

# China Display Optoelectronics Technology Holdings Limited

華顯光電技術控股有限公司

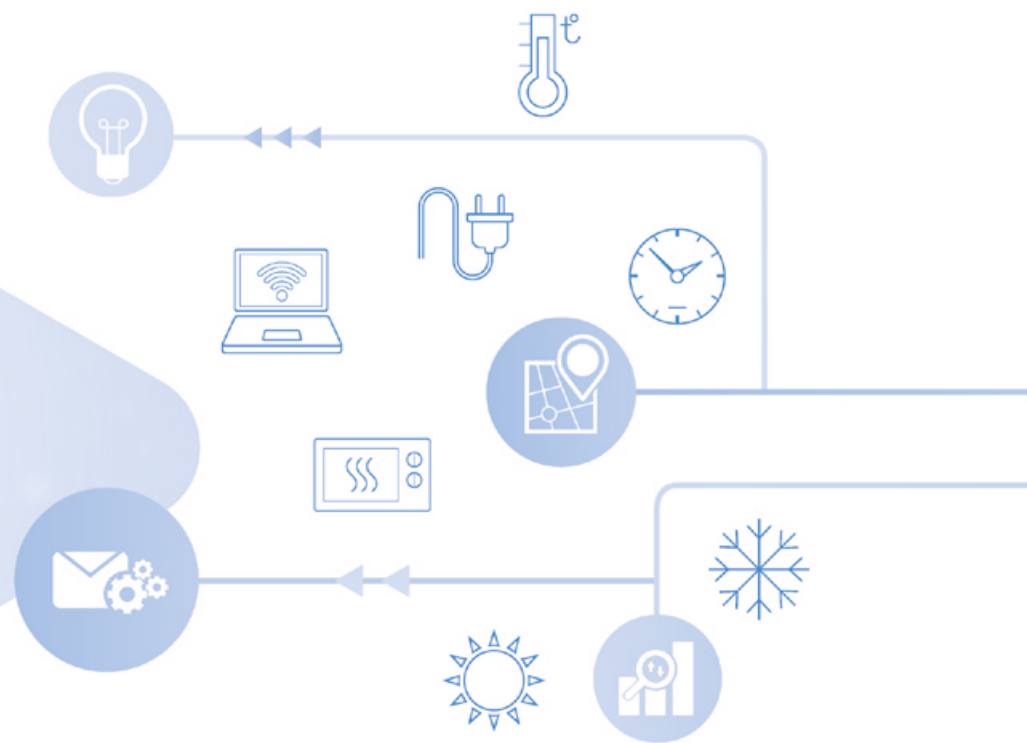
*(Incorporated in Bermuda with limited liability)*

(Stock Code: 334)



Interim Report

→→→ 2023



## CONTENTS

- 2** Corporate Information
- 3** Interim Results
- 31** Management Discussion & Analysis
- 36** Other Information





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive Director

Mr. LIAO Qian (*Chairman*)

### Executive Directors

Mr. OUYANG Hongping (*Chief Executive Officer*)

Mr. WEN Xianzhen

Mr. XI Wenbo (*appointed on 2 June 2023*)

Mr. ZHANG Feng (*resigned on 2 June 2023*)

### Independent Non-Executive Directors

Ms. HSU Wai Man Helen

Mr. LI Yang

Mr. XU Yan

## COMPANY SECRETARY

Ms. CHEUNG Bo Man, Solicitor, Hong Kong

## AUDITOR

Ernst & Young  
Certified Public Accountants  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## LEGAL ADVISOR

Ronald Tong & Co.  
Room 501, 5/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## TICKER SYMBOL

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

## WEBSITE

<http://www.cdoth8.com>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
	<i>Notes</i>		
Revenue	5	<b>1,226,859</b>	2,735,253
Cost of sales		<b>(1,140,085)</b>	(2,526,357)
Gross profit		<b>86,774</b>	208,896
Other income and gains	5	<b>36,076</b>	31,341
Selling and distribution expenses		<b>(12,259)</b>	(18,120)
Administrative expenses		<b>(70,763)</b>	(102,831)
Reversal of/(provision for) impairment on financial assets		<b>221</b>	(151)
Other expenses		<b>(50,533)</b>	(5,201)
Finance costs	7	<b>(592)</b>	(793)
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(11,076)</b>	113,141
Income tax credit	8	<b>3,658</b>	20,832
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(7,418)</b>	133,973
Attributable to:			
Owners of the parent		<b>(7,418)</b>	133,973
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	10		
Basic			
– For (loss)/profit for the period		<b>(RMB0.35 cent)</b>	RMB6.44 cents
Diluted			
– For (loss)/profit for the period		<b>(RMB0.35 cent)</b>	RMB6.44 cents



# INTERIM RESULTS

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

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(7,418)</b>	133,973
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<b>(9,353)</b>	43
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<b>(9,353)</b>	43
<b>OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX</b>	<b>(9,353)</b>	43
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX</b>	<b>(16,771)</b>	134,016
Attributable to:		
Owners of the parent	<b>(16,771)</b>	134,016
	<b>(16,771)</b>	134,016

