

BOE

BOE VARITRONIX LIMITED

Stock Code 710

ANNUAL REPORT **2023**



MISSION

Our evolutionary journey in the center of excellence for display technology and solutions.

VISION

To be the leader of intelligent automotive displays and solutions.



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ABOUT BOE VARITRONIX

BOE Varitronix Limited (the "Company") and its subsidiaries (the "Group") was established in 1978 and the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited in 1991. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and thin film transistor (TFT) and touch panel display module assembly capacity.

The Company is a subsidiary of BOE Technology Group Co., Ltd. ("BOE"). BOE is a well-known leading supplier of semiconductor display technologies, products and services and its products are widely used in a broad spectrum of applications such as mobile phones, tablets, notebooks, monitors, televisions, automotive displays and digital information displays. The Company falls under Display and Sensor Business Group of the BOE Group. The Company focuses on automotive and industrial display module business and is the sole sales platform of the BOE Group for automotive display and system businesses.

The Group is now in a global leading position with the highest market shares in terms of overall automotive TFT display products and in medium-to-large size display modules. Our vision is to become a leading integrated automotive smart cockpit display system solution provider.

Celebrating our 45th anniversary, the Group's journey has been one of dedication, innovation, and growth. Through the collective efforts of our talented teams around the world, we have consistently embraced challenges and pushed boundaries for our success. As we look ahead, we are excited about the possibilities for making a positive impact on our customers and the communities we serve.



京东方精电45周年
BOEVx 45th Anniversary
since 1978

CORPORATE INFORMATION

The corporate information of BOE Varitronix Limited as of the latest practicable date* prior to the issue of this annual report, is as follows:

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Gao Wenbao (*Chairman*)
Ms. Ko Wing Yan, Samantha
Mr. Su Ning

NON-EXECUTIVE DIRECTORS:

Mr. Shao Xibin
Mr. Jin Hao
Mr. Meng Chao

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Pang Chunlin (*appointed on 7 April 2023*)

COMPANY SECRETARY

Mr. Chung Kai Cheong

AUTHORIZED REPRESENTATIVE

Ms. Ko Wing Yan, Samantha
Mr. Chung Kai Cheong

AUDIT COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)
Mr. Chu, Howard Ho Hwa
Mr. Pang Chunlin (*appointed on 7 April 2023*)

REMUNERATION COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)
Mr. Gao Wenbao
Ms. Ko Wing Yan, Samantha
Mr. Chu, Howard Ho Hwa
Mr. Pang Chunlin (*appointed on 7 April 2023*)

NOMINATION COMMITTEE

Mr. Gao Wenbao (*Chairman*)
Mr. Su Ning
Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Pang Chunlin (*appointed on 7 April 2023*)

INVESTMENT COMMITTEE

Mr. Gao Wenbao (*Chairman*)
Ms. Ko Wing Yan, Samantha
Mr. Su Ning
Other members are not directors of the Company

INDEPENDENT AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

(IN ALPHABETICAL ORDER)

Agricultural Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
China Citic Bank International Limited
China Merchants Bank Co., Ltd.
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
MUFG Bank, Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

* the latest practicable date: 2 April 2024, being the latest practicable date prior to the issue of this annual report.

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units A–F, 35/F., Legend Tower
No. 7 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17/F., Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 710

CONSTITUENT STOCK BY HANG SENG INDEXES COMPANY LIMITED AND HONG KONG STOCK CONNECT

1. Hang Seng Composite Index
2. Hang Seng Small Cap (Investable) Index
3. Hang Seng Stock Connect Hong Kong Index
4. Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index
5. Hang Seng Stock Connect Hong Kong SmallCap Index
6. Hang Seng SCHK Mainland China Companies Index
7. Hang Seng SCHK ex-AH Companies Index
8. Hang Seng China State-holding Enterprises Index

COMPANY WEBSITE

<http://www.boevx.com>

INVESTOR RELATIONS CONTACT

investor@boevx.com

CHAIRMAN'S STATEMENT

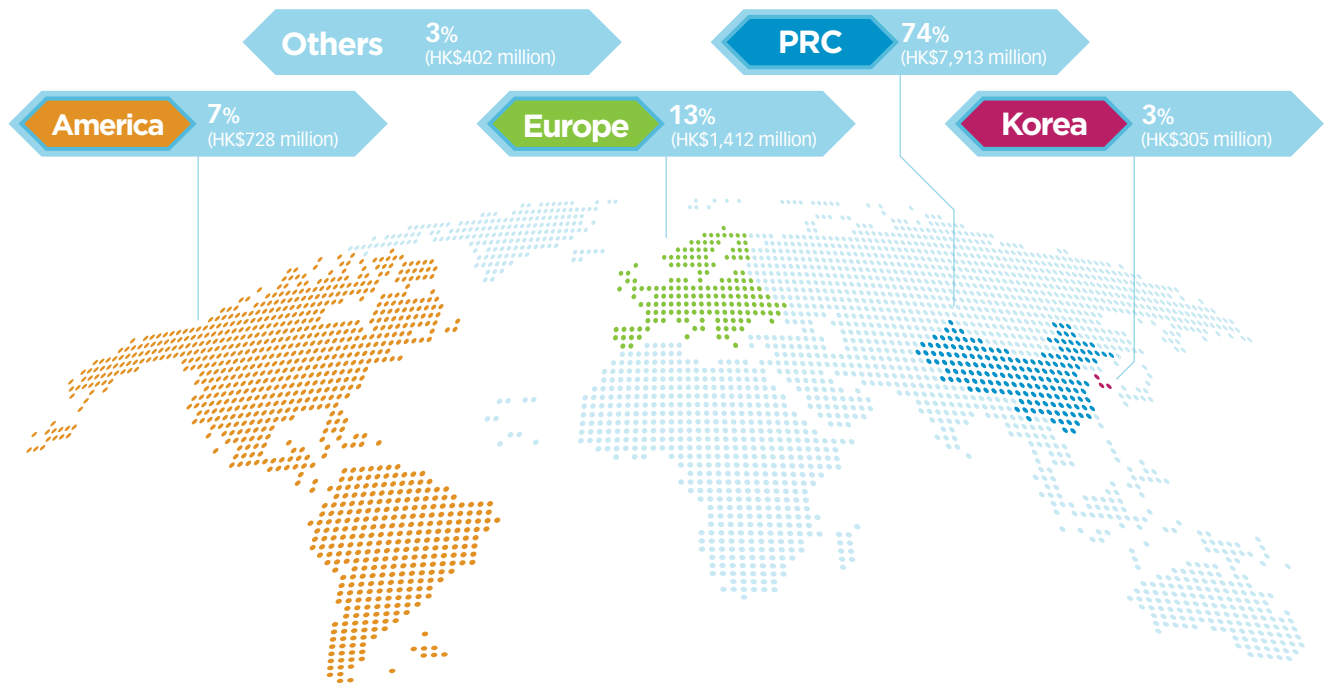
Highlights		
HK\$ million	For the year ended 2023	For the year ended 2022
Revenue	10,760	10,722
EBITDA ¹	771	841
Profit Attributable to Shareholders	475.3	582.5
Basic Earnings per Share	60.4 HK cents	78.4 HK cents
Diluted Earnings per Share	60.2 HK cents	77.8 HK cents
Final Dividend per Share	19.0 HK cents	23.0 HK cents
Operating cash inflow	1,186	774
	As of 31 December 2023	As of 31 December 2022
Cash and Fixed Deposits Balance	3,501	2,881

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

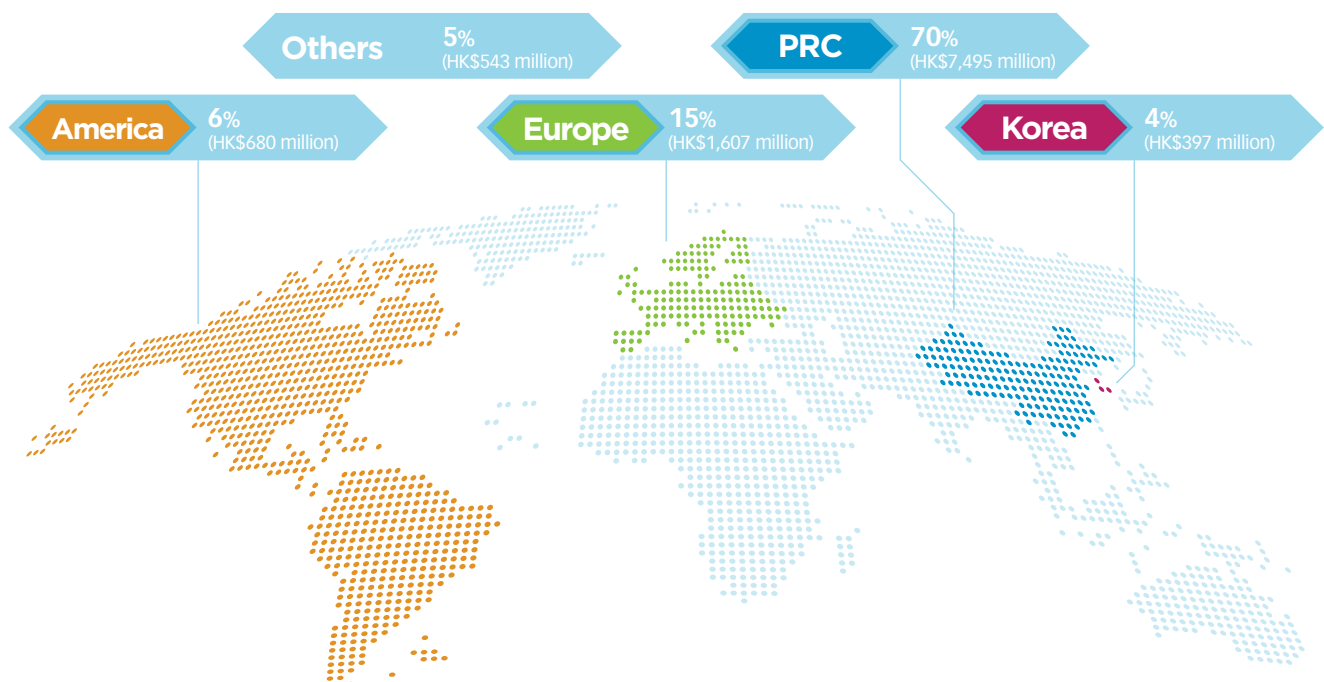
CHAIRMAN'S STATEMENT

REVENUE BY GEOGRAPHY (By delivery location)

FOR THE YEAR ENDED 31 DECEMBER 2023



FOR THE YEAR ENDED 31 DECEMBER 2022



* The above analysis is based on the location at which the services were provided or the goods delivered, analysis by location of sourcing decision is annexed on page 28 for reference.

**CHAIRMAN'S
STATEMENT**

On behalf of BOE Varitronix Limited (the "Company") and its subsidiaries ("BOEVX" or the "Group"), I present the results for the full year ended 31 December 2023.

During the year under review, revenue of HK\$10,760 million was recorded, an increase of 0.4% when compared with HK\$10,722 million recorded in 2022. EBITDA¹ of the Group was HK\$771 million, 8% lower than HK\$841 million recorded in 2022. The profit attributable to shareholders of HK\$475.3 million was recorded, a decrease of 18%, when compared to that for the year 2022.

The Group has a strong net cash position through continuous improvement in working capital management, as at 31 December 2023, the cash and fixed deposits balance of the Group was HK\$3,501 million, compared to HK\$2,881 million at the end of 2022. The Group has bank loans of HK\$620 million as at 31 December 2023, a decrease of 7%, when compared with HK\$667 million recorded at the end of 2022. Among the bank loans of HK\$620 million, HK\$383 million is long-term borrowing mainly to facilitate our capital expenditure. The Group is committed to maintain the bank borrowings at an appropriate level to maintain a healthy gearing, and the main source of funding is from its operation.



Mr. Gao Wenbao
Chairman

CHAIRMAN'S STATEMENT

The increase in the Group's revenue was mainly attributed to the combined results of the increased sales of Thin Film Transistor ("TFT") products and touch panel display modules as well as automotive system products as supported by the enhanced production capacity of TFT and touch panel display modules in our New Plant as defined below, the depreciation of Renminbi by approximately 8.5% for the highest to the lowest in 2023 and the decrease in sales of passive products.

The Group's TFT module business and touch panel display module business contributed around 91% of the Group's revenue while the revenue from monochrome display business decreased in its contribution during the year.

During the year under review, the profit attributable to shareholders has decreased by HK\$107.2 million, approximately 18% as compared to that of 2022 mainly due to the impact of price adjustment, additional costs such as staff cost, depreciation of the property, plant and equipment incurred for the manufacturing facilities in Chengdu, the PRC (the "New Plant"), amid production volume continuously reaching its optimal resulting a higher overall marginal cost during 2023.

EBITDA has decreased by 8% to HK\$771 million, with EBITDA margin of approximately 7.2% (2022: 7.8%) of the Group's revenue. The decrease was mainly due to the same factors as the decrease of profit attributable to shareholders mentioned above. The lower magnitude in decrease as compared to that of the profit attributable to shareholders was mainly due to the impact of depreciation, and we believe that with the further the optimisation of our production capacity in future, the net profit attributable to shareholder margin shall be positively impacted.

Other operating income increased as compared with 2022 which was mainly contributed by our rigorous effort in fund management and resulted in substantial increase in interest income. The staff costs were increased as compared with last year for our increase in production scale and expansion of production capacity for the New Plant.

The Group continuously strives for better supply chain management and optimizing production efficiency with an aim to achieve better profitability.

BOE

Personal Debut Ceremony of Beijing Oriental Electronics Co.

