



BOE

INTERIM REPORT 2021

BOE VARITRONIX LIMITED
Stock Code 710



Highlights

HK\$ million	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	3,200	1,898
EBITDA ¹	174	90
Profit Attributable to Shareholders	95.1	18.2
Cash and Fixed Deposits Balance	1,601	1,502
Basic and Diluted Earnings per Share	12.9 HK cents	2.5 HK cents

¹ EBITDA means profit for the period plus the following to the extent deducted in calculating such profit for the period: finance costs, income tax, depreciation and amortisation.

On behalf of BOE Varitronix Limited (the "Company") and its subsidiaries ("BOEVx" or the "Group"), I present the results for the period ended 30 June 2021.

During the period under review, revenue of HK\$3,200 million was recorded, an increase of 69% when compared with HK\$1,898 million recorded in the first half of 2020. EBITDA¹ of the Group was HK\$174 million, 93% higher than HK\$90 million recorded for the same period in the previous year. The profit attributable to shareholders was HK\$95.1 million, an increase of 423%, when compared with HK\$18.2 million recorded in the first half of 2020.

As at 30 June 2021, the cash and fixed deposits balance of the Group was HK\$1,601 million, compared to HK\$1,635 million at the end of 2020. The Group has no bank loan as at 30 June 2021 and 31 December 2020. The cash position of the Group remains strong during the period.

The Group has achieved significant growth in revenue and profit attributable to shareholders during the period under review as compared to the first half of 2020. As stated in the Group's 2020 Annual Report, the Group's business has recovered from the impact of the COVID-19 pandemic emerged in the first half of 2020 and our automotive display business continued to grow notably from the second half of 2020 and throughout the first half of 2021. The Group's revenue has increased by 69% comparing with the same period of last year, in which the base of comparison is relatively low as affected by the impact of the COVID-19 pandemic. The major growth engine is from the People's Republic of China (the "PRC") in which the automotive market has experienced a fast recovery from the impact of the COVID-19 pandemic. The growth was mainly derived from the sales of Thin Film Transistor ("TFT") modules and touch panel display modules products which contributed by commencement of mass production of new projects being awarded in prior years. The revenue from the sales of TFT module and touch panel display modules accounted for 81% of the Group's total revenue during the period. The Group's business in Europe, Korea and America has also recorded notable growth during the period as a result of increase in sales in the automotive display business.

During the period under review, EBITDA has increased by 93% to HK\$174 million, represented 5.4% of the Group's revenue. The increase is mainly due to the increase in gross profit contributed by the increase in revenue. The profit attributable to shareholders has increased by HK\$76.9 million, 423% as compared to the same period of 2020. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group's revenue, increased to 3% as compared to 1% in the same period of 2020. The Group's profitability has been improving and achieving economies of scales as our sales increases. The staff costs and other operating expenses have increased comparing with the same period of last year as the base of comparison is low during COVID-19 when the business activities were reduced. Nevertheless, the increase was corresponding to the increase in sales and business activities during the period and the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales.

DIVIDENDS

The board of directors (the "Board") of the Company resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS REVIEW

Automotive Display Business

For the period under review, the automotive display business generated revenue of HK\$2,578 million, an increase of 86% from the revenue of HK\$1,386 million recorded in the same period of 2020. This business represented 81% of the Group's overall revenue.

The Group's automotive display business has recorded a remarkable growth as compared to the same period of last year. The Group's market share in the global automotive market remained at a leading position. The main growth engine is from the increase in sales in the PRC where the overall market demand has been increasing since the second half of 2020 and throughout the first half of 2021. The market condition and demand in the PRC automotive market have fast recovered from the COVID-19 pandemic and the sales order started to surge in the second half of 2020. The scheduled commencement of mass production of awarded TFT and touch panel module projects has also contributed to the increase in revenue in the period. The overall average selling price of the PRC market has been increasing since the second half of 2020 due to the shift of product mix to more contribution from touch panel module products and large-sized TFT with high selling price. Upward price adjustments on certain products due to the recent global shortage of electronic components has also been partly reflected in later second quarter of 2021.

The revenue from new energy vehicles (“NEV”) display in the PRC has also recorded a significant growth during the period as a result of ramp-up of orders from customers. This is benefited from the increasing acceptance of NEV from end users as evidenced by the increasing number of NEV sales in the PRC.

The revenue from Europe automotive customers during the period has increased as compared to the same period of last year. Our major customers, including sizable global Tier-1 manufacturers, have been recovering from the impact of the pandemic and gradually resumed normal business activities during the period.

For Korea, Japan and America market, the revenue has recorded a considerable growth as compared to the lower base of comparison in the first half of 2020.

Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$622 million, an increase of 21% from the revenue of HK\$512 million recorded in that same period in 2020. This business represented 19% of the Group’s overall revenue.

The increase of revenue from this business is mainly due to increase in sales of TFT display modules for education-related application in the PRC and the ramp-up of TFT display modules orders from a world-renowned high-end home appliances brand. The revenue from monochrome display has recorded a mild growth in Europe as the business activities resumed gradually during the first half of 2021.

BUSINESS OUTLOOK

During the period under review, the Group’s overall business has been recovering from the pandemic and recorded a significant growth especially in the automotive display business. The Group expects the momentum of growth will continue throughout the second half of 2021 based on our sales order status of mass production projects. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and NEV. Thus, the Group’s revenue and profit are expected to increase further in the second half of 2021 comparing the first half of 2021, as it is expected further economies of scales will be achieved through the sales increases. The global shortage of electronic components during the period will still pose an uncertainty to the Group’s business in the remainder of the year or even longer. Nevertheless, the Group has been taking various measures to reduce the impact and ensure smooth production and delivery. And the Group has increased the selling price of our products in response to the increase in material and other costs due to the recent global shortage of electronic components, and the effect will be reflected in the second half of 2021.