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		725,601	582,110
Intangible assets		15,686	16,262
Goodwill		3,011	3,011
Deposits paid for purchase of items of property, plant and equipment		7,360	12,385
Deferred tax assets		11,138	11,767
Right-of-use assets		29,605	30,896
Time deposits	13	19,000	19,000
Total non-current assets		<b>811,401</b>	675,431
<b>CURRENT ASSETS</b>			
Inventories	11	125,299	135,129
Trade and bills receivables	12	898,114	730,865
Prepayments and other receivables		70,670	745,551
Derivative financial instruments		620	14,233
Cash and cash equivalents	13	690,800	278,972
Total current assets		<b>1,785,503</b>	1,904,750
<b>CURRENT LIABILITIES</b>			
Trade payables	14	1,065,438	1,072,636
Other payables and accruals		489,814	380,273
Derivative financial instruments		1,082	5,220
Interest-bearing bank and other borrowings	15	-	2,815
Lease liabilities		-	532
Tax payable		33,990	42,905
Total current liabilities		<b>1,590,324</b>	1,504,381
<b>NET CURRENT ASSETS</b>		<b>195,179</b>	400,369
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,006,580</b>	1,075,800
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	-	59,508
Lease liabilities		-	562
Deferred income		21,316	13,695
Deferred tax liabilities		1,870	1,870
Total non-current liabilities		<b>23,186</b>	75,635
Net assets		<b>983,394</b>	1,000,165



# INTERIM RESULTS

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

30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
		<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	16	<b>172,134</b>	172,134
Reserves		<b>811,260</b>	828,031
Total equity		<b>983,394</b>	1,000,165





# INTERIM RESULTS

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023 (Audited)	172,134	79,476	(77,680)	167,911	50	(13,080)	100,602	(2,852)	573,604	1,000,165
Loss for the period	-	-	-	-	-	-	-	-	(7,418)	(7,418)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:										
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	(9,353)	-	(9,353)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(9,353)	(7,418)	(16,771)
At 30 June 2023 (Unaudited)	172,134	79,476*	(77,680)*	167,911*	50*	(13,080)*	100,602*	(12,205)*	566,186*	983,394

\* These reserve accounts comprise the reserves of RMB811,260,000 (31 December 2022: RMB827,776,000) in the condensed consolidated statement of financial position.



# INTERIM RESULTS

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

For the six months ended 30 June 2022

	Attributable to owners of the parent											Total equity RMB'000
	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2022 (Audited)		172,134	79,476	(77,680)	167,911	7,870	50	(13,080)	80,904	(2,495)	416,407	831,497
Profit for the period		-	-	-	-	-	-	-	-	-	133,973	133,973
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:												
Exchange differences on translation of financial statements		-	-	-	-	-	-	-	-	43	-	43
Total comprehensive income for the period		-	-	-	-	-	-	-	-	43	133,973	134,016
Equity-settled share option arrangements	18	-	-	53	-	(7,529)	(50)	-	-	-	-	(7,526)
Appropriations to statutory surplus reserve		-	-	-	-	-	-	-	14,199	-	(14,199)	-
At 30 June 2022 (Unaudited)		172,134	79,476	(77,627)	167,911	341	-	(13,080)	95,103	(2,452)	536,181	957,987

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(11,076)</b>	113,141
Adjustments for:			
Finance costs	7	<b>592</b>	912
Bank interest income	5	<b>(7,694)</b>	(13,999)
Depreciation of property, plant and equipment	6	<b>51,559</b>	26,714
Amortisation of intangible assets	6	<b>1,252</b>	986
Depreciation of right-of-use assets	6	<b>217</b>	7,008
(Reversal of impairment)/impairment of trade and bills receivables	6	<b>(208)</b>	152
Reversal of impairment of other receivables	6	<b>(7)</b>	–
Write-down of inventories to net realisable value	6	<b>132</b>	2,010
Fair value gains, net:			
Exchange (gain)/loss		<b>(4,317)</b>	472
Gain/(loss) on change in fair value		<b>9,419</b>	(1,146)
Decrease in inventories		<b>9,698</b>	207,669
Increase in trade and bills receivables		<b>(167,041)</b>	(59,546)
Increase in prepayments, deposits and other receivables		<b>(305)</b>	(18,688)
Decrease in trade payables		<b>(7,198)</b>	(192,871)
Decrease in other payables and accruals		<b>(18,936)</b>	(56,846)
Increase in derivative financial instruments		<b>(9,475)</b>	(11,156)
Increase in deferred income		<b>7,620</b>	5,434
Cash from operations		<b>(145,768)</b>	10,246
Hong Kong tax paid		–	–
Mainland China tax paid		<b>(1,594)</b>	(7,704)
Net cash flows from operating activities		<b>(147,362)</b>	2,542



# INTERIM RESULTS

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

For the six months ended 30 June 2023

	<i>Notes</i>	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash flows from operating activities		<b>(147,362)</b>	2,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		<b>7,694</b>	13,999
Purchases of items of property, plant and equipment		<b>(88,504)</b>	(79,680)
Proceeds from disposal of items of property, plant and equipment		<b>(2,414)</b>	77
Recovery of advances from ultimate controlling company		<b>693,247</b>	–
Net cash flows used in investing activities		<b>610,023</b>	(65,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		–	67,000
Repayment of bank loans		<b>(59,508)</b>	(54,207)
Interest paid		<b>(1,025)</b>	(737)
Principal portion of lease payments		–	(7,922)
Net cash flows from financing activities		<b>(60,533)</b>	4,134
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>402,128</b>	(58,928)
Cash and cash equivalents at beginning of period		<b>278,972</b>	1,053,455
Effect of foreign exchange rate changes, net		<b>9,700</b>	21,333
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<i>13</i>	<b>690,800</b>	1,015,860
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>13</i>	<b>690,800</b>	94,603
Non-pledged time deposits with original maturity of less than three months when acquired	<i>13</i>	–	921,257
Cash and cash equivalents as stated in the statement of cash flows		<b>690,800</b>	1,015,860

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 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, while its principal place of business in Hong Kong is located at 8/F, Building 22E, Phase 3, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

During the six months ended 30 June 2023, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of LCD modules for use in smart devices, and providing processing service of LCD modules.