1993

BOE acquired Hyundai Electronics Co., Ltd. of South Korea and introduced the AFFS technology

2002

BOE's 4.5th generation TFT-LCD production line in Chengdu went into operation

2009

BOE's 5.5th generation AMOLED & LTPS TFT-LCD production line was launched in Ordos

2011

VARITRONIX

Established Manufacturing Facility in PRC

1983

Listing on the HKEX

1991

The launch of the Tseung Kwan O factory in Hong Kong and the first piece of automotive products was produced

1993

1997

Drive to color

2006

Company Establishment

1978

Establishment of Overseas Offices

1984

Manufacturing facility in Heyuan

Establishment of Heyuan centralised manufacturing base

2002

DIVIDENDS

The Board (the "Board") of Directors (the "Director") has recommended a final dividend of 19.0 HK cents (2022: 23.0 HK cents) per share. The annual dividend payout ratio was 32% (the amount of final dividend proposed after the end of the reporting period over profit attributable to equity shareholders of the company) (2022: 31%).

BUSINESS REVIEW

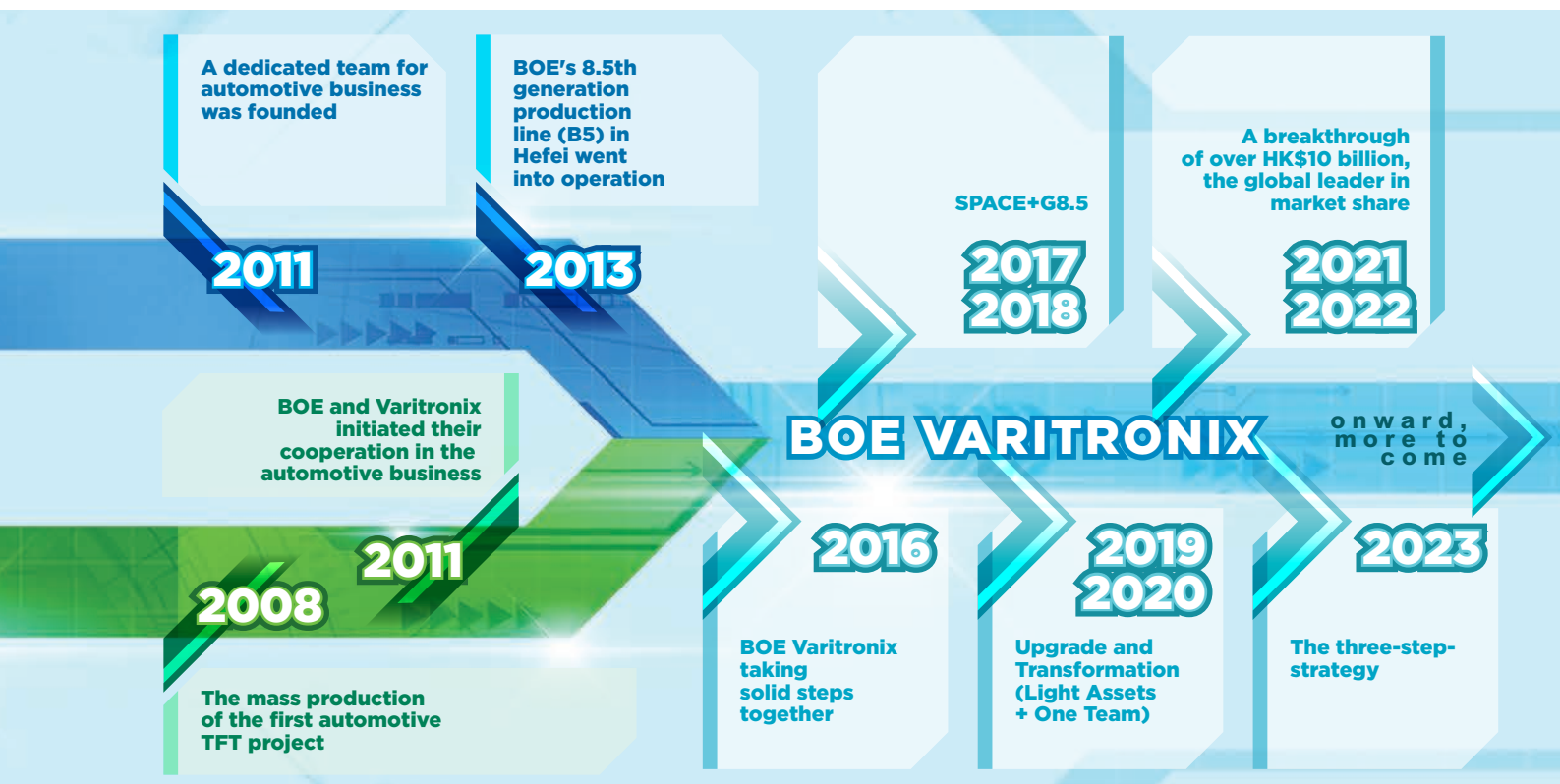
AUTOMOTIVE DISPLAY BUSINESS

For the year under review, the revenue for the automotive display business was HK\$9,710 million, an increase of 1% from the revenue of HK\$9,577 million recorded in 2022. This business represented approximately 90% of the Group's overall revenue.

During the year, the Group's automotive display business has recorded a growth in sales as compared to last year amidst the depreciation of Renminbi by approximately 8.5% for the highest to the lowest in 2023. With our continuous effort in developing the TFT display business over the past few years, the Group is now in a global leading position in terms of automotive TFT display products, especially in medium-to-large size display modules.

The Group sold products to those global leading Tier-1 and automobile manufacturer. During the year, major automotive manufacturers entered into a competitive landscape in terms of price and product features. The New Electric Vehicle ("NEV") market players compete in pricing, features and quality aiming to boost up sales. The development has yielded overall positive results in 2023.

Our customers' headquarter and decision-making unit cover all over the world, and with the increasing overall manufacturing, subcontracting, processing capability of our global customers in the PRC, delivery to the overseas' and China's customers PRC designated location contributes the most of our revenue. Our customer base has been expanding and covers major automotive brands for both conventional and NEV manufacturers. According to our statistics, our TFT display products continue to cover a majority of the top 20 PRC automotive manufacturers and NEV manufacturers and revenue from them may increase following their expansion. The sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up their production continuously and this resulted in an increase in our sales of TFT related display products in the year under review.



CHAIRMAN'S STATEMENT

As a supplier of NEV manufacturers, the Group works with our NEV business partners to empower their growth and remain competitive. With the immense business opportunities brought by the growth of demand of NEV and the demand for larger and more advanced display and the sustainable renewal of automotive, we have prepared the New Plant to greet the needs. The New Plant in Chengdu commenced its production since 2022, and its production capacity climbs up to more than 5 times in 2023 and be more stable through 2023 which further strengthens the production and supply capacity of the Group.

Our revenue from automotive business that delivered to America was increased as compared to 2022. The growth was generally thanks to the stable growth in economy in America and our effort in getting orders in previous years which commence to deliver in 2023. In addition, we extended our products to agricultural use vehicles and obtained positive results from the mass production. We will continuously explore our product applications to different types of vehicles and it will provide growth dynamics for our business.

Our revenue from automotive business that delivered to Europe was decreased as compared to 2022. Though our major customers in Europe have gradually recovered from the impact of the pandemic, they were still hindered by the geopolitical conflict, inflation, energy crisis, downturn of global economy, and increase of interest rate.

Other regions like Korea and Japan have also affected by the economy, high inflation and energy crisis. Overall results from other regions were dropped compared with last year.

* The above analysis is based on the location at which the services were provided or the goods delivered, analysis by location of sourcing decision is annexed on page 28 for reference.

The decrease in profit margin was mainly due to the impact of price adjustment, additional costs such as staff cost, depreciation of the property, plant and equipment incurred for the New Plant, amid production volume continuously reaching its optimal resulting a higher overall marginal cost during 2023. The Group will strive to improve the supply chain and optimize the production efficiency, and result of cost control measures is gradually improved.

INDUSTRIAL DISPLAY BUSINESS

For the year under review, the industrial display business generated revenue of HK\$1,050 million, a decrease of approximately 8% from HK\$1,145 million recorded for 2022. This business represented approximately 10% of the Group's overall revenue.

The decrease of revenue during the year was mainly attributable to the lower demand from industrial meters and high-end home appliance consumer products for 2023 compared to that of 2022.

BUSINESS OUTLOOK

We believe automotive business shall continue to be our major business. The business of Automotive Display has ample opportunities, meanwhile, the Industrial Display has a considerable profitability that is still important to us.

AUTOMOTIVE DISPLAY BUSINESS

The automotive display device business is a tens of billions-level market and there is huge room for growth. The global automotive display modules market is showing a steady upward trend, especially those new technologies such as oxide and Low Temperature Poly-silicon ("LTPS") which we have ample resources. According to Omdia data, the global compound annual growth rate of (i) total shipments of in-vehicle display modules, (ii) shipments of medium and large sizes (8 inches and above), and (iii) oxide and LTPS shipments in the next three years will reach 4.40%, 8.35% and 18.16% respectively. The Group expects that the expansion of the industry will bring more revenue and profit opportunities, and leading automotive enterprises are rapidly evolving towards trends such as standardization, platformization and supplier concentration to grab those opportunities. The automotive market is rapidly concentrating on top leading customers and the overall market share of top leading customers will also increase rapidly in the future.



Environmental protection is becoming the top priority work of many governments and many governments releases policies to promote use of NEVs which is more environmental friendly. Certain supportive policies for NEV in the PRC such as (i) new automotive technology such as the new China national standard GB15084-2022 for “Motor vehicles — Devices for indirect vision — Requirements of performance and installation” for vehicle CMS products that has been in force in the PRC since 1 July 2023; (ii) the full implementation of the 6B phase of “Limits and measurement methods for emissions from light-duty vehicles (CHINA 6)”; and (iii) The office of The State Council released a guideline to strengthen the integration of NEVs into the country’s power grid in June 2023. Meanwhile, the European Parliament approved a new law to forbid new sale of petrol and diesel cars in the European Union from 2035. The roadmap of the transition from petrol and diesel vehicles to NEV shall provide a growth chance to us in European markets. We believe all the above shall increase the demand for NEVs and our products.

Apart from the traditional display, the upcoming automotive display system business and the smart cockpit solution market will have great potential development. With the continuous upgrade of smart cockpits, the cockpit space has multiple attributes such as socializing, working, and entertainment. Automotive will become people’s “third space” in addition to living space and workspace. The Group also introduce “HERO” project for application scenarios of smart cockpit and work with our global partners to develop Healthiness, Entertainment,

Relation and Office scenarios for smart cockpits. The digitalization and upgrading of the Human Interface (“HMI”) experience in smart cockpit is becoming a major trend in the automotive industry. With the integration of more and more advanced display technologies, such as Camera Monitoring System (“CMS”), naked-eye 3D displays, smart surface display and privacy-on-demand (“POD”), the demand for larger and more displays in the cockpit continues to increase. According to market research, the automotive display system market is showing a steady upward trend and the size of the PRC market is expected to reach nearly HK\$100 billion in 2026. The global smart cockpit and smart travel market is expected to reach hundreds of billions of Hong Kong dollars in 2026.

During the year under review, the Group has maintained number one market share in the global automotive display market in terms of delivery quantity, area and in particular, delivery for displays 8 inches and above in size. The Group also obtained a number of awards from major automotive manufacturers and will further strengthen our relationship with the major automotive manufacturers. With the strong customer network and our keen technology development ambition, we have continuously obtained mass production projects from major automotive manufacturers.

The PRC automotive makers contributed to a certain extent of our revenue. The China Association of Automobile Manufacturers (“CAAM”) expects a volume growth of approximately 21% of NEV sales from the PRC automotive manufacturers in 2024 and it indicates huge potential for our growth in the market. Benefiting from the world’s largest NEV charging network, the sale proportion of NEV in the PRC increased to approximately 33% in 2023 compared with 2022. With the PRC government’s plan to strengthen and expand the NEV charging network to rural areas and to highways between cities, the demand of NEV will be boosted and eventually contribute to our revenue. The comprehensive infrastructures lead the PRC’s production and sales of NEV to maintain first rank in the world for 9 successive years, with global market share for around 60% in terms of global sales volume in 2023. Meanwhile, the PRC automotive market is still competitive with price raging and new products and technology evolve rapidly.

CHAIRMAN'S STATEMENT



With the keen competition among automotive manufacturers and to achieve breakthrough in the growth rate, to expand into overseas markets will be a critical option for those leading PRC automotive manufacturers. Though facing certain challenges such as insufficient NEV charging network, immature distribution channel and low branding loyalty, the PRC automotive manufacturers are improving its products cost performance ratio, product uniqueness, product design and product quality, and are becoming more welcomed by overseas customers. Certain PRC NEV manufacturers have increased their footprints, capability and influence across the globe, demonstrated by investment in overseas production plants, higher global sales, break-through in profitability and with more strategic cooperation with global large investors. The Group expects that those leading NEV manufacturers in the PRC will further increase their market shares in the automotive market in the future and become global automotive enterprise. At present, the Group has footprints on most of the overall market share in the NEV market in the PRC, and maintains a high market shares in leading automotive manufacturers, the development of the industry represents vibrant development opportunity for the players in the industries including our Group.

The recent geopolitical conflicts, unstable global economic environment, energy crisis, global inflation and increase of interest rate may continue to bring uncertainty to the global economy and the supply and demand of our products. Intensifying price competition goes around automotive industry, customers may shift some of their burdens to us in order to succeed in the competitions. Nevertheless, new and high quality products, larger-size displays, and modern product design are also key success factors for the leading automotive manufacturers, the Group will enhance product quality and develop unique and innovative products, such as extra-large automotive display, curved display, and display system in order to increase our competitiveness. The Group will remain vigilant and take necessary measures to reduce the potential impact that may result.

