to time and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. Further, the Board currently consists of members with different skills and professional backgrounds (including business management, production, engineering, accounting, finance, legal and technology). The Nomination Committee considers that the current composition of the Board is diversified after taking into account its own business model and specific needs, both in terms of professional background and skills.

The Nomination Committee will review the Board Diversity Policy, as and when appropriate, to ensure its continued effectiveness from time to time. The Nomination Committee will discuss at least annually any changes to the Board Diversity Policy and Board composition that may be required (including the need to identify potential successors to the Board to achieve gender diversity), and make such recommendations to the Board for consideration and approval. The Board has reviewed the Board Diversity Policy in 2022 and is of the view that the Board Diversity Policy has been properly implemented and is effective.

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth. The Group has in place a policy to support diversity across all facets including but not limited to gender diversity. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that discrimination is not involved and a diverse range of candidates are considered. The overall gender diversity of the Group is relatively balanced. As at 31 December 2022, the overall workforce of the Group consisted of 1,214 (approximately 58.9%) male and 847 (approximately 41.1%) female employees. There were 3 senior management (as referred to under paragraph 12 of Appendix 16 of the Listing Rules) in the Group and all of them were male employees. Further details on the gender ratio of the Group together with other relevant data are set out on pages 41 to 54 of the Environmental, Social and Governance Report of the Company for the year ended 31 December 2022. Whilst it is relatively more challenging for the Group to achieve equal gender ratio across all business units of the Group due to the characteristics and work types of different business units, it is the Group's goal to achieve a balanced gender ratio in the overall workforce (including senior management).

Remuneration Committee

The Remuneration Committee is chaired by Mr. XU Yan, an independent non-executive Director. It currently consists of 5 members, the majority of whom are independent non-executive Directors, including Mr. XU Yan, Ms. HSU Wai Man Helen and Mr. LI Yang, being independent non-executive Directors; Mr. LIAO Qian, being a non-executive Director; and Mr. OUYANG Hongping, being an executive Director.

The Remuneration Committee is governed by its terms of reference, which are made available on the Company's website at http://www.cdoth8.com and the Stock Exchange's website at http://www.hkex.com.hk.

The Remuneration Committee was established pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing a policy on such remuneration. The Remuneration Committee also reviews and approves the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time, makes recommendations to the Board on the remuneration of non-executive Directors and exercise the delegated powers of the Board to determine the remuneration packages of all executive Directors and senior management.

For the year ended 31 December 2022, the Remuneration Committee held 1 meeting and the work accomplished by it included the following:

– review of the remuneration policy and structure for all Directors and senior management;

– discussion of long-term incentive scheme;

– exercised the delegated powers of the Board to determine the remuneration packages of all executive Directors and senior management of the Company and to assess their performance; and

– reviewed and made recommendations to the Board on the remuneration of the non-executive Directors.

There are no material matters relating to the share award scheme or the share option scheme of the Company which are required to be reviewed and/or approved by the Remuneration Committee during the year ended 31 December 2022.

The remuneration of the senior management by band for the year ended 31 December 2022 is set out below:

	Number of persons
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Emolument Policy and Long-Term Incentive Plan

The Group provides a competitive remuneration package to its Directors to attract and retain talents. A large portion of the package for executive Directors is linked to their performance, which in turn is aligned with the interests of the shareholders, so as to provide an incentive for the executive Directors to achieve the best performance for the Group. Part of the remuneration of executive Directors may comprise of a long-term incentive plan which includes share options and restricted shares. The emoluments payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The purpose of the long-term incentive plan of the Group is to reward outstanding performance measured by achieved targets, which is closely linked with the performance of the Group. The benefit or award granted under the plan will only be vested over a period of time so as to provide an incentive for the executives or employees to consistently perform at a high standard and bring about long-term benefits to the Group.

The non-executive Directors' compensation relates to their time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee; and
- share options which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the Directors are set out in note 8 to the financial statements.

Dividend Policy

Pursuant to the dividend policy of the Company, in considering whether to declare any dividend, the Board would consider factors in all aspects whether on the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the shareholders of the Company, including but not limited to:

– the Company's actual and expected financial performance;

– retained earnings and distributable reserves of the Company and each of the members of the Group;

– the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

– any restrictions on payment of dividends that may be imposed by the Group's lenders;

– the Group's expected working capital requirements and future expansion plans;

– general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

– any other factors that the Board deem appropriate.

If the Group records a profit and the Board, having considered factors of all aspects (including but not limited to those factors set out in above), is satisfied that the declaration and distribution of dividends does not affect the Group's normal operations, and subject to compliance with any restrictions under the Companies Act of Bermuda and the Bye-Laws:

– the Company may declare and distribute dividends to the shareholders of the Company;

– the Company will take priority to distributing dividends in cash and shares its profits with the Shareholders;

– yet, any such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system being in place for internal controls and for fulfilling the Group's external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Ms. HSU Wai Man Helen, Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive Directors. Ms. HSU Wai Man Helen is the chairperson of the Audit Committee.

The Audit Committee usually meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. In addition, in order to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditors of the Company before the commencement of the annual audit to discuss the nature and scope of audit and reporting obligations of the Company.

The Audit Committee is governed by its terms of reference, which are made available on the Company's website at http://www.cdoth8.com and the Stock Exchange's website at http://www.hkex.com.hk.

For the year ended 31 December 2022, the Audit Committee held 3 meetings and the work performed by the Audit Committee included considering the following matters:

- the integrity, completeness and accuracy of the 2021 annual report and the 2022 interim financial statements;
- the Group's compliance with statutory and regulatory requirements;
- the Group's financial and accounting policies and practices, as well as developments in accounting standards and their effect on the Group;
- the effectiveness of the systems of financial reporting and controls, internal audit functions, risk management and internal control systems of the Group;
- the internal control reports submitted by the internal control team of the Company;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2022;
- the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards; and
- review of the continuing connected transactions of the Group.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee is also supported by the members of the internal audit team of the Company.

The Audit Committee recommended to the Board, and the Board agreed and accepted, that subject to Shareholders' approval at the forthcoming annual general meeting, Messrs. Ernst & Young be re-appointed as the Company's external auditor for the year ending 31 December 2023.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in its annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which should give a true and fair view of the state of affairs, the results and cash flows of the Group for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 50 to 53.

The Directors, having made appropriate and reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 54 to 125 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 6 to 12 in this annual report.

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The management also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, financial position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Control and Risk Management Systems

The Board is responsible for overseeing the Company's risk management and internal control systems on an ongoing basis and ensuring that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually. Whilst the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, the directors acknowledge their responsibility to establish, maintain and review from time to time the Group's internal control and risk management systems and their effectiveness.

The Company establishes an annual risk management and internal control plan and conducts annual review of the risk management and internal control systems every year. Every year, staff at the relevant departments are requested by the Company's internal control task force to conduct a self-evaluation on risk management and internal control, to allow the Company to identify any deficiencies in its internal control practices and to identify, evaluate and manage significant risks (if any). Results of the risk management and internal control evaluation are reported to the management and (where appropriate) independent non-executive Directors by email on a quarterly basis, and are submitted to the Board half-yearly for the preparation of risk management and internal control report. Being a subsidiary of TCL Technology, the Company's risk management and internal control systems are annually reviewed by Da Hua Certified Public Accountants, the external auditor engaged by TCL Technology, to determine their effectiveness and to resolve material internal control defects (if any).

The Group has adopted a set of internal control policies and procedures to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

The Company exercises audit control over its business activities by developing corporate mechanisms, management measures and operating guidelines, and creating segregated posts. In addition, internal control investigations are regularly conducted by the Company's internal control task force. The Company's risk management and internal control systems are regularly reviewed by external audit firms (quality control organisations and auditors).

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Board.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in the preparation of the audit report, which often covers issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit team. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

During the Review Period, the Board, through the Audit Committee, has reviewed the effectiveness of the internal control and risk management systems of the Group and covering all material controls, including financial, operational and compliance controls. In particular, the Board has reviewed matters including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function, as well as those relating to the Group's environmental, social and governance performance and reporting, the nature and extent of significant risks (including environmental, social and governance risks, the Company's ability to respond to changes in its business and external environment, the significant control failings or weaknesses (if any), as well as the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. The Board concluded that the risk management and internal control systems were adequate and effective during the year ended 31 December 2022.

The Company has adopted its own Information Disclosure Guideline (approved by the Board on 19 June 2015) which, among others, sets out the procedures and internal controls for handling and dissemination of inside information, including prohibiting unauthorised use of inside information and limiting communication of sensitive information on a need-to-know basis only. The Company has established the Disclosure Executive Committee which has been authorised by the Board to coordinate and organise disclosure of the inside information of the Company.

Internal Audit Functions

The Company has established an internal audit function. The Company's internal audit team independently reviewed the effectiveness of the Company's risk management and internal control systems, including the financial, operational and compliance aspects of the Company's key business activities. The head of the Company's internal audit team reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the risk management and the internal control systems of the Group.

The Audit Committee had reviewed and was satisfied with the effectiveness, adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's internal audit function.

In accordance with the requirements under the CG Codes, the Company has consolidated, codified and adopted a whistleblowing policy and an anti-corruption policy in 2022, so as to promote and support anti-corruption laws and regulations and to encourage employees and those who deal with the Company to raise concerns about possible improprieties in any matter related to the Company. Both policies are made available on the Company's website (http://www.cdoth8.com).

Connected Transactions

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in relation to connected transactions. Accordingly, the Company had implemented various internal control mechanisms to monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or better and on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the Shareholders in accordance with Listing Rules. The relevant connected persons will be required to abstain from voting in the relevant general meetings. Details of the connected transactions of the Company during the year ended 31 December 2022 are set out in the Report of the Directors at pages 46 to 48.

Auditors' Remuneration

For the year ended 31 December 2022, the remuneration paid for services provided by the auditor is approximately as follows:

Statutory audit services	HK$1,380,000
Non-audit services (including agreed-upon procedures)	HK$120,000

COMPANY SECRETARY

The position of Company Secretary is held by Ms. CHEUNG Bo Man, a practising solicitor of Hong Kong, who is not an employee of the Company. During the year ended 31 December 2022, the Company has assigned Ms. Clara SIU, the Vice Director of Finance and Investor Relations of the Company, as the contact person with the company secretary. The company secretary is responsible to the Board and reports to the Board chairman from time to time. All Directors have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed and complied with.

Ms. CHEUNG is required to take no less than 15 hours of relevant professional training during the year 2022. She has fulfilled such requirement during the year ended 31 December 2022.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of the principles of timeliness, fairness and transparency regarding information disclosure, and ensures that the information disclosure is in compliance with the Listing Rules and other regulatory requirements. The Group also highly values investor feedback and comments for establishing operational strategies to facilitate the Group's growth and sustainable development and to enhance shareholder value.

The objectives of our investor relations programs are to promote effective communication with the investment community through various channels to enhance their knowledge and understanding of the Group's development and strategies. The investor relations team conducts in-depth discussion on the Group's latest developments and future business plans with institutional investors and analysts through different channels, including investor meetings, conference calls, non-deal roadshows and factory visits. During the year ended 31 December 2022, the Group had arranged conference calls and investor conferences in Hong Kong in which research analysts and institutional investors attended with favourable response.

The general meetings of the Company provide the best opportunity for communication between the Board and the Shareholders.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the members of the independent Board committee, are available to answer questions at the Shareholders' meetings. Representatives of the Company's external auditor, Ernst & Young also attended the annual general meeting held on 27 May 2022 to answer questions in relation to the audit process, the preparation and contents of the auditors' report, the relevant accounting policies and auditor independence.

All published information, including all the statutory announcements and press releases, is promptly posted on the Company's website at http://www.cdoth8.com. For inquiries and suggestions, please send an email to ir.cdot@tcl.com or cdot@cornerstonescom.com, or directly by raising questions at the general meeting of the Company.

Voting by Poll

The chairman of the meeting would explain the voting procedure and answer any questions from the Shareholders regarding voting by poll at the general meetings. The poll results of the general meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the relevant general meetings were held.

