



**United for  
Better Future**



## **Interim Report 2017**

BOE Varitronix Limited  
Stock Code 710

# Chairman's Statement

## Financial Highlights

HK\$ million	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue	1,297	1,119
Profit attributable to shareholders	23	4
Basic earnings per share	3.07 HK cents	0.90 HK cents

On behalf of BOE Varitronix Limited (the "Company") and its subsidiaries (collectively referred to as "BOE Varitronix" or the "Group"), I present the Group's results for the period ended 30 June 2017.

During the period under review, the Group recorded a revenue of HK\$1,297 million, representing an increase of 16% from the HK\$1,119 million reported for the first half of 2016. Profit from operations of the Group was HK\$28 million, a year-on-year increase of 115%. The Group's profit attributable to shareholders was HK\$23 million, an increase of 429% compared to the same period in 2016. The net proceeds of approximately HK\$1,392 million from the subscription of the Company's shares by BOE Technology Group Co., Ltd ("BOE") in 2016 (the "Subscription") has been utilised in accordance with the intended use of proceeds of the Subscription as disclosed in the circular of the Company dated 22 March 2016. The working capital, including inventories and accounts receivables, increased compared to 2016 under the expansion of Thin Film Transistors ("TFT") modules business.

The Group acquired a stable supply of TFT panels from its major shareholder BOE during the period under review, and its TFT modules business expanded rapidly. As the selling prices of TFT modules products were higher than those of monochrome displays, and the Group has been shifting to the production of medium-to-large-sized TFT modules, its average selling price of products increased. As a result, the revenue of the Group grew. However, the profitability of the Group was reduced due to the low gross profit margin of TFT modules products resulting from the intense competition in the TFT market and the consolidation of the Group's TFT business for development.

The Group considers that it is now under a period of transition for the TFT business development. The Group needs to adapt to the TFT products specifications in terms of design and production technology while facing the competition of market prices, so its profitability will be affected in the short term. Nevertheless, the Group is determined to develop its TFT business as its business strategy with specific goals. The Group remains optimistic about its TFT business.

# Chairman's Statement

## DIVIDENDS

The Board of Directors (the "Board") resolved not to declare an interim dividend for the period ended 30 June 2017 (1H 2016: Nil).

## GROUP BUSINESS REVIEW

### Automotive Display Business

For the six months ended 30 June 2017, the revenue generated by the automotive display business was HK\$906 million, representing an increase of 24% compared to the first half of 2016. This business accounted for 70% of the Group's total revenue.

In the first half of the year, automotive TFT modules products recorded rapid revenue growth and had a tendency to the development of medium-to-large-sized products, which were mainly used on the automobile dashboard and for multimedia information display. As the automotive TFT modules market in Europe was very mature, European customers had high requirements for TFT technology. As the competition became more intense, the mid-to-low end automobiles were also equipped with TFT displays. On the one hand, the Group secured stable supply and improved product quality by leveraging the diversified TFT panels and technology resources of BOE. On the other hand, the Group also improved its production capacity and yield by strengthening its investment in production lines for TFT modules and team expansion. Therefore, European customers became more confident in the Group's TFT business, and the number of orders from some of the Group's strategic customers

increased, resulting in an increase in revenue of the TFT business. The Group had won more TFT projects during the period under review and commenced mass production for some of the projects. The Group strived to develop medium-to-large-sized products and seize more orders in the TFT modules market but the gross profit margin was under huge pressure due to the extremely intense competition faced by the TFT business.

The sales volume of monochrome automotive displays in Europe remained stable while the selling prices were still under pressure despite a slowdown in the magnitude of decline. The Group also took various measures to control the material and operating costs of the monochrome automotive display business in order to stabilise the gross profit margin of this business.

For the People's Republic of China ("PRC") market, the Group acquired a number of TFT medium-to-large-sized projects during the period. Those projects will gradually commence mass production in 2017 and 2018 and will act as a driver of the Group's revenue. In South Korea, the customers almost had no new demand for monochrome displays. The Group acquired some orders of TFT modules being exported to the PRC from its Korean customers in the first half of the year. However, the relationship between the PRC and Korea had become intense since the second quarter of the year, which affected the trade between the two countries and postponed these orders, and also obstructed the Group's TFT business development in South Korea.

There is still room for growth of the Group's development in the automotive monochrome display market in Japan. The Group maintains solid business relationships with the major customers of monochrome display products in Japan. During the period under review, the business in Japan sustained stable growth. The Group also set up a subsidiary and expanded the local sales team in Tokyo, Japan in 2016. The local sales team had also gradually established business relationship with some Japanese customers with respect to TFT automotive displays with solid progress.