For Europe and America in particular, there is an increasing trend for Tier-1 customers' presence in different locations such as Asia to react production need of its customers and this pave opportunities for us to cater for their needs with our extended experience in serving international customers. In addition, there is increasing need for high-end products such as OLED and Panoramic Head-up Displays ("PHUD"). PHUD is one of the most exciting innovations in the displays industry and the overall shipments in 2025 could be among to half million units and to seven million units in 2030 based on information from Omdia. Since earlier of 2023, one of our European customers unveiled its automotive model with PHUD technology and it is expected to lead the PHUD market. We believe our revenue from PHUD products will have considerable growth in the coming years with our capability in this product, the market demand and its high unit price.

The Group continues to win new businesses from our long-term customers as well as newly developed customers by working closely with our customers, tailor for their needs and set up local sales teams to give prompt responds to customers' needs. We will also promptly respond to customer needs, technical requirements, and provide quality after-sale services. With such, we are able to continuously obtain orders from major well-known overseas automotive manufacturers with breakthroughs in super large size and more sophisticated products. The Group also put utmost effort to explore the opportunity to apply our display modules in different types of vehicles such as those for agricultural use, trucks, motor vehicles, and obtains new business opportunities.

For other regions, the Group continues to work closely with customers to grab more revenue.

Leveraging on the solid customer relationship and product quality, to fulfil the needs of automotive manufacturers in expanding their business and upgrading user experience through multi-screen, large-size and high-quality displays with improved HMI, we continue to pay our effort in developing new technology, which annexed in the section headed "Technology Development", to meet the market needs. The Group shall continue our diversified development strategy to effectively balance potential risks, cope with market challenges, and maintain competitive to grasp the exciting market opportunities.

Apart from the traditional display modules, the Group places strong emphasis on emerging businesses such as the automotive system business and CMS to capture those opportunities. We believe that there are immense opportunities for us as brought by the application of HMI and other emerging products such as PHUD, Augmented Reality Heads Up Displays ("AR-HUD"), CMS, seat armrest screens, side door screens, rear flip screens, co-pilot screens and etc.

The Group keeps working with customers to develop system products and CMS products that can satisfy the concerns of the customers, such as cost, safety, privacy, cyber security and sustainability in order to enhance the average selling price as well as the profitability. Through our continuous pursuance of success, the Group continues to win orders and is participating in the system display solution business for the PRC's leading NEV automotive manufacturers and actively extends footprint on such business into overseas markets.

In terms of the supply chain, suppliers of IC chip are gradually switched from more expensive sources to lower cost sources and reduces their overall cost. In addition, the Group expects that some upstream partners will be able to enjoy lower cost sources and ultimately improve our profitability. The Group also work closely with our suppliers for the price adjustments mechanism of our raw materials in order to maintain a reasonable profit margin under the competition. The Group shall continue to have dual global sources to meet the quality and cost need for us and our customers.

Apart from the above external factors that may impact our business and profitability, we are aware of potential challenges to us. The New Plant commenced production since 2022, whilst the Group believes the New Plant allows us to capture the upcoming business opportunities brought by the vibrant expanding NEV market, the New Plant is still under initial production stage and hence increase in costs has not been matched by corresponding increase in revenue. In the process in optimizing the operation, the New Plant may require additional financing for capital expenditure and incur additional finance cost. The New Plant is in the process of improving gradually by (i) increasing its production volume, (ii) increasing utilization of its plant and equipment, (iii) improving product quality and (iv) reducing production loss, to improve profitability. We will try our utmost effort to reduce the impact during the process and the New Plant will introduce a number of measures including small work-orders, micro management, on-site work, etc. for improvement of production efficiency and effectiveness.

Looking forward to 2024, amid those challenges and opportunities, the Group will strive to improve supply chain management, sharpen our product innovation, optimize production efficiency, capture market opportunities and enhance product quality, we believe with the successful optimization of the operation, higher utilization of plant and equipment of the New Plant, with an ideal market condition and demand that meets the desired production capacity, we believe we could achieve an overall lower marginal cost and reach optimal profitability.

INDUSTRIAL DISPLAY BUSINESS

During the year, the Group successfully gained orders from new energy transportation with the relaxation of pandemic. With the products upgrade to enhance user experience, more passive customers tend to change to use TFT products. The Group continues to promote TFT display products to our long-term customers such as industrial meters and high-end home appliance consumer products to expand the business and improve profitability of our Industrial Display Business.

CHAIRMAN'S STATEMENT

BOE made a collective appearance with numerous automotive industry partners



BOE x Geely Automobile



FAW Hongqi LS 7 powered by BOE's full range of vehicle display



Aston Martin powered by BOE 10.25" BD Cell mid-console display



Hyper GT powered by BOE 14.6" Oxide mid-console



Xiaopeng G6 powered by BOE 14.96" mid-console display assembly



NIO ES 6 powered by BOE 12.8" AMOLED mid-console



Rising Auto F7 powered by BOE 15.05" AMOLED mid-console



NETA Auto GT powered by BOE 17.6" LTPS mid-console



Chery Automobile powered by BOE dual 12.3" curved Mini LED instrument mid-console display

DEVELOPMENT STRATEGY

Through the relentless effort of the Group, we are gradually deploying our development strategy and shall continue to be a leading integrated automotive display and smart cockpit display solution provider. Our market share maintains number one and our products have reached major Tier-1 manufacturers and NEV manufacturers. We have established our competitive advantage in providing multifunctional, state-of-the-art quality products with stable supply, high cost-performance ratio and fine after-sales services. The Group will continue our strong relationships with our strategic partners, including major automotive manufacturers, NEV manufacturers, suppliers and other eco-system partners, to develop our business as well as the larger smart cockpit display business.

The Group will strive to expand its automotive display business and maintain its leading position with clear short-term and long-term goal, and continues our "three-step development strategy", that is to further strengthen the leading position of the automotive display device business, then to explore the development of the automotive display system business, and ultimately grasp the development opportunities from system and smart cockpit solutions. In achieving so, the Group shall utilise our resources with suppliers to achieve the asset-light operation to reduce overall costs.

Sustainability is key to future success of the Group and the Group attaches great importance to environmental protection and sustainable development. The Group also aware that certain of our customers put Environmental, Social and Governance ("ESG") as an important factor for supplier selection. To enhance our ESG performance, the Group has (i) installed solar power generation devices to reduce carbon emission and power consumption, (ii) centralized treatment facilities to process waste gas and water before discharge and (iii) replaced old equipment by certain energy saving equipment laying the foundation of nation green factories. Our manufacturing facilities regularly measure and monitor the emissions of pollutants, we also set targets for our manufacturing facilities to reduce carbon emission, energy and water consumption, hazardous and non-hazardous waste in 2025. In addition, we are also working together with our customers and suppliers to meet the net zero ambition by proposing the use of environmental-friendly materials and avoiding the use of hazardous materials. The Group also strive to maintain high standard of employee safety, we will investigate all injury cases and implement precautionary measures to avoid a repeat occurrence. Our supply chain management system

includes the evaluation of our suppliers' social responsibility performance and their social responsibility performance will be one of the factors in our selection of supplier. International recognitions are also important for us to sell our high quality products to overseas and PRC customers, all products must strictly comply with our quality management system, which fully comply with ISO 9001 and IATF 16949, and we will monitor and follow the international standards in order to meet our overseas and PRC customers' needs.

TECHNOLOGY DEVELOPMENT

The automobile intelligence has driven the market demand for in-vehicle display applications to become more diversified. The smart cockpit industry is currently booming. The number and average size of the new generation of smart car display screens have increased significantly, and they are used in instrument cluster, mid-console, heads-up displays, electronic mirrors, rear-seat entertainment and other scenes of display market demand continues to expand. With the maturity of 5G and AI technology, the popularity of new scenes and new applications is accelerating, and smart cockpits will become the "third space" for users' mobile travel scenarios. The Group has deeply participated in the intelligent development of the global automotive industry with its profound technological accumulation and firm investment in innovation, providing unlimited possibilities for the flourishing of the intelligent cockpit industry.

In 2023, the Group officially released the "HERO" project for application scenarios in the era of smart cars. In the future, it will work with global partners to create more smart cockpit scenario-based experiences, including Healthiness, Entertainment, Relaxation and Office, the Group will improve its technology based on existing products, integrate more innovative products and solutions into the vehicle design, and create more values for customers.

AUTOMOTIVE OXIDE TECHNOLOGY

With the increasing demand for high resolution, narrow borders, and low power consumption, traditional amorphous silicon ("a-Si") can no longer meet the requirements of use. Therefore, it is necessary to find other semiconductors with higher electron mobility to meet the requirements of use. Some oxide semiconductors, represented by indium gallium zinc oxide ("IGZO"), have become the best choice to replace traditional a-Si due to their simple fabrication process and high electron mobility. In order to improve product performance, the Group is also constantly pursuing technological innovation. The Automotive

CHAIRMAN'S STATEMENT

Oxide Technology is a major breakthrough in improving the display performance based on the a-Si technology. The Oxide Technology has now fully passed Automotive Reliability Verification.

The Automotive Oxide Product Specifications are comprehensively superior to a-Si Technology, such as narrow borders, high transmittance and low power consumption, etc., combined with Touch and Display Driver Integration ("TDDI") technology, providing excellent touch performance and touch experience. Compared to LTPS technology, it has low leakage current characteristics and can achieve low-frequency driving when there is no update on the screen, further reducing power consumption. In terms of process, the Oxide Technology has better uniformity in preparation and can produce full-size panels to achieve large-scale automotive display. It also has significant cost advantages in automotive display applications and has a high cost performance ratio. The Group launches the world's first Automotive 14.6-inches Quad High Definition ("QHD") Oxide Display Product has entered the mass production stage. At the CES 2024, the newly developed Curved 45-inch 9K ultra-large Oxide cockpit screen was displayed. At the same time, several Oxide display products are under development.

ADS-PRO

ADS, is the abbreviation of Advanced Super Dimension Switch. This technology not only has the advantages of ripple free on touching and wide viewing angle, but also has the advantages of more accurate gamma and smaller color deviation in large viewing angle.

On the basis of ADS technology, ADS-Pro further superimposes high-end technologies such as Mini Light-Emitting Diode ("Mini LED"), BOE Dual Cell ("BD Cell"), high refresh rate, high resolution and high color gamut, so that the screen display effect is closer to the real picture seen by the human eye.

Recently, we have several BD Cell and Mini LED display screen projects awarded in well-known car manufacturers, which shows customers' recognition of us.

f-OLED

f-OLED represents the high-end flexible Organic Light-Emitting Diode ("OLED") technology solution, which has the industry leading advantages of gorgeous colors, varied forms and high integration, and brings users an immersive experience anytime and anywhere.

A number of automotive f-OLED projects have entered the mass production stage.

Also, we are developing Tandem OLED (Double Layer OLED), a new type of OLED formed by electrically connecting multiple organic light emitting (EL) units in series inside the device through a special internal connection layer, which can have the characteristics of high efficiency and long life at the same time.

CURVED DISPLAY

For curved display solutions, we overcome different challenges, such as automotive reliability, mechanical durability, cross-color and black level, etc. Dual 12.3 inches Curved (R3000) Cockpit Display Module is already in mass production.

3D DISPLAY

Regarding the 3D display, with the continuous development of autonomous driving, the communication between the driver and the car requires a new HMI. 3D space image and HMI input will be the focus of future development. Currently, the Group has completed the development of naked-eye 3D display for ~5K ultra-high-definition display and embedded it into the driving monitoring system to provide visually attractive 3D display instruments and a realistic and immersive DMS feedback interface. Use Nomi/Siri and other virtual digital assistance, combined with gesture touch interaction, to interact with Nomi virtual digital assistance will realize humanized communication and dialogue scenarios. Realize inspiring three-dimensional interactive display scenes.

The next step is to conquer multiple viewpoints, widen the FOV, remove the eye tracking system, and save the computing power of the domain control station. At the same time, a real-time 3D reversing imaging system with no delay is developing.

SMART SURFACE DISPLAY

With the development of smart cockpits, smart surface display technology is gradually being applied to automotive interiors. It is a surface display technology that integrates functionality and intelligence. In the design of the smart cockpit, redundant buttons and switch designs can be reduced, thereby making the design of the cockpit more concise and intelligent. In recent years, electric vehicles have gained many fans due to their many advantages such as environmental protection, quietness, excellent performance and low vehicle cost. Coupled with strong policy support from countries all over the world, their sales have continued to rise. Behind the fierce market, the majority of consumers have also put forward higher requirements for the intelligence of electric vehicles, among which the smart surface is a very important part.

The smart surface is an important component of the automotive interior that integrates decoration and display functions. It uses a certain dielectric material to increase the optical structure of the product, and can be awakened by touch sensing, gestures or voice commands when the user needs. Activate to get display feedback and responses.

The smart surface material has completed vehicle-level reliability testing. In the next step, we will develop surface materials for more scenes, leather surfaces, and cloth textures. And equipped with Mini-LED light control effect.

PRIVACY ON DEMAND TECHNOLOGY (“POD”)

Privacy display is to block the image of passenger display from driver viewing. It can prevent the distraction of drivers from unnecessary information to ensure safe driving. It is the new trend of worldwide car makers. Display with commonly used Advanced Light Control film (“ALCF”) can for as this purpose but only has privacy mode. That means the image always blocks in driver viewing direction and the information in passenger display cannot be shared with driver. On the contrary, The Group newly developed POD Technology, using Passive Display for image blocking, can provide selection between “Privacy” and “Sharing” mode according to the driver demand. When “Sharing” mode is selected, the passenger display information can be shared. At the same time the optical performance will not sacrifice a lot as compared with ALCF. Privacy display will become essential in future automotive industry, especially for high end car model and car with large panel. This application is with huge potential and will bring us a great profit in future.