Automotive Display Business

During the period under review, the Group has maintained our leading position in the global automotive market in terms of display area and delivery quantities, especially for display sizes larger than 8 inches. Our PRC customers include major local and joint venture brand automobile manufacturers for conventional vehicles as well as major NEV manufacturers. Through the continuous effort of our business development in the PRC in the past years, we have established a close relationship and even strategic partnership with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers which enable us to obtain considerable amount of new TFT and touch panel module projects to support the revenue growth in future years.

The revenue contribution from NEV display sales in the PRC has been increasing since the beginning of 2020, especially in the current period under review. The Group considered that trend of migration from conventional vehicles to NEV is inevitable and the customers' willingness to switch to NEV will be one of the major growing areas in the PRC. In this regard, the Group has been working very closely with NEV manufacturers to promote our TFT and AMOLED display modules, as well as system display products. Our first mass production of large-sized AMOLED display for a renowned PRC NEV manufacturer will commence in 2022. As the trend of display is shifting to large-sized multiple display modules and touch panel modules, as well as higher-end display technologies like BD cell and AMOLED, it is expected that the average selling price of the Group's products will gradually increase. The Group has also been awarded several projects in relation to system display solution in the PRC.

The Europe automotive business has shown sign of rebound during the period under review. The Group continues to win new projects from our long-term Tier-1 customers for passenger cars, commercial vehicles, as well as higher-end luxury cars. As stated above, NEV is an inevitable trend of automobile in the future. The Group has been working on projects on new energy commercial vehicles and has won a large-sized display system project for a new electric van manufacturer in the United Kingdom. Uncertainties for the COVID-19 pandemic in Europe may possibly affect the business in the region but the Group is confident that our sales will gradually increase upon the mass production of new projects in the future.

For Korea, Japan and America market, we expect the revenue will grow in the future as a result of the increase in sales orders for TFT and touch panel display modules following mass production in the latter half of 2020.

Industrial Display Business

Our monochrome display business is a relatively stable business where applications are mainly industrial meters, medical and consumer products. We will continue to increase our resources in expanding our industrial customer base and to promote our TFT display modules to high-end customers, like home appliances products and educational products. The Group's distinctive IBN-TFT hybrid display began to be recognised by customer and successfully applied in a marine application.

Development Strategy

The Group will continue our proven development strategy in the past years, which is to increase market shares through the establishment of close relationship with our customers and provide quality customised products and services. We have been able to establish a strong foothold in the fast-growing PRC automotive market in the past year and will continue to deepen our cooperation with our strategic partners. We will put extra efforts in other geographical regions, especially in Europe, to support the trend towards NEV. In view of the positive outlook of the automotive display business and to capture further market share, the Group is considering to expand our TFT and touch panel display module manufacturing facilities in the PRC through joint venture cooperation with BOE Technology Group Co., Ltd. (“the BOE Group”) and may involve the acquisition of land and construction of production plant and facilities. The Group considers it is in the best interest of the Group to strengthen our manufacturing capacities in order to cope with the increasing demand in the automotive market.

Following the advancement in autonomous driving technologies, the Group considers it is important to enhance in-vehicle immersive experience for car users and continue to invest in related technologies and product development. The Group aims to become an integrated automobile smart cockpit display system solution provider to capture this future trend. In terms of display quality and experience, large-sized display modules, wide-screen display, AMOLED, the BOE Group’s self-developed BD cell display and etc, can greatly improve user’s visual experience. For interactive experience, Human Machine Interface (“HMI”) is an important element. The Group has been developing technologies like gesture control and infra-red emission and sensing, 3D touch, naked eye 3D display and also augmented reality head-up display (“AR-HUD”) to enhance HMI experience in the cockpit.

We have increased our investment in Shenzhen Jiangcheng Technology Co., Ltd. in the first quarter of 2021 and reached a capital increase agreement to raise additional funding to support the on-going development AR-HUD and HUD related technologies and products. Mass production of an AR-HUD project for a PRC local brand car is scheduled in year 2022. Regarding the development of display system, the Group has allocated a dedicated team to develop display system solution for both the PRC and overseas market. Also, display system solution projects from a leading PRC NEV manufacturer were awarded and mass production will commence in the second half of the year and year 2022.

Technology Development

Besides changing the way of the car is powered, electric vehicles also promote the development of smart cockpit. The size and number of pixels of automotive displays have increased rapidly over the past few years as the displays almost cover all surfaces inside the vehicles, bringing an immersive experience for users, with a focus on providing drivers key information and providing passengers richer and more diverse entertainment content.

In response to development needs, automakers are no longer satisfied with high-resolution large-sized flat-panel displays. They pursue more visual effect on curved display, high dynamic range ("HDR"), super high contrast (for high-end graphics), true black, halo free and etc. On the other hand, along with the advancement of smart automobile and autonomous driving technology, Human Machine Interface (HMI) is becoming more and more important, and high-sensitivity multiple input interfaces are also the direction of changes. As the development of display solutions become more mature, many automobile manufacturers intend to introduce new products such as AR-HUD and naked eye 3D.

The Group is dedicated to the development of a next-generation automotive display technology and contribute to the evolution of smart automobile.