### Industrial Display Business

In the first half of 2017, the revenue generated by the industrial display business was HK\$391 million, representing an increase of 1% compared to the same period last year. This business accounted for 30% of the Group's total revenue.

During the period under review, the Group's industrial display business in Europe has maintained steady development. Industrial customers are still primarily using monochrome displays for electricity meter which accounted for major portion of industrial sales. Being recognised by its stable quality, the Group also attracted new customers for cooperation in respect of electricity meters in the first half of the year.

In the first half of the year, the Group was acknowledged by the white goods manufacturers in Europe who expected to enhance the image and price of their products with TFT modules installed on them. During the period, the Group recorded growth in the revenue from this sector.

The United States was a major market of industrial displays. However, some customers postponed their orders since the second half of last year. The transitional period was created upon the expiry of some production agreements not followed by the production of new products, which affected the revenue from the United States. The Group is now negotiating with customers on new product projects and beginning to conduct a study on reducing material costs so as to enhance its competitiveness while maintaining profitability.

## PROSPECTS

### Automotive Display Business

The orders for automotive displays have been shifting to TFT products. To this end, the automotive TFT production lines of the Group in Chengdu will commence operation stage by stage in the second half of the year. Customers are confident with the Group. In particular, some European automotive customers consider the Group as their strategic partner and have placed mass production orders to the Group. In addition to Europe, the TFT business also has rapid development in the PRC market. Leveraging the customer network of BOE, the Group enjoys more business opportunities. It is expected that the PRC will be a tower of strength of the automotive TFT modules business of the Group. Adhering to its strategic customer-based approach, the Group will consolidate its resources to seize TFT modules platform projects with more orders. The Group will also further strengthen its bargaining power for materials, place stringent control on operation costs and further improve production yield and quality so as to strive to improve the gross profit margin of these projects.

## Chairman's Statement

Japan has also become one of the major markets of the automotive display business. Japanese customers do not change their suppliers easily due to their high quality requirements. After years of effort, the Group finally gains trust from Japanese customers and becomes their reliable supplier for monochrome display products. The automotive monochrome display business in Japan will sustain growth in the future. The Group has also begun to negotiate with Japanese customers on automotive TFT modules business and acquired some orders.

The development of automotive display business of the Group in Korea and the United States is at a relatively slow pace. The Group will strengthen the capability of the local sales teams to enhance the marketing and communication with customers in order to improve the business performance in these two regions. For emerging markets, the business in India is worth noting. In addition to the sales growth of monochrome displays, the application of TFT in automobiles is also faster than expected. The Group has begun to acquire TFT modules orders from customers in India. Leveraging the development trend of TFT, the Group will strive to enhance its revenue in India and seize sufficient market share in this sector.

### Industrial Display Business

The industrial display business continues to focus on the European and the United States markets. Currently, monochrome displays still dominate in the basic application of industrial displays and are mostly used in electricity meters and industrial instruments. Customers base of the industrial sectors mainly includes Europe, the United States and the PRC.

The Group has a solid foundation of white goods manufacturers. As the white goods manufacturers increasingly prefer the use of TFT modules, the Group will focus on the development of this sector in the future. Apart from the white goods manufacturers in Europe, the Group has also succeeded in the expansion of industrial display market in Japan by extending the scope of application to musical instruments and white goods. The Group has also acquired some new projects which are expected to commence production in the second half of 2017 and in the future.

The industrial customers are relatively more diversified with extensive needs on products. Accordingly, the customerised design for the productions of panel and modules are essential. The Group's abundant resources for TFT production can better accommodate the customerised design requirements of customers on TFT modules products with flexibility, which is expected to be beneficial to the development of TFT industrial display business.

### Development Strategy

In the future, the Group will stick to the monochrome display business and focus on the development of TFT modules business which still has extensive room for growth in spite of the fierce competition in this market. Facing the automotive and industrial TFT modules market with intense competition, BOE Varitronix, as a late market player, in deed faces many challenges. However, the Group remains confident in this business. In April 2016, the Group introduced BOE as its major shareholder. Over the year, the Group succeeded in the deployment of the TFT business expansion strategy, greatly enhanced its human resources,

production capacity and technology, as well as product research and development (“R&D”) capacity, and gained recognition and trust from customers.

In the short term, the Group will continue to enhance its own strength to expand its markets and acquire orders. As the late market player in the TFT market, it aims at becoming a market challenger in short term and then becoming a market leader after two to three years. In order to expand its TFT business effectively, the Group will make further investment in new production lines and improve its gross profit margins. Accordingly, the Group will coordinate among material procurement, product design, production technology and quality control in order to optimise its profitability. Meanwhile, the Group will further make use of its long-term customer base as well as its experience in automotive and industrial display design. By focusing on the strategic customers, the Group will design TFT modules products equipped with new functions for their products for mass production to strive for economies of scale to a greater extent, which will be beneficial to cost control and enhance the value of each order, thus creating a unique competitive advantage for the Group’s TFT business.