POD Technology has been introduced to the key Tier-1 customers in 2023 and received the positive feedback from the customers. The technology already in sample stage with some Tier-1 customer. With the more solid requirement from OEM, continuous improvement will be carried on in 2024. The improved version plan to launch to the market in Q4, 2024.

FORCE TOUCH SENSING TECHNOLOGY

In the outdoor and marine application, will encounter the situation of rainy day, salt water and cold weather that the thick glove needed, traditional touch sensor will always have false sensing problem. These problems can be solved by the newly developed force touch sensing technology. Touch sensor + Force sensor together can sense the touch signal not only with the touch sensor but also with the force sensor. This technology is perfectly suitable for outdoor situation such as motorcycles and marine application.

SYSTEM/SEMI-SYSTEM WITH PASSIVE DISPLAY

System and Semi-system with Passive Display is the solution for the cost driven system application, such as motorcycle cluster and white goods. The newly developed simple knob and touch semi-system integrated the display, knob and touch function into one system. It can be directly connected to customer mother board and easily applied to White goods application. The reliability qualification has been completed in the second quarter of 2023 and already promoted to market from Q3 2023. There are already some system models in the sample stage from the Q4 2023. System/Semi-system will be a value-added product in Passive Display technology, shifting from Passive panel manufacturing to Passive system will be another growing point for Passive business.

SMART COCKPIT DISPLAY SYSTEM

In the development of smart cockpit display system, the Group is not only enhancing its capabilities in the existing technology product lines but also exploring more solutions.

In Augmented Reality Heads Up Displays (“AR-HUD”) system, a new generation TFT solution using our self-developed 3.6 inches Liquid Crystal Display Projected Graphic Units (“3.6 inches LCD PGU”) solution to achieve super-large perceived image design has been completed, which enables us to upgrade the performance across the whole series. We have also completed the development of Liquid Crystal on Silicon (“LCoS”) based optical core in AR-HUD products and have applied for 34 technology patents that generated from the development. At the same time, we will lay out other forms of AR-HUD, such as P-HUD products. The Group can now provide customers with super-large image AR-HUD products based on the three mainstream technology solutions of TFT, Digital Light Processing (“DLP”) and LCoS.

CHAIRMAN'S STATEMENT

For CMS, the Group has completed the development of the first product that passed the authoritative test based on the new China national standard GB15084 for class III under the regulation for indirect vision device in vehicle in the PRC and has obtained 3C certification, which realise our market value and actively explore and deploy from passenger cars to commercial vehicles.

At the same time, the Group is also actively developing new technical solutions to prepare for future development needs. In terms of rear entertainment scene solutions, the 17.3-inch rear entertainment ceiling screen has gained focus from core customers and started project development. In another brand-new field, the group has completed a cockpit network domain controller based on the high-computing power Xinchu platform, using a hardware isolation solution to achieve multiple screens and dual operating systems in one machine. Meet functional safety and network security needs. Combining the Group's advantages in software and hardware resources, it can provide customers with a full range of cockpit solutions to maximize the added value of its products.

IMPORTANT EVENT AFTER THE YEAR ENDED 31 DECEMBER 2023

At 31 December 2023, the bank loan amount of HK\$171,044,000 is secured by certain land, buildings, machinery and equipment of a subsidiary of the Group to match its long-term development. Such underlying pledged agreement of the loan agreement will be effective when registration of those land and building with relevant authorities is completed and management expected that will be within 2024.

The Group had no other material events for disclosure subsequent to 31 December 2023 and up to the date of this report.

ACKNOWLEDGEMENT

During the year, the Group has achieved growth in revenue through successful implementation of our strategy. Our customer base has broadened and solidified thanks to the trust of our business partners. The Group will continue to grasp the upcoming trend of the automotive industry and to pursuit our strategy to become a leading integrated automotive smart cockpit display system solution provider. The Company's shares have been included in the Hang Seng Index series constituent stocks and Hong Kong Stock Connect in March 2023 marking a recognition of our importance in the stock market and this further reiterate our mission to achieve the satisfaction of our shareholders. It is the 45th anniversary of the Company, our long establishment, our success and continuing growth was contributed by our management, employees, shareholders, investors and business partners, on behalf of the Board, I would like to express my sincere gratitude for their continuous support.

Gao Wenbao

Chairman

Hong Kong, 21 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group's revenue for the year ended 31 December 2023 increased by 0.4% to HK\$10,760 million as compared to the previous financial year. The increase in the Group's revenue was mainly attributed to the combined results of the increased sales of Thin Film Transistor ("TFT") products and touch panel display modules as well as automotive system products as supported by the enhanced production capacity of TFT and touch panel display modules in the manufacturing facilities in Chengdu, the PRC (the "New Plant"), the depreciation of Renminbi by approximately 8.5% for the highest to the lowest in 2023 and the decrease in sales of passive products.

PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2023 was HK\$570 million, a decrease of approximately 15% as compared to the previous financial year. The decrease was mainly due to the impact of price adjustment, additional costs such as staff cost, depreciation of the property, plant and equipment incurred for the New Plant, amid production volume continuously reaching its optimal resulting a higher overall marginal cost during 2023.

During the financial year 2023, the Group spent HK\$237 million on research and development ("R&D") activities, which represented approximately 2% of the Group's revenue. The proportion of R&D expenses to revenue remains stable.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31 December 2023 was HK\$475 million, as compared to a profit attributable to shareholders of HK\$582 million in 2022. The decrease was mainly due to the same factors as the decrease of profit from operations.

Basic earnings per share for the year ended 31 December 2023 were 60.4 HK cents as compared to basic earnings per share of 78.4 HK cents in the previous financial year. During the year, the Group did not declare an interim dividend. The Board has recommended a final dividend of 19.0 HK cents per share for the year ended 31 December 2023, which will aggregate to HK\$150 million. The total dividend for the year amounted to 19.0 HK cents per share.

The Board has approved and adopted a dividend policy on 1 January 2019 (the "Dividend Policy"). Under the Dividend Policy, subject to compliance with applicable laws, rules and regulations and the bye-laws of the Company, the Company intends to maintain a stable dividend policy in future with a dividend payout ratio of not less than 30%. However, the determination to pay dividends in the future will be made at the discretion of the Board and will be based on the profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant. The payment of dividends may be limited by legal restrictions and agreements that the Company may enter into in the future.

The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

STRUCTURE OF ASSETS

As at 31 December 2023, the total assets of the Group amounted to HK\$10,034 million (2022: HK\$8,283 million), the increase was mainly due to associated impact of the completion of the New Plant and more cash and fixed deposits. At the year end, inventories increased by 24% to HK\$1,947 million (2022: HK\$1,568 million), such increase was mainly due to enhanced production capacity following the completion of the New Plant. While other financial assets amounted to HK\$57 million (2022: HK\$43 million).



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the total equity of the Group was HK\$4,410 million (2022: HK\$4,116 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.61 as at 31 December 2023 (2022: 1.61).

At the year end, the Group held a liquid portfolio of HK\$3,572 million (2022: HK\$2,881 million) of which HK\$3,501 million (2022: HK\$2,881 million) was in cash and fixed deposits balance, HK\$15 million (2022: HK\$65 thousand) was in other financial assets, HK\$56 million (2022: Nil) was in restricted bank deposits. The increase in liquid portfolio was contributed by our rigorous effort in fund and working capital management. At the year end, the Group had the bank borrowings balance of HK\$620 million (2022: HK\$667 million). The carrying amounts of bank borrowings are denominated in Renminbi. Among the bank loan of HK\$620 million, HK\$383 million (2022: HK\$31 million) is long-term borrowing mainly to facilitate our capital expenditure. The Group's gearing ratio (bank borrowings over net assets) was approximately 14.1% as at 31 December 2023 (2022: 16.2%). The decrease in gearing ratio was due to our effort to minimize the operational risk.

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 5 times (2022: 8 times), inventory turnover ratio decreased as the enhanced production capacity increase the inventory level. Debtor turnover days (trade receivables over revenue times 365) for the year was 75 days (2022: 68 days), debtor turnover days increased in line with trade receivables.

CASH FLOWS

In the year under review, the Group's cash generated from operations amounted to HK\$1,307 million (2022: HK\$834 million), such increase was contributed by our utmost effort in optimizing working capital and minimizing operational risk. The increase in trade and other payables increased cash flow by HK\$1,309 million. The increase in inventories and increase in trade and other receivables, deposits and prepayments and other contract costs decreased cash flow by HK\$398 million and HK\$347 million respectively.

Net cash used in investing activities amounted to HK\$224 million (2022: HK\$1,170 million). There were payments for the purchase of property, plant and equipment of HK\$502 million (2022: HK\$1,176 million).

CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt, which includes the bank borrowings. There was no change as to the capital structure of the Group during the year. The bank borrowings decreased to HK\$620 million as at 31 December 2023 (2022: HK\$667 million), for details of the changes of bank borrowings, please refer to Note 21(d) to the financial statements. The bank borrowings of the Group are denominated in Renminbi.

As at 31 December 2023, the cash and cash equivalents of the Group was HK\$3,501 million (2022: HK\$2,819 million).

The cash and cash equivalents are denominated in:

	2023 HK\$ million	2022 HK\$ million
— RMB	2,168	1,522
— USD	1,198	856
— HK\$	16	355
— Other currencies	119	86
	3,501	2,819

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisition or disposals of subsidiaries, associates and joint ventures during the year.

USE OF NET PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE (THE "PLACING") AND SHAREHOLDER SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE (THE "SHAREHOLDER SUBSCRIPTION")

Reference to announcement and circular of the Company dated 1 September 2022 and 28 September 2022, respectively, the existing manufacturing facilities in Heyuan of the PRC have been highly utilised. To capture the upcoming business opportunities and further expand its market share in the automotive display industry, the Group has established the project of setting up its new TFT and touch panel display module manufacturing facilities in Chengdu of the PRC, therefore the Company raised fund for the project from the Placing and by the Shareholder Subscription during the year 2022. The completion of the Placing and the Shareholder Subscription took place on 9 September 2022 and 21 October 2022 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds (after deducting the commissions and expenses payable by the Company relating to the Placing) from the Placing of 33,300,000 new ordinary Shares to 28 independent third parties was approximately HK\$499.8 million (representing a net placing price of approximately HK\$15.01 per placing share), which was based on the placing price of HK\$15.20 per placing share. The closing price of the Company's shares on 9 September 2022 was HK\$17.00 per share. The net proceeds (after deducting the expenses payable by the Company relating to the Shareholder Subscription) from the Shareholder Subscription of 19,730,000 new ordinary Shares to BOE Technology (HK) Limited, the controlling shareholder and therefore a substantial shareholder of the Company, was approximately HK\$299.0 million (representing a net subscription price of approximately HK\$15.15 per subscription share), which was based on the subscription price of HK\$15.20 per subscription share. The closing price of the Company's shares on 21 October 2022 was HK\$12.56 per share.

The aggregated net proceeds from the Placing and the Shareholder Subscription was amounted to HK\$798.8 million. Such net proceeds is intended to be applied in the manner consistent with that disclosed in the announcement and circular of the Company dated 1 September 2022 and 28 September 2022 respectively.

- Approximately 18%, or HK\$143.9 million, will be used for plant construction in the PRC;
- Approximately 51%, or HK\$410.7 million, will be used for purchases of various manufacturing equipment in the PRC; and
- Approximately 31%, or HK\$244.2 million, will be used for working capital and general corporate purpose in the PRC.

The directors of the Company are not aware of any material change to the planned use of net proceeds as at the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, all the net proceeds from the Placing and the Shareholder Subscription have been utilised as planned and were as follows:

	Percentage of net proceeds %	Available to utilise HK\$ million	Utilised during 2023 HK\$ million	Accumulated utilised (up to 31 December 2023) HK\$ million	Unutilised (as at 31 December 2023) HK\$ million	Expected timetable for the usage of the unutilised net proceeds as at 31 December 2023
Plant construction in the PRC	18	143.9	13.3	143.9	–	N/A
Purchases of various manufacturing equipment in the PRC	51	410.7	376.3	410.7	–	N/A
Working capital and general corporate purpose in the PRC	31	244.2	159.2	244.2	–	N/A
Total	100	798.8	548.8	798.8	–	

FOREIGN CURRENCY AND INTEREST RATE 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 State dollars, Euros, Japanese Yen and Renminbi.

The Group primarily hedge its foreign currency exposure by its operation and is not engaged in the use of any financial instruments for hedging purposes. Management of the Group monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.

As of 31 December 2023, the bank borrowings of the Group are with fixed and floating interest rate, where the balances are HK\$443 million and HK\$177 million respectively (as of 31 December 2022: HK\$33 million and HK\$634 million respectively). The Group will monitor interest rate movements and consider appropriate measures when arranging bank borrowings with floating rates.

FINANCIAL GUARANTEES AND CHARGE ON ASSETS

At 31 December 2023, the bank loan amount of HK\$171,044,000 (31 December 2022: Nil) is secured by certain land, buildings, machinery and equipment of a subsidiary of the Group to match its long-term development. Such underlying pledged agreement of the loan agreement will be effective when registration of those land and building with relevant authorities is completed and management expected that will be within 2024.