Shareholders' Rights to Convene a Special General Meeting

Under bye-law 58 of the Bye-Laws, shareholders at the date of deposit of the requisition holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition and/or add resolutions to an agenda of such meeting. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner.

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

A shareholders' communication policy was formulated and adopted by the Company (effective on 25 June 2015) in order to ensure the shareholders are provided with ready, equal and timely access to balanced information about the Company. The Board has taken appropriate steps to provide effective communication with Shareholders.

All published information, including all the statutory announcements and press releases, is promptly posted on the Company's website at http://www.cdoth8.com.

Shareholders can submit enquiries, provide their views or suggest proposals to be put forward at general meetings to the Board or the management by sending emails to ir.cdot@tcl.com or cdot@cornerstonescom.com or directly by raising questions at the general meetings of the Company, which will be promptly handled by the Company's dedicated investor relations team. The Investor Relations Department of the Company takes a proactive approach to communicate with existing and potential shareholders, investors and stakeholders in a timely manner by various methods including making regular face-to-face meetings and conference calls in order to solicit and understand their views.

The Board has reviewed the Company's prevailing shareholders' communication policy during the year ended 31 December 2022, and believes that, in light of the multiple channels of communication and engagement in place as stated above, the current shareholders' communication policy of the Company has been properly implemented during 2022 and is effective.

Constitutional Documents

In 2022, in view of the revision of Appendix 3 to the Listing Rules, the Board resolved to amend the existing Bye-Laws and put forward the proposed amendments for consideration and approval by the Shareholders at the special general meeting of the Company held on 23 December 2022. The amendments to the Bye-Laws were mainly made in order to, among others, (i) bring the Bye-Laws in line with the relevant requirements of the Listing Rules as well as the applicable laws of Bermuda; (ii) allow general meetings of the Company to be held in the form of a hybrid meeting or electronic meeting where Shareholders may attend by electronic means in addition to a physical meeting where Shareholders attend in person; (iii) provide flexibility to the Company in relation to the conduct of general meetings; and (iv) make other housekeeping and consequential amendments to the Bye-Laws. The current Bye-Laws, which incorporated the proposed amendments, were approved by the Shareholders at the special general meeting of the Company held on 23 December 2022 and took effect from 23 December 2022.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest possible level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements and press releases are available on the Company's website at http://www.cdoth8.com. Enquiries can also be sent to the Board or senior management by contacting the investor relations team via e-mail to ir.cdot@tcl.com or cdot@cornerstonescom.com, or directly through the questions and answers session at shareholder meetings or press conference.

HUMAN RESOURCES

The Group embraces its business approach of "progressive revolution and solid foundation". It has launched a series of human resources management practices, which serve as a direct and effective support for the Group's strategy implementation, organizational performance improvement and staff development.

Basic Information on Human Resources

As at 31 December 2022, the Group had a total of 2,061 employees. The male-to-female ratio was 1.43:1. The overall turnover rate was 9.27%.

Employees by Geographic Region:

Mainland China	2,059
Hong Kong	2

Employees by Age:

Employees aged 18 to 30	1,134
Employees aged 31 or above	927

Key Efforts in Human Resources

To align with its development strategies, the Group has taken a range of proactive and corresponding measures to improve its staff appraisal and incentives, recruitment, training and development, strategic communication and morale:

- The Group's remuneration philosophy is "ability-oriented, performance-oriented and value-contribution-oriented". The Group has developed a set of tactics to achieve its strategic objectives, together with a complementary appraisal and incentive mechanism, which further strengthen results orientation.

- To cultivate and promote key technical talents, the Group has established the "ECP (Experience, Competence, and Performance) Certification Management System" for the entire workforce in 2022 to provide a unified standard for the evaluation, promotion, and development of talents and provide employees with clear career development and shortcomings and the direction of improvement, thereby motivating employees to work. During the Review Period, the Group organized 34 ECP face-to-face debates and group reviews, and a total of 172 people met the competency requirements of the corresponding levels and passed the ECP level promotion/grading certification after the evaluation and joint review by the professional evaluation team.

Training

During the Review Period, the Group offered training to the entire workforce with 100% of employees attending the training. The Group arranged 15 employees to participate in external professional courses which complied with local epidemic prevention measures to ensure the personal safety of employees, in addition to providing various internal professional training for employees. The Group has also engaged external professional trainers to conduct three training sessions. The training topics covered four aspects, namely, safety, professional management and skills, and general management. A total of 86 employees attended these training sessions with cumulative hours of training of 846 hours. The Group's external training costs exceeded RMB100,000.

SOCIAL RESPONSIBILITY

In 2022, the Group diligently fulfilled its corporate social responsibilities and complied with relevant laws and regulations without being subject to any litigation in relation to social responsibilities. It has also made achievements in energy-saving and environmental protection, as well as in social responsibility related work such as integrity, employee care, and the harmonious development of relevant parties.

Employee Care

The trade union of the Group attaches great importance to the physical and mental health of its staff. To enrich their leisure time and improve their cohesiveness and sense of belonging, the trade union has organized a badminton club, an Excel learning group, and other hobby clubs, which organize regular activities of various types. The Group believes that the diversified cultural activities organized by the trade union enable the employees to experience the care and vitality of the Company.

During the Review Period, to encourage employees to contribute to the improvement of the Company, we have diversified our communications with employees. The Group continued to carry out comment collection activities by organizing six employee communication sessions with a total of 110 attendees and 204 feedbacks, representing an improvement rate of 96.3%. During the Review Period, the Group received 86 comments in the comment collection box, 37 of which were adopted, enhancing employees' enthusiasm to participate in corporate development.

Environmental protection

During the Review Period, the Group further reviewed and improved the management processes of the environmental, toxic and hazardous substances, energy and greenhouse gas to improve the management effectiveness.

In 2022, the Group carried out improvement projects on production efficiency and product yield rate to increase energy efficiency, saving a total of 347 kilowatts of electricity and 64,000 tons of water. In terms of wastewater, waste gas and solid waste management, the Group complied with relevant laws and regulations and identified no violation of laws and regulations during the Review Period.

SOCIAL WELFARE ACTIVITIES

During the Review Period, the Group organized a number of voluntary activities, including environmental protection and greening, donation of anti-epidemic materials, social welfare plogging, and city history and culture learning. The Group's volunteer team collaborated with volunteer services in Huizhou to carry out 7 social welfare volunteer activities, including tree planting, social welfare plogging, cleaners and disabled people visiting, and urban adventure experience, recording a total of 353 hours of volunteer services. The volunteers' meticulous and good service earned praise from the organizers of the events.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 54 to 125.

The Board does not recommend the payment of any final dividend by the Company for the year ended 31 December 2022 (2021: none).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out on pages 6 to 8 of this annual report. Discussions on non-financial performance including human resources management initiatives and the Group's environmental policies and performance are disclosed in the section headed "Human Resources and Social Responsibility" of this annual report. The above discussions form part of this Report of the Directors.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business of the Group, discussion and analysis of the Group's performance during the year using key financial performance indicators, an account of the Group's key relationships with its stakeholders, particulars of important events affecting the Group that have occurred since the end of the financial year, if any, and the material factors underlying its results and financial position, and an indication of the likely future development in the business of the Group, is set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 12 of this annual report. Those discussions form part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has complied with regulations related to occupational safety, including but not limited to the Fire Prevention Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupation Diseases. The Group maintains the occupational safety of employees mainly by the following methods: weekly inspection of safety production risks including risks of fire, piling up of hazardous materials and electricity; regular disinfection of workplace and arranging professional medical institutions for physical examination for employees; accelerating the automatization of factories and assigning dangerous operation to machines to prevent employees from being injured.

The Group has also complied with regulations related to production materials and emission, including but not limited to the Environmental Protection Law of the People's Republic of China. The Group carries out supervision mainly by the following methods: regular commissioning of professional institutions to implement indicator monitoring on pollution discharge so as to meet the national standard; reasonable storage and isolation of dangerous materials; strict selection of suppliers and materials that meet the registration, evaluation, authorisation & restriction of chemicals ("REACH") standards and restriction of hazardous substances ("RoHS") standards of the European Union are given priority.

Any non-compliance with the relevant laws and regulations may cause interruption of the Group's production. As at 31 December 2022 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations which had a significant impact on the Company.

SIGNIFICANT RISKS AND UNCERTAINTIES

Some significant risk and uncertainties affecting the Group are outlined below. They are not exhaustive and there may be other additional risks and uncertainties which are now unknown or immaterial to the Group but could become material in future.

Coronavirus disease 2019 pandemic

In 2022, the resurgence of the COVID-19 pandemic and the relevant control measures implemented in Mainland China has caused supply chain disruptions and component shortages, resulting in reduced product inventory and production delays. On the other hand, border controls and lockdowns in Mainland China had further restricted local economic activities and hindered the recovery of the economy in Mainland China. This has further dampened the consumer sentiment, ultimately affecting the sales volume of smartphones. According to the data from China Academy of Information and Communications Technology, the overall shipment of mobile phones in the domestic market dropped to 272 million units in 2022, representing a year-on-year decrease of 22.6%, recorded the largest decline in history.

Fortunately, as the COVID-19 pandemic eased and vaccination programmes were gradually launched in Mainland China, the Chinese government has ushered in a rapid turnaround and relaxed a series of control measures in December 2022, which is believed to encourage the recovery of China's economy. As the pace of normalization in China gradually catches up with the rest of the world, it is believed that the risks posed by the Covid-19 pandemic to the Group's business will decrease accordingly. In addition, the Group has persistently sought to improve cost efficiency, improved the quality and efficiency, and proactively strengthen its presence in the industry and optimised its product portfolio, so as to continuously improve its competitiveness in the industry. In the long run, the Group remains cautiously optimistic about the long-term development prospects of the display module business.

Market competition

Substantially most of the Group's revenue were attributable to the revenue from sale of smartphone display modules for the consumer mobile device market. Therefore, the general state of the global economy, market condition and consumers' behaviour may have significant impact on the operating results and financial condition of the Group. The global market for the Group's products and services is highly competitive and is subject to ever-changing technological advancements, market development, changes in customer needs, evolving industry standards, and frequent product launches and upgrades.

To minimise the risks stated above, the Group continues to devote resources to research and development to broaden its product range and technology platforms and enhance its product competitiveness, which enables the Group to extend its reach to different end products so as to diversify its source of revenue and profit, and in turn reducing its dependency on one single type of products. In addition, through improved planning in the industry chain and leveraging on economies of scale, the Group has provided high-quality and customised services to first-tier customers, and has successfully formed strategic partnership with some first-tier brand customers in order to maintain robust profitability of the Group.

Foreign Exchange Risks

The Group reports its results in Renminbi but the Group's business and operations is facing the international market. Consequently, the Group is exposed to potential adverse impact of currency fluctuations on translation of the accounts. Although the Group actively manages its currency exposures, depreciation or fluctuation of the currencies in which the Group conducts its operations relative to the Renminbi could have a material adverse effect on the Group's financial condition and operational results.

The Group is committed to striking a balance among trades, assets and liabilities that are denominated in foreign currencies to achieve a natural hedging effect. The Group enters into various forward currency contracts from time to time to manage its exchange rate exposure. In addition, pursuant to the principle of prudent financial management, the Group has not conducted or engaged in any high-risk derivative transactions.

As regards the risks concerning the Group's customers and suppliers, please refer to the paragraph headed "Customers and Suppliers" under Management Discussion and Analysis on pages 11 and 12, which discussions form part of this Report of the Directors.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the relevant financial statements and restated and/or reclassified as appropriate, is set out on page 126. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 May 2023 to 1 June 2023 (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered during the said period. The record date for determining the entitlements of the shareholders of the Company to attend and vote at the AGM is 1 June 2023. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 25 May 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the financial statements.

SHARES ISSUED IN THE YEAR

Details of the Shares issued during the year ended 31 December 2022, together with the reasons therefore are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda ("Bermuda Law") which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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 year ended 31 December 2022.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in note 39 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to RMB167,911,000, none of which has been proposed as a final dividend for the year ended 31 December 2022. Under Bermuda Law, a company may make distribution to its shareholders out of contributed surplus.