## Technology Development

The Group continued to make efforts to develop and improve the technology of display products in the first half of the year and achieved remarkable progress. The Group also achieved the expected targets of the new technology development including oversized cockpit displays, Head up Display and TFT Electronic Rear Mirror as mentioned in the 2016 annual report in the first half of the year.

During the period, the R&D team of the Group developed a variety of large-sized TFT displays incorporating touch screens by making use of the optical bonding technology. These TFT displays can show brighter and clearer images and will commence mass production from the end of 2017 to the beginning of 2019.

The Group is also developing the Automotive Full In Cell Touch technology which is marked by the full incorporation of touch sensor with TFT pixel and the elimination of touch panel and touch chip. This technology can save cost by using fewer components and streamline the display modules by reducing the number of layers. The Group expects to launch the finished product using this technology in the first half of next year.

## Chairman's Statement

The Group has started to improve the performance of the automotive displays in order to meet the original equipment manufacturer ("OEM") specifications in Germany and the PRC since last year. The Group's technology now complies with the OEM specification in Germany (V4.5.2), which is stricter than the standards in the PRC, Korea and other developing countries. Besides, the Group is also working towards the higher specification of OEM V5 in Germany and expects to reach the target in 2019.

In the meantime, the Group is also developing a brand-new technology called Automotive Quantum Dot Display. With this technology, the colour gamut can be up to 100%, which is higher than the colour gamut of the typical automotive TFT displays, so the displays can show more vivid colours and lively images.

### ACKNOWLEDGEMENT

The Company has officially changed its name to BOE Varitronix Limited in June 2017. The Board considers that the change of name will provide the Company with a better identification and strengthen the Company's corporate image, which will benefit the Company's future business development. The Board considers that the change of name is in the interest of the Company and the shareholders as a whole.

I would like to take this opportunity to sincerely thank the Board, the management, the employees, the shareholders and business partners. The Group's staff will be united as one to expand business network and deliver excellent performance in future.

**Yao Xiangjun**

Chairman

Hong Kong, 30 August 2017

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
<b>Revenue</b>	3	<b>1,296,612</b>	1,119,043
Other operating income/ (loss)	4	<b>23,030</b>	(53,845)
Change in inventories of finished goods and work in progress		<b>66,953</b>	(98,725)
Raw materials and consumables used		<b>(938,084)</b>	(584,472)
Staff costs		<b>(233,559)</b>	(204,009)
Depreciation		<b>(49,135)</b>	(50,388)
Other operating expenses		<b>(137,679)</b>	(114,491)
<b>Profit from operations</b>		<b>28,138</b>	13,113
Finance costs	5(a)	<b>(49)</b>	(933)
Share of losses of an associate		<b>(491)</b>	–
<b>Profit before taxation</b>	5	<b>27,598</b>	12,180
Income tax	6	<b>(5,056)</b>	(7,921)
<b>Profit for the period attributable to the equity shareholders of the Company</b>		<b>22,542</b>	4,259
<b>Earnings per share (in HK cents)</b>	8		
Basic		<b>3.07 cents</b>	0.90 cents
Diluted		<b>3.07 cents</b>	0.90 cents

The notes on pages 12 to 21 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
<b>Profit for the period</b>		<b>22,542</b>	4,259
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>	7		
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation adjustments: net movement in exchange reserve		<b>28,354</b>	(15,639)
– Available-for-sale securities: net movement in fair value reserve		<b>1,164</b>	(28)
<b>Other comprehensive income for the period</b>		<b>29,518</b>	(15,667)
<b>Total comprehensive income for the period attributable to the equity shareholders of the Company</b>		<b>52,060</b>	(11,408)

The notes on pages 12 to 21 form part of this interim financial report.



# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 – unaudited  
(Expressed in Hong Kong dollars)

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
	Note		
<b>Non-current assets</b>			
Fixed assets	9		
– Property, plant and equipment		<b>417,918</b>	352,102
– Interest in leasehold land held for own use under operating leases		<b>9,615</b>	9,695
		<b>427,533</b>	361,797
Interest in an associate		<b>3,918</b>	4,150
Loans receivable		<b>15,500</b>	15,500
Other financial assets		<b>11,947</b>	10,783
Other non-current assets		<b>8,995</b>	18,336
Deferred tax assets		<b>6,154</b>	2,731
		<b>474,047</b>	413,297
<b>Current assets</b>			
Inventories	10	<b>643,155</b>	450,993
Trade and other receivables	11	<b>668,071</b>	510,992
Other financial assets		<b>11,500</b>	54,211
Current tax recoverable		<b>18,538</b>	19,466
Fixed deposits with more than three months to maturity when placed	12	<b>573,939</b>	626,231
Cash and cash equivalents	12	<b>973,461</b>	1,098,672
		<b>2,888,664</b>	2,760,565