We are dedicated to developing LED Local Dimming technology, Mini-LED technology, HDR technology and BD cell technology, so as to greatly increase the product contrast, widen the color gamut, show a darker and more true display image. The car cockpit display image has a strong black to white transition and is more susceptible to halo artifacts. The more dimming zones and the better matching of the backlight to display the image, thereby reduce the halo effect. We have achieved phased results and are working to improve the cost competitiveness on this technology. The BD cell technology is the BOE Group's unique innovation technology through the use of monochrome and color double-layer cell design, as well as pixel partitioning technology and micro-scale super-fine light control technology, which boost the display contrast to a hundred thousand level by TFT-LCD technology. With the strong technical strength of the BOE Group, we will continue to develop related technologies and apply to automotive and other applications.

We are one of the very few manufacturers with both monochrome display and color TFT manufacturing capabilities. The Group is also committed to inject new impetus into the monochrome display business. The Group's new versi-colour IBN display screens and IBN-TFT hybrid display screens have been successfully applied to marine and automotive application, and this has successfully promoted our monochrome display business. In 2021, the Group also made a breakthrough in the transmittance of IBN-TFT hybrid display, while maintaining the consistency of appearance and solving the demerit of the technically low transmittance of IBN-TFT hybrid displays. The high transmittance also makes this technology more suitable for outdoor applications, making the market more widely used, and successfully making the Group become one of the market leaders in this technology.

For curved display solutions, curved display devices fail to have a good touch coordination solution is a footing stone on the car HMI. It is more obvious of the limitation on choice of components on consumer products in automotive products. We are committed to the development of automotive curved displays, and overcome different challenges, such as automobile reliability, mechanical durability, cross-color, black level, etc. The Group has achieved phased results in automotive curved displays and obtained the first free-form curved display project from a well-known European automobile manufacturer, which shows the recognition from our customers.

Moving forward, we are actively developing high-definition naked-eye 3D and new HUD products.

Regarding the 3D display, with the continuous development of autonomous driving, the communication between the driver and the car requires a new HMI. Currently, the Group is developing a naked eye 3D display with a 4K ultra-high panel to provide visually attractive 3D performance, such as providing more viewpoints, a wider FOV (Field of View) and adjustable depth by algorithm. First samples had been produced for evaluation and the 3D user interface implementation is undergoing. We are also developing 3D touch technologies, Infra-Red Gesture technology by IR emission and sensing, together with naked eye 3D display, for contactless gesture machine communication and hovering control for user interface control applications.

The usage of LED segment HUD products has been breaking new highs in the past years. Because of the limitation of information provided, it has mainly been using in Taiwan and Southeast Asia markets for motorcycle cluster application. The Group leveraged the advantages of LCD to launch after-market monochrome HUD products to the potential high-volume HUD market during the year. Meanwhile, AR-HUD products for the high-end market are launched in conjunction with AR algorithms, expanding the product category and helping to open up more market opportunities.

In the development of AR-HUD system, by reason of being leading level on both optical structure design and AR algorithm, we were awarded projects from leading PRC automotive customers and development works are in good progress. In WHUD (Windshield type HUD), we won projects from another famous PRC automobile manufacturer for a series of new car models. Furthermore, in the development of CMS (Camera Monitor System), we have completed a technical platform based on a high-end computing and image processor, an Ambarrella SoC (System on Chip), for our proprietary vision communication system. This platform employs a SoC and MCU dual system solution and we were awarded the project for a new breakthrough product with dual rear cameras, dual integrated monitor displays and a control display module again. We expect the products will be well-received by the market.

► Chairman's Statement

In addition, the continuous investment in different technology and product development in smart cockpit display system allow the Group to enter the harvest period progressively. In the higher-end fully digital integrated display module solution and realisation, we continue to invest and expand our system development team as well as the project management team. We have won projects from PRC and US/Europe NEV automobile manufacturers. Those projects include cluster display system, big multiple displays in one cockpit display system, e-Mirror display system and OLED display system with functional safety compliance. Some of the projects will go to mass production in the second half of the year. The Group has committed further investment in expanding both the PRC and overseas system development team in order to be ready for project evaluation and award from more new customers over the world.

ACKNOWLEDGEMENT

During the period, the Group has achieved remarkable results in terms of revenue growth as well as improvement in profitability through the great effort of our dedicated team. In the coming years, the Group will pursue our ambition to become a leading integrated automotive smart cockpit display solution provider. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders, investors and business partners for your continuing support.

Gao Wenbao

Chairman
Hong Kong, 26 August 2021

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2021 \$'000	2020 \$'000
Revenue	3	3,200,005	1,898,299
Other operating income, net	4	24,975	26,220
Change in inventories of finished goods and work in progress		72,669	(2,843)
Raw materials and consumables used		(2,698,440)	(1,541,961)
Staff costs		(267,729)	(189,928)
Depreciation		(77,939)	(70,432)
Other operating expenses	5(c)	(157,972)	(99,419)
Profit from operations		95,569	19,936
Finance costs	5(a)	(429)	(189)
Share of losses of associates		(278)	(963)
Profit before taxation	5	94,862	18,784
Income tax	6	(5,882)	(602)
Profit for the period		88,980	18,182
Attributable to:			
Equity shareholders of the Company		95,105	18,182
Non-controlling interests		(6,125)	-
		88,980	18,182
Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)	7		
Basic		12.9 cents	2.5 cents
Diluted		12.9 cents	2.5 cents

The notes on pages 14 to 26 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Profit for the period	88,980	18,182
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Foreign currency translation adjustments: net movement in exchange reserve	11,648	(21,646)
Total comprehensive income for the period	100,628	(3,464)
Attributable to:		
Equity shareholders of the Company	106,250	(3,464)
Non-controlling interests	(5,622)	-
	100,628	(3,464)

The notes on pages 14 to 26 form part of this interim financial report.

► Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2021	At 31 December 2020
	Note	\$'000	\$'000
Non-current assets			
Property, plant and equipment	8	476,893	467,046
Interest in associates		1,633	8,806
Intangible assets		31,965	4,565
Other financial assets		41,908	–
Non-current deposits and prepayments		17,267	32,138
Deferred tax assets		9,117	10,277
		578,783	522,832
Current assets			
Inventories	9	628,179	503,389
Trade and other receivables, deposits and prepayments and other contract costs	10	1,415,575	1,158,080
Other financial assets		–	3,103
Current tax recoverable		12,254	7,150
Fixed deposits with more than three months to maturity when placed	11	–	7,753
Cash and cash equivalents	11	1,600,920	1,627,531
		3,656,928	3,307,006

		At 30 June 2021	At 31 December 2020
	Note	\$'000	\$'000
Current liabilities			
Trade and other payables	12	1,333,530	1,023,009
Lease liabilities		7,477	9,495
Current tax payable		3,598	56
Deferred income		3,723	4,672
Dividends payable	13	36,780	–
		1,385,108	1,037,232
Net current assets		2,271,820	2,269,774
Total assets less current liabilities		2,850,603	2,792,606
Non-current liabilities			
Lease liabilities		8,980	9,934
Deferred tax liabilities		8,294	8,293
Deferred income		5,615	7,225
		22,889	25,452
NET ASSETS		2,827,714	2,767,154
CAPITAL AND RESERVES			
Share capital	13	183,899	183,794
Reserves		2,579,991	2,526,142
Total equity attributable to equity shareholders of the Company		2,763,890	2,709,936
Non-controlling interests		63,824	57,218
TOTAL EQUITY		2,827,714	2,767,154

The notes on pages 14 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2020	183,794	1,307,585	(45,289)	1,557	21,549	720,191	562,048	2,751,435
Changes in equity for 2020:								
Profit for the period	-	-	-	-	-	-	18,182	18,182
Other comprehensive income	-	-	(21,646)	-	-	-	-	(21,646)
Total comprehensive income	-	-	(21,646)	-	-	-	18,182	(3,464)
Equity settled share-based transactions	-	-	-	421	-	-	-	421
Final dividend approved in respect of the previous year	-	-	-	-	-	-	(7,352)	(7,352)
Special dividend approved in respect of the previous year	-	-	-	-	-	-	(183,794)	(183,794)
Balance at 30 June 2020	183,794	1,307,585	(66,935)	1,978	21,549	720,191	389,084	2,557,246

► Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Shares held under share award plan \$'000	Shares award reserve \$'000	Exchange reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2021	183,794	1,307,585	(16,932)	-	51,900	2,060	21,501	720,191	439,837	2,709,936	57,218	2,767,154
Changes in equity for 2021:												
Profit for the period	-	-	-	-	-	-	-	-	95,105	95,105	(6,125)	88,980
Other comprehensive income	-	-	-	-	11,145	-	-	-	-	11,145	503	11,648
Total comprehensive income	-	-	-	-	11,145	-	-	-	95,105	106,250	(5,622)	100,628
Final dividend approved in respect of the previous year	-	-	-	-	-	-	-	-	(36,780)	(36,780)	-	(36,780)
Shares purchased by the trustee under share award plan	-	-	(23,183)	-	-	-	-	-	-	(23,183)	-	(23,183)
Shares vested under share award plan	-	-	6,506	(8,088)	-	-	-	-	1,582	-	-	-
Equity settled share-based transactions	-	-	-	10,297	-	80	-	-	-	10,377	-	10,377
Shares issued under share option scheme	105	976	-	-	-	(241)	-	-	-	840	-	840
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	8,678	8,678
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	-	(3,550)	(3,550)	3,550	-
Balance at 30 June 2021	183,899	1,308,561	(33,609)	2,209	63,045	1,899	21,501	720,191	496,194	2,763,890	63,824	2,827,714

The notes on pages 14 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Operating activities		
Cash generated from/(used in) operations	66,645	(3,900)
Tax (paid)/recovered		
– People's Republic of China ("PRC") income taxes paid	(7,598)	(2,282)
– Tax recovered/(paid) in respect of jurisdictions outside Hong Kong and the PRC	1,313	(331)
Net cash generated from/(used in) operating activities	60,360	(6,513)
Investing activities		
Proceeds from disposal of property, plant and equipment	1	–
Payment for the purchase of property, plant and equipment	(48,274)	(36,059)
Payment for the purchase of intangible assets	(1,630)	–
Acquisition of subsidiary, net of cash acquired	3,722	–
Payment for the enterprise reporting system implementation	–	(752)
Payment for the purchase of equity securities	(38,800)	–
Decrease/(increase) in fixed deposits with more than three months to maturity when placed	7,753	(46)
Interest received	11,729	13,766
Net cash used in investing activities	(65,499)	(23,091)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Financing activities		
Capital element of lease rentals paid	(5,689)	(3,526)
Interest element of lease rentals paid	(429)	(189)
Proceeds from shares issued under share option scheme	840	–
Shares purchased under share award plan	(23,183)	–
Net cash used in financing activities	(28,461)	(3,715)
Net decrease in cash and cash equivalents	(33,600)	(33,319)
Cash and cash equivalents at 1 January	1,627,531	1,538,328
Effect of foreign exchange rates changes	6,989	(11,055)
Cash and cash equivalents at 30 June	1,600,920	1,493,954

The notes on pages 14 to 26 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 26 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 27.

The financial information relating to the financial year ended 31 December 2020 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of the developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this interim 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 are 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, other financial assets, current tax recoverable and interest in an associate, all of which are managed on a central basis, are provided to the Board to assess the performance of the operating segment.

► Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 property, plant and equipment, intangible 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 intangible assets and interest in associates.