DONATIONS AND CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2022, the Group did not make any donations or charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2022 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	18%
– the five largest suppliers combined	54%

Sales

– the largest customer	46%
– the five largest customers combined	92%

One of the five largest customers of the Group is a subsidiary of TCL Technology. As at 31 December 2022, (i) Mr. LIAO Qian, a non-executive Director, was deemed to be interested in 1,775,339 shares in TCL Technology (representing approximately 0.0104% of the issued share capital of TCL Technology) within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, hereinafter the "SFO"); (ii) Mr. OUYANG Hongping, an executive Director, was deemed to be interested in 517,605 shares in TCL Technology (representing approximately 0.0030% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO; (iii) Mr. ZHANG Feng, an executive Director, was deemed to be interested in 1,500,067 shares in TCL Technology (represent approximately 0.0088% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO; and (iv) Mr. WEN Xianzhen, an executive Director, was deemed to be interested in 89,986 shares in TCL Technology (represent approximately 0.0005% of the issued share capital of TCL Technology) within the meaning of Part XV of the SFO. Save as aforesaid, none of the Directors of the Company, their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors of the Company during the year ended 31 December 2022 and up to the date of this report were:

Non-Executive Director

Mr. LIAO Qian (Chairman)

Executive Directors

Mr. OUYANG Hongping (Chief Executive Officer)
Mr. WEN Xianzhen
Mr. ZHANG Feng

Independent Non-Executive Directors

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

According to bye-law 83(2) of the Bye-laws, any person appointed as a Director to fill a casual vacancy on the Board shall hold office until the first annual general meeting of members of the Company after his appointment and be subject to re-election at such meeting.

According to bye-law 84(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

According to bye-law 84(2) of the Bye-laws, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to bye-law 83(2) of the Bye-laws and therefore required to retire shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Mr. WEN Xianzhen, Ms. HSU Wai Man, Helen and Mr. LI Yang shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM. An ordinary resolution will also be proposed at the forthcoming AGM for the purpose of authorising the Board to fix the Directors' remuneration.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the Directors and the five highest paid individuals (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on page 27 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the Directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements. The Group's contribution to the MPF Scheme are expensed as incurred and not reduced by forfeited contribution (by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as otherwise disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year ended 31 December 2022.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries.

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

As at 31 December 2022, 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 SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or 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	Nature of interest	Number of Ordinary Shares Held Personal Interest	Number of Shares Held under Equity Derivatives *(Note 1)*	Total	Approximate Percentage of Issued Share Capital of the Company *(Note 2)*
OUYANG Hongping	Beneficial owner	14,037,998	–	14,037,998	0.66%

Note:

1. These equity derivatives were outstanding share options granted to the relevant Directors under the share option scheme of the Company.

2. Such percentage was calculated based on the number of Shares and underlying Shares of the Company in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at 31 December 2022, being 2,114,307,929 Shares in issue.

Interests in Associated Corporation of the Company – Long Positions

TCL Technology *(Note 1)*

Name of Director	Nature of interest	Number of Ordinary Shares Held		Number of Shares Held under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Technology *(Note 3)*
		Personal Interest	Other Interest *(Note 2)*			
LIAO Qian	Beneficial owner	481,306	1,294,033	–	1,775,339	0.0104%
OUYANG Hongping	Beneficial owner	34,654	482,951	–	517,605	0.0030%
WEN Xianzhen	Beneficial owner	–	89,986	–	89,986	0.0005%
ZHANG Feng	Beneficial owner	511,756	988,311	–	1,500,067	0.0088%

Notes:

1. TCL Technology, a joint stock limited company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

2. These interests are incentive shares that has been granted to the relevant Director under the incentive scheme adopted by TCL Technology and were not vested as at 31 December 2022.

3. Such percentage was calculated based on the number of issued share capital of TCL Technology as at 31 December 2022, being 17,071,891,607 Shares in issue, as informed by TCL Technology.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executives 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) that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate percentage of issued share capital of the Company *(Note 3)*
TCL Technology	Interest of controlled corporation	1,357,439,806 *(Note 1)*	64.20%
TCL CSOT	Interest of controlled corporation	1,357,439,806 *(Note 2)*	64.20%

Notes:

1. For the purpose 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 CSOT which is owned as to 80.03% by TCL Technology as at 31 December 2022.

2. For the purpose of Part XV of the SFO, TCL CSOT 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 CSOT.

3. 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 31 December 2022, being 2,114,307,929 Shares.

4. As at 31 December 2022, the following Directors were directors/employees of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

   (a) Mr. LIAO Qian was also an executive director, senior vice president and the secretary of the board of directors of TCL Technology;

   (b) Mr. OUYANG Hongping was also a senior vice president of TCL CSOT, a director of Wuhan CDOT and Wuhan CSOT; and

   (c) Mr. ZHANG Feng was also the legal representative of Wuhan CSOT and Wuhan CDOT, the senior vice president of TCL CSOT and a director of Wuhan China Star Optoelectronics Semiconductor Display Technology Company Limited* (武漢華星光電半導體顯示技術有限公司，a subsidiary of TCL CSOT).

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executives of the Company whose interests or short positions are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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", the share option scheme as disclosed under the heading "Share Option Scheme", and the share award scheme as disclosed under the heading "Share Award Scheme" in this annual report, at no time during the year ended 31 December 2022 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 the Company or any other body corporate.

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 ("Share Option Scheme") with effect from the resumption of trading in the Company's shares on the Stock Exchange on 25 June 2015 and, unless otherwise terminated, will remain in force for 10 years from that date until 24 June 2025. The purpose of the Share Option Scheme is to recognise, motivate and provide incentives and rewards to the eligible participants who contribute to the success of the Group's operations, and to 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. 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 has not yet been amended according to the latest amendments to Chapter 17 of the Listing Rules which took effect from 1 January 2023.

The total number of Shares 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 in issue on the date of approval 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 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 issued Shares from time to time. The maximum number of shares issued or to be issued upon exercise of share options granted to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% (or 0.1% for any substantive shareholder, independent non-executive director or other associates) of the issued Shares unless otherwise approved by the Shareholders at a general meeting 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 by each grantee (and upon payment of a non-refundable nominal consideration of HK$1.00 by each grantee) until 5:00 p.m. of the 5th business day following the date of offer, provided that no such offer shall be open for acceptance after the expiry or termination of the Share Option Scheme. The Share Option Scheme does not specify any minimum holding period or vesting 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 Board, 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 is determined by the Board, 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 Shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares. Share options do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

For further details, please refer to note 28 to the financial statements in this annual report. Both as at 31 December 2022 and as at 20 April 2023, being the latest practicable date of this annual report, the total number of Shares available for issue in respect of the Share Option Scheme was 172,149,980 shares, representing approximately 8.14% of the then issued Shares as at both 31 December 2022 and 20 April 2023.

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 28 to the financial statements in this annual 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 31 December 2022, there was no outstanding share options. Both as at 1 January 2022 and 31 December 2022, the number of Shares that could be issued upon exercise of all share options that could be granted under the then available scheme mandate limit were 172,149,980 Shares, which represented about 8.14% of the issued Shares as at both 1 January 2022 and 31 December 2022.

Movements of the outstanding share options under the Share Option Scheme during the year ended 31 December 2022 are as follows:

	Number of share options										
Name or category of participant	As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period *(Note 4)*	Cancelled during the period	Forfeited during the period	As at 31 December 2022	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
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	19,842,960	–	–	19,842,960	–	–	–	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:

1. (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.

2. 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 Industries Holdings Co., Ltd.* (TCL實業控股股份有限公司) and/or their subsidiaries.

3. Subject to the fulfilment 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.

4. The 32,806,987 share options lapsed in accordance to the terms of the Share Option Scheme were regarded as expired under applicable accounting standards. For further details, please refer to note 28 to the financial statements.

During the year ended 31 December 2022, no share was issued pursuant to the Share Option Scheme, whilst a total of 32,806,987 share options lapsed in accordance with the terms of the Share Option Scheme.

SHARE AWARD SCHEME

The Board resolved to adopt the share award scheme ("Share Award Scheme") with effect from 17 March 2016. The purposes and objectives of the Share Award Scheme are to recognise and motivate the contribution of its participants and to provide them with incentives, to help the Company in retaining its existing employees and attracting and recruiting suitable personnel as additional employees for further development of the Group, and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The specific mandate for the issuance and allotment of new shares as awarded Shares pursuant to the Share Award Scheme was subsequently approved by the special general meeting of the Company on 11 May 2016. On 9 August 2017, the Share Award Scheme was amended by the Board, 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. Unless otherwise terminated, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from 17 March 2016 until 16 March 2026. The Share Award Scheme has not yet been amended according to the latest amendments to Chapter 17 of the Listing Rules which took effect from 1 January 2023.

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 (i.e. TCL Technology and its subsidiaries and companies which, in accordance with the generally accepted accounting principles in the PRC, is recorded as an affiliated companies in the financial statements of TCL Technology, which shall include any companies in which TCL Technology is directly or indirectly interested in not less than 20% of its issued share capital (or in case such companies have no share capital, a power to exercise or control the exercise not less than 20% of voting in its members' meeting)) 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 administrating 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.

Subject to the refreshment of the scheme limit and the adjustment in the event of consolidation or subdivision of shares, the Board shall not make any further award of awarded Shares which will result in: (i) the aggregate number of the Shares awarded under the Share Award Scheme exceeding 10% of the issued Share capital of the Company as at the date of adoption of the Share Award Scheme (i.e. 172,149,980 Shares); and (ii) the aggregate number of the Shares held by public Shareholders falling below the minimum percentage as prescribed under the Listing Rules.

Unless otherwise approved by the Shareholders and subject to the adjustment in the event of consolidation or subdivision of Shares, 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 as at the date of approval of the Share Award Scheme (i.e. 51,644,994 Shares) or the latest new approval date (i.e. latest date on which the relevant Shareholders' approval of the refreshed scheme limit is obtained), as the case may be.

Unless otherwise approved by the Shareholders and subject to the adjustment in the event of consolidation or subdivision of Shares, the maximum number of Shares which may be awarded to (i.e. the maximum entitlement of) any one participant in a 12-month period shall not exceed 1% of the issued share capital of the Company as at the adoption date of the Share Award Scheme (i.e. 17,214,998 Shares) or the latest new approval date (i.e. latest date on which the relevant Shareholders' approval of the refreshed scheme limit is obtained), as the case may be, provided that the aggregate interests of the connected persons in the Share Award Scheme shall at all time be less than 30%.

The Share Award Scheme does not specify any minimum vesting period. Pursuant to the Share Award Scheme, the Board has the authority to determine, among other things, the vesting period and schedule, the number and form of awarded Shares, and the terms and conditions for each grant of Award in respect of the Awards. In general, the grantees of the Award are not required to pay for the awarded Shares.

During the year ended 31 December 2022, no Award has been granted, vested, cancelled, lapsed or deducted. There is no outstanding or unvested Award granted under the Share Award Scheme as at 1 January 2022 and as at 31 December 2022.

Since the adoption date of the Share Award Scheme and up to 31 December 2022, 103,289,988 Shares in aggregate have been granted under the Share Award Scheme, of which 102,946,488 Shares had been vested, and 343,500 Shares had been forfeited. Accordingly, both as at 1 January 2022 and as at 31 December 2022, an aggregate of 68,859,992 awarded Shares were available for grant in the form of existing Shares or new Shares under the existing scheme mandate/scheme limit of the Share Award Scheme, and hence an aggregate of 68,859,992 Shares can be issued under the Share Award Scheme, which represented approximately 3.26 % of the issued Shares of the Company as at 1 January 2022, 31 December 2022 and 20 April 2023, being the latest practicable date of this annual report. For further details, please see note 27 to the financial statements

During the year ended 31 December 2022, the Company has not granted any share options under the Share Option Scheme or Awards under the Share Award Scheme. As disclosed above, as at 1 January 2022, an aggregate of 32,806,987 share options of the Company and nil Award were outstanding/unvested and hence an aggregate of 32,806,987 Shares may be issued out of the aforesaid outstanding/unvested share options and Award granted under the Share Option Scheme and Share Award Scheme of the Company (representing approximately 1.55% of the weighted average number of Shares in issue for the year ended 31 December 2022). The aforesaid 32,806,987 share options of the Company lapsed in accordance with the terms of the Share Option Scheme on 17 March 2022.