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
	Note		
<b>Current liabilities</b>			
Trade and other payables	13	<b>566,862</b>	424,060
Bank loans		<b>–</b>	8,890
Current tax payable		<b>3,799</b>	1,417
Dividends payable		<b>18,376</b>	–
		<b>589,037</b>	434,367
<b>Net current assets</b>		<b>2,299,627</b>	2,326,198
<b>Total assets less current liabilities</b>			
		<b>2,773,674</b>	2,739,495
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,894</b>	7,888
<b>NET ASSETS</b>		<b>2,765,780</b>	2,731,607
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>183,764</b>	183,764
Reserves		<b>2,582,016</b>	2,547,843
<b>TOTAL EQUITY</b>		<b>2,765,780</b>	2,731,607

The notes on pages 12 to 21 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company								
	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2016	82,782	719,921	33,657	11,208	19,492	21,549	–	1,016,827	1,905,436
<b>Changes in equity for six months ended 30 June 2016:</b>									
Profit for the period	–	–	–	–	–	–	–	4,259	4,259
Other comprehensive income	–	–	(15,639)	(28)	–	–	–	–	(15,667)
Total comprehensive income	–	–	(15,639)	(28)	–	–	–	4,259	(11,408)
Issuance of new shares	100,000	1,300,000	–	–	–	–	–	–	1,400,000
Transfer to surplus reserve	–	(720,191)	–	–	–	–	720,191	–	–
Issuance of shares upon exercise of share options	982	13,137	–	–	(3,715)	–	–	–	10,404
Equity settled share-based transactions	–	–	–	–	1,509	–	–	–	1,509
Capitalisation of issuing expenses	–	(6,052)	–	–	–	–	–	–	(6,052)
Final dividend declared in respect of the previous year	–	–	–	–	–	–	–	(101,960)	(101,960)
Special dividend declared during the period	–	–	–	–	–	–	–	(451,298)	(451,298)
Balance at 30 June 2016	183,764	1,306,815	18,018	11,180	17,286	21,549	720,191	467,828	2,746,631

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2017 – unaudited  
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company								
	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2017	183,764	1,306,815	(32,243)	(488)	17,927	21,549	720,191	514,092	2,731,607
<b>Changes in equity for six months ended 30 June 2017:</b>									
Profit for the period	-	-	-	-	-	-	-	22,542	22,542
Other comprehensive income	-	-	28,354	1,164	-	-	-	-	29,518
Total comprehensive income	-	-	28,354	1,164	-	-	-	22,542	52,060
Equity settled share-based transactions	-	-	-	-	489	-	-	-	489
Final dividend declared in respect of the previous year	-	-	-	-	-	-	-	(18,376)	(18,376)
Balance at 30 June 2017	183,764	1,306,815	(3,889)	676	18,416	21,549	720,191	518,258	2,765,780

The notes on pages 12 to 21 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2017 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
<b>Cash (used in)/generated from operations</b>	<b>(115,868)</b>	112,866
Tax paid		
– People's Republic of China ("PRC") income taxes paid	<b>(1,831)</b>	(1,300)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC	<b>(3,339)</b>	(3,242)
<b>Net cash (used in)/generated from operating activities</b>	<b>(121,038)</b>	108,324
Payment for the purchase of fixed assets	<b>(109,192)</b>	(24,635)
Proceeds from disposal of fixed assets	–	1,883
Proceeds from redemption of held-to-maturity debt securities	<b>32,574</b>	–
Proceeds from redemption of certificates of deposits	<b>10,084</b>	–
Placement of fixed deposits with banks	<b>(941,189)</b>	(201,760)
Proceeds on maturity of fixed deposits with banks	<b>993,481</b>	–
Proceeds from disposal of trading securities	–	81,982
Other cash flows arising from investing activities	<b>12,584</b>	3,348
<b>Net cash used in investing activities</b>	<b>(1,658)</b>	(139,182)

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Net proceeds from issuance of new shares	–	1,393,948
Proceeds from new bank loans	–	41,406
Repayment of bank loans	<b>(8,890)</b>	(166,001)
Other cash flows arising from financing activities	<b>(49)</b>	9,472
<b>Net cash (used in)/generated from financing activities</b>	<b>(8,939)</b>	1,278,825
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(131,635)</b>	1,247,967
<b>Cash and cash equivalents at 1 January</b>	<b>1,098,672</b>	767,393
<b>Effect of foreign exchange rates changes</b>	<b>6,424</b>	(627)
<b>Cash and cash equivalents at 30 June</b>	<b>973,461</b>	2,014,733

The notes on pages 12 to 21 form part of this interim financial report.