(i) Group's revenue from external customers

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
The PRC (place of domicile)	2,009,215	1,003,751
Europe	669,249	545,956
Korea	168,091	106,985
America	155,309	78,227
Others	198,141	163,380
	1,190,790	894,548
Consolidated revenue	3,200,005	1,898,299

Revenues from external customers located in Europe are analysed as follows:

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Czech Republic	209,702	114,027
Germany	143,387	171,572
Portugal	49,123	31,125
Italy	41,231	34,085
France	33,210	33,330
United Kingdom	7,110	16,522
Other European countries	185,486	145,295
	669,249	545,956

(ii) Group's specified non-current assets

	At	At
	30 June	31 December
	2021	2020
	\$'000	\$'000
The PRC (place of domicile)	500,608	470,144
Korea	1,633	2,852
Others	8,250	7,421
	510,491	480,417

4. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	11,618	12,761
Government grants (note (i))	4,804	2,845
Impairment loss on interest in an associate	(1,000)	–
Loss on deemed disposal of an associate	(1,786)	–
Net exchange gain	2,020	2,773
Net loss on disposal of property, plant and equipment	(2)	–
Rental receivable from operating leases	7,267	6,681
Others	2,054	1,160
	24,975	26,220

Note:

- (i) The amount mainly represents the incentives granted in relation to staff retention of \$2,131,000 (2020: \$Nil) and amortisation of government grants received in relation to acquiring machineries of \$2,656,000 (2020: \$2,758,000) for engaging in research and development. There are no unfulfilled conditions attaching to these government grants.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(a) Finance costs		
Interest on lease liabilities	429	189
(b) Other items		
Expected credit loss allowance recognised on trade receivables	2,565	114
Cost of inventories	2,844,896	1,715,956

► Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

5. PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(c) Other operating expenses		
Amortisation of intangible assets	488	352
Auditors' remuneration	1,850	1,818
Bank charges	717	613
Building management fees	1,992	1,672
Factory consumables, cleaning and security service expenses	6,261	7,825
Freight charges	26,981	15,615
Insurance and quality assurance expenses	2,220	1,829
Legal and professional fees	4,914	2,193
Office expenses	2,469	2,349
Other taxes, surcharge & duties	10,718	5,844
Repair and maintenance	9,118	5,859
Sales, marketing and commission expenses	19,778	10,277
Subcontracting fees	33,918	15,663
Travelling and entertainment expenses	6,388	4,498
Utilities expenses	26,257	21,391
Miscellaneous expenses	3,903	1,621
	157,972	99,419

6. INCOME TAX

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Current tax – the PRC income taxes	3,226	–
Current tax – Jurisdictions outside Hong Kong and the PRC	1,496	602
Deferred taxation	1,160	–
	5,882	602

(i) Hong Kong Profits Tax

The Group's operations in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5%.

(ii) PRC income taxes

The Group's operations in the PRC are subject to Corporate Income Tax Law of the PRC. The standard PRC corporate income tax rate is 25%.

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the periods ended 30 June 2021 and 2020. According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Varitronix Heyuan was entitled to the bonus deduction of its certain research and development costs incurred as tax deductible expenses when determining their assessable profits for the six months ended 30 June 2021 and 2020. The Group made their best estimate for the bonus deduction to be claimed for Varitronix Heyuan in ascertaining its assessable profits for the six months ended 30 June 2021 and 2020.

6. INCOME TAX (CONTINUED)

(ii) PRC income taxes (Continued)

Other subsidiaries of the Group incorporated in the PRC are subject to the standard PRC corporate income tax rate of 25%.

Withholding tax is levied on dividend distributions arising from profits of the PRC entities of the Group earned after 1 January 2008 based on an applicable tax rate at 5%.

(iii) Jurisdictions outside Hong Kong and the PRC

Taxation for subsidiaries of the Group operating outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of \$95,105,000 (six months ended 30 June 2020: \$18,182,000) and the weighted average of 735,298,971 ordinary shares (2020: 735,175,204 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of \$95,105,000 (six months ended 30 June 2020: \$18,182,000) and the weighted average number of 737,066,421 ordinary shares (2020: 735,420,108 shares).

8. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a new agreement for use of office, and therefore recognised the addition to right-of-use assets of \$2,700,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of \$80,412,000 (six months ended 30 June 2020: \$38,723,000). Items of property, plant and equipment with a net book value of \$3,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: \$Nil), resulting in \$2,000 charge of loss on disposal (six months ended 30 June 2020: \$Nil).

9. INVENTORIES

During the six months ended 30 June 2021, the Group recognised inventory write-down of \$20,837,000 (2020: \$24,769,000) in profit or loss and reversal of write-down of inventories of \$18,285,000 (2020: \$14,069,000) as a reduction in the amount of inventories recognised as an expense in profit or loss.

► Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND OTHER CONTRACT COSTS

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on invoice date and net of loss allowance of \$6,125,000 (31 December 2020: \$3,560,000) is as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 60 days of the invoice issue date	884,417	775,588
61 to 90 days after the invoice issue date	257,523	181,062
91 to 120 days after the invoice issue date	118,216	64,516
More than 120 days but less than 12 months after the invoice issue date	19,300	12,698
	1,279,456	1,033,864

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

11. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Fixed deposits with banks with more than three months to maturity when placed	–	7,753
Fixed deposits with banks with three months or less to maturity when placed	–	11,923
Cash at banks and on hand	1,600,920	1,615,608
Cash and cash equivalents	1,600,920	1,627,531

12. TRADE AND OTHER PAYABLES

As at the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Within 60 days of supplier invoice date	910,177	729,479
61 to 120 days after supplier invoice date	74,107	47,522
More than 120 days but within 12 months after supplier invoice date	7,700	15,865
More than 12 months after supplier invoice date	6,773	6,335
	998,757	799,201

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous year, approved during the interim period

	Six months ended 30 June	
	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 5.0 HK cents (2020: 1.0 HK cent) per share	36,780	7,352
Special dividend in respect of the previous financial year, approved during the following interim period, of HK\$Nil (2020: 25.0 HK cents) per share	–	183,794
	36,780	191,146

The final dividend and special dividend have been recognised as dividends payable in the consolidated statement of financial position as at 30 June 2021.