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CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group entered into a number of connected transactions with TCL Technology (being the ultimate controlling shareholder of the Company) and its subsidiaries and/or its associates (as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are fully exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2022:

(a) Pursuant to the Master Financial Services (2020 Renewal) Agreement dated 2 December 2019 entered into among the Company, TCL Technology and TCL Finance Co., Ltd.* (TCL集團財務有限公司, hereinafter "Finance Company", a subsidiary of TCL Technology) with a term from 1 January 2020 to 31 December 2022, the Company may from time to time utilise the financial services provided by TCL Financial Services Associates (as defined in the circular of the Company dated 9 December 2019) including deposit services, financing services and other financial services, and the Company may from time to time provide promotion services to TCL Financial Services Associates.

During the year ended 31 December 2022, (i) the maximum outstanding daily ending balances of deposits (including interest receivables in respect of these deposits and deposits as security) due from the Finance Company was RMB1,040,077,000; (ii) aggregate face value of bills discounted was nil; (iii) financial service charges of nil in respect of other financial services has been paid by the Group and (iv) promotion fee of nil has been received by the Group pursuant to the Master Financial Services (2020 Renewal) Agreement.

As at 31 December 2022, the relevant balance of advance to TCL Technology under the meaning of Chapter 13 of the Listing Rules amounted to RMB41,527,266, which comprised of deposits placed with TCL Finance Co., Ltd. pursuant to the Master Financial Services (2020 Renewal) Agreement with interest rates ranging from 1.3% to 2.75% per annum repayable within one year and without collateral.

Further details of the Master Financial Services (2020 Renewal) Agreement are set out in the circular of the Company dated 9 December 2019.

(b) Pursuant to the Master Sale and Purchase (2022-2024) Agreement dated 24 November 2021 entered into between the Company and TCL Technology for a term commencing from 1 January 2022 to 31 December 2024, the Group (i) purchased materials from members of TCL Technology Group and/or associates of TCL Technology amounting to RMB156,504,000, and (ii) sold products to members of TCL Technology Group and/or associates of TCL Technology amounting to RMB1,335,122,000, during the year ended 31 December 2022.

The respective aggregate amount of purchase of materials from TCL Technology Group and/or associates of TCL Technology by the Group and aggregate amount of sales of products to TCL Technology Group and/or associates of TCL Technology during the year ended 31 December 2022 did not exceed 50% of the Group's then total revenue in the year ended 31 December 2022.

Further details of the Master Sale and Purchase (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.

(c) Pursuant to the Master Processing (2022-2024) Agreement dated 24 November 2021 entered into between the Company and TCL Technology for a term commencing from 1 January 2022 to 31 December 2024, if any member of TCL Technology Group and/or associates of TCL Technology so requests, the Group may from time to time process raw materials into semi-finished materials and/or finished goods, and the Group received processing fee from TCL Technology Group and/or associates of TCL Technology amounting to RMB35,585,000 during the year ended 31 December 2022.

Further details of the Master Processing (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.

(d) Pursuant to the Master Human Resources Subcontracting (2022-2024) Agreement dated 24 November 2021 entered into between the Company and Huizhou TCL Human Resources Services Company Limited* (惠州TCL人力資源服務有限公司, hereinafter "Huizhou TCL", an associate of TCL Technology) (Huizhou TCL and its subsidiaries together referred to as "Huizhou TCL Group") for a term commencing from 1 January 2022 to 31 December 2024, the Group may from time to time engage the Huizhou TCL Group for provision of human resources services. During the year ended 31 December 2022, service fees in the amount of RMB1,516,000 have been paid by the Group to the Huizhou TCL Group for the human resources services.

Further details of the Master Human Resources Subcontracting (2022-2024) Agreement are set out in the circular of the Company dated 30 November 2021.

(e) Pursuant to the Master Import Agency and Logistics Services (2022-2024) Agreement dated 13 December 2021 entered into between the Company and Shenzhen Qianhai Sailing Supply Chain Management Co. Ltd.* (深圳前海啟航供應鏈管理有限公司, hereinafter "Qianhai Sailing", an associate of TCL Technology) for a term commencing from 1 January 2022 to 31 December 2024, the Group utilised the logistics services and import agency services provided by Qianhai Sailing and paid RMB2,549,000 to Qianhai Sailing as service fees during the year ended 31 December 2022.

Further details of the Master Import Agency and Logistics Services (2022-2024) Agreement are set out in the announcement of the Company dated 13 December 2021.

All the related party transactions set out in note 34 to the financial statements (except for transactions with Shenzhen Jucai Supply Chain Technology Co., Ltd.* (深圳聚采供應鏈科技有限公司, an affiliate of TCL Technology) (which included purchases of plant, vehicles, furniture and fixtures of RMB2,052,000 and purchases of products of RMB45,950,000) and transactions with TCL Holdings and its then affiliates or associates) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions, and confirmed that such continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange. Ernst & Young has confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions entered into during the year ended 31 December 2022, (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) nothing has come to their attention that causes them to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2022 and up to the date of this report, none of the Directors has any interest in business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACT

Save for employment contracts, no contracts concerning the management and administration of the whole or substantial part of any business of the Company were entered into or subsisted during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that each Director or other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all losses which he or she may incur or sustain in or about the execution of the duties of his or her office. The Company has taken out and maintained Directors' liability insurance which provides aforesaid indemnities with appropriate cover for the Directors and directors of the subsidiaries of the Company. The permitted indemnity provisions (within the meaning in section 469 of the Companies Ordinance, Cap. 622 of Laws of Hong Kong) contained in the Bye-laws and the Directors' liability insurance were in force during the financial year ended 31 December 2022 and as at the date of this annual report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Share Award Scheme as disclosed in the paragraphs headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" in this Report of the Directors, no equity linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreement that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the said period.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 17 to 33 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all Directors and all of them have confirmed that they have complied with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total number of issued Shares was held by the public for the year ended 31 December 2022 and up to the date of this annual report.

AUDIT COMMITTEE

The Audit Committee is responsible for 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 chairperson), Mr. XU Yan and Mr. LI Yang, all of whom are independent non-executive Directors of the Company. The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

LIAO QIAN
Chairman

Hong Kong
30 March 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Display Optoelectronics Technology Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Display Optoelectronics Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 125, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Inventories provision	
The Group is principally engaged in the research and development, manufacture, sale and distribution of liquid crystal display ("LCD") modules. The Group's inventories are subject to the significant risk of obsolescence accompanying with the rapid technology development of the LCD module industry. Significant management judgement is accordingly involved when determining the extent of write-down of inventories to net realisable value. Management is required to estimate the respective future selling prices and selling costs to determine if any provision should be made or should be reversed. Details of the inventory provision are disclosed in note 3 and note 6 to the consolidated financial statements.	We assessed the process and methods used by management to make provision for obsolete inventories. Our assessment included evaluating management's inventory ageing profiles, selecting samples covering each ageing period of the ageing reports and checking the original goods receipt notes and invoices. We evaluated the inventory's net realisable value, on a sample basis, by comparing the forecast selling price and estimated costs to completion to existing contracts and recent market prices. Furthermore, we considered the subsequent sales trend analysis and assessed management's sales plan. We reviewed and assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**4,208,350**	5,840,094
Cost of sales		**(3,864,606)**	(5,345,462)
Gross profit		**343,744**	494,632
Other income and gains, net	5	**70,124**	43,854
Selling and distribution expenses		**(39,824)**	(74,387)
Administrative expenses		**(173,143)**	(239,120)
Reversal of impairment on financial assets		**8**	1,303
Other expenses		**(31,557)**	(3,767)
Finance costs	7	**(1,646)**	(2,627)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**167,706**	219,888
Income tax credit/(expense)	10	**1,319**	(53,400)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**169,025**	166,488
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	33,223
PROFIT FOR THE YEAR		**169,025**	199,711
Attributable to:			
Owners of the parent		**169,025**	193,215
Non-controlling interests		**–**	6,496
		169,025	199,711
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	12		
Basic			
– For profit for the year		**RMB8.06 cents**	RMB9.22 cents
– For profit from continuing operations		**RMB8.06 cents**	RMB7.94 cents
Diluted			
– For profit for the year		**RMB8.06 cents**	RMB9.22 cents
– For profit from continuing operations		**RMB8.06 cents**	RMB7.94 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**169,025**	199,711
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(357)**	(189)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(357)**	(189)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(357)**	(189)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**168,668**	199,522
Attributable to:		
Owners of the parent	**168,668**	193,026
Non-controlling interests	**–**	6,496
	168,668	199,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**582,110**	443,546
Intangible assets	16	**16,262**	4,515
Goodwill	15	**3,011**	–
Deposits paid for purchase of items of property, plant and equipment	19	**12,385**	12,758
Deferred tax assets	25	**11,767**	21,898
Right-of-use assets	14(a)	**30,896**	31,552
Time deposits	21	**19,000**	19,000
Total non-current assets		**675,431**	533,269
CURRENT ASSETS			
Inventories	17	**135,129**	405,647
Trade and bills receivables	18	**730,865**	824,740
Prepayments and other receivables	19	**745,551**	64,959
Derivative financial instruments	20	**14,233**	5,005
Cash and cash equivalents	21	**278,972**	1,053,445
Total current assets		**1,904,750**	2,353,796
CURRENT LIABILITIES			
Trade payables	22	**1,072,636**	1,477,768
Other payables and accruals	23	**380,273**	420,427
Derivative financial instruments	20	**5,220**	6,151
Interest-bearing bank and other borrowings	24	**2,815**	76,224
Lease liabilities	14(b)	**532**	2,924
Tax payable		**42,905**	54,637
Total current liabilities		**1,504,381**	2,038,131
NET CURRENT ASSETS		**400,369**	315,665
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,075,800**	848,934
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**59,508**	2,000
Lease liabilities	14(b)	**562**	215
Deferred income		**13,695**	15,222
Deferred tax liabilities	25	**1,870**	–
Total non-current liabilities		**75,635**	17,437
Net assets		**1,000,165**	831,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*26*	**172,134**	172,134
Reserves	*29*	**828,031**	659,363
		1,000,165	831,497
Total equity		**1,000,165**	831,497

Ouyang Hongping
Director

Wen Xianzhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent											
	Share capital RMB'000 (note 26)	Share premium account RMB'000 (note 26)	Capital reserve RMB'000 (note 29)	Contributed surplus RMB'000 (note 29)	Share option reserve RMB'000 (note 28)	Share award reserve RMB'000 (note 27)	Shares held for the Share Award Scheme RMB'000 (note 27)	Statutory surplus reserve RMB'000 (note 29)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000 (note 31)	Total equity RMB'000
At 1 January 2021	172,118	79,331	(77,680)	167,911	8,628	50	(13,080)	63,610	(2,306)	240,486	111,436	750,504
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	193,215	6,496	199,711
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	(189)	–	–	(189)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	–	(189)	193,215	6,496	199,522
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(117,932)	(117,932)
Appropriations to statutory surplus reserve	–	–	–	–	–	–	–	17,294	–	(17,294)	–	–
Share options exercised	16	145	–	–	(44)	–	–	–	–	–	–	117
Equity-settled share option arrangements	–	–	–	–	(714)	–	–	–	–	–	–	(714)
At 31 December 2021	**172,134**	**79,476***	**(77,680)***	**167,911***	**7,870***	**50***	**(13,080)***	**80,904***	**(2,495)***	**416,407***	**–**	**831,497**