Save as disclosed as above, the Group had no other financial guarantees and charge on assets as at 31 December 2023 (31 December 2022: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

The capital commitments outstanding at 31 December 2023 not provided in the Group's financial statements were approximately HK\$346 million (2022: HK\$905 million), mainly representing the acquisition cost of plant, machinery, tools and equipment not provided for in the financial statements. The above will be financed by internal resources of the Group and/or external financing.

OTHER INVESTMENTS

As at 31 December 2023, the Group owned a diversified investment portfolio, such as investments in associates and equity investments in the automotive industry. The Group is also conscientiously keep looking for investment opportunities to cater our development strategy and business expansion.

Apart from the above, there are no other material investment. The results of the above investments have been properly reflected in the audited financial statements for the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Company had no material contingent liabilities (31 December 2022: Nil).

STAFF

As at 31 December 2023, the Group employed 7,183 staff around the world, of whom 122 were in Hong Kong, 7,005 in the PRC and 56 were in overseas. The Group remunerates its employees (including directors) based on their performance, experience and prevailing industry practice. The Group operates a share option scheme (lapsed on 2 June 2023), a share award plan, provides rent-free quarters to certain of its employees in Hong Kong and the PRC and other fringe benefit to employees.

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 employees to improve and excel.

The Group always keeps pace with the times and strive to improve human resources efficiency and corporate governance capabilities, arrange sufficient human resources, provide different training and development programmes to attract, motivate and retain talented staff.

STAFF RETIREMENT SCHEMES

In Hong Kong, the Group principally participates in the Mandatory Provident Fund ("MPF") Scheme operated by independent trustees. Contribution at a fixed rate of 5% of the employee's relevant income (the "Relevant Income"), subject to a cap of monthly Relevant Income of HK\$30,000 per employee, are made to the scheme and are vested immediately.

In addition, the Group also operates a Top-Up ORSO scheme, approved by the Inland Revenue Department under Section 87A of the Inland Revenue Ordinance, and both the employer and the employee are required to contribute 5% of the excess of the Relevant Income to the scheme. It is only eligible for employees who joined the Group on or before 30 June 2009.

With effect from 1 December 2019, the Top-Up ORSO scheme is ceased and instead, the Top-Up contributions is made to the MPF scheme.

The Group has also complied with all relevant laws, regulations and local policies in Hong Kong in relation to staff retirement matters.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

During the year, the total retirement scheme cost charged to the Consolidated Statement of Profit or Loss for the year ended 31 December 2023 was HK\$65 million (2022: HK\$45 million). Charges to administer of the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The utilised amount during the year ended 31 December 2023 was HK\$Nil (2022: HK\$Nil) and at 31 December 2023, the balance available to reduce the level of contributions in future amounted to HK\$Nil (2022: HK\$Nil).

The Group has also implemented retirement schemes for all employees of overseas offices in accordance with relevant national laws, regulations and local policies.

REVIEW OF **OPERATIONS**

Since our establishment in 1978, the Group has continuously evolved and adapted to the changing landscape of display technology to meet the dynamic demands of the industry. As a leading global supplier of intelligent display automotive displays and solutions, we maintain a balanced business presence around the world.

REVIEW OF OPERATIONS

REVENUE BY DELIVERY LOCATION

THE PRC

During the year under review, based on the delivery location, the PRC generated revenue of HK\$7,913 million, representing an increase of approximately 6% as compared with that in 2022. Approximately 74% of the Group's total revenue was delivered to this region. Revenue from automotive display business remained a major part of and the rest was mainly derived from educational and industrial sector.

During the year under review, the economy of the PRC was recovering from the COVID-19 pandemic. The global economic downturn has prompted the PRC's New Electric Vehicle ("NEV") market entered into a competitive landscape of price adjustments. Price adjustments, more new and advanced products, and vigorous promotion by leading NEV manufacturers have made NEV more popular.

As a supplier of NEV manufacturers, the Group works with our NEV business partners to empower their growth and remain competitive. With the immense business opportunities brought by the growth of demand of NEV and the demand for larger and more advanced display and the sustainable renewal of automotive, we have prepared the new Thin Film Transistor ("TFT") and touch panel display modules manufacturing facilities

in Chengdu, the PRC (the "New Plant") to greet the needs, the New Plant in Chengdu commenced its production since 2022, and climbs up to more than 5 times its production in 2023 which further strengthens the production and supply capacity of the Group. During the year, the Group recorded an increased result in both sales quantity and revenue.

NEV has become an unstoppable trend in the automotive industry, the China Association of Automobile Manufacturers ("CAAM") anticipates the overall sales volume of NEV from the PRC automotive manufacturers will maintain strong growth and will be increased by approximately 21% in 2024. During the year, the Group has successfully increased its revenue in various TFT and touch panel display modules. In addition, the Group cooperated with one of the major automotive manufacturers to introduce a 45 inches automotive display for its new NEV's flagship and received positive feedback from market, it is important for the Group to grasp the market demand of larger-size automotive display. We have penetrated major players in the NEV and are awarded projects in the upcoming car models which will benefit our business in future years. For display system related projects, the Group has been promoting our solutions to NEV and achieved positive results. The Group has also achieved further breakthrough in the provision of panel and system solution and has sold our system products to certain NEV customers.



REVIEW OF OPERATIONS

The 6B phase of the “Limits and measurement methods for emissions from light duty vehicles (CHINA 6)” policy was effective on 1 July 2023. The policy sets stricter standards for emission of light-duty vehicles. We believe the more stringent emission regulations will reduce the attractiveness of traditional vehicles and induce more consumers to NEV. The Group has prepared sufficient production capacity to meet the potential substantial market needs in the market.

The “Motor Vehicles-Devices for indirect vision-Requirement of performance and installation” policy was effective on 1 July 2023, our affiliated company has prepared its products ready to be launched and to meet the potential substantial market need in the market.

The PRC government plans to strengthen and expand the NEV charging network to villages and to highways between cities, which we believe the demand of NEV will be boosted and eventually contribute to our revenue.

As there is a keen competition and new PRC automotive manufacturers will enter into the market in 2024, it will be more challenging for the leading PRC automotive manufacturers to maintain significant growth rate in the PRC market. To achieve breakthrough in the growth rate, overseas markets will be a critical option for the leading PRC automotive manufacturers. Thought facing certain challenges such as insufficient NEV charging network, immature distribution channel for PRC NEV manufacturers and low branding loyalty, the PRC automotive manufactures have improved much in cost performance ratio, product uniqueness, product design and product quality, and are becoming more welcomed by overseas customers, the PRC NEV manufacturers have increased their footprints across the globe with higher global sales. The CAAM anticipates the export volume of vehicles by the PRC automotive manufacturers will be increased by over 10% in 2024, indicating a huge opportunity for orders from overseas. With strong customer relationship and excellent product quality, the Group believes the orders from overseas regions will have notable growth.

EUROPE

During the year under review, revenue of HK\$1,412 million was generated from the display business in Europe in terms of delivery location, which represented a decrease of approximately 12% as compared with 2022. The European region contributed approximately 13% of the total revenue, in terms of delivery location, for the Group in the year under review.

The decrease was hindered by geopolitical conflict, inflation, energy crisis, downturn of global economy, and increase of interest rate.

Under the changing market environment, our sales team in Europe has been working diligently to capture the business opportunities emerged from new demand, such as cyber security, privacy, safety and sustainability, and putting effort to maintain strong relationship with our customers. During the year, the Group optimized features of our system products, and successfully won orders about cyber security and virtual screens. The Group will keep endeavour to explore the potential market of system business.

During the year, the Group also explored business opportunities from high potential industrial customers in Europe, and successfully won orders and opportunities from new energy transportation and aviation industry.

AMERICA

Under the year under review, America generated revenue of HK\$728 million in terms of delivery location, contributing approximately 7% to the total revenue of the Group. The revenue has increased by approximately 7% as compared with that of last year.

The increase was mainly contributed by our effort in getting orders of TFT displays modules from several automotive customers in previous years and start of delivery in 2023. The Group has been promoting our TFT display modules in America for both automotive and industrial customers to address the shift of customers' preference from monochrome display to colour

display and the end-of-life of monochrome display projects, especially in the industrial sectors. The Group has been putting utmost effort to explore the opportunity to apply our display modules in different types of vehicles for the digitalization of data, and obtained positive result. The Group has also been striving to grasp the NEV trend to promote our products to existing customers and new customers. We closely communicate and maintain strong relationship with our customers, and will set up local sales team in the middle America to further enhance our reaction to customers' needs and empowers the Group to promptly understand and response to customer's technical requirements, and to shorten the time of obtaining the orders.

KOREA

During the year, revenue generated from Korea in terms of delivery location was HK\$305 million, representing a decrease of approximately 23% from that of last year. Korea accounted for approximately 3% of the Group's revenue in terms of delivery location.

Revenue from Korea was mainly derived from automotive display business. The decrease in revenue during the year was mainly due to the ramp-down of orders from automotive touch panel display modules.

Korea will be an important to the Group and we are putting utmost effort to obtain orders from leading Tier-1 manufacturers.

JAPAN

During the year, revenue generated from Japan in terms of delivery location was HK\$69 million, representing a decrease of approximately 57% from that of last year. Japan accounted for approximately 1% of the Group's revenue in terms of delivery location.

The decrease was hindered by inflation and downturn of global economy which decreased the sales orders from our customers.

Leveraging the long experience for serving leading automotive customers and the strong relationship obtained, the Group continued to maintain contractual relationships with leading automotive manufacturers in both TFT display and monochrome display modules.

The Group also endeavour to promote our new oxide display modules and system solutions to our current and potential customers and believe the potential growth. In additional, our new office in Nagoya will commence operation in 2024 and it will bring us more sales opportunities.

REVENUE BY LOCATION OF SOURCING DECISION OF CUSTOMERS

The Group has put utmost effort to catch up the global market and has been successful in obtaining contracts from international customers. To provide a comprehensive understanding of the Group's revenue structure, on top of revenue by delivery location, the Group also demonstrate our revenue by location of sourcing decision of customers.

The Group manages its customers by the geographical locations of their sourcing decision centre. The sourcing decision centre of our multi-national customers will make important decisions including suppliers' selection for their new projects. The Group will follow the place of customers' sourcing decision centre to allocate resources and set up the related sales teams to develop marketing strategies and negotiate and conclude new projects with the sourcing decision centre of our multi-national customers.

REVIEW OF OPERATIONS

Based on the Group's unaudited information, our revenue by location of sourcing decision of customers is distributed as below:

	2023		2022	
	HK\$'000	%	HK\$'000	%
The PRC	6,486,765	60%	5,887,093	55%
Europe & America	2,773,716	26%	2,885,240	27%
Japan	763,903	7%	965,875	9%
Korea	221,200	2%	331,910	3%
Others	514,832	5%	652,243	6%
	4,273,651	40%	4,835,268	45%
Consolidated revenue	10,760,416	100%	10,722,361	100%

During the year under review, the Group's display module business has a balanced overseas and local customers portfolio, demonstrating a diversified revenue sources. Meanwhile those new products businesses such as system business are mainly with customers that carry sourcing decision domestically, and results in an overall allocation as illustrated. We are facing emerging opportunities from overseas and believe more balanced mix for those new products businesses in future.

REVIEW OF OPERATIONS



Automotive Intelligent Cockpit

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group began incorporating its Environmental, Social and Governance (ESG) Report into its Annual Report from 2014. The ESG Report was prepared for the period from 1 January 2023 to 31 December 2023 and has been compiled in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") requirements as set out in Appendix C2 of the Rules Governing ("the Listing Rules") the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The covered scopes and contents are in compliance with the disclosure obligations under the "Comply or Explain" provisions in the Guide. During the year, the Company participated and kept updating the climate change section in the CDP (Disclosure Insight Action). To strengthen our climate-related disclosures, we also consider following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Unless otherwise stated, the ESG Report covers operations in the PRC (including Heyuan and Chengdu) and Hong Kong, which together represent the core operations of the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has authorised the functional departments and ESG risk management team to take charge of the overall supervision of ESG management and hold ESG communication meetings no less than twice a year. We are responsible for developing the Company's ESG strategy and regularly reviewing its implementation; identifying and evaluating ESG risks and developing response plans; reviewing ESG management policies to ensure that they are consistently implemented and put into practice; reviewing ESG plans and goals and periodically reviewing the achievement of ESG goals; reviewing ESG performance, and ultimately coordinating, implementing and executing such plans and goals.

In view of the external social and economic environment and the Group's internal development strategy, the Board will continue to pay attention to the sustainable development trends at home and abroad, strengthen the assessment of ESG material issues, discuss and determine the risks and opportunities of the Company in the aspects of environment, society and governance, and take the management and improvement of key issues as the key work of sustainable development.

In 2023, the Board focused on reviewing the following key activities and progress:

CORPORATE GOVERNANCE	While consolidating the operation and management system and adhering to the bottom line of compliance, the Group steadily advanced the implementation of its sustainable development strategy and regulated and promoted ESG-related activities to improve management standards and reduce operational risks.
PRODUCTS	To provide customers with better products using a user-oriented approach, resulting in a significant improvement in customer satisfaction.
CLIMATE CHANGE AND CARBON NEUTRALITY	The Company undertook the goal of "achieving carbon neutrality by 2050", and formulated a roadmap, phased goals and coping strategies for carbon neutrality.
UNDERTAKING SOCIAL RESPONSIBILITY	The Company focused on urban revitalization to create social value, and put social responsibility into practice.

The evaluation results of the Group's material issues, its management and practices on the above works and other ESG issues, as disclosed in detail in this Report, were reported by the Board in 2023.