(b) Equity settled share-based transactions

(i) Share option scheme

During the six months ended 30 June 2021, options have been exercised to subscribe for 420,000 ordinary shares in the Company at a consideration of \$840,000 of which \$105,000 was credited to share capital and the balance of \$735,000 was credited to the share premium account (2020: no options were exercised). \$241,000 has been transferred from the capital reserve to the share premium account.

During the six months ended 30 June 2021, 130,000 options were lapsed (2020: Nil).

(ii) Share award plan

During the six months ended 30 June 2021, the Company remitted in total of \$26,000,000 to the trustee for the purchase of ordinary shares of the Company pursuant to the share award plan adopted on 28 August 2020. During the six months ended 30 June 2021, the trustee purchased a total number of 5,856,000 shares on the market at a total consideration of approximately \$23,183,000 for the purpose of the share award plan. As at 30 June 2021, there were 9,869,000 treasury shares (31 December 2020: 6,517,000) held through the trustee of the share award plan.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

13. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

(ii) Share award plan (Continued)

On 29 March 2021, the Company has awarded a total of 6,310,000 ordinary shares ("awarded shares") to the eligible persons including its directors and employees. Among the 6,310,000 awarded shares, the first 40% of the awarded shares shall be vested to the eligible persons on 28 April 2021, the second 30% of the awarded shares shall be vested on 28 April 2022, and the remaining 30% shall be vested on 28 April 2023. Further details are set out in the Company's announcement dated 29 March 2021.

As at 30 June 2021, 2,504,000 ordinary shares have been transferred to eligible persons under the share award plan.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

	Fair value measurements as at 30 June 2021 categorised into Level 3	
	Fair value at 30 June 2021	Fair value at 30 June 2021
	\$'000	\$'000
Recurring fair value measurement		
Financial asset:		
Unlisted equity security	38,800	38,800

	Fair value measurements as at 31 December 2020 categorised into Level 3	
	Fair value at 31 December 2020	Fair value at 31 December 2020
	\$'000	\$'000
Recurring fair value measurement		
Financial asset:		
Unlisted equity security	-	-

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

Unlisted equity securities were measured at fair value with reference to the recent transaction price of the investment.

The movements during the relevant periods in the balance of these Level 3 fair value measurements are as follows:

	2021 \$'000	2020 \$'000
Unlisted equity securities:		
At 1 January	-	-
Securities acquired	38,800	-
At 30 June	38,800	-

(b) Fair values of financial assets and liabilities 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 2021 and 31 December 2020.

15. ACQUISITION OF SUBSIDIARY

On 8 February 2021, the Group acquired 34.875% of the shares and voting interests in Hefei Jiangcheng Technology Co., Ltd ("Hefei Jiangcheng") (previously known as Shenzhen Jiangcheng Technology Co., Ltd.) at a consideration of \$5,917,000 through conversion of a receivable from one of the shareholders of Hefei Jiangcheng. As a result, the Group's equity interest in Hefei Jiangcheng increased from 22.5% to 57.375% and the Group obtained control of Hefei Jiangcheng since then. Hefei Jiangcheng is not publicly listed.

Hefei Jiangcheng is developing high-value business areas with focus in integrated smart cockpit display system. The acquisition is expected to support the Group's strategy to further strengthen its research and development ability on Augmented Reality Head-up Display (AR-HUD) and assist the Group to achieve the strategic development target.

► Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

15. ACQUISITION OF SUBSIDIARY (CONTINUED)

The total revenue and net loss contributed by Hefei Jiangcheng from its date of acquisition (i.e., 8 February 2021) to 30 June 2021 and included in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 were \$18,413,000 and \$6,666,000 respectively. Had Hefei Jiangcheng been consolidated from 1 January 2021, there would not be any material impact to the Group's consolidated revenue and profit for the six months ended 30 June 2021. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

The fair value of Hefei Jiangcheng's intangible assets has been measured provisionally, pending completion of an independent valuer's appraisal.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition based on a provisional allocation.

	At 8 February 2021 \$'000
Property, plant and equipment	698
Intangible assets	26,258
Inventories	29
Trade and other receivables, deposits and prepayments	2,946
Cash and cash equivalents	3,722
Trade and other payables	(13,294)
	20,359

The entire balance of trade and other receivables, deposits and prepayments acquired was expected to be collectible at the date of acquisition.

The Group has chosen to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

16. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement of the Company dated 3 March 2021, the Group entered into a capital increase agreement with various parties in relation to the share capital increase in a consolidated subsidiary, Hefei Jiangcheng. In accordance with the capital increase agreement, RMB30,000,000 capital injection was contributed by various parties after fulfillment of certain conditions stated in the announcement of the Company dated 3 March 2021 (“Capital Injection”).

The Capital Injection was completed on 6 July 2021 and the Group is holding 50.47% equity interest in Hefei Jiangcheng since then and Hefei Jiangcheng continues to be accounted for as a subsidiary of the Group.