	Attributable to owners of the parent										
	Share capital *RMB'000* *(note 26)*	**Share premium account *RMB'000* *(note 26)***	**Capital reserve *RMB'000* *(note 29)***	**Contributed surplus *RMB'000* *(note 29)***	**Share option reserve *RMB'000* *(note 28)***	**Share award reserve *RMB'000* *(note 27)***	**Shares held for the Share Award Scheme *RMB'000* *(note 27)***	**Statutory surplus reserve *RMB'000* *(note 29)***	**Exchange fluctuation reserve *RMB'000***	**Retained profits *RMB'000***	**Total equity *RMB'000***
At 1 January 2022	**172,134**	**79,476**	**(77,680)**	**167,911**	**7,870**	**50**	**(13,080)**	**80,904**	**(2,495)**	**416,407**	**831,497**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169,025**	**169,025**
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(357)**	**–**	**(357)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(357)**	**169,025**	**168,668**
Appropriations to statutory surplus reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,698**	**–**	**(19,698)**	**–**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**–**	**(7,870)**	**–**	**–**	**–**	**–**	**7,870**	**–**
At 31 December 2022	**172,134**	**79,476***	**(77,680)***	**167,911***	**–***	**50***	**(13,080)***	**100,602***	**(2,852)***	**573,604***	**1,000,165**

* *These reserve accounts comprise the reserves of RMB827,776,000 (2021: RMB659,363,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**167,706**	219,888
From a discontinued operation		**–**	40,718
Adjustments for:			
Finance costs	7	**1,646**	2,627
Bank interest income		**(20,050)**	(21,151)
(Gain)/loss on disposal of items of property, plant and equipment		**(88)**	509
Gain on disposal of a subsidiary		**–**	(10,822)
Depreciation		**63,850**	135,743
Amortisation of intangible assets		**2,829**	2,107
Depreciation of right-of-use assets	14(a)	**14,089**	14,223
Impairment/(reversal of impairment) of trade and bills receivables	6	**1**	(110)
Reversal of impairment of other receivables	6	**–**	(118)
Write-down/(reversal of write-down) of inventories to net realisable value	6	**526**	(1,769)
Equity-settled share option expense	6	**–**	(714)
Realised loss on derivative financial instruments		**28,619**	–
Covid-19-related rent concessions from lessors	14(c)	**(72)**	(6)
Exchange losses, net		**(16,991)**	1,406
		242,065	382,531
Decrease in inventories		**270,401**	192,613
Decrease in trade and bills receivables		**95,178**	55,150
Decrease/(increase) in prepayments, deposits and other receivables		**12,459**	(1,674)
Decrease in trade payables		**(405,973)**	(54,710)
(Decrease)/increase in other payables and accruals		**(43,562)**	68,305
(Increase)/decrease in derivative financial instruments		**(10,159)**	1,151
Decrease in deferred income		**(1,527)**	(3,733)
Cash from operations		**158,882**	639,633
Mainland China taxes paid		**(29,391)**	(39,378)
Net cash flows from operating activities		**129,491**	600,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**20,050**	21,151
Purchases of items of property, plant and equipment		**(169,700)**	(238,889)
Purchases of items of intangible assets	16	**(1,218)**	(816)
Proceeds from disposal of items of property, plant and equipment		**844**	1,538
Increase in time deposits	21	**–**	(19,000)
Advances to the ultimate holding company		**(693,247)**	–
Acquisition of a subsidiary	30	**(50,133)**	–
Proceeds from disposal of financial assets at fair value through profit or loss, net		**6,110**	–
Disposal of a subsidiary	31	**–**	282,807
Net cash flows (used in)/from investing activities		**(887,294)**	46,791

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**–**	117
New bank loans and other borrowings		**60,323**	73,224
Repayment of bank loans		**(52,224)**	(43,792)
Repayment of other loans		**(24,000)**	–
Repayment of bonds payable		**–**	(8,417)
Interest paid		**(1,652)**	(15,994)
Principal portion of lease payments	*32(b)*	**(15,838)**	(13,908)
Net cash flows used in financing activities		**(33,391)**	(8,770)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(791,194)**	638,276
Cash and cash equivalents at beginning of year	*21*	**1,053,445**	416,730
Effect of foreign exchange rate changes, net		**16,721**	(1,561)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*21*	**278,972**	1,053,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**268,371**	883,445
Non-pledged time deposits with original maturity of less than three months when acquired	*21*	**10,601**	170,000
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	*21*	**278,972**	1,053,445

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 year ended 31 December 2022, 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, and the provision of processing service of LCD modules.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are High Value Ventures Limited, a limited liability company incorporated in the British Virgin Islands, and TCL Technology Group Corporation (formerly known as "TCL Corporation"), a limited liability company registered in the People's Republic of China (the "PRC") and listed on the Shenzhen Stock Exchange, respectively.

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	RMB451,686,900	RMB451,686,900	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and processing service of LCD modules
Huizhou Kedate Zhixian Technology Co., Ltd. ("Kedate Zhixian")*	PRC/Mainland China	RMB51,000,000	RMB51,000,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and 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

* *CDOT Huizhou and Kedate Zhixian are registered as limited liability companies under PRC law.*

During the year, the Group acquired Kedate Zhixian from an associate of TCL Industries Holdings Co., Ltd. ("TCL Holdings"). Further details of this acquisition are included in notes 30 and 34(b) to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 *Effective for annual periods beginning on or after 1 January 2023*

2 *Effective for annual periods beginning on or after 1 January 2024*

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion*

5 *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

6 *An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at these financial statements set out in this report are set out below:

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	14% to 32%
Office and other equipment	14% to 32%
Leasehold improvements	19% to 44%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Plant and properties	12 to 44 months
Equipment	13 months

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *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 lease. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative financial instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2– Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and other borrowings, financial liabilities at fair value through profit or loss and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, derivative financial instruments, interest-bearing bank and other borrowings and bonds payable.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of industrial products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the LCD module products.

Processing and manufacturing services

Revenue from processing and manufacturing service is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the LCD module products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates the Share Award Scheme and the Share Option Scheme (as defined in note 27 and note 28 to the financial statements, respectively) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each year until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

As disclosed in note 27 to the financial statements, the Group has engaged a trustee to administer the Share Award Scheme, where the trustee may purchase shares issued by the Company from the market as awards to the relevant participants. The consideration paid by the Company, including any directly attributable incremental costs, is presented as "shares held for the Share Award Scheme" and deducted from the Group's equity.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries in accordance with the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is HKD and these financial statements are presented in RMB. Most of the turnover of the Group is contributed by the business in Mainland China and the presentation currency of RMB could provide users of the financial statements with more comparable information with other companies in similar industries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in these financial statements:

Tax

The New PRC Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors in respect of its earnings, from 1 January 2008 or thereafter, shall be subject to withholding corporate income tax at an applicable rate of 5% or 10%. The Group evaluates the necessity of dividend distribution of its subsidiaries established in Mainland China out of profits earned after 1 January 2008 and makes decisions on such dividend distributions based on senior management's judgement. As at 31 December 2022, the aggregate unremitted earnings of RMB609,304,000 (31 December 2021: RMB437,582,000) of the Group's subsidiaries established in Mainland China that are subject to withholding taxes were considered to be not probable to distribute in the foreseeable future and accordingly, the related deferred tax liabilities of RMB30,465,000 as at 31 December 2022 (31 December 2021: RMB21,879,000) were not recognised.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each year and makes a provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the year in which such estimates have been changed. During the year ended 31 December 2022, the amount of write-down of the inventories recognised in the consolidated statement of profit or loss was RMB526,000 (31 December 2021: reversal of write-down of RMB883,000).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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 product 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

	2022 RMB'000	2021 RMB'000
Mainland China*	**1,973,836**	3,234,790
Other countries/areas	**2,234,514**	2,605,304
	4,208,350	5,840,094

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

* *Mainland China means the People's Republic of China 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 RMB1,762,880,000 during the year ended 31 December 2022 (year ended 31 December 2021: RMB2,887,222,000) was derived from sales to related parties of the Company.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**4,208,350**	5,840,094

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	LCD modules RMB'000
Types of goods or services	
Sale of industrial products	**4,172,765**
Processing and manufacturing services	**35,585**
Total revenue from contracts with customers	**4,208,350**
Geographical markets	
Mainland China	**1,973,836**
Hong Kong	**2,232,800**
Thailand	**1,714**
Total revenue from contracts with customers	**4,208,350**
Timing of revenue recognition	
Goods and services transferred at a point in time	**4,208,350**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2021

Segments	LCD modules *RMB'000*
Type of goods or services	
Sale of industrial products	5,794,994
Processing and manufacturing services	45,100
Total revenue from contracts with customers	5,840,094
Geographical markets	
Mainland China	3,234,790
Hong Kong	2,588,660
Vietnam	15,803
Thailand	841
Total revenue from contracts with customers	5,840,094
Timing of revenue recognition	
Goods and services transferred at a point in time	5,840,094

(b) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the LCD module products and the payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Processing and manufacturing services

The performance obligation is satisfied upon delivery of the LCD module products.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	2022 **RMB'000**	2021 RMB'000
Other income		
Bank interest income	**20,050**	21,151
Subsidy income*	**13,052**	4,492
Gain on disposal of raw materials, samples and scraps	**–**	9,610
Others	**219**	601
	33,321	35,854
Other net gain		
Exchange gains	**23,732**	–
Fair value gains, net:		
Derivative financial instruments		
– transactions not qualifying as hedges	**9,785**	–
Realised gain on derivative financial instruments	**3,286**	8,000
	36,803	8,000
	70,124	43,854

* *Subsidy income represents various government grants received from the relevant government authorities to support the development of the relevant projects of the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.*

6. PROFIT BEFORE TAX

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

	2022 **RMB'000**	2021 RMB'000
Cost of inventories sold*	**3,866,531**	5,345,462
Depreciation of property, plant and equipment	**63,850**	77,467
Amortisation of intangible assets	**2,829**	1,908
Depreciation of right-of-use assets	**14,089**	14,223
Auditor's remuneration	**1,233**	1,020
Research and development costs^:		
Current year expenditures	**132,047**	188,857
Lease payments not included in the measurement of lease liabilities	**886**	4,359
Employee benefit expense (including directors' remuneration *(note 8)*):		
Wages and salaries	**256,745**	344,498
Equity-settled share option expense	**–**	(714)
Pension scheme contributions	**22,450**	23,423
	279,195	367,207
Exchange (gains)/losses, net	**(23,732)**	1,420
Realised loss on derivative financial instruments***	**28,619**	–
Impairment/(reversal of impairment) of trade and bills receivables	**1**	(110)
Reversal of impairment of other receivables	**–**	(118)
Write down/(reversal of write-down) of inventories to net realisable value**	**526**	(883)
(Gains)/Loss on disposal of items of property, plant and equipment	**(88)**	501

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

* *The amount included the aggregate of wages and salaries, depreciation, amortisation and lease payments of RMB265,670,000 (31 December 2021: RMB351,598,000) which have been included in the respective expense items disclosed below.*

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

*** *Realised loss on derivative financial instruments is included in "Other expenses" in the consolidated statement of profit or loss.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank loans and other borrowings	**725**	928
Interest on lease liabilities *(note 14 (b))*	**432**	362
Interest on discounted bills	**489**	1,337
	1,646	2,627

8. DIRECTORS' REMUNERATION

Directors' remuneration during the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Fees	**465**	447
Other emoluments:		
Salaries, allowances and benefits in kind	**1,493**	1,264
Performance related bonuses	**4,310**	2,206
Pension scheme contributions	**89**	58
	5,892	3,528
	6,357	3,975

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
2022			
Ms. HSU Wai Man Helen	**155**	**–**	**155**
Mr. XU Yan	**155**	**–**	**155**
Mr. LI Yang	**155**	**–**	**155**
	465	**–**	**465**

	Fees *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
2021			
Ms. HSU Wai Man Helen	149	–	149
Mr. XU Yan	149	–	149
Mr. LI Yang	149	–	149
	447	–	447

All the independent non-executive directors were appointed with effect from 25 June 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

2022	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
Executive directors:							
Mr. OUYANG Hongping	–	910	3,060	68	–	–	4,038
Mr. WEN Xianzhen	–	583	1,250	21	–	–	1,854
Mr. ZHANG Feng	–	–	–	–	–	–	–
Non-executive director:							
Mr. LIAO Qian	–	–	–	–	–	–	–
	–	1,493	4,310	89	–	–	5,892

2021	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
Executive directors:							
Mr. OUYANG Hongping	–	736	1,200	37	–	–	1,973
Mr. WEN Xianzhen	–	528	1,006	21	–	–	1,555
Mr. ZHAO Jun*	–	–	–	–	–	–	–
Mr. ZHANG Feng*	–	–	–	–	–	–	–
Non-executive director:							
Mr. LIAO Qian	–	–	–	–	–	–	–
	–	1,264	2,206	58	–	–	3,528

* *Mr. ZHAO Jun resigned as an executive director of the Company and Mr. ZHANG Feng was appointed as an executive director of the Company with effect from 4 March 2021.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two director (2021: two), details of whose remuneration are set out in note 8 above. Details of the remuneration during the year of the remaining three (2021: three) non-directors of the Company are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Salaries, allowances and benefits in kind	**1,182**	2,294
Performance related bonuses	**3,441**	1,604
Pension scheme contributions	**82**	75
	4,705	3,973

The number of non-directors highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$1,500,001 to HK$2,000,000	**3**	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 RMB'000	2021 RMB'000
Current		
Charge for the year	**28,633**	56,766
Adjustment in respect of current tax of previous periods*	**(39,940)**	(3,333)
Deferred	**9,988**	(33)
Total tax (credit)/charge for the year from continuing operations	**(1,319)**	53,400
Total tax charge for the year from a discontinued operation	**–**	7,495
	(1,319)	60,895

* During the second quarter of 2022, the Group obtained confirmation from the relevant tax bureau as to its eligibility to the preferential tax rate applicable to the 2021 annual income tax filing. Thus, the provisional income tax previously paid for 2021 was refunded accordingly and corresponding adjustment to the current income tax expense of such prior year was made.