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



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Display Optoelectronics Technology (Huizhou) Co., Ltd. ("CDOT Huizhou")*	PRC/Mainland China*	RMB451,686,900	RMB451,686,900	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and providing processing service of LCD modules
Huizhou Kedate Zhixian Technology Co., Ltd. ("Kedate Zhixian")*	PRC/Mainland China*	RMB50,000,000	RMB50,000,000	–	100	Manufacture and sale of LCD modules for mobile phones and tablets and providing processing service of LCD modules
Taijia Investment Limited	Hong Kong	HK\$10,000	HK\$10,000	–	100	Investment holding, merchandising and sales
TCL Display Technology (Hong Kong) Limited	Hong Kong	HK\$1	HK\$1	–	100	Investment holding, merchandising and sales
TCL Intelligent Display Electronics Limited	Bermuda	HK\$1	HK\$1	100	–	Investment holding
TCL Display Technology (BVI) Limited	British Virgin Islands	US\$1	US\$1	–	100	Investment holding
Taixing Investment Limited	Bermuda	HK\$10,000	HK\$10,000	100	–	Investment holding

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

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

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	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 2023. 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 six months ended 30 June 2023 ("Interim Period"), 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 2022. 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 2023 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

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

- (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 Interim Period, the amendment did not have any impact on the financial position or performance of the Group.

### 4. OPERATING SEGMENT INFORMATION

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

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

#### Geographical information

##### (a) Revenue from external customers

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	196,576	1,545,853
Other countries/areas	1,030,283	1,189,400
	<b>1,226,859</b>	2,735,253

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

##### (b) Non-current assets

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

#### Information about major customers

Revenue of approximately RMB485,285,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB1,016,830,000) was derived from sales to related companies.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

#### Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Segments	<b>LCD modules</b>	LCD modules
<b>Types of goods and services</b>		
Sale of industrial products	<b>1,209,564</b>	2,710,676
Processing services	<b>17,295</b>	24,577
Total revenue from contracts with customers	<b>1,226,859</b>	2,735,253
<b>Geographical markets</b>		
Mainland China	<b>196,576</b>	1,545,853
Other countries/areas	<b>1,030,283</b>	1,189,400
Total revenue from contracts with customers	<b>1,226,859</b>	2,735,253
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<b>1,226,859</b>	2,735,253



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<b>Other income, net</b>		
Bank interest income	<b>7,694</b>	13,999
Subsidy income*	<b>2,071</b>	7,395
Others	<b>19,989</b>	8,450
	<b>29,754</b>	29,844
<b>Gains, net</b>		
Fair value gains, net:		
Derivative financial instruments	-	1,146
Gain on disposal of raw materials, samples and scraps	<b>6,322</b>	274
Gain on disposal of idle equipment	-	77
	<b>36,076</b>	31,341

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

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

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	<b>1,140,085</b>	2,625,357
Depreciation	<b>51,559</b>	26,714
Amortisation of intangible assets	<b>1,252</b>	986
Depreciation of right-of-use assets	<b>217</b>	7,008
Research and development costs:		
Current period expenditures*	<b>52,136</b>	77,413
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>155,462</b>	103,689
Equity-settled share option expense	<b>–</b>	(7,530)
Pension scheme contributions	<b>9,065</b>	9,837
	<b>164,527</b>	105,996
Exchange (gains)/losses, net	<b>(4,317)</b>	5,937
Realised loss on derivative financial instruments***	<b>38,700</b>	5,201
Fair value loss on derivative financial instruments***	<b>9,419</b>	–
(Reversal of impairment)/impairment of trade and bills receivables	<b>(208)</b>	152
Reversal of impairment of financial assets included in prepayments and other receivables	<b>(7)</b>	–
Write-down of inventories to net realisable value**	<b>132</b>	2,010

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

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

\*\*\* Realised loss on derivative financial instruments and fair value loss on derivative financial instruments are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest on bank loans and bonds	580	109
Interest on lease liabilities	1	241
Interest on discounted notes with recourses and factored trade receivables	–	443
Interest on discounted notes without recourses and factored trade receivables	11	–
	<b>592</b>	793

### 8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current – Hong Kong Charge for the period	–	–
Current – Mainland China Charge for the period	6,597	21,030
Adjustment in respect of current tax of previous periods	(10,884)	(40,480)
Deferred	629	(1,382)
Total tax credit for the period	<b>(3,658)</b>	(20,832)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 9. DIVIDENDS

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic (loss)/earnings per share amount for the six months ended 30 June 2023 is based on the (loss)/profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,096,520,150 (six months ended 30 June 2022: 2,081,500,942) in issue less shares held for the share award scheme of the Company ("Share Award Scheme") during the period, as adjusted to reflect the rights issue during the period.

The Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023.

The calculation of basic (loss)/earnings per share is based on:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to owners of the parent, used in the basic and diluted (loss)/earnings per share calculations	<b>(7,418)</b>	133,973
	<hr/>	
	Number of shares For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic and diluted (loss)/earnings per share calculations	<b>2,096,520,150</b>	2,081,500,942



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 11. INVENTORIES

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2022 <b>(Audited)</b> <i>RMB'000</i>
Raw materials	<b>86,086</b>	42,417
Work in progress	<b>1</b>	13,217
Finished goods	<b>39,212</b>	79,495
	<b>125,299</b>	135,129

### 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2022 <b>(Audited)</b> <i>RMB'000</i>
Trade receivables	<b>887,515</b>	729,085
Bills receivable	<b>11,469</b>	2,857
Impairment	<b>(870)</b>	(1,077)
	<b>898,114</b>	730,865

An ageing analysis of the trade and bills receivables as at the end of the six months ended 30 June 2023 (the "Interim Period"), based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2022 <b>(Audited)</b> <i>RMB'000</i>
Within 1 month	<b>245,656</b>	121,806
1 to 2 months	<b>219,125</b>	120,335
2 to 3 months	<b>222,773</b>	104,284
Over 3 months	<b>210,560</b>	384,440
	<b>898,114</b>	730,865

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



## INTERIM RESULTS

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

#### 13. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Cash and bank balances	690,800	268,371
Time deposits	19,000	29,601
	<b>709,800</b>	297,972
Less: Non-pledged time deposits with original maturity of more than one year	19,000	19,000
Cash and cash equivalents	690,800	278,972
Cash and cash equivalents and time deposits denominated in		
– RMB	607,056	35,758
– HK\$	2,732	1,830
– United States dollars (“US\$”)	100,012	260,384
Cash and cash equivalents and time deposits	<b>709,800</b>	297,972

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

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

As at 30 June 2023, included in the Group’s cash and bank balances and time deposits were the balance of advances to TCL Technology under the meaning of Chapter 13 of the Listing Rules, which comprised of deposits of RMB681,643,725 (31 December 2022: RMB41,527,266) placed with TCL Technology Finance Co., Ltd.\* (TCL科技集團財務有限公司) (a fellow subsidiary of the Company and a financial institution approved by the People’s Bank of China) pursuant to the terms of the Master Financial Services (2023-2025) Agreement dated 31 October 2022 entered into among the Company, TCL Technology and TCL Technology Finance Co., Ltd., repayable within one year and without collateral. The interest rate for the deposits placed with TCL Technology Finance Co., Ltd. during the Interim Period ranged from 0.35% to 2.75% (2022: 1.3% to 2.75%) per annum, which was determined based on the savings rates offered by the People’s Bank of China. Further details of the Master Financial Services (2023-2025) Agreement are set out in the circular of the Company dated 21 November 2022. Further details of the interest income from the deposits in the related parties are set out in note 20 to the financial information.



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 14. TRADE PAYABLES

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2022 (Audited) <i>RMB'000</i>
Trade payables	<b>1,065,438</b>	1,072,636

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

	<b>30 June 2023</b> <b>(Unaudited)</b> <i>RMB'000</i>	31 December 2022 (Audited) <i>RMB'000</i>
Within 30 days	<b>483,407</b>	591,248
31 to 60 days	<b>135,668</b>	83,654
61 to 90 days	<b>205,388</b>	124,277
Over 90 days	<b>240,975</b>	273,457
	<b>1,065,438</b>	1,072,636

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

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

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – unsecured	-	-	-	1.025	2023	2,815
			-			2,815
<b>Non-current</b>						
Bank loans – secured	-	-	-	3.85-4.15	2024-2029	59,508
			-			59,508
			-			62,323
Analysed into:						
Bank loans repayable						
Within one year			-			2,815
In the second year			-			2,975
In the third to fifth years, inclusive			-			25,291
Beyond five years			-			31,242
			-			62,323
			-			62,323

*Notes:*

- The Group had banking facilities of RMB2,560,000,000 (31 December 2022: RMB1,250,000,000), of which RMB545,569,463 (31 December 2022: RMB764,195,000) had been utilised as at the end of the Interim Period.
- As at 30 June 2023, the Group had nil interest-bearing bank borrowings, thus the Company's ultimate holding company provided nil guarantee on the Group's interest-bearing bank borrowings (31 December 2022: RMB59,508,000).



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 16. SHARE CAPITAL

	30 June 2023	31 December 2022
Authorised:		
4,000,000,000 (31 December 2022: 4,000,000,000) ordinary shares of HK\$0.10 each ( <i>HK\$'000</i> )	<b>400,000</b>	400,000
Issued and fully paid:		
2,114,307,929 (31 December 2022: 2,114,307,929) ordinary shares ( <i>HK\$'000</i> )	<b>211,431</b>	211,431
Equivalent to RMB'000	<b>172,134</b>	172,134

As at 30 June 2023, the total number of issued ordinary shares of the Company was 2,114,307,929 (2022: 2,114,307,929) shares which included 17,399,523 (2022: 17,399,523) shares held for the Share Award Scheme adopted by the Company.

There's no movement in the Company's share capital during the current period.