# Notes to the unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial

statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 22.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3. REVENUE AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays and related products.

#### (a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the revenue and operating profits is derived from this business segment. The interim financial report is already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined that a single operating segment exists based on this internal reporting.

The Board assesses the performance of the operating segments based on revenue which is consistent with that in the interim financial report. Other information, being the total assets excluding deferred tax assets, loans receivable, other financial assets, trading securities, current tax recoverable and the interest in associates, all of which are managed on a central basis, are provided to the Board to assess the performance of the operating segment.

#### (b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's fixed assets and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of interest in associates.

# Notes to the unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 3. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Geographic information (Continued)

#### (i) Group's revenue from external customers

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
The PRC (place of domicile)	398,753	342,705
Europe	559,222	476,114
America	127,184	119,769
Korea	80,008	53,001
Others	131,445	127,454
	897,859	776,338
Consolidated revenue	1,296,612	1,119,043

Revenue from external customers located in Europe is analysed as follows:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Germany	120,497	73,280
United Kingdom	66,122	66,971
France	54,841	65,901
Italy	28,191	34,491
Other European countries	289,571	235,471
	559,222	476,114

#### (ii) Group's specified non-current assets

	At	At
	30 June 2017	31 December 2016
	\$'000	\$'000
The PRC (place of domicile)	424,380	358,644
Korea	3,918	4,150
Others	3,153	3,153
	431,451	365,947

## 4. OTHER OPERATING INCOME/ (LOSS)

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Interest income from listed debt securities	309	698
Other interest income	11,382	2,609
Net realised and unrealised losses on trading securities	-	(37,538)
Government grants	6,560	-
Net exchange gain/(loss)	5,075	(22,426)
Gain on disposal of fixed assets	-	26
Other net (loss)/gain	(296)	2,786
	23,030	(53,845)

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	49	933
<b>(b) Other item</b>		
Cost of inventories	1,101,326	878,356

## 6. INCOME TAX

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Current tax – Hong Kong Profits Tax	–	(189)
Current tax – The PRC income taxes	5,954	5,237
Current tax – Jurisdictions outside Hong Kong and the PRC	2,525	2,373
Deferred taxation	(3,423)	500
	5,056	7,921

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017. The provision for the PRC Corporate Income Tax is calculated by applying a reduced tax rate of 15% which is applicable for Varitronix (Heyuan) Display Technology Limited, a subsidiary of the Group designated as high and new technology enterprise by the PRC tax authority. Withholding tax is levied on dividend distributions arising from profit of the Group's subsidiaries operating in the PRC earned after 1 January 2008 based on an applicable tax rate of 5%. Taxation for subsidiaries operating outside Hong Kong and the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

## 7. OTHER COMPREHENSIVE INCOME

There are no tax effects in respect of reclassification adjustments relating to the components of other comprehensive income during the periods ended 30 June 2017 and 2016.



# Notes to the unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$22,542,000 (six months ended 30 June 2016: \$4,259,000) and the weighted average number of shares of 735,055,204 shares (six months ended 30 June 2016: 472,265,917 shares) in issue during the period, calculated as follows:

### Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
Issued ordinary shares at 1 January	735,055,204	331,125,204
Effect of issuance of new shares	-	140,659,341
Effect of share options exercised	-	481,372
Weighted average number of ordinary shares at 30 June	735,055,204	472,265,917

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of \$22,542,000 (six months ended 30 June 2016: \$4,259,000) and the weighted average number of ordinary shares of 735,055,204 shares (six months ended 30 June 2016: 474,080,073 shares), calculated as follows:

### Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares at 30 June	735,055,204	472,265,917
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	-	1,814,156
Weighted average number of ordinary shares (diluted) at 30 June	735,055,204	474,080,073

## 9. FIXED ASSETS

During the six months ended 30 June 2017, the Group acquired items of fixed assets with a cost of \$106,707,000 (six months ended 30 June 2016: \$25,046,000). There were no fixed assets disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: \$1,857,000).

## 10. INVENTORIES

During the six months ended 30 June 2017, the Group recognised inventory write-down of \$4,678,000 (2016: \$425,000) in profit or loss and reversal of write-down of inventories of \$2,040,000 (2016: \$663,000) as a reduction in the amount of inventories recognised as an expense in profit or loss.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts of \$5,521,000 (31 December 2016: \$6,125,000)) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within 60 days of the invoice issue date	427,997	313,165
61 to 90 days after the invoice issue date	99,267	89,484
91 to 120 days after the invoice issue date	32,483	30,627
More than 120 days but less than 12 months after the invoice issue date	25,466	30,205
	<b>585,213</b>	<b>463,481</b>

Trade debtors and bills receivable are generally due within 60 to 90 days from the date of the billing.