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

2022

	Mainland China RMB'000	%	Hong Kong RMB'000	%	British Virgin Islands and Bermuda RMB'000	%	Total RMB'000	%
Profit before tax	193,158		(21,897)		(3,555)		167,706	
Tax at the statutory tax rate	28,989	15.0	(3,613)	16.5	–	–	25,376	15.1
Income not subject to tax	–	–	2,851	(13.0)	–	–	2,851	1.7
Expenses not deductible for tax and others	728	0.4	–	–	–	–	728	0.4
Adjustment in respect of current tax of previous periods	(39,940)	(20.7)	–	–	–	–	(39,940)	(23.8)
Effect on opening deferred tax of decrease in rates	8,759	4.5	–	–	–	–	8,759	5.2
Deductible temporary differences not recognised	–	–	(9)	–	–	–	(9)	–
Tax loss not recognised	–	–	916	(4.2)	–	–	916	0.5
Tax charge at the Group's effective tax rate	(1,464)	(0.8)	145	(0.7)	–	–	(1,319)	(0.8)

10. INCOME TAX (Continued)

2021

	Mainland China		Hong Kong		British Virgin Islands and Bermuda		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax from continuing operations	220,736		3,714		(4,562)		219,888	
Profit before tax from a discontinued operation	40,718		–		–		40,718	
	261,454		3,714		(4,562)		260,606	
Tax at the statutory tax rate	65,363	25	613	16.5	–	–	65,976	25.3
Income not subject to tax	(1,206)	(0.5)	(989)	(26.6)	–	–	(2,195)	(0.8)
Expenses not deductible for tax and others	424	0.2	–	–	–	–	424	0.2
Adjustment in respect of current tax of previous periods	(3,770)	(1.4)	–	–	–	–	(3,770)	(1.4)
Deductible temporary differences not recognised	–	–	9	0.2	–	–	9	–
Tax loss not recognised	–	–	451	12.1	–	–	451	0.2
Tax charge at the Group's effective tax rate	60,811	23.3	84	2.3	–	–	60,895	23.4
Tax charge from continuing operations at the effective tax rate	53,316	24.2	84	2.3	–	–	53,400	24.3
Tax charge from a discontinued operation at the effective tax rate	7,495	18.4	–	–	–	–	7,495	18.4
Tax charge/(credit) from continuing operations at the effective tax rate	23,645	30.1	(14)	(0.5)	–	–	23,631	30.2
Tax credit from a discontinued operation at the effective tax rate	(12,887)	21.1	–	–	–	–	(12,887)	21.1

The Group has tax losses of RMB23,234,000 arising in Hong Kong (Year ended 31 December 2021: RMB17,676,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

	2022 **RMB'000**	2021 *RMB'000*
Dividends recognised as distribution	**–**	–

The Board does not recommend to declare any final dividend for the year ended 31 December 2022.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2022 is based on the profit for the year attributable to owners of the parent of RMB169,025,000 (2021: RMB193,215,000), and the weighted average number of ordinary shares of the Company in issue less shares held for the Share Award Scheme during the year of 2,096,908,406 (2021: 2,096,800,418).

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022.

	2022 **RMB'000**	2021 *RMB'000*
Earnings		
Profit attributable to owners of the parent,		
used in the basic earnings per share calculation		
From continuing operations	**169,025**	166,488
From a discontinued operation	**–**	26,727
	169,025	193,215

	Number of shares **2022**	2021
Shares		
Weighted average number of ordinary shares in		
issue less shares held for the Share Award Scheme		
during the year used in the basic earnings per share calculation	**2,096,908,406**	2,096,800,418

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022					
At 31 December 2021:					
Cost	**518,953**	**34,631**	**72,628**	**204,023**	**830,235**
Accumulated depreciation	**(295,440)**	**(23,586)**	**(67,663)**	**–**	**(386,689)**
Net carrying amount	**223,513**	**11,045**	**4,965**	**204,023**	**443,546**
At 1 January 2022, net of accumulated depreciation	**223,513**	**11,045**	**4,965**	**204,023**	**443,546**
Additions	**32,103**	**908**	**4,943**	**165,089**	**203,043**
Acquisition of a subsidiary *(note 30)*	**–**	**127**	**–**	**–**	**127**
Disposal	**(494)**	**(36)**	**(226)**	**–**	**(756)**
Depreciation provided during the year	**(55,665)**	**(4,335)**	**(3,850)**	**–**	**(63,850)**
Transfers	**(66,341)**	**–**	**–**	**66,341**	**–**
At 31 December 2022 net of accumulated depreciation	**133,116**	**7,709**	**5,832**	**435,453**	**582,110**
At 31 December 2022:					
Cost	**473,798**	**35,100**	**76,957**	**435,453**	**1,021,308**
Accumulated depreciation	**(340,682)**	**(27,391)**	**(71,125)**	**–**	**(439,198)**
Net carrying amount	**133,116**	**7,709**	**5,832**	**435,453**	**582,110**

	Plant and machinery RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021					
At 31 December 2020:					
Cost	1,190,742	85,029	84,932	34,746	1,395,449
Accumulated depreciation	(391,889)	(38,209)	(66,921)	–	(497,019)
Net carrying amount	798,853	46,820	18,011	34,746	898,430
At 1 January 2021, net of accumulated depreciation	798,853	46,820	18,011	34,746	898,430
Additions	29,771	6,556	135	252,504	288,966
Disposals	(196)	(98)	(1,753)	–	(2,047)
Disposal of a subsidiary *(note 31)*	(565,488)	(36,676)	(3,896)	–	(606,060)
Depreciation provided during the year	(118,600)	(9,611)	(7,532)	–	(135,743)
Transfers	79,173	4,054	–	(83,227)	–
At 31 December 2021 net of accumulated depreciation	223,513	11,045	4,965	204,023	443,546
At 31 December 2021:					
Cost	518,953	34,631	72,628	204,023	830,235
Accumulated depreciation	(295,440)	(23,586)	(67,663)	–	(386,689)
Net carrying amount	223,513	11,045	4,965	204,023	443,546

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms between 12 and 44 months. Other equipment generally has lease terms of 13 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets			
	Leasehold land *RMB'000*	Plant and properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
As at 1 January 2021	29,062	13,304	–	42,366
Additions	–	670	2,745	3,415
Depreciation charge	(603)	(13,577)	(43)	(14,223)
Exchange realignment	–	(6)	–	(6)
As at 31 December 2021 and 1 January 2022	28,459	391	2,702	31,552
Additions	–	13,333	–	13,333
Depreciation charge	(603)	(12,964)	(522)	(14,089)
Exchange realignment	–	100	–	100
As at 31 December 2022	27,856	860	2,180	30,896

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**3,139**	13,644
Additions	**13,333**	3,415
Accretion of interest recognised during the year	**432**	362
Covid-19-related rent concessions from lessors	**(72)**	(6)
Payments	**(15,838)**	(14,270)
Exchange realignment	**100**	(6)
Carrying amount at 31 December	**1,094**	3,139
Analysed into:		
Current portion	**532**	2,924
Non-current portion	**562**	215

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**432**	362
Depreciation charge of right-of-use assets	**14,089**	14,223
Expense relating to short-term leases (included in cost of sales)	**886**	4,325
Expense relating to short-term leases (included in administrative expenses)	**–**	34
Covid-19-related rent concessions from lessors	**(72)**	(6)
Total amount recognised in profit or loss	**15,335**	18,938

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32(b) to the financial statements.

15. GOODWILL

	2022 RMB'000
Cost at 1 January, net of accumulated impairment	–
Acquisition of a subsidiary *(note 30)*	**3,011**
Cost and net carrying amount at 31 December	**3,011**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing.

Medium-sized display module cash-generating unit

The recoverable amount of the industrial products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12%. The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of the sales of medium-sized display module cash-generating units for 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of industrial products and electronic products industries, discount rates and raw materials price inflation are consistent with external information sources.

16. INTANGIBLE ASSETS

	Patents and licences *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**–**	**4,515**	**4,515**
Additions	**–**	**1,218**	**1,218**
Acquisition of a subsidiary *(note 30)*	**13,358**	**–**	**13,358**
Amortisation provided during the year	**(891)**	**(1,938)**	**(2,829)**
At 31 December 2022	**12,467**	**3,795**	**16,262**
At 31 December 2022:			
Cost	**13,358**	**12,988**	**26,346**
Accumulated amortisation	**(891)**	**(9,193)**	**(10,084)**
Net carrying amount	**12,467**	**3,795**	**16,262**

	Computer software *RMB'000*
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	6,475
Additions	816
Amortisation provided during the year	(2,107)
Disposal of a subsidiary*(note 31)*	(669)
At 31 December 2021	4,515
At 31 December 2021:	
Cost	11,770
Accumulated amortisation	(7,255)
Net carrying amount	4,515

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**42,417**	263,606
Work in progress	**13,217**	41,150
Finished goods	**79,495**	100,891
	135,129	405,647

18. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**729,085**	799,745
Bills receivable	**2,857**	26,071
Impairment	**(1,077)**	(1,076)
	730,865	824,740

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 and bills receivables balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's related parties of RMB310,307,000 (31 December 2021: RMB444,405,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022 RMB'000	2021 RMB'000
Within 1 month	**121,806**	444,913
1 to 2 months	**120,335**	199,350
2 to 3 months	**104,284**	125,715
Over 3 months	**384,440**	54,762
	730,865	824,740

18. TRADE AND BILLS RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**1,076**	1,186
Impairment/(reversal of impairment) losses, net	**1**	(110)
At end of year	**1,077**	1,076

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Past due		
	Less than 6 months	**Over 6 months**	**Total**
Expected credit loss rate	**0.15%**	**–**	**0.15%**
Gross carrying amount *(RMB'000)*	**728,913**	**172**	**729,085**
Expected credit losses *(RMB'000)*	**1,077**	**–**	**1,077**

As at 31 December 2021

	Past due		
	Less than 6 months	Over 6 months	Total
Expected credit loss rate	0.13%	1.50%	0.13%
Gross carrying amount *(RMB'000)*	799,478	267	799,745
Expected credit losses *(RMB'000)*	1,072	4	1,076

The Group's bills receivable have been accepted by notable banks with high credit ratings. As at 31 December 2022 and 31 December 2021, the probability of default and the loss given default were estimated to be minimal.

19. PREPAYMENTS AND OTHER RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Non-current:		
Deposits and other receivables	**12,385**	12,758
Current:		
Prepayments	**1,860**	25
Deposits and other receivables	**743,691**	64,934
	745,551	64,959

None of the above assets is either past due or impaired. Deposits and other receivables mainly represent deposits paid for purchase of items of property and equipment, deposits paid for value added tax and deposits with suppliers. The expected credit losses are estimated with reference to the historical loss record of the Group. As at 31 December 2022, the probability of default and the loss given default of deposits and other receivables were estimated to be minimal.