#### Share Options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 18 to the financial information.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 17. SHARE AWARD SCHEME

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

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

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

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

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



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 17. SHARE AWARD SCHEME (Continued)

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 30 June 2023, 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 30 June 2023, an aggregate of 1,710,704 Awarded Shares (As at 31 December 2022: 1,710,704 Awarded Shares) were unvested and deemed as returned shares. Accordingly, an amount of RMB705,000 (As at 31 December 2022: RMB705,000) was charge to the Shares held for the Share Award Scheme reserve.

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

### 18. SHARE OPTION SCHEME

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 18. SHARE OPTION SCHEME (Continued)

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

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

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

The fair value of the share options granted during 2016 was RMB18,502,000 (HK\$0.28 each). 32,806,987 share options were expired on 17 March 2022, and the share option reserve was transferred to retained profits accordingly.

According to the scheme limit of the Share Option Scheme as refreshed at the annual general meeting held on 11 May 2016, the Company may further grant 172,149,980 share options, representing approximately 8.14% of the number of issued shares of the Company as at 30 June 2023.

At the date of approval of these interim condensed consolidated financial information, the Company had no outstanding share options.

### 19. COMMITMENTS

The Group had the following capital commitments as at 30 June 2023:

	<b>30 June 2023</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	<b>29,205</b>	133,618



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

### 20. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Transactions with related parties

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
TCL Technology and its then affiliates:		
Sales of products	409,971	673,601
Processing services	17,296	24,577
Sales of raw materials and samples	36,152	6,979
Purchases of products	79,981	70,734
Purchases of plant, vehicles, furniture and fixtures	–	1,673
Purchases of services	7,898	1,225
Rental and other related charges	1,861	–
Sales of services	–	15
Purchases of office supplies	–	693
Interest income	5,661	12,522
Guarantee fee	155	119
	<b>558,975</b>	<b>792,138</b>
TCL Holdings and its then affiliates:		
Sales of products	58,018	318,652
Sales of raw materials and samples	549	688
Purchases of products	20,614	14,987
Purchases of services	834	1,538
Rental and other related charges	–	148
Purchases of plant, vehicles, furniture and fixtures	3,060	–
Interest income	78	72
	<b>83,153</b>	<b>336,085</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

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

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

The Company's ultimate holding company provided nil guarantee on certain bank loans of the Group (31 December 2022: RMB59,508,000) as at the end of the Interim Period, as further detailed in note 15 to the financial information.

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

	Due from related companies		Due to related companies	
	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Current:				
TCL Technology and the then affiliates:	<b>255,272</b>	1,127,951	<b>125,447</b>	317,506
TCL Holdings and the then affiliates:	<b>21,391</b>	49,958	<b>23,573</b>	17,371
	<b>276,663</b>	1,177,909	<b>149,020</b>	334,877
Non-current:				
TCL Technology and the then affiliates:	–	1,257	–	–
TCL Holdings and the then affiliates:	<b>4,914</b>	2,457	<b>3,555</b>	–
	<b>4,914</b>	3,714	<b>3,555</b>	–
	<b>281,577</b>	1,181,623	<b>152,575</b>	334,877

As at 30 June 2023, the current balance with the immediate holding company, an affiliate of TCL Technology, included an amount of RMB33,630,000 (31 December 2022: RMB33,804,000) relating to the reimbursement for the listing expense which was paid by the immediate holding company on behalf of the Company. The remaining balances with TCL Technology and its affiliates and TCL Holdings and its affiliates are mainly trading balances which are repayable on credit terms similar to those offered to the major customers of the Group.



# INTERIM RESULTS

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 June 2023

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

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short term employee benefits	1,589	1,430

### 21. TRANSFERS OF FINANCIAL ASSETS

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

At 30 June 2023, the Group did not retain any rights on the use of discounting certain bills receivable to banks in exchange for cash (the "Discounted Bills") (31 December 2022: RMB2,815,000). 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 no endorsed certain bills receivables accepted by banks (31 December 2022: Nil) to certain of its suppliers (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to two months at the end of the Interim Period. In accordance with the law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group had transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amounts of the Derecognised Bills and the associate trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

For the six months ended 30 June 2023, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the six months or cumulatively.

### 22. APPROVAL OF THE FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 28 August 2023.





# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

The global smartphone shipment recorded a drastic decrease in 2022 as a result of the COVID-19 outbreaks and geopolitical conflicts. Although the COVID-19 outbreaks have largely subsided in 2023, which gradually reduced the risks of disruption faced by the smartphone supply chain, the global economy continued to contract due to rising inflation, which has suppressed the consumption sentiment. Consumers' smartphone replacement cycle continued to lengthen, which led to the demand for smartphones falling short of market expectation. According to the report from International Data Corporation (IDC), global smartphone shipment reached 534 million units in the first half of 2023, representing a year-on-year decrease of 11.3%. The smartphone market in China also remained gloomy during the same period, with smartphone shipments totalling 124 million units, representing a year-on-year decrease of 7.0%.