17. 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 (collectively “BOE Group”), except for disclosed elsewhere in these unaudited condensed consolidated interim financial report:

		Six months ended 30 June	
		2021	2020
Note		\$'000	\$'000
	Purchase of goods from BOE Group	1,855,675	979,604
	Lease of property, plant and equipment to BOE Group	7,267	6,681
	Rental, management fee, utilities fees and computer integrated manufacturing system management fee charged by BOE Group	50	46

Notes:

- (1) The transactions were conducted based on the terms as governed by the renewed master purchase agreement and renewed master subcontracting agreement entered into between the Company and BOE on 22 November 2018. Further details are set out in the Company’s announcement dated 22 November 2018. The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- (2) The transactions were conducted based on the terms as governed by the assets lease agreement entered into between Chengdu BOE Vehicle Display Technology Co., Ltd. (“Chengdu Vx”), a wholly owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. (“Chengdu BOE”), a wholly owned subsidiary of BOE on 14 February 2019. Further details are set out in the Company’s announcement dated 14 February 2019. The related party transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.
- (3) The transactions were conducted based on the terms as governed by the tenancy agreement entered into between Link Score Investment Limited, a wholly owned subsidiary of the Company, and Chengdu BOE on 15 February 2019 for a term till 31 December 2021. Further details are set out in the Company’s announcement dated 14 February 2019. The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

► Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

(Continued)

The above transactions are presented net of value-added tax.

(b) Balances with related parties

At 30 June 2021, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of \$557,932,000 (31 December 2020: \$367,301,000). Non-current deposits of \$Nil (31 December 2020: \$12,079,000) were paid to BOE Group for the purchase of the TFT panels toolings for manufacturing TFT modules. Prepayment of \$17,534,000 (31 December 2020: \$28,068,000) due from BOE Group were included in trade and other receivables, deposits and prepayments and other contract costs in the consolidated statement of financial position.

Other than non-current deposits, balances with related parties are unsecured, interest-free and are repayable within one year.

18. 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 2021 \$'000	At 31 December 2020 \$'000
Contracted for	74,429	68,326



Independent review report to the board of directors of BOE Varitronix Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 9 to 26 which comprises the consolidated statement of financial position of BOE Varitronix Limited as of 30 June 2021 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 2021 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

26 August 2021

Other Information

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

STAFF

As at 30 June 2021, the Group employed 3,733 staff around the world, of whom 124 were in Hong Kong, 3,557 in the People's Republic of China (the "PRC") and 52 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 a share award plan, 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 2021, the total equity of the Group was HK\$2,828 million (31 December 2020: HK\$2,767 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.64 as at 30 June 2021 (31 December 2020: 3.19).

At the period end, the Group held a liquid portfolio of HK\$1,601 million (31 December 2020: HK\$1,638 million) of which HK\$1,601 million (31 December 2020: HK\$1,635 million) was cash and fixed deposits balance, HK\$Nil (31 December 2020: HK\$3 million) was other financial assets. At the period end, the Group had no borrowings (31 December 2020: HK\$Nil). The Group's gearing ratio (borrowings over net assets) was Nil% as at 30 June 2021 (31 December 2020: Nil%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2021 was 10.1 times (31 December 2020: 7.8 times). Debtor turnover days (trade receivables over annualised revenue times 365) for the six months ended 30 June 2021 was 72 days (31 December 2020: 84 days).

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales and purchases 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.

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

As at 30 June 2021, 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%
Su Ning	Personal Interest	250,000	0.03%

Note:

Mr. Chu, Howard Ho Hwa exercised his 70,000 share options on 13 September 2021. The 70,000 shares, representing 0.01% of the total share capital of the Company, is personal interest.

(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
Gao Wenbao	Personal Interest	1,860,700 (Note 2)	0.0053%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 (Note 3)	0.0023%
Jin Hao	Personal Interest	628,800 (Note 4)	0.0018%
Zhang Shujun	Personal Interest	153,700	0.0004%

Other Information

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

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

Notes:

1. BOE subscribed 400,000,000 shares, representing 54.38% of the issued share capital of the Company.
2. On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
3. On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
4. On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.
5. The above interest represented long positions.

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

Name of Director	Date of grant	Number of share options at 1 January 2021	Number of share options granted during the period	Number of share options exercised during the period	Number of share options at 30 June 2021	Exercisable period	Exercise price per share option
Ko Wing Yan, Samantha	24 January 2019	500,000	–	–	500,000	(Note 1)	HK\$2.00
Su Ning	24 January 2019	500,000	–	–	500,000	(Note 1)	HK\$2.00
Fung, Yuk Kan Peter	24 January 2019	100,000	–	–	100,000	(Note 1)	HK\$2.00
Chu, Howard Ho Hwa	24 January 2019	100,000	–	–	100,000 (Note 2)	(Note 1)	HK\$2.00
Hou Ziqiang	24 January 2019	100,000	–	–	100,000	(Note 1)	HK\$2.00

Notes:

1. Exercisable period:
 - (i) the first 40% of the share options shall be exercisable from 1 February 2020 to 31 January 2023;
 - (ii) the second 30% of the share options shall be exercisable from 1 February 2021 to 31 January 2023; and
 - (iii) the remaining 30% of the share options shall be exercisable from 1 February 2022 to 31 January 2023.
2. Mr. Chu exercised his 70,000 share options on 13 September 2021.
3. The above interests represented long positions.

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

(b)(ii) Interests in awarded shares of the Company

Name of Director	Date of grant	Number of awarded shares at 1 January 2021	Number of awarded shares granted during the period	Number of awarded shares vested during the period	Number of awarded shares at 30 June 2021	Vesting date
Ko Wing Yan, Samantha	29 March 2021	–	500,000	200,000	300,000	(Note 1)
Su Ning	29 March 2021	–	500,000	200,000	300,000	(Note 1)
Fung, Yuk Kan Peter	29 March 2021	–	100,000	40,000	60,000	(Note 1)
Chu, Howard Ho Hwa	29 March 2021	–	100,000	40,000	60,000	(Note 1)
Hou Ziqiang	29 March 2021	–	100,000	40,000	60,000	(Note 1)

Notes:

1. Vesting date:

- (i) the first 40% of the awarded shares shall be vested on 28 April 2021;
- (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
- (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.