Included in the Group's prepayments and other receivables are amounts due from the Group's related parties of RMB716,482,000 (2021: RMB9,422,000).

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000		2021 RMB'000	
	Assets	**Liabilities**	Assets	Liabilities
Forward currency contracts	**14,233**	**5,220**	5,005	6,151

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The net losses, including the realised and unrealised, on changes in the fair value of the forward currency contracts amounting to RMB15,350,000 (2021: net gains of RMB8,000,000) were recognised in the consolidated financial statement of profit or loss during the year.

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2022 *RMB'000*	2021 *RMB'000*
Cash and bank balances	**268,371**	883,445
Time deposits	**29,601**	189,000
	297,972	1,072,445
Less: Non-pledged time deposits with original maturity of more than one year	**19,000**	19,000
Cash and cash equivalents	**278,972**	1,053,445
Cash and cash equivalents and time deposits denominated in		
– RMB	**35,758**	803,696
– HK$	**1,830**	2,600
– US$	**260,384**	266,149
Cash and cash equivalents and time deposits	**297,972**	1,072,445

The 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. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, included in the Group's cash and bank balances and time deposits were deposits of RMB41,527,266 (31 December 2021: RMB1,041,788,715), 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. ranges from 1.3% to 2.75% (2021: 0.35% to 4%) per annum, being the savings rate offered by the People's Bank of China during the year. Further details of the interest income from the deposits in the related parties are set out in note 34 to the financial statements.

22. TRADE PAYABLES

	2022 **RMB'000**	2021 *RMB'000*
Trade payables	**1,072,636**	1,477,768

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

	2022 **RMB'000**	2021 *RMB'000*
Within 30 days	**591,248**	733,229
31 to 60 days	**83,654**	431,890
61 to 90 days	**124,277**	283,365
Over 90 days	**273,457**	29,284
	1,072,636	1,477,768

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

23. OTHER PAYABLES AND ACCRUALS

		2022 **RMB'000**	2021 *RMB'000*
Contract liabilities	*(a)*	**56,815**	79,989
Salaries and welfare payables		**92,571**	122,415
Tax payables other than current income tax liabilities		**5,962**	10,422
Interest payable		**70**	509
Other payables	*(b)*	**224,190**	203,471
Accruals		**665**	3,621
		380,273	420,427

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 **RMB'000**	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Short-term advances received from customers			
Sale of goods	**56,815**	79,989	82,155

Contract liabilities include short-term advances received to deliver LCD module products. The fluctuation in contract liabilities in 2022 and 2021 was mainly due to the fluctuation in short-term advances received from customers in relation to the sale of LCD module products at the end of the years.

(b) Other payables are non-interest-bearing and have an average term of three months.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**–**	**–**	**–**	0.461	2022	52,224
Other borrowings	**1.025**	**2023**	**2,815**	1.1	2022	24,000
			2,815			76,224
Non-current						
Bank loans – secured	**3.85-4.15**	**2024-2029**	**59,508**	4.15	2024-2029	2,000
			59,508			2,000
			62,323			78,224
Analysed into:						
Bank loans repayable						
Within one year			**2,815**			52,224
In the second year			**2,975**			–
In the third to fifth years, inclusive			**25,291**			2,000
Beyond five years			**31,242**			–
			62,323			54,224
Other borrowings repayable						
Within one year			**–**			24,000
			–			24,000
			62,323			78,224

Notes:

(a) The Group had banking facilities of RMB1,250,000,000 (31 December 2021: RMB1,510,000,000), of which RMB764,195,000 (31 December 2021: RMB737,607,000) had been utilised as at the end of the reporting period.

(b) In addition, the Company's ultimate holding company has provided a guarantee of up to RMB59,508,000 (31 December 2021: RMB54,224,000) to secure certain of the Group's interest-bearing bank borrowings as at the end of the reporting period.

(c) The other borrowings amounting to RMB24,000,000 are with a tenure of 5 years starting from 2017. Interest is chargeable at 1.1% per annum and have been repaid on 22 February 2022.

(d) Other borrowings included discounted notes receivable of RMB2,815,000 as at 31 December 2022 (2021:Nil).

(e) As at 31 December 2022, all borrowings are denominated in RMB.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairments RMB'000	Depreciation in excess of related depreciation allowance RMB'000	Accruals RMB'000	Government grants RMB'000	Derivative financial liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2021	4,781	9,795	7,354	6,687	–	14,707	43,324
Disposal of a subsidiary	(279)	(94)	–	(1,949)	–	(11,253)	(13,575)
Credited/(charged) to the statement of profit or loss during the year	(656)	496	(3,592)	(933)	288	(3,454)	(7,851)
At 31 December 2021 and 1 January 2022	3,846	10,197	3,762	3,805	288	–	21,898
Credited/(charged) to the statement of profit or loss during the year *(note 10)*	(1,532)	(5,159)	(1,948)	(1,751)	4	255	(10,131)
At 31 December 2022	2,314	5,038	1,814	2,054	292	255	11,767

Deferred tax liabilities

	Depreciation in excess of related depreciation allowance RMB'000	Fair value adjustments on financial investments RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2021	15,057	1	–	15,058
Disposal of a subsidiary	(13,169)	–	–	(13,169)
Charged/(Credited) to the statement of profit or loss during the year	(1,888)	(1)	–	(1,889)
At 31 December 2021 and 1 January 2022	–	–	–	–
Acquisition of a subsidiary *(note 30)*	–	–	2,013	2,013
Charged/(Credited) to the statement of profit or loss during the year *(note 10)*	–	–	(143)	(143)
At 31 December 2022	–	–	1,870	1,870

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. No temporary differences associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised as at 31 December 2022 (31 December 2021: Nil).

26. SHARE CAPITAL

	2022	2021
Authorised: 4,000,000,000 (31 December 2021: 4,000,000,000) ordinary shares of HK$0.10 each *(HK$'000)*	**400,000**	400,000
Issued and fully paid: 2,114,307,929 (31 December 2021: 2,114,307,929) ordinary shares *(HK$'000)*	**211,431**	211,431
Equivalent to RMB'000	**172,134**	172,134

As at 31 December 2022, the total number of issued ordinary shares of the Company was 2,114,307,929 (2021: 2,114,307,929) of which 17,399,523 (2021: 17,399,523) shares were held by the trustee appointed for the Share Award Scheme adopted by the Company.

27. SHARE AWARD SCHEME

On 17 March 2016 (the "Adoption Date"), the Board (for the purposes of the Share Award Scheme, defined below, also including 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 administrating the Share Award Scheme (the "Trustee") from the market, or (ii) new shares to be allotted and issued to the Trustee by the Company (collectively "Awarded Shares"), in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Persons until the end of each vesting period, subject to fulfilment of the vesting conditions (if any). The specific mandate for the issuance and allotment of new 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, 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 ("BOCI") whereby BOCI was appointed as Trustee.

27. SHARE AWARD SCHEME (Continued)

On 17 March 2016, the Board resolved to conditionally grant Awards with new shares to certain grantees (the "Shares Grant A") pursuant to the terms of the Share Award Scheme. This involves granting Awards in front of a total of 51,644,994 Awarded Shares being new shares to 97 Selected Persons. 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 in front of new shares to certain grantees (the "Shares Grant B") pursuant to the terms of the Share Award Scheme. This involves conditionally granting Awards in front 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 are all employees, and 2 Selected Persons, who are all non-employees, respectively. Out of the 145 Selected Persons of the Shares Grant B, 4 are connected persons of the Company (the "Connected Grantees") who are conditionally granted a total of 15,364,499 Awarded Shares being new Shares. The proposed Awards to such Connected Grantees constitute connected transactions and are therefore also subject to the approval by the independent shareholders, which has been obtained on 13 October 2017.

Unvested Awarded Shares do not confer rights on the holders to receive dividends or to vote at general meetings of the Company.

Since the Adoption Date and up to 31 December 2022, 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.

As at 31 December 2022, an aggregate of 1,710,704 Awarded Shares (As at 31 December 2021:1,710,704 Awarded Shares) were unvested. Accordingly, an amount of RMB705,000 (As at 31 December 2021: RMB705,000) was charge to the Shares held for the Share Award Scheme reserve.

During the reporting period, no Award Share 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 reporting period.

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

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

28. SHARE OPTION SCHEME (Continued)

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.

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

	2022		2021	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**0.74**	**32,807**	0.74	36,108
Exercised during the year	**–**	**–**	0.74	(191)
Forfeited during the year	**–**	**–**	0.74	(3,110)
Expired during the year	**0.74**	**(32,807)**	–	–
At 31 December	**–**	**–**	0.74	32,807

During the year, 32,806,987 share options expired on 17 March 2022, and the share option reserve was transferred to retained profits accordingly. In 2021, 3,110,499 share options were forfeited, and the Group reversed the share option expense of RMB714,000 accordingly.

29. RESERVES

The amounts of the Group's reserves and the movements therein during the years ended 31 December 2022 and 2021 are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

Capital reserve

The capital reserve with the amount of RMB77,970,000 arose from the Reverse Takeover Transaction in 2015, with the adjustment of CDOT Huizhou's legal capital to reflect the Company's legal capital, and the capital reserve with the amount of RMB290,000 arose from the contribution from a non-controlling shareholder.

Statutory surplus reserve

In accordance with the PRC Company Law, the subsidiaries registered in the PRC are required to allocate 10% of its profit after tax to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital of the subsidiaries registered in the PRC, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Contributed surplus

Upon compliance with Section 4b(2) of the Companies Act 1981 of Bermuda, the annual general meeting had passed the resolution to cancel the amount standing to the credit of the share premium amount of RMB237,632,000 and to transfer the amount to the contributed surplus account in 2017. Adjustments have been made standing to the debit of the share premium account each time when the Company declared dividend since then.

30. BUSINESS COMBINATION

On 1 August 2022, the Group entered into the Equity Transfer Agreement to acquire a 100% interest in Kedate Zhixian from an associate of TCL Holdings at a consideration of RMB51,000,000, and the acquisition completed on 31 August 2022. The acquisition was made as part of the Group's strategy to develop its medium-sized display module business to capitalise on the opportunities brought about by market trends.

The fair values of the identifiable assets and liabilities of Kedate Zhixian as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Current assets	37,487
Non-current assets	13,549
Current liabilities	(1,034)
Non-current liabilities	(2,013)
Total identifiable net assets at fair value	47,989
Goodwill on acquisition	3,011
Satisfied by Cash	51,000

30. BUSINESS COMBINATION (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(51,000)
Cash and bank balances acquired	867
Net outflow of cash and cash equivalents included in cash flows from investing activities	(50,133)

31. DISPOSAL OF A SUBSIDIARY

On 30 June 2021, the Group disposed of its 70% interest in Wuhan CDOT to a fellow subsidiary Wuhan CSOT for a consideration of RMB286,000,000.