In the upstream panel market, the OMDIA research report reveals a 9.0% quarter-to-quarter decline in shipment of smartphone display panels to 332 million units in the first quarter of 2023. The growth in the second quarter of 2023 was mainly driven by brand customers' active replenishment of stock due to the historic low inventory and price of amorphous silicon ("A-Si") liquid-crystal display panels, as well as the resumption of production capacity by some panel manufacturers which led to an increase in supply. With smartphone brands gradually phasing out middle and low-end products with higher-end products, shipment of low-temperature poly-silicon ("LTPS") liquid-crystal display panel dropped significantly. As for the active-matrix organic light-emitting diode ("AMOLED"), although the shipment recorded a year-on-year decrease, China's flexible AMOLED products are gradually replacing Korea's rigid AMOLED products.

## BUSINESS REVIEW

For the six months ended 30 June 2023 ("Review Period"), major brand manufacturers still mainly adopted a low inventory strategy due to the weak demand in the smart device market, resulting in a decrease in orders which persistently affected the sales performance of the Group. During the Review Period, the Group achieved a total sales volume of 22.0 million units, representing a year-on-year decrease of 32.2%, while the Group's total revenue decreased by 55.1% year-on-year to RMB1,226.9 million. Although the smartphone market remained weak, the Group achieved quarter-on-quarter growth in sales volume and revenue for the past two consecutive quarters, which were 4.1% and 20.6%, and 5.5% and 7.2%, respectively, reflecting a gradual improvement in the overall sales situation.

During the Review Period, the sales business was the principal business of the Group. The Group's sales volume of modules for sale amounted to 21.2 million units, accounting for 96.2% of the Group's total sales volume, and contributed RMB1,209.6 million to the Group's revenue. The Group's sales performance has been affected by various factors including unstable global economy, declining smartphone market and high global inflation, leading to a year-on-year decrease in the Group's sales volume and an increased pressure on overall average selling price and gross profit. During the Review Period, the overall average selling price (excluding processing modules) of the Group declined by 34.1% year-on-year to RMB57.2.

In the face of the complex domestic and international economic environment, the Group is committed to minimising the impact of external factors through stringent cost control and enhancement of production efficiency. During the Review Period, the Group recorded a gross profit of RMB86.8 million, with a gross profit margin of 7.1%, representing a year-on-year decrease of 0.5 percentage point. The Group recorded a net loss attributable to owners of the parent of RMB7.4 million during the Review Period, which is mainly attributable to the following:

- (i) the mobile phone market has been highly competitive with major brands launching price wars, which dragged down the unit price of display modules, resulting in a cost-price inversion for some products;
- (ii) major customers changed their product sales strategies and reduced orders, resulting in the decrease in sales volume of the Group and exerting pressure on the Group's average selling price and gross profit margin; and
- (iii) as a result of the depreciation of Renminbi ("RMB") during the Review Period, the Group recorded realised losses on derivative financial instruments (such as forward currency contracts which are used to hedge the Group's foreign currency risk) of approximately RMB38.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

(Unaudited)	For the six months ended 30 June				Change
	2023		2022		
	<i>million units</i>	%	<i>million units</i>	%	
<b>Sale of TFT LCD module</b>					
Non-laminated modules	<b>1.9</b>	<b>8.5</b>	3.2	9.7	–40.6%
Laminated modules	<b>19.3</b>	<b>87.7</b>	28.1	86.7	–31.4%
<b>Processing TFT LCD module</b>					
Non-laminated modules	–	–	0.1	0.4	–100.0%
Laminated modules	<b>0.8</b>	<b>3.8</b>	1.0	3.2	–19.1%
Total	<b>22.0</b>	<b>100.0</b>	32.4	100.0	–32.2%

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

(Unaudited)	For the six months ended 30 June				Change
	2023		2022		
	<i>RMB million</i>	%	<i>RMB million</i>	%	
<b>Sale of TFT LCD module</b>					
Non-laminated modules	<b>42.6</b>	<b>3.5</b>	130.2	4.8	–67.3%
Laminated modules	<b>1,167.0</b>	<b>95.1</b>	2,580.5	94.3	–54.8%
<b>Processing TFT LCD module</b>					
Non-laminated modules	–	–	2.1	0.1	–100.0%
Laminated modules	<b>17.3</b>	<b>1.4</b>	22.5	0.8	–23.0%
Total	<b>1,226.9</b>	<b>100.0</b>	2,735.3	100.0	–55.1%

During the Review Period, China remained the principal market for the Group. The revenue from Hong Kong and Mainland China were RMB1,029.8 million and RMB196.6 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**

(Unaudited)	For the six months ended 30 June				Change
	2023		2022		
	<i>RMB million</i>	%	<i>RMB million</i>	%	
Mainland China	<b>196.6</b>	<b>16.02</b>	1,545.9	56.52	–87.3%
Hong Kong	<b>1,029.8</b>	<b>83.94</b>	1,187.7	43.42	–13.3%
Others	<b>0.5</b>	<b>0.04</b>	1.7	0.06	–74.2%
Total	<b>1,226.9</b>	<b>100.00</b>	2,735.3	100.00	–55.1%



# MANAGEMENT DISCUSSION AND ANALYSIS

## Boosting core competitiveness and seizing market opportunities

Several brand customers have completed the audit of the Group's new display module smart factory located in Chenjiang, Huizhou. The new factory is equipped with a number of intelligent production lines and improved database system. The Group aims to expand its economies of scale and reduce costs by improving its technology and craftsmanship, to elevate production quality and establish its core competitiveness through boosting its production efficiency. The Group's goal is to continue to improve the first pass rate of products, reduce the average cost per unit and increase the actual output value per capita, as well as conduct long-term planning for its production chain to constantly enhance its core competitiveness.