As its strategic upgrading advances, the Group's sustainability management has been gradually integrated into the multi-dimensional, systemic professional management of business operations. In response to the increasingly stringent non-financial information disclosure requirements, sustainability management has been given much attention by the Board and the Group's management. The updates on related matters are required to be reported at board meetings, and the Group's ESG management and sustainable development reports must be approved by the Board. In order to ensure the accuracy of the Group's annual

sustainable development report and increase internal attention to sustainable development, the report is prepared with the engagement of the functional departments and ESG risk management team and subject to the final approval by the Board before official release.

The Group's corresponding internal resources are also increasingly important in supporting sustainable development work. In 2023, we enhanced the environmental and social indicators reporting system, ensured the authenticity, integrity and accuracy of information disclosure through multiple reporting, reviewing, collating, feedback, iteration, testing and training, which laid a solid foundation for the overall improvement of the Group's management ability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The content of the ESG Report has followed the reporting principles in relation to “materiality”, “quantitative”, “consistency” and “balance” under the Guide, the application of which is as follows:

Reporting Principle	Application in the ESG Report
Materiality 	We have identified and disclosed in the ESG Report the process of and the criteria for the selection of material ESG topics. We have also identified and disclosed significant stakeholders, the process and results of their participation in the ESG Report.
Quantitative 	We have disclosed the data on the standards, methodologies, assumptions and/or calculation tools used to report environmental key performance indicators (KPIs), and the sources of the conversion factors used.
Balance 	The ESG Report reflects both positive and negative ESG information reasonably and objectively.
Consistency 	We use standardized ways and methods to collect and calculate data. We state changes in methods or related factors in the ESG Report to allow meaningful comparisons.

All opinions on the ESG Report are highly valued. If there is any enquiry or suggestion, please send an email to: Investor@boevx.com.

We understand the importance of ESG to the Company and its stakeholders in the capital market. It has established and gradually improved its ESG governance and management mechanisms to promote the integration of ESG into the Company's operations and management. We believe this integration will ultimately lead to long-term stable environmental, social and corporate values.

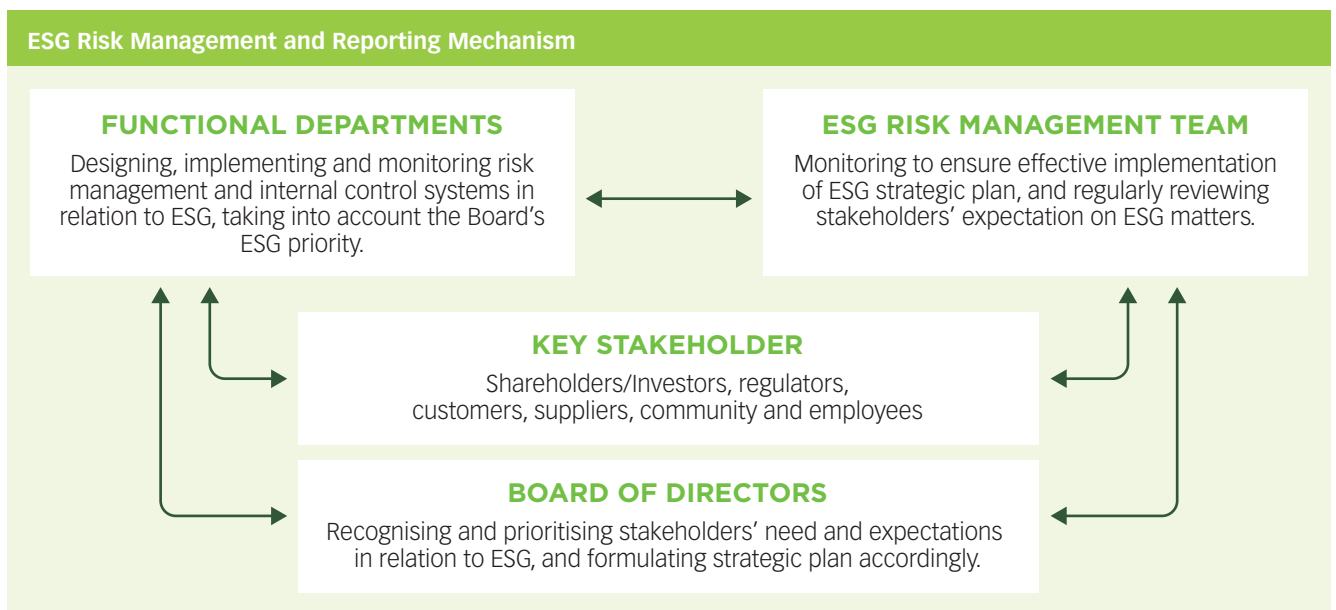
The Board has overall responsibility for the ESG strategy and reporting. The Board considers sustainability issues as being an integral part of its overall strategy, and each key sustainability risk and opportunity that has been identified is suitably evaluated, tracked, and proactively managed. The Board has been closely overseeing the ESG issues and the Group's initiative to make continuing ongoing improvements and to formulate an effective reporting mechanism. BOEVX's ESG risk management and reporting mechanism takes into consideration operational management and relevant stakeholders. Assessment of ESG status and progress are conducted on an ongoing basis.

Under the Board's delegation, the functional departments and ESG risk management team oversee the Group's sustainability performance, and ensures that sustainability considerations are incorporated into our decision-making process across all business units. They regularly report to the Board about their evaluation of the Group's sustainability strategies, targets and performance. They would collect and analyze environmental and social performance indicators to recommend appropriate improvement measures to enhance the Company's sustainability performance. We convene trainings regularly and arranged a training on the 2023 new regulations in June 2023 which includes but is not limited to providing auditor training, new standard training and, specific work consultation at the work execution level and system level. The Board takes ESG issues seriously to ensure the top management of each function monitors its own area of responsibility, always seek improvements and is committed to rolling out development plans with stakeholders' interests a primary concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the Company continued to standardize its ESG governance and management process, with a specific focus on the process of determining material ESG issues. Based on the external socio-economic environment and the Company's development strategy, we optimize our communication and involved key stakeholders to identify, evaluate and manage important ESG matters. The Company attaches importance to ESG disclosure-related work, and the Board oversees the preparation process of the ESG report and reviews and approves the annual ESG report to ensure the veracity and effectiveness of information disclosure. The Company formulates performance targets including environmental and social targets, which will be reviewed and followed up by the Board.

The Group studied the sustainable development management strategy and set up the net-zero emissions by 2050 as the strategic goal, and commenced the research on carbon neutrality roadmap and strategy to formulate plans for the path to carbon emission reduction. The Company measured the carbon footprint within the Group's operational control, assessed the feasibility of our emission reduction targets, and developed emission reduction strategies which are (among others) the Company's vigorous promotion of energy conservation and emission reduction: improving the carbon emission audit system; carrying out energy conservation and emission reduction projects actively; strengthening the reasonable use of green energy, building plant rooftop photovoltaic power generation projects and etc. The carbon emission is reduced by 2,812.7014 CO₂e tonnes in 2023. We will also regularly review the carbon emission reduction pathway and related goals based on changes in environmental trends and corporate business development.









The ESG Risk Management Team consists of top management from operations and finance, and communicates regularly to ensure ESG risks are properly managed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENGAGING STAKEHOLDERS

The Group communicates regularly with stakeholders through various channels in order to understand their different expectations and the possible impacts to them of its sustainable development activities.

Stakeholders	Communication channels	Channels content
Shareholders/ Investors 	<ul style="list-style-type: none"> ▶ General meetings and notices ▶ Annual/interim reports, financial statements and announcements ▶ Direct communications ▶ Corporate website ▶ Investor briefings 	<ul style="list-style-type: none"> ▶ Business sustainability ▶ Financial performance ▶ Corporate transparency ▶ Corporate social responsibility
Regulators 	<ul style="list-style-type: none"> ▶ Meetings ▶ Compliance reporting 	<ul style="list-style-type: none"> ▶ Compliance with laws and regulations
Customers 	<ul style="list-style-type: none"> ▶ Direct communication via frontline staff ▶ Customer audits and factory visits ▶ Corporate website 	<ul style="list-style-type: none"> ▶ Quality products and services, and delivery arrangements ▶ Technological developments ▶ Product responsibility ▶ Factory and labour conditions
Suppliers 	<ul style="list-style-type: none"> ▶ Direct communication and meetings ▶ Site visits and reviews ▶ Vendor acceptance and management processes ▶ Questionnaire 	<ul style="list-style-type: none"> ▶ Sustainable procurement ▶ RoHS considerations ▶ Corporate reputation ▶ Industry experience and expertise
Community 	<ul style="list-style-type: none"> ▶ Involvement in and meeting with various communities through social services and sports activities ▶ Cooperation with local universities and NGOs 	<ul style="list-style-type: none"> ▶ Improvement of community environment and culture ▶ Support for public welfare activities
Employees 	<ul style="list-style-type: none"> ▶ Training and development ▶ Regular performance appraisals ▶ Newsletters ▶ Work-life balance activities ▶ Policy communication ▶ Communication with labour union 	<ul style="list-style-type: none"> ▶ Health and safety ▶ Remuneration and welfare ▶ Career development ▶ Integrity and business conduct

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY MATRIX

During the year, the Group has evaluated a number of environmental, social and operation related issues, and assessed their importance to the Group and its stakeholders. This assessment helps to ensure the Group’s business development is in line with the expectations and requirements of its stakeholders. The materiality assessment result is shown below:

Issues of high importance	Issues of moderate importance	Issues of general
<ul style="list-style-type: none"> ▲ Recruitment and promotion ▲ Benefits and welfare ▲ Health and safety ▲ Development and training ● Air emissions ● Greenhouse gas emissions ● Use of resources (electricity and water consumption) ● Environment and natural resources ■ Quality assurance ■ Intellectual property rights ■ Whistle-blowing procedures 	<ul style="list-style-type: none"> ● Hazardous wastes produced ● Climate change ■ Anti-corruption ■ Consumer data protection and privacy policies ■ Supply chain management ■ Product responsibility 	<ul style="list-style-type: none"> ▲ Compensation and dismissal ▲ Equal opportunity ▲ Anti-discrimination ▲ Preventing child and forced labour ▲ Diversity ▲ Community investment ▲ Resources contributed ● Non-hazardous wastes produced
▲ Social	● Environmental	■ Operation

MATERIALITY ASSESSMENT

The issues that matter most to the Group’s business and its stakeholders are identified and presented in the materiality matrix above. The Group places comparatively higher emphasis on ESG matters relating to the environment, employee safety and supply chain management as these are external stakeholders’ top concerns, weighted against the risks and opportunities they present to the Group. Whilst higher priority is given to these areas, other ESG aspects are also monitored on an ongoing basis and are included in the ESG report to enhance corporate transparency.

GOVERNANCE

RISK MANAGEMENT AND INTERNAL CONTROL

The Group places a high priority on risk management and internal control. The Group’s risk governance structure is based on a “Three Lines Model”, with oversight and directions from the Board and the Audit Committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Board holds the responsibility of overseeing the development of appropriate policies and devising strategies, ensuring that the effectiveness of the Group's risk management and internal control system undergoes regular review. The relevant responsibilities are managed by the Audit Committee and reports to the Board on a regular basis. The Internal Audit Department and the Risk Management Committee are established, and are responsible for identifying and mitigating the risks in all areas, including financial, operational and compliance control.

As the first line, individual business units identify their operational risk and develop respective controls. Professional functional units (such as finance, legal and etc.) serve as the second line and provide risk prevention support to the first line. As the third line, the Internal Audit Department conducts regular audit to ensure that the Group's risk management and internal control systems are appropriate and effective.

GOVERNANCE

The Group is committed to maintaining the highest standards of integrity and ethical conduct in all our business dealings. The Group has a zero-tolerance policy towards corruption, and takes active steps to prevent and detect any corrupt practices.

The Group strictly abides by the law and regulations of Hong Kong, the PRC and other jurisdiction that we have business relationship. The Group formulated the "Code of Conduct", "Anti-corruption Policy" and other policies to stipulate the guidelines on anti-bribery, anti-corruption, conflict of interest and other contents. These policies are regularly reviewed and updated to ensure that they remain effective in preventing corrupt practices. The Group also provides regular training to the employees on these policies and on the importance of ethical behavior.

Whistle-blowing channel is in place for reporting any suspected instances of corruption. This system is designed to protect whistleblowers and ensure that any allegations are investigated thoroughly and impartially. The Group believes that our commitment to anti-corruption is essential for building trust with our stakeholders and maintaining our reputation as a responsible corporate citizen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONNECTED PARTY TRANSACTIONS

The Group takes a precise approach to all transactions with our connected party, ensuring that all transactions are conducted in compliance with the Listing Rules. All connected party transactions are subject to a rigorous review process, ensuring that the terms of transactions are fair and reasonable, and the transactions are conducted on normal commercial terms or better and in the ordinary and usual course of business. The Group strictly complies with all applicable provisions under the Listing Rules to ensure that all transactions are disclosed and/or approved by shareholders in a timely and transparent manner as required.