	2021 *RMB'000*
Net assets disposed of:	
Current assets	154,568
Non-current assets	633,257
Current liabilities	(373,751)
Non-current liabilities	(20,963)
Non-controlling interests	(117,933)
	275,178
Gain on disposal of a subsidiary	10,822
	286,000
Satisfied by:	
Cash	286,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2021 *RMB'000*
Cash consideration	286,000
Cash and bank balances disposed of	(3,193)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	282,807

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	2022			
	Bond payable *RMB'000*	**Interest-bearing bank and other borrowings** *RMB'000*	**Lease liabilities** *RMB'000*	**Interest payables** *RMB'000*
At 1 January 2022	**–**	**78,224**	**3,139**	**509**
Changes from financing cash flows	**–**	**(15,901)**	**(15,838)**	**(1,652)**
New leases	**–**	**–**	**13,333**	**–**
Interest expense	**–**	**–**	**432**	**1,213**
Covid-19-related rent concessions from lessors	**–**	**–**	**(72)**	**–**
Effect of foreign exchange rate changes, net	**–**	**–**	**100**	**–**
At 31 December 2022	**–**	**62,323**	**1,094**	**70**

	2021			
	Bond payable *RMB'000*	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payables *RMB'000*
At 1 January 2021	8,417	218,792	13,644	13,876
Changes from financing cash flows	(8,417)	(140,568)	(14,270)	(15,632)
New leases	–	–	3,415	–
Interest expense	–	–	362	2,265
Covid-19-related rent concessions from lessors	–	–	(6)	–
Effect of foreign exchange rate changes, net	–	–	(6)	–
At 31 December 2021	–	78,224	3,139	509

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 *RMB'000*	2021 *RMB'000*
With operating activities	**(886)**	(4,359)
With financing activities	**(15,838)**	(13,908)
	(16,724)	(18,267)

33. COMMITMENTS

(a) The Group had the following capital commitments as at the end of the year:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	**133,618**	114,315

34. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The Group had the following transactions with related parties, namely TCL Technology Group Corporation ("TCL Technology") and the then affiliates and TCL Holdings and the then affiliates, during the year:

	2022 RMB'000	2021 RMB'000
TCL Technology and the then affiliates:		
Sales of products	**1,321,491**	2,145,213
Processing services	**35,585**	501,738
Sales of raw materials and samples	**13,631**	22
Purchases of products	**202,696**	205,587
Purchases of plant, vehicles, furniture and fixtures	**2,052**	12,935
Purchases of services	**2,549**	2,699
Rental and other related charges	**–**	1,564
Interest income	**17,680**	18,721
Brand promotion fee	**–**	8,000
Guarantee fee	**842**	238
	1,596,526	2,896,717
TCL Holdings and the then affiliates:		
Sales of products	**405,804**	696,909
Sales of raw materials and samples	**1,033**	7,442
Purchases of products	**8,000**	3,159
Purchases of plant, vehicles, furniture and fixtures	**–**	211
Purchases of services	**3,578**	4,999
Rental and other related charges	**260**	277
Interest income	**129**	321
Purchases of Human Resources Outsourcing	**1,516**	–
Management fee	**–**	6,017
	420,320	719,335

34. 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 RMB59,508,000 (2021: RMB54,224,000) as at the end of the year, as further detailed in note 24 to the financial statements.

During the year, the Group acquired a subsidiary, Kedate Zhixian, from an associate of TCL Holdings at a consideration of RMB51,000,000, based on an internal valuation of the business performed by the directors of the Company. Further details of the transaction are included in note 30 to the financial statements.

(c) Outstanding balances with related parties

	Due from related companies		Due to related companies	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current:				
TCL Technology and the then affiliates	**1,127,951**	169,550	**317,506**	85,923
TCL Holdings and the then affiliates	**49,958**	283,912	**17,371**	14,599
	1,177,909	453,462	**334,877**	100,522
Non-current:				
TCL Technology and the then affiliates	**1,257**	365	**–**	–
TCL Holdings and the then affiliates	**2,457**	–	**–**	–
	3,714	365	**–**	–
	1,181,623	453,827	**334,877**	100,522

As at 31 December 2022, the current balance with the immediate holding company, an affiliate of TCL Technology, relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company amounted to RMB33,804,000(2021: RMB30,939,000). The remaining balances with TCL Technology and the then affiliates and TCL Holdings and the then affiliates are mainly trading balances which are repayable on credit terms similar to those offered to the major customers of the Group.

(d) Compensation of key management personnel of the Group

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**10,328**	7,154
	10,328	7,154

Further details of directors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

31 December 2022	**Financial assets at fair value through profit or loss** — **Designated as such upon initial recognition** *RMB'000*	**Financial assets at amortised cost** *RMB'000*
Financial assets		
Trade and bills receivables	**–**	**730,865**
Financial assets included in prepayments and other receivables	**–**	**728,814**
Time deposit	**–**	**19,000**
Cash and cash equivalents	**–**	**278,972**
Derivative financial instruments	**15,590**	**–**
	15,590	**1,757,651**

31 December 2021	Financial assets at fair value through profit or loss — Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*
Financial assets		
Trade and bills receivables	–	824,740
Financial assets included in prepayments and other receivables	–	18,905
Cash and cash equivalents	–	19,000
Derivative financial instruments	5,005	1,053,445
	5,005	1,916,090

35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2022	**Financial liabilities at fair value through profit or loss**	
	Designated as such upon initial recognition *RMB'000*	**Financial liabilities at amortised cost** *RMB'000*
Financial liabilities		
Trade payables	**–**	**1,072,636**
Financial liabilities included in other payables and accruals	**–**	**215,576**
Interest-bearing bank borrowings and other borrowings	**–**	**62,323**
Lease liabilities	**–**	**1,094**
Derivative financial instruments	**6,577**	**–**
	6,577	**1,351,629**

31 December 2021	Financial liabilities at fair value through profit or loss	
	Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*
Financial liabilities		
Trade payables	–	1,477,768
Financial liabilities included in other payables and accruals	–	203,980
Interest-bearing bank borrowings and other borrowings	–	78,224
Lease liabilities	–	3,139
Derivative financial instruments	6,151	–
	6,151	1,763,111

36. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and bonds payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the finance director and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of time deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non– performance risk for interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

The Group enters into forward currency contracts with various counterparties. Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts are the same as their fair values.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, bonds payable and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, market risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 53% (2021: 45%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 12% (2022: 10%) of costs were denominated in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in US$ rate *%*	Increase/ (decrease) in profit before tax *RMB'000*
31 December 2022		
If RMB weakens against US$	5	5,168
If RMB strengthens against US$	(5)	(5,168)
31 December 2021		
If RMB weakens against US$	5	9,949
If RMB strengthens against US$	(5)	(9,949)

Market risk

The Group's production process requires a significant amount of LCD, IC circuits and other materials, and the Group's success depends significantly on its ability to secure sufficient and constant supply of these principal raw materials for its production at acceptable price levels. LCD is the most significant raw material used in the Group's production. The Group does not have long-term, fixed-cost supply contracts of raw materials with its suppliers. Since many of the Group's sales are priced by reference to the market price at the time of a particular order, its exposure to the risk of changes in the price is reduced.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, financial assets included in prepayments and other receivables, and time deposit, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had concentrations of credit risk as 89% (31 December 2021: 92%) of the Group's trade and bills receivables were due from the Group's five largest customers as at 31 December 2022.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs Stage 1 *RMB'000*	Lifetime ECLs Simplified approach *RMB'000*	*RMB'000*
Trade receivables*	–	729,085	729,085
Bills receivable			
– Not yet past due	2,857	–	2,857
Financial assets included in prepayments and other receivables			
– Normal **	727,160	–	727,160
Cash and cash equivalents			
– Not yet past due	278,972	–	278,972
Time Deposit			
– Not yet past due	19,000	–	19,000
	1,027,989	729,085	1,757,074

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs Stage 1 *RMB'000*	Lifetime ECLs Simplified approach *RMB'000*	*RMB'000*
Trade receivables*	–	799,745	799,745
Bills receivable			
– Not yet past due	26,071	–	26,071
Financial assets included in prepayments and other receivables			
– Normal **	18,905	–	18,905
Cash and cash equivalents			
– Not yet past due	1,053,445	–	1,053,445
Time Deposit			
– Not yet past due	19,000	–	19,000
	1,117,421	799,745	1,917,166

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.*

** *The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding through capital contribution and financial support from related parties and bank borrowings.

The maturity profile of financial liabilities as at 31 December 2022, based on the contractual undiscounted payments, was as follows:

	Less than 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**Total** *RMB'000*
31 December 2022			
Trade payables	**1,072,636**	**–**	**1,072,636**
Financial liabilities included in other payables and accruals	**215,576**	**–**	**215,576**
Lease liabilities	**567**	**586**	**1,153**
Interest-bearing bank and other borrowings	**2,815**	**59,578**	**62,393**
	1,291,594	**60,164**	**1,351,758**

	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
31 December 2021			
Trade payables	1,477,768	–	1,477,768
Financial liabilities included in other payables and accruals	203,980	–	203,980
Lease liabilities	2,990	216	3,206
Interest-bearing bank and other borrowings	76,730	2,002	78,732
	1,761,468	2,218	1,763,686

Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that interest-bearing bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals, lease liabilities less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the years are as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade payables	**1,072,636**	1,477,768
Other payables and accruals	**215,576**	203,980
Interest-bearing bank and other borrowings *(note 24)*	**62,323**	78,224
Lease liabilities	**1,094**	3,139
Less: Cash and cash equivalents	**(278,972)**	(1,053,445)
Net debt	**1,072,657**	709,666
Equity attributable to owners of the parent	**1,000,165**	831,497
Capital and net debt	**2,072,822**	1,541,163
Gearing ratio	**52%**	46%

38. 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 receivable 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.

At 31 December 2022, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills") with a carrying amount of RMB2,815,000 (31 December 2021: Nil). 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 not endorse certain bills receivable accepted by banks to certain of its suppliers (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of resource 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 associated 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 opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the year ended 31 December 2022, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**267,525**	252,658
Total non-current assets	**267,525**	252,658
CURRENT ASSETS		
Cash and cash equivalents	**9**	701
Prepayments and other receivables	**102,597**	95,006
Total current assets	**102,606**	95,707
CURRENT LIABILITIES		
Other payables and accruals	**130,572**	117,943
Total current liabilities	**130,572**	117,943
NET CURRENT LIABILITIES	**(27,966)**	(22,236)
TOTAL ASSETS LESS CURRENT LIABILITIES	**239,559**	230,422
Net assets	**239,559**	230,422
EQUITY		
Share capital	**172,134**	172,134
Reserves *(Note)*	**67,425**	58,288
	239,559	230,422

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total equity RMB'000
At 1 January 2021	79,331	167,911	8,628	(193,092)	4,618	67,396
Loss for the year	–	–	–	(4,353)	–	(4,353)
Exchange differences on translation of financial statements	–	–	–	–	(4,142)	(4,142)
Total comprehensive loss for the year	–	–	–	(4,353)	(4,142)	(8,495)
Equity-settled share option arrangements	–	–	(714)	–	–	(714)
Share options exercised	145	–	(44)	–	–	101
At 31 December 2021	79,476	167,911	7,870	(197,445)	476	58,288
At 1 January 2022	79,476	167,911	7,870	(197,445)	476	58,288
Loss for the year	–	–	–	(3,548)	–	(3,548)
Exchange differences on translation of financial statements	–	–	–	–	12,685	12,685
Total comprehensive loss for the year	–	–	–	(3,548)	12,685	9,137
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(7,870)	7,870	–	–
At 31 December 2022	79,476	167,911	–	(193,123)	13,161	67,425

The Company's contributed surplus represents the cancellation of the amount standing to the credit of the share premium and transferred to the contributed surplus account with effect from the resolution approved at the annual general meeting held on 22 June 2017. Pursuant to Bermuda company law, a company may make distributions to its members out of the contributed surplus in certain circumstances. Adjustments have been made standing to the debit of the share premium account each time when the Company declared dividend since then.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related share options are vested and exercised.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results, assets and liabilities of the Group for the last five financial years ended 31 December 2022, as extracted from the published audited financial statements and restated and/or reclassified as appropriate, is set out as below:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(restated)	(restated)	(restated)
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**4,208,350**	5,840,094	3,571,170	2,959,600	2,364,172
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**167,706**	219,888	78,149	79,933	46,674
Income tax credit/(expense)	**1,319**	(53,400)	(23,631)	(15,883)	(11,805)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**169,025**	166,488	54,518	64,050	34,869
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	33,223	(48,194)	(16,574)	67,019
PROFIT FOR THE YEAR	**169,025**	199,711	6,324	47,476	101,888
Attributable to:					
Owners of the parent	**169,025**	193,215	25,147	52,448	81,782
Non-controlling interests	**–**	6,496	(18,823)	(4,972)	20,106
	169,025	199,711	6,324	47,476	101,888

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**2,580,181**	2,887,065	3,114,684	3,203,597	3,813,006
TOTAL LIABILITIES	**(1,580,016)**	(2,055,568)	(2,364,180)	(2,458,894)	(3,132,670)
Non-controlling interest	**–**	–	(111,436)	(130,259)	(135,235)
Equity attributable to owners of the parent	**1,000,165**	831,497	639,068	614,444	545,101