## 12. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Fixed deposits with banks and other financial institutions with more than three months to maturity when placed	573,939	626,231
Fixed deposits with banks and other financial institutions with three months or less maturity when placed	427,904	394,290
Cash at banks and in hand	545,557	704,382
Cash and cash equivalents	<b>973,461</b>	<b>1,098,672</b>

## 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within 60 days of supplier invoice date	386,126	262,538
61 to 120 days after supplier invoice date	106,978	77,029
More than 120 days but within 12 months after supplier invoice date	5,941	8,635
More than 12 months after supplier invoice date	–	518
	<b>499,045</b>	<b>348,720</b>

# Notes to the unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 14. CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the period

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

#### (ii) Dividends payable to equity shareholders of the Company declared during the period

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Final dividend in respect of the previous financial year declared during the period of 2.5 HK cents (2016: 30.5 HK cents) per share	18,376	101,960
Special dividend declared during the period of Nil (2016: HK\$1.35) per share	-	451,298
	18,376	553,258

#### (b) Equity settled share-based transactions

During the six months ended 30 June 2017, no options were exercised to subscribe for ordinary shares in the Company (2016: 3,930,000 ordinary shares at a consideration of \$10,404,000 of which \$982,000 was credited to share capital and the balance of \$9,422,000 was credited to the share premium account. \$3,715,000 has been transferred from the capital reserve to the share premium account).

There were no options forfeited during the period ended 30 June 2017 (2016: Nil).

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Level 1	Total
	\$'000	\$'000
<b>Recurring fair value measurement at 30 June 2017</b>		
<i>Financial assets</i>		
Listed available-for-sale debt securities	11,946	11,946
Listed available-for-sale equity securities	1	1
	11,947	11,947

## 15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 \$'000	Total \$'000
<b>Recurring fair value measurement at 31 December 2016</b>		
<i>Financial assets</i>		
Listed available-for-sale debt securities	10,782	10,782
Listed available-for-sale equity securities	1	1
	10,783	10,783

During the six months ended 30 June 2017 there were no significant transfers between levels of the fair value hierarchy.

### Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2017 and 31 December 2016.

## 16. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The following transactions were carried out with related parties, including BOE Technology Group Co., Ltd. ("BOE"), the parent of the Company, and its subsidiaries other than the Group ("BOE Group"), except for disclosed elsewhere in these unaudited condensed consolidated interim financial report:

	Note	Six months ended 30 June 2017 \$'000	2016 \$'000
<i>BOE Group:</i>			
Purchase of goods	1	192,408	12,145
Subcontracting fee	1	3,412	–
Rental, management, utilities services fees and CIM system	2	1,972	–
Purchase of fixed assets	3	67,962	–

#### Notes:

- The transactions were conducted based on the terms as governed by the renewed master purchase agreement and master subcontracting agreement entered into between the Company and BOE on 27 October 2016. Further details are set out in the Company's announcement dated 27 October 2016. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- The transactions were conducted based on the terms as governed by the tenancy agreement and the related agreements entered into between Link Score Investment Limited, a wholly owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly owned subsidiary of BOE, on 13 January 2017. Further details are set out in the Company's announcement dated 13 January 2017. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- The transaction was conducted based on the terms as governed by the acquisition agreement entered into between Varitronix (Chengdu) Display Technology Co. Ltd., a wholly owned subsidiary of the Company, and Chengdu BOE on 20 February 2017. Further details are set out in the Company's announcement dated 20 February 2017. The related party transaction constitutes connected transaction as defined in Chapter 14A of the Listing Rules.

# Notes to the unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
<i>BOE Group:</i>		
Trade and other payables	<b>54,896</b>	15,590

Balances with related parties are unsecured, interest-free and are repayable within one year.

## 17. COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the Group's financial statements were as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Contracted for	<b>37,882</b>	33,003
Authorised but not contracted for	<b>476,325</b>	51,317
	<b>514,207</b>	84,320

## 18. CONTINGENT LIABILITIES

### Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of a banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued and the facilities drawn down by the subsidiaries is Nil (31 December 2016: \$8,890,000).

## 19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

## **19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)**

### **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which may be affected:

#### **(a) Timing of revenue recognition**

Currently, revenue from sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. At contract inception, an entity evaluates whether it transfers the control to the customer over time and therefore revenue should be recognised over time – if not, then it transfers control at a point in time and revenue will be recognised at that single point in time.