With the increasing prevalence of technologies such as 5G, big data and the Internet of Things (IoT), the Group is committed to developing its medium-sized display module and smart home device segments and is constantly striving to expand its product scope and technology platform to enhance its competitiveness. During the Review Period, the Group has relied on Huizhou Kedate Zhixian Technology Company Limited\* (惠州科達特智顯科技有限公司), an indirect wholly-owned subsidiary of the Company, as the supplier of IoT related products, laying the foundation for the Group's future development in the field of IoT to capture the potential business opportunities brought by the market.

## Creating synergies with TCL CSOT's t9 production line while optimising client and product structure

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. During the Review Period, the Group has been deepening its cooperation with its controlling shareholder, TCL China Star Optoelectronics Technology Company Limited ("TCL CSOT"). With the commencement of production of TCL CSOT's liquid-crystal display panel production line t9 ("t9") in 2022, which focuses on the medium-sized intelligent technology ("IT") and professional display market, the Group has been able to form a business model of panel and module integration by cooperating with TCL CSOT with a view to capturing the huge opportunities in the market and expanding its customer base, providing medium-sized display customisation services to several first-tier brand customers, and optimising the business structure and scope of products in relevant fields to create new development momentum for development.

## OUTLOOK

Looking ahead, the global economic outlook is filled with uncertainties amidst persistent macroeconomic, financial, geopolitical and environmental risks. Persistent high inflation has dealt a huge blow to the global economy, while rising interest rates and declining purchasing power are weakening consumer confidence. The dwindling demand for consumer goods and ongoing supply chain challenges are hampering the overall recovery of the smartphone industry in the second half of 2023. According to the latest report by OMDIA, the smartphone shipment volume is anticipated to drop by 5.2% year-on-year to 1,144 million units in 2023.

Amid an increasingly competitive environment, on one hand, the Group will consolidate its customer base, actively reduce costs and enhance efficiency to maximise operational effectiveness; on the other hand, the Group will actively strive for synergies with TCL CSOT's production line t9, closely monitor the tablet market and explore the medium-sized commercial display markets such as smart home products and smart industrial control products. According to IDC's forecast, the annual global shipment of smart home products is expected to reach 1,092 million units in 2027, with a compound annual growth rate of 6.2% between 2023 and 2027. The Group will consistently monitor the market trend in the field of IoT, so as to expand its business horizontally.

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 industrial chain and amplifying its technological and scale advantages. While responding to the challenges, it will maintain a balance between sales growth and robust development while striving to create better value for the Group and its shareholders.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity and Financial Resources

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

The Group's cash and cash equivalents and time deposits balance as at 30 June 2023 amounted to RMB709.8 million, of which 14.1% was in US dollar, 85.5% was in RMB and 0.4% was in HK dollar.

As at 30 June 2023, the Group had no interest-bearing bank loans and other borrowings. Please refer to note 15 to the financial statements for further details in respect of borrowings of the Group during the Review Period.

As at 30 June 2023, total equity attributable to owners of the parent was RMB983.4 million (31 December 2022: RMB1,000.2 million), and the gearing ratio was nil (31 December 2022: 2.4%). The gearing ratio was calculated based on the Group's total interest-bearing loans (including bank borrowings and other borrowings) divided by total assets.

### Pledge of Assets

As at 30 June 2023, no asset of the Group was pledged (31 December 2022: nil).

### Capital Commitments and Contingent Liabilities

	<b>30 June 2023</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Plant and equipment	<b>29,205</b>	133,618

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: nil).

### Foreign Exchange Risk

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Pending Litigation**

The Group had not been involved in any material litigation for the six months ended 30 June 2023.

## **Significant Investments Held**

There was no significant investment held by the Group as at 30 June 2023.

## **Material Acquisitions and Disposals**

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

## **Employees and Remuneration Policies**

As at 30 June 2023, the Group had a total of 2,984 employees. During the Review Period, the total staff costs amounted to approximately RMB164.5 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 would be granted to relevant grantees, including employees of the Group, under the Company's share option scheme and share award scheme respectively.

## **Future Plans for Material Investments or Capital Assets**

As at 30 June 2023, the Group did not have any concrete plans for material investments or capital assets for the second half of the year 2023.



## OTHER INFORMATION

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

As at 30 June 2023, the interests and/or short position of the Directors and chief executives of the Company in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong, hereinafter the "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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

#### Interests in the Company – Long Positions

Name of Director	Nature of interest	Number of Ordinary Shares held Personal interests	Number of Shares held under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of the Company (Note 1)
OUYANG Hongping	Beneficial owner	14,037,998	–	14,037,998	0.66%

Notes:

- Such percentage was calculated based on the number of Shares and underlying Shares in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued Shares as at 30 June 2023, being 2,114,307,929 Shares in issue.

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

TCL Technology Group Corporation ("TCL Technology") (Note 1)

Name of Director	Nature of interest	Number of Ordinary Shares held Personal Interests	Other interests (Note 2)	Number of Shares under Equity Derivatives	Total	Approximate Percentage of Issued Share Capital of TCL Technology (Note 3)
LIAO Qian	Beneficial owner	1,289,075	275,707	–	1,564,782	0.0083%
OUYANG Hongping	Beneficial owner	280,804	200,540	–	481,344	0.0026%
XI Wenbo	Beneficial owner	424,698	268,802	–	693,500	0.0037%

Notes:

- TCL Technology, a joint stock limited company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- These interests are incentive shares that have been granted to the relevant Director under the incentive scheme adopted by TCL Technology and were not vested as at 30 June 2023.
- Such percentage was calculated based on the number of issued share capital of TCL Technology as at 30 June 2023, being 18,779,080,767 shares in issue, as informed by TCL Technology.



## OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, 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 30 June 2023, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

#### **Long position in shares of the Company**

<b>Name of Shareholder</b>	<b>Nature of Interest</b>	<b>Number of Shares held</b>	<b>Approximate Percentage of Issued Share Capital of the Company</b> <i>(Note 3)</i>
TCL Technology	Interest of controlled corporation	1,357,439,806 <i>(Note 1)</i>	64.20%
TCL China Star Optoelectronics Technology Co., Ltd.	Interest of controlled corporation	1,357,439,806 <i>(Note 2)</i>	64.20%

#### *Notes:*

- For the purposes of Part XV of the SFO, TCL Technology is deemed to be interested in 1,357,439,806 Shares, all of which are indirectly held through High Value Ventures Limited, a wholly-owned subsidiary of China Star Optoelectronics International (HK) Limited, which in turn is wholly owned by TCL China Star Optoelectronics Technology Co., Ltd. ("TCL CSOT") which is owned as to 78.56% by TCL Technology as at 30 June 2023.
- For the purposes 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 as at 30 June 2023.
- Such percentage was calculated based on the total number of Shares in which each of the substantial shareholders was interested as disclosed on the website of the Stock Exchange against the number of issued shares of the Company as at 30 June 2023, being 2,114,307,929 Shares.
- As at 30 June 2023, the following Directors were directors/employees of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
  - Mr. LIAO Qian was also an executive director, senior vice president and secretary of the board of directors of TCL Technology.
  - Mr. OUYANG Hongping was also a director and a general manager of Wuhan CDOT (a subsidiary of TCL Technology) and a general manager of Wuhan CSOT (a subsidiary of TCL Technology).
  - Mr. XI Wenbo was also the vice president and head of financial centre of TCL CSOT.

Save as disclosed above, as at 30 June 2023, 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 that was required to be recorded pursuant to section 336 of the SFO.



## OTHER INFORMATION

### 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 Shares on the Stock Exchange on 25 June 2015 and, unless otherwise terminated, will remain in force for 10 years 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 18 to the financial statements in this interim report. Both as at 30 June 2023 and as at 11 September 2023, being the latest practicable date of this interim 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 30 June 2023 and 11 September 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 18 to the financial statements in this interim report, which are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.





## OTHER INFORMATION

As at 1 January 2023 and 30 June 2023, there was no outstanding or unvested share option. Both as at 1 January 2023 and 30 June 2023, the total 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 of the Company as at both 1 January 2023 and 30 June 2023.

During the six months ended 30 June 2023, no share options has been granted, exercised, vested, lapsed or cancelled, and no share was issued pursuant to 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 shareholders of the Company during 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 company 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 of 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.



## OTHER INFORMATION

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 six months ended 30 June 2023, 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 2023 and as at 30 June 2023.

Since the adoption date of the Share Award Scheme and up to 30 June 2023, 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 2023 and as at 30 June 2023, 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. Therefore, an aggregate of 68,859,992 Shares can be issued under the Share Award Scheme, which represented approximately 3.26% of the issued Shares as at 1 January 2023, 30 June 2023 and 11 September 2023, being the latest practicable date of this interim report. For further details, please see note 17 to the financial statements.

During the six months ended 30 June 2023, 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 2023 and 30 June 2023, there was no share option of the Company nor Award outstanding/unvested and hence no Shares may be issued in respect of share options and Awards granted under the Share Option Scheme and Share Award Scheme during the six months ended 30 June 2023.

### **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 in the section "Share Option Scheme", and the Share Award Scheme as disclosed in the section "Share Award Scheme" and under notes 17 and 18 to the financial statements in this interim report, at no time during the six months ended 30 June 2023 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.

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: Nil).

### CHANGE OF PARTICULARS OF THE DIRECTORS

As at 11 September 2023, being the latest practicable date for ascertaining information for the purpose of this section, certain particulars of Directors have been changed in the following respects since the publication date of the 2022 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Xi Wenbo, an executive Director, was appointed as the finance director of the Company with effect from 9 June 2023.

Mr. Wen Xianzhen, an executive Director, ceased to be the finance director of the Company with effect from 9 June 2023.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has complied with the code provisions (the "Code Provisions") as set out in Part 2 of the Corporate Governance Code under Appendix 14 to the Listing Rules, except for the following deviation:

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

The company secretary of the Company, Ms. CHEUNG Bo Man ("Ms. CHEUNG"), 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 six months ended 30 June 2023, 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 has not, throughout the six months ended 30 June 2023, fully complied with the Code Provisions.



## OTHER INFORMATION

### 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 six months ended 30 June 2023.

### AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company currently comprises three members, namely Ms. HSU Wai Man, Helen (as the chairperson), Mr. LI Yang and Mr. XU Yan, all of whom are independent non-executive Directors. The Group's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2023 have been reviewed by the audit committee, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board

**LIAO Qian**

*Chairman*

Hong Kong, 28 August 2023