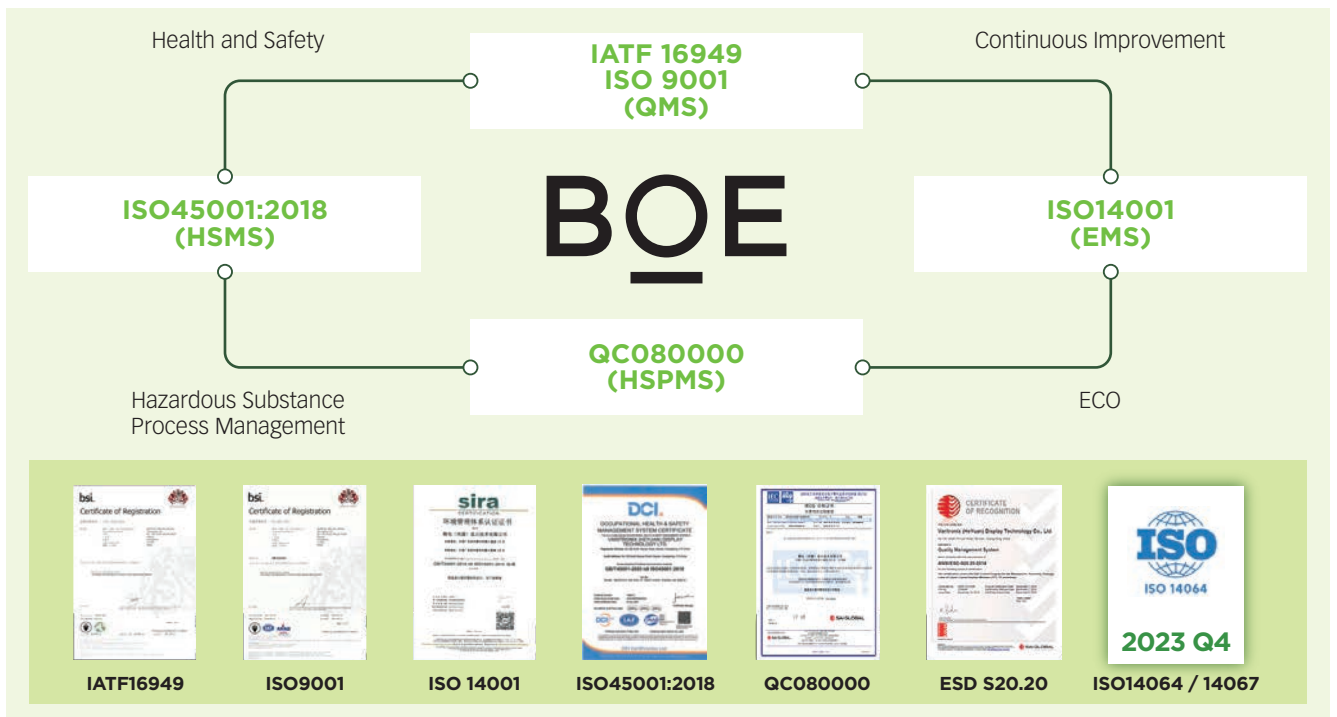
A robust internal control measures are in place to ensure that the interests of shareholders as a whole are taken into account. Regular checking on the transactions would be conducted to assess whether the terms of transactions are followed, and regular monitoring on the actual transaction amount would be performed to ensure that the annual caps are not exceeded. By being rigorous and rule-complying about the connected party transactions, the Group can demonstrate the commitment to ethical conduct and good governance.

ENVIRONMENT

Over years, the Group has developed streamlined operating processes and energy-efficient hardware to lessen energy and water utilisation, improved the use of resources and investigated new means for environmental preservation.

As a manufacturing company, the Group’s management is always aware of the importance of sustainable development and environmental protection. The Group’s policy on emissions and waste is fully complied with the requirements of the emission standard in 《水污染物排放限值》(DB44/26-2001), 《大氣污染物排放限值》(DB44/27-2001) and other relevant requirements and standards.

The Group has been accredited with ISO 14001 since 2005. Under this accreditation, the Group resolves to comply with environmental laws, regulations and other applicable requirements, and to reduce or eliminate pollution while minimising any impact on the environment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In January 2022, the Group made the investment in the automotive display module manufacturing project in Chengdu through Chengdu BOE Automotive Display Technology Co., Ltd. by expanding the Group's existing TFT and touch panel display module manufacturing facilities in the PRC. The total land area is approximately 151,000 m². Module assembly and optical bonding lines were constructed in the plant as part of the manufacturing facilities of the Group. Chengdu plant commenced mass production in October 2022 and completed environmental protection acceptance in February 2023. In June 2023, it obtained ISO 14001:2015 environmental management system certification.

From construction to operation, Chengdu plant has always adhered to the concept of green and low-carbon development. It has been designed, constructed and operated based on the "Five Transformations" principles of intensive land use, harmless raw materials, clean production, waste recycling, and low-carbon

energy. The goal is to create the world's most competitive and sustainable automotive module display base. The emission and waste treatment policies of Chengdu plant fully comply with 《電子工業水污染物排放標準》 "Discharge standard of water pollutants for electronic industry" (GB39731-2020), 《污水綜合排放標準》 "Integrated Wastewater Discharge Standards" (GB8978-1996), 《四川省固定污染源大氣揮發性有機物排放標準》 "Sichuan Emission Control Standard for Volatile Organic Compounds" (DB51/2377-2017), 《成都市鍋爐大氣污染物排放標準》 "Emission standard of air pollutants for boilers in Chengdu" (DB51/2672-2020) and other relevant regulations.

The manufacturing facilities in Heyuan and Chengdu are required to undergo stringent environmental audit and continuous monitoring, in order to protect the natural resources in the region and also to comply with all relevant local environmental laws and regulations.

Emission and Waste Performance								
Waste	Heyuan Plant				Chengdu Plant			
	2023		2022		2023		2022	
	Total tonnes	Tonnes/Revenue (HK\$1,000 million)	Total tonnes	Tonnes/Revenue (HK\$1,000 million)	Total tonnes	Tonnes/Revenue (HK\$1,000 million)	Total tonnes	Tonnes/Revenue (HK\$1,000 million)
Air								
HCL	0.147	0.01	0.14	0.01	N/A*	N/A	-	-
Particulates	<0.0070	0.0007	<0.0070	0.0007	0.004	0.00	-	-
SO ₂	<0.050	0.0046	0.050	0.0047	0.0013	0.0001	-	-
NO _x	<0.01	0.001	0.01	0.001	0.024	0.0022	-	-
Greenhouse Gas Total (Direct CO ₂ e emissions and Indirect CO ₂ e emissions)	54,726.43	5,086.10	60,154.81	5,610.41	18,483.92	1,717.84	-	-
Direct CO ₂ e emissions	7,762.38	721.4108	1,635.35	152.5228	34,652.42	3,220.4851	-	-
Indirect CO ₂ e emissions	0.9389	0.0873	0.9370	0.0874	1.8100	0.1682	-	-
Intensity (Direct CO ₂ e emissions and Indirect CO ₂ e emissions) per unit of production volume	0.9466	0.0880	0.9387	0.0875	1.8400	0.1710	-	-
Fumes	0.012	0.0011	0.036	0.0034	0.025	0.0023	-	-
Non-methane total hydrocarbon	1.060	0.0985	1.115	0.1	0.121	0.0112	-	-
Water								
Wastewater	694,554	64,550	863,197	80,507	100,369	9,328	-	-
Solid								
Solid Waste Hazardous	78.55	7.30	99.18	9.25	48.48	4.51	-	-
Solid Waste Non-hazardous	881.35	81.91	884.71	82.51	352.09	32.72	30.47	2.84

Note*: Since there is no etching process in Chengdu plant, there is no hydrochloric acid discharge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMISSIONS

Air

For Heyuan, major emissions in the production plant are primarily collected at the exhaust vents of the production buildings and canteen kitchen of the plant. Hydrochloric acid and organic waste gas (non-methane total hydrocarbons) are the main emission created by the production process. It is used at the etching stage when producing LCD panels. The volatilised hydrochloric acid is drawn to the ventilation system in the production buildings, then transmitted to the neutralising machines on the rooftop and neutralised with alkali before being released to the air. In the cleaning process, cleaning alcohol, alcohol and other organic substances will be used, and the volatile organic waste gas will be transported to the centralized treatment facility on the roof of the production buildings through the exhaust pipe, and will be discharged up to the standard through the treatment method of water spraying and activated carbon adsorption. The wastewater in the process flows into the Company's sewage treatment facilities, and the activated carbon is replaced regularly. The replaced waste activated carbon is regarded as hazardous waste and is passed to qualified recycling contractors for disposal. New disclosure of non-methane total hydrocarbon emissions was added in the 2022 annual report. Emissions in 2023 was reduced by 0.05 tons (5%) in 2023 compared with 2022.

Emissions such as particulates, nitrogen oxide, sulphur dioxide and oil fumes are collected from the exhaust vent at the canteen kitchen of Heyuan plant. These substances are mainly produced during the process of fuel combustion. Since December 2018, the kitchen of Heyuan plant has been using bio-alcohol oil as fuel and processing it through a new model of oil fume purifier for reducing emissions effectively.

For Chengdu, the production plant is mainly engaged in automotive LCD module assembly and thus no notable emission is generated. The main sources of air emission are volatile organic compounds generated during the use of alcohol and adhesives at the module production line, particulates generated during the cutting process of LCD panels, and particulates, nitrogen oxides and sulphur dioxide generated during the operation of boilers in winter. In addition, the canteen kitchen emits oil fumes. The plant has implemented strict control measures for air emissions, including: the main equipment and workstations in the module workshop that generate volatile organic compounds are equipped with exhaust gas collection devices. The exhaust gas collection efficiency is greater than 90%. The collected organic waste gas is purified through two stages of activated carbon adsorption to be emitted at a concentration far below the local emission limit in Sichuan Province (less than 10%); the particulates generated during the cutting process is purified by matching high-efficiency dust collectors and is locally discharged in clean workshops meeting the standards; the natural gas vacuum hot water boilers in the plant use low-nitrogen combustion technology, ensuring that the concentrations of various pollutants are below the emission limits for boilers in Chengdu; the canteen kitchen's oil fumes are treated and discharged after meeting the standards through an oil fume purifier.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas

For Heyuan, our greenhouse gas emissions stem from burning clean oil at plant kitchens, use of purchased electricity and etc. The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in the Group. Direct emissions (Scope 1) come from the plant canteens. Since the plant canteens now use burning bio-alcohol oil as clean energy, it is no longer within the scope of direct carbon emissions. Electricity (Scope 2) for carbon emission is more noticeable in our operations.

Scope 1 emissions were mainly from burning clean oil at the canteen kitchen. For the total emissions of Scope 1, Heyuan plant currently uses bio-alcohol oil in its kitchen, which is not included in the calculation of greenhouse gas emissions. However, in 2022, the statistics of greenhouse gas emissions of commercial vehicles are added. To reflect direct carbon dioxide emissions more accurately, in 2023, on the basis of the statistics in 2022, a new statistics of greenhouse gas emissions of factory air-conditioning and refrigeration, fire extinguishing equipment filling, wastewater and septic tanks are added, the direct CO₂ equivalent emissions are approximately 448.75 tonnes, 343.95 tonnes more than in 2022. The annual production in 2023 was slightly reduced compared with 2022, so the CO₂ equivalent emissions of each product was increased by 374.66%. For Scope 2 energy indirect emissions, the CO₂ equivalent emissions mainly from purchased electricity were approximately 54,277.68 tonnes. The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 54,726.43 tonnes. We do not report Scope 3 emissions because of the lack of complete and accurate data. At present, Heyuan plant is vigorously promoting automation equipment, resulting in an increase in electricity consumption. On 15 March 2022, the Ministry of Ecology and Environment adjusted the emission factor value of China's national power grid to 0.5810 (2021: 0.5720), adjusted to 0.5703 in 2023.

For Chengdu, 2023 is the first year of operation. We completed the greenhouse gas emission verification of Scope 1 and Scope 2 in January 2024. The data of Scope 3 is too complicated and we are still trying to collect and organize it. In 2023, the greenhouse gas emissions (Scope 1 and Scope 2) of Chengdu plant amounted to approximately 18,483.92 tonnes, include the CO₂ equivalent direct greenhouse gas emissions (Scope 1) accounted for approximately 347.64 tonnes. The main sources of emissions were from septic tanks, official vehicles and fire extinguishers; the CO₂ equivalent indirect greenhouse gas emissions (Scope 2) from the input of energy sources were approximately 18,136.28 tonnes; there is currently no reliable data available for Scope 3 to calculate their emissions at this time.

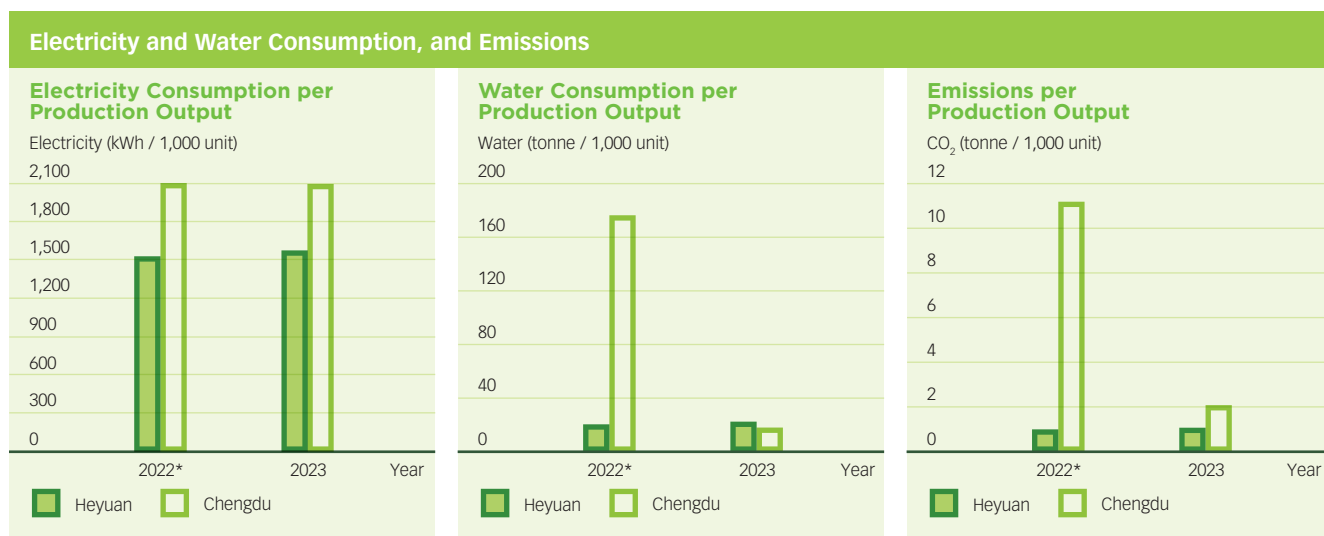
In 2024, we will purchase 6 million kWh of green electricity to promote low-carbon energy, and will carry out the construction and certification of ISO 50001 energy management systems to promote energy conservation, consumption reduction and carbon reduction.