Based on a preliminary assessment, the Group expects that revenue from sales of goods will continue to be recognised at a point in time. However, as a result of the change from the risk-and-reward approach to the transfer-of-control approach, the point in time at which revenue will be recognised may change upon the adoption of HKFRS 15. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

#### **(b) Sales with a right of return**

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the company recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

# Review Report



## **Independent review report to the board of directors of BOE Varitronix Limited (formerly known as Varitronix International Limited)**

*(Incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 7 to 21 which comprises the consolidated statement of financial position of BOE Varitronix Limited (formerly known as Varitronix International Limited) as of 30 June 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road,  
Central, Hong Kong

30 August 2017

# Other Information

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## STAFF

As at 30 June 2017, the Group employed 5,344 staff around the world, of whom 155 were in Hong Kong, 5,144 in the People's Republic of China (the "PRC") and 45 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

The Group adopts a performance-based remuneration policy. Salary adjustments and performance bonuses are based on the evaluation of job performance. The aim is to create an atmosphere that encourages top performers and provides incentives for general employees to improve and excel.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the total equity of the Group was HK\$2,766 million (31 December 2016: HK\$2,732 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 4.9 as at 30 June 2017 (31 December 2016: 6.4).

At the period end, the Group held a liquid portfolio of HK\$1,571 million (31 December 2016: HK\$1,790 million) of which HK\$1,547 million (31 December 2016: HK\$1,725 million) was in cash and fixed deposits balance, HK\$24 million (31 December 2016: HK\$65 million) in other financial assets. The unsecured interest-bearing bank loans amounted to Nil (31 December 2016: HK\$9 million). The gearing ratio (bank loans over net assets) was Nil (31 December 2016: 0.3%).

The Group's inventory turnover ratio (annualized cost of inventories over average inventories balance) for the six months ended 30 June 2017 was 4.1 times (31 December 2016: 3.9 times). Debtor turnover days (trade receivables over turnover times 181) for the six months ended 30 June 2017 was 82 days (31 December 2016: 75 days).

## FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Euros, Japanese Yen and Renminbi.

The Group is not engaged in the use of any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.



## Other Information

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

As at 30 June 2017, the interests and shorts positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

#### (a)(i) Interests in shares of the Company

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company
Ko Wing Yan, Samantha	Personal Interest	247,000	0.03%

#### (a)(ii) Interests in shares of BOE Technology Group Co., Ltd. ("BOE") (an associated corporation) (Note 1)

Name of Director	Capacity	Number of A shares in BOE held	Approximate percentage of the total issued share capital of BOE
Yao Xiangjun	Personal Interest	100,000	0.00%
Dong Xue	Personal Interest	100,000	0.00%

Notes:

1. BOE subscribed 400,000,000 shares, representing 54.42% of the issued share capital of the Company.
2. The above interest represented long positions.

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

### (b) Interests in share options of the Company

Name of Director	Date of grant	Number of share options at 1 January 2017	Number of share options granted during the period	Number of share options exercised during the period	Number of share options at 30 June 2017	Exercisable period	Exercise price per share option
Ko Wing Yan, Samantha	9 July 2015	2,000,000	–	–	2,000,000	(Note 1)	HK\$5.72
Hou Ziqiang	9 July 2015	300,000	–	–	300,000	(Note 1)	HK\$5.72

#### Notes:

- Exercisable period:
  - the first 40% of the options shall be exercisable from 1 September 2015 to 31 August 2018;
  - the second 30% of the options shall be exercisable from 1 September 2016 to 31 August 2018; and
  - the remaining 30% of the options shall be exercisable from 1 September 2017 to 31 August 2018.
- The above interests represented long positions.

Saved as disclosed above, as at 30 June 2017, none of the Directors, chief executives or any of their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their spouses or children under the age of 18 to acquire benefits by the means of the acquisition of the shares in or debentures of the Company or any other body corporate.

## Other Information

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

As at 30 June 2017, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, the following companies and person had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	Number of shares in the Company held	Number of underlying shares in the Company held	Total	Approximate percentage of the total issued share capital of the Company
BOE Technology Group Co., Ltd.	400,000,000 (Note 1)	–	400,000,000	54.42%
Ko Chun Shun, Johnson	56,551,000 (Note 2)	2,000,000 (Note 3)	58,551,000	7.97%
Rockstead Technology Limited	43,951,000 (Note 2)	–	43,951,000	5.98%

Notes:

1. The subscription of the 400,000,000 shares of the Company by BOE Technology Group Co., Ltd., a joint stock company established in the PRC and the issued shares of which are listed on the Shenzhen Stock Exchange with stock code 000725 for its A shares and stock code 200725 for its B shares.
2. Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson (a former Executive Director of the Company and the former Chairman of the Board), held 43,951,000 shares and 10,700,000 shares of the Company respectively.
3. This represents the interests in 2,000,000 share options held by Mr. Ko Chun Shun, Johnson.
4. The above interests represented long positions.