2. Closing price of the awarded shares on the date of grant is HK\$3.23 per share.

3. The above interests represented long positions.

Saved as disclosed above, as at 30 June 2021, 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 2021 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.

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

As at 30 June 2021, 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	54.38%
Ko Chun Shun, Johnson	50,551,000 (Note 2)	–	50,551,000	6.87%
Rockstead Technology Limited	37,951,000 (Note 2)	–	37,951,000	5.16%

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 37,951,000 shares and 10,700,000 shares of the Company respectively.
3. The above interests represented long positions.

Saved as disclosed above, as at 30 June 2021, 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 2021, the fourth share option has a remaining life of up to 2 June 2023. On 24 January 2019, 4,500,000 share options were granted under the fourth share option scheme and a consideration of HK\$41.00 was received. Save as disclosed above, during the six months ended 30 June 2021, 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 28,391,520 (after deducting the 4,500,000 share options granted on 24 January 2019), representing 3.86% of the issued share capital of the Company. The total number of shares available for issue under the share option scheme as at 30 June 2021 represents 0.47% (30 June 2020: 0.61%) 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 2021	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 2021	Exercisable period	Exercise price per share option	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors								
24 January 2019	1,300,000	-	-	-	1,300,000 (Note 2)	(Note 1)	HK\$2.00	N/A
Employees								
24 January 2019	2,700,000	-	130,000	420,000	2,150,000	(Note 1)	HK\$2.00	HK\$3.78
	4,000,000	-	130,000	420,000	3,450,000			

Notes:

1. Exercisable period:

- (i) the first 40% of the share options shall be exercisable from 1 February 2020 to 31 January 2023;
- (ii) the second 30% of the share options shall be exercisable from 1 February 2021 to 31 January 2023; and
- (iii) the remaining 30% of the share options shall be exercisable from 1 February 2022 to 31 January 2023.

2. Mr. Chu, Howard Ho Hwa exercised his 70,000 share options on 13 September 2021.

3. The consideration for the share options granted is HK\$1.00.

4. The above interests represented long positions.

SHARE AWARD PLAN

On 28 August 2020 (the "Adoption Date"), the Company adopted a share award plan (the "Plan"). The purposes of the Plan are to recognise and reward the contribution of the Group's and invested entity's employees, directors and adviser, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group (the "Eligible Participants"), to give incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board. The maximum number of shares to be subscribed for and/or purchased for the purpose of the Plan shall not exceed 10.00% of the total number of issued shares of the Company as at the Adoption Date. The maximum number of shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1.00% of the total number of issued shares of the Company as at the Adoption Date.

The shares may be purchased on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that any purchases are off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange.

As at 30 June 2021, 12,373,000 shares (representing 1.68% of the issued shares capital of the Company) are purchased.

On 29 March 2021, the Board has granted a total of 6,310,000 awarded shares (representing 0.86% of the issued shares capital of the Company) to 72 selected participants, comprising 5 Directors and 67 employees of the Group, pursuant to the Plan.

As at the date of this report, the total number of awarded shares that can be granted was 6,113,000 (after deducting the 6,310,000 awarded shares granted on 29 March 2021), representing 0.83% of the issued share capital of the Company.

Subject to the Plan, the trust deed and the fulfilment of the vesting conditions as set out in the grant notice to each selected participant, the awarded shares held by the trustee shall vest in the respective selected participant, and the trustee shall cause the awarded shares to be transferred to such selected participant on the vesting date. Further details are set out in the Company's announcement dated 29 March 2021.

Other Information

SHARE AWARD PLAN (CONTINUED)

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

Date of grant	Number of awarded shares at 1 January 2021	Number of awarded shares granted during the period	Number of awarded shares cancelled/ lapsed during the period	Number of awarded shares vested during the period	Number of awarded shares at 30 June 2021	Vesting date
Directors						
29 March 2021	–	1,300,000	–	520,000	780,000	(Note 1)
Employees						
29 March 2021	–	5,010,000	50,000	1,984,000	2,976,000	(Note 1)
	–	6,310,000	50,000	2,504,000	3,756,000	

Notes:

- Vesting date:
 - the first 40% of the awarded shares shall be vested on 28 April 2021;
 - the second 30% of the awarded shares shall be vested on 28 April 2022; and
 - the remaining 30% of the awarded shares shall be vested on 28 April 2023.
- The consideration for the awarded shares granted is nil.
- The above interests represented long positions.

The value per awarded share granted during the period was HK\$3.23 and the fair value was measured based on the market price of the Company's shares at the respective grant date. No expected dividends were incorporated into the measurement of fair value. Information on the accounting policy for the grant of awarded shares is provided in the accounting policy 1p(iii) on page 72 of the 2020 annual report of the Company.

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

During the period ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Company's share award plan (adopted on 28 August 2020) purchased on the Stock Exchange of Hong Kong Limited a total of 5,856,000 shares of the Company at a total consideration of approximately HK\$23,183,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the share award plan.

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 2021.

All other information on the Code has been disclosed in the corporate governance report contained in the 2020 annual report of the Company issued in March 2021.

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 2021 of the Company now reported on.

The interim financial report for the six months ended 30 June 2021 has been reviewed by the Company’s 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. Gao Wenbao, 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. Gao Wenbao (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. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Mr. Shao Xibin, Mr. Jin Hao and Ms. Zhang Shujun are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.