Saved as disclosed above, as at 30 June 2017, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEMES

On 6 June 1991, the Company adopted a share option scheme. This is to provide the Group with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Group's employees and business associates (the "Participants"). It was subsequently amended on 8 June 1999 and expired on 5 June 2001. A second share option scheme of the Company was adopted on 22 June 2001 and terminated on 12 May 2003.

A third share option scheme of the Company was adopted on 12 May 2003 as an incentive to the Participants. The third share option scheme limit was subsequently refreshed by a resolution passed at the annual general meeting held on 2 June 2010. The maximum number of share options that could be granted by the Company was refreshed to 32,342,220 share options. This scheme expired on 11 May 2013.

A fourth share option scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years and as at 30 June 2017, the fourth share option has a remaining life of up to 2 June 2023. On 9 July 2015, 8,600,000 share options were granted under the fourth share option scheme and a consideration of HK\$19.00 was received. During the six months ended 30 June 2017, no share option was granted under the fourth share option scheme.

The Company can grant share options to the Participants for a consideration of HK\$1.00 for each grant payable by the Participants. The maximum number of shares in respect of which share options may be granted under the fourth share option scheme and any other schemes of the Company may not exceed 10.00% of the issued share capital of the Company at the date of approval of the fourth share option scheme. The maximum entitlement of each Participant in the total number of shares issued and to be issued upon exercise of share options granted under the fourth share option scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1.00% of the total number of shares in issue.

Subscription price of the shares in relation to a share option shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to the Participants, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares. There shall be no minimum period for which the share options must be held before they are exercised but the Board may determine.

As at the date of this report, the total number of share options that can be granted was 24,411,520, representing 3.32% of the issued share capital of the Company. The total number of shares available for issue under the share option schemes as at 30 June 2017 represents 1.08% (30 June 2016: 1.12%) of the issued share capital of the Company at that date.

## Other Information

### SHARE OPTION SCHEMES (CONTINUED)

Movements in the Company's share options during the period were as follows:

Date of grant	Number of share options at 1 January 2017	Number of share options granted during the period	Number of share options cancelled/ lapsed during the period	Number of share options exercised during the period	Number of share options at 30 June 2017	Exercisable period	Exercise price per share option
<b>Directors</b>							
9 July 2015	2,300,000	-	-	-	2,300,000	(Note 2)	HK\$5.72
<b>Others (Note 1)</b>							
9 July 2015	3,600,000	-	-	-	3,600,000	(Note 2)	HK\$5.72
<b>Employees</b>							
9 July 2015	2,070,000	-	-	-	2,070,000	(Note 2)	HK\$5.72
	7,970,000	-	-	-	7,970,000		

Notes:

- Messrs. Ko Chun Shun, Johnson and Ho Te Hwai, Cecil resigned as Executive Directors of the Company on 28 April 2016. Dr. Lo Wing Yan, William and Mr. Chau Shing Yim, David retired as Independent Non-Executive Directors of the Company on 3 June 2016. The 2,000,000 share options, 1,000,000 share options, 300,000 share options and 300,000 share options held by Mr. Ko, Mr. Ho, Dr. Lo and Mr. Chau respectively were retained until the end of the expiry of the exercisable period of the share options, and reclassified from the category 'Directors' to 'Others'.
- Exercisable period:
  - the first 40% of the options shall be exercisable from 1 September 2015 to 31 August 2018;
  - the second 30% of the options shall be exercisable from 1 September 2016 to 31 August 2018; and
  - the remaining 30% of the options shall be exercisable from 1 September 2017 to 31 August 2018.
- The consideration for the share options granted was HK\$1.00.
- The above interests represented long positions.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2017.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2017.

All other information on the Code has been disclosed in the corporate governance report contained in the 2016 annual report of the Company issued in March 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the "AC") comprises 3 Independent Non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's internal and external auditors. The AC has reviewed the interim results for the six months ended 30 June 2017 of the Company now reported on.

The interim financial report for the six months ended 30 June 2017 has been reviewed by the Company auditors, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### REMUNERATION COMMITTEE

The Remuneration Committee of the Company (the "RC") is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Mr. Fung, Yuk Kan Peter (Chairman of the RC), Mr. Yao Xiangjun, Ms. Ko Wing Yan, Samantha, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the RC, 3 members are Independent Non-executive Directors.

### NOMINATION COMMITTEE

The Nomination Committee of the Company (the "NC") comprises Mr. Yao Xiangjun (Chairman of the NC), Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the NC, 3 members are Independent Non-executive Directors.

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the

Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

### DIRECTORS

As at the date of this report, the Board comprises nine Directors, of whom Mr. Yao Xiangjun, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are Executive Directors, Ms. Yang Xiaoping, Mr. Dong Xue and Mr. Yuan Feng are Non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are Independent Non-executive Directors.