As a responsible enterprise, the Group is committed to reducing energy consumption, upholds the principle of "Green Operation" and strives to improve our environmental performance by implementing various measures and practices. It includes: video conferences are held where possible to avoid any unnecessary overseas business travels and direct flights are chosen for inevitable business travel; water taps with water efficiency labels are installed and dripping taps are fixed immediately to avoid the wastage of water resource; divide the office area into different light zones using independent lighting switches and adopt energy-efficient lighting regularly to increase the energy efficiency of lighting system; regular inspection, repair and maintenance are performed to ensure the efficiency of machineries and vehicles. The Group repairs and maintains the equipment and machines regularly and thoroughly from time to time in order to ensure the equipment and machines under a good condition for operation. The Group is dedicated to upgrade the equipment and machines and develops technological innovation to strive for breakthroughs in the area of clean energy and low carbon emission technology. The Guangdong Administration for Market Regulation announced the results notice of the energy measurement review of key energy-consuming units in 2020. The Group's energy management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

meets the regulatory requirements. The Water Affairs Bureau of Heyuan, Guangdong Province announced in 2020 that the Group’s enterprises are water-saving enterprises. Besides, the Group attaches great importance to the design and consumption of packaging of our products so as to reduce the usage of packaging materials.

During the operation period of the plants, it is required to measure the emissions of pollutants and fill in the monitoring report on a regular basis. The emission reduction measures of the PRC plant focused on reducing energy consumption.



Note*: Chengdu commences its production in October 2022 and is in the trial production stage only. While the electricity consumption, water consumption and CO₂ emissions are more but the production is less, so per production output of electricity consumption, water consumption and emissions are more, and more than Heyuan’s as well.

Wastewater

Waste is unavoidable during the manufacturing and operation process, but the Group keeps a stringent control on the emission and ensures it is properly treated to minimise any negative impact to the environment.

For Heyuan, wastewater generated during the manufacturing process is treated in a large underground wastewater treatment facility with a daily maximum treatment capacity of 4,000 m³. The current actual daily treatment is about 2,000 m³. A computer software program recognised by the Heyuan Environmental Protection Bureau has been installed to provide the data on elements such as Chemical Oxygen Demand (COD) and the PH level at the discharge vent directly to the Bureau’s system. That means the wastewater discharge in the production plant is under continuous and timely monitoring by the Bureau. During the reporting period, there was no event or reported case of non-compliance which significantly influenced the water source.

Due to the adjustment of product structure and the reduction of wastewater-generating processes, wastewater discharge decreased by 19.5% compared with 2022, to approximately 168,600 tons.

For Chengdu, the plant uses municipal tap water in its production and operation processes. The generated wastewater mainly includes domestic sewage, production line cleaning wastewater, reverse osmosis concentrated water, pure water preparation, backwashing and flushing wastewater, cooling tower drainage and etc. Since the plant does not discharge toxic or hazardous wastewater, an industrial wastewater treatment station has not been constructed. In order to reduce the impact on the environment, all discharged wastewater from the plant is discharged into the municipal sewage pipeline according to the requirements of environmental impact assessment documents

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

and undergoes extensive treatment at the municipal sewage treatment plant. For the year 2023, the total amount of wastewater discharged was 100,369 m³, with an average of 275 m³ per day.

Chengdu plant conduct wastewater monitoring at least once per quarter. All discharged pollutants meet the emission standards.

Solid Waste

For Heyuan, non-hazardous solid waste is usually produced during manufacturing and daily living. Used carton boxes, wooden packing cases and scrap glass are collected by qualified recycling contractors. Production plant staff are also encouraged to put rubbish into designated garbage containers. Such collected garbage is also collected by qualified recycling contractors. Hazardous waste from the production area consists primarily of materials used in the manufacturing process. Chemicals used during production are collected and treated in full compliance with local environmental regulations. The Group actively uses recyclable materials and is environmentally friendly, 12,272 recyclable plastic boxes (approximately 17.37 tonnes) were used in 2023, resulting in a decrease in non-hazardous solid waste year by year. In 2023, there were 3.36 tonnes less than in 2022. Hazardous solid waste was 20.628 tonnes less in 2023 than in 2022.

For Chengdu, the generated waste mainly includes hazardous waste, general industrial solid waste and household garbage in the operation process of the plant. Hazardous waste is handled by third-party incineration facilities with the qualification for hazardous waste management. General industrial waste is handled by resource recycling companies, and household garbage is collected and processed by the community's environmental sanitation company. The collection, storage, treatment or disposal of all waste is carried out in accordance with legal requirements to achieve reduction, resource utilization, and harmless treatment.

Measures to Reduce Emissions and Waste

For Heyuan, by using automated production equipment where possible, we reduce the usage of rags dipped in chemical for the glass surface cleaning processing which can mitigate by at least 3 tonnes (per annum) of hazardous waste. Besides, we strive to reuse and recycle by designating waste sorting areas and facilities for a wide range of recyclables. We maintain proper records of the recyclables collected and monitor our waste performance against waste recycling targets. All non-hazardous and non-recyclable wastes are collected by qualified waste recycling contractors. Besides, wastewater was also reduced to 40mg/L of Chemical Oxygen Demand (COD) through Mixed Wastewater Treatment of domestic sewage and industrial wastewater, which is lower than the emission standard value of 90mg/L. In 2017, an investment of HK\$936,700 in the transformation of the water loop treatment system at the plant which was used to treat the waste water and recycling. It reduced the annual discharge of 6,000 tonnes of wastewater.

Through the introduction of automation equipment, the Company has added 4 new water washing lines in the patching process to clean the glass surface, replacing the previous manual cleaning with lint-free cloths, effectively reducing the emission of solid waste by about 1.5 tonnes.

For Chengdu, the plant is firmly committed to waste reduction, resource utilization and harmlessness. The plant has established standardized storage facilities for hazardous waste (approximately 700 m²) and general solid waste (approximately 1,300 m²), specifically for the collection and temporary storage of various types of solid waste, providing favorable conditions for achieving the "3R" (Reduce, Reuse, Recycle) of waste. Two sets of wastewater recycling systems have been constructed for the recycling cleaning wastewater and reverse osmosis concentrated water generated from the production line.

In August 2022, when the equipment of the first phase of the plant's production line was moved in, a professional waste recycling vendor was introduced to classify and recycle the packaging materials generated from equipment unpacking, achieving resource circulation. After the operation, suppliers take measures such as recycling some packaging materials and promoting their reuse were implemented to reduce the

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generation of waste. For 2023, a total of 528,311 trays (blister boxes) made of PET material (approximately 71 tonnes) and 1,661 cartons (approximately 1.25 tonnes) and were recycled and reused. Furthermore, efforts were made to promote the classification collection of discarded packaging materials for resource circulation. In the module production line, source separation was implemented to prevent general solid waste from

being mixed into containers for hazardous waste collection, thus controlling the generation volume of hazardous waste. For 2023, 64,502 m³ of wastewater was recycled and 64,502 m³ of wastewater will be reduced; in 2023, an air-conditioning condensate water recycling project was also implemented, saving approximately 14,000 m³ of tap water.



Hazardous waste storage facility (approximately 700 m²).



General solid waste storage facility (approximately 1,300 m²).

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Use of Resources

As a manufacturing company, electricity and water are the resources most used during the course of operations. The management of the Group recognises the significance of energy conservation, and ongoing measures are in place to reduce the use of natural resources. The Group regularly reviews ways for the efficient use of resources and develops improvement plans, with the aim of further reducing consumption of these resources while maintaining effective operation of the production plant.

For Heyuan, according to the change of production orders, the utilities supply is adjusted for the energy saving; eliminate energy-consuming equipment and replace it with more energy-saving equipment; add 243 new electric energy meters to monitor the power consumption in various regions, implement an electronic power management system, and strengthen energy management. Electricity consumption decreased by 7.53% in 2023 compared with 2022, and water consumption decreased by 3.66% in 2023 compared with 2022.





The Group considers the 2022 renewable energy use plan of the construction of distributed photovoltaic power generation and container-type electrochemical energy storage power stations (peak shaving and valley filling + new energy consumption) on the roof of the plant, with a building area of 5,150 m² and a land area of 5,150 m². It is operated in 2023. The total designed photovoltaic power generation capacity is 544.5 kWh, the total energy storage capacity is 7.456 Mwh, the annual power generation is expected to be about 559 Mwh and annual emission reduction is 324.8 tCO₂e. The investment in the project is RMB16.74 million. It effectively responds to the national policy of promoting carbon neutrality and carbon peaking, and also provides the Group with clean and pollution-free green energy.

The project has been officially launched in April 2023, and has been officially connected to the grid for power generation and put into operation in June 2023. As of 31 December 2023, the total power generation was 396,629.5 kWh, of which 253,072.5 kWh was generated by the photovoltaic system at the new Plant 1 (with a transformer ratio of 750/5 = 150) and 143,557 kWh was generated by the photovoltaic system at the new Plant 2 (with a transformer ratio of 500/5 = 100), resulting in a reduction of 226.24 tCO₂e emissions. The Company's power grid purchase: 95,570,532 kWh; the proportion of renewable energy power generation: 0.42%.



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The power generation meter readings are as follows:

New Plant 1	New Plant 2
<p>1,687.15 x 150 = 253,072.5 kWh (the transformer ratio: 750/5 = 150)</p>	<p>1,435.57 x 100 = 143,557 kWh (the transformer ratio: 500/5 = 100)</p>
 	 

For Chengdu, in October 2023, the Chengdu Municipal Bureau of Economy and Information Technology released Chengdu’s policies and measures to optimize energy structure and promote urban green and low-carbon development, and provide subsidies for new or renovated distributed photovoltaic projects, which will help the plant to develop low-carbon. To reduce energy consumption waste, the plant has been continuously implementing energy-saving measures and exploring energy-saving opportunities in various systems. In 2023, 16 power-saving measures were completed, saving 1.371 million kWh, representing 4.19% of the electricity consumption of Chengdu plant in 2023. In 2023, 2 natural gas conservation measures were completed, saving 35,500 m³ of gas, representing 26.28% of the annual gas consumption.

Since its operation, Chengdu plant has actively promoted the use of renewable energy, reduced carbon emissions, paid close attention to the sustainable development of society, and fulfilled its corporate responsibilities for it. Among them, electricity is an important energy type for the plant. Chengdu plant plans to purchase 6 million kWh of green power in 2024, which will reduce CO₂ emissions by 3,421.8 tonnes and is expected to obtain 6,000 green certificates.

At the same time, the Group strives to minimise any impact on the environment and save material costs by continuously reviewing the design for product packaging, with the aim of reducing packaging size. Despite this, as the Group’s products are glass LCD panels or modules, they must be protected with polyfoam trays during delivery and so the use of polyfoam trays is unavoidable.

In 2023, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Heyuan were 1,628 tonnes and 1,874 tonnes respectively. There is an increase of 1.62% and 17.79% respectively as compared with 2022 and 2023. In 2023, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Chengdu were 162 tonnes and 1,915 tonnes respectively.

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Below is a table outlining the energy consumption, water utilisation and packaging material used by the Group during the reporting period, as compared with the data recorded in the last 2 financial years.

Energy Consumption, Water Utilisation and Packaging Material Used												
	Hong Kong Office				Heyuan Plant				Chengdu Plant			
	2023		2022		2023		2022		2023		2022	
	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)	Total tonnes	Tonnes/ Revenue (HK\$1,000 million)
Electricity (kWh)	177,674	16,512	191,620	17,871	95,570,532	8,882,020	103,356,300	9,639,647	31,801,294	2,955,511	5,504,551	513,388
Water (Tonne)	116	11	128	12	1,229,765	114,290	1,276,549	119,059	176,352	16,390	50,454	4,706
Carton boxes (Tonne)	-	-	-	-	1,628	151	1,602	149	162	15	28	3
Polyfoam trays (Tonne)	-	-	-	-	1,874	174	1,591	148	1,915	178	38	4

Measures to Reduce Energy Consumption and Water Utilisation

The Group has implemented a number of facility enhancements, including but not limited to improve energy efficiency, water conservation and indoor environmental quality of the plant and optimise interaction with the local microclimate.

For Heyuan, it includes: to replace old equipment with large energy consumption into new equipment with variable frequency control and low energy consumption, such as old-fashioned central vacuum pumps and old-fashioned air-conditioning ice-water mainframes, which can reduce electricity consumption by approximately 1,100,000kWh each year; long-term use of wastewater from the production process was collected and reused in the toilet flushing system, thus the amount of tap water is reduced; the transformation of the water loop treatment system at the Heyuan plant which was used to treat the waste water and recycling and reduced the annual discharge of 8,500 tonnes of water utilization.

For Chengdu, the plant utilizes waste heat recovery technology, free cooling technology and high temperature difference technology to construct efficient heating and cooling systems, which enable the partial substitution of gas boilers for heating with waste heat recovery from air compressors and refrigeration machines. This results in an annual natural gas savings of 216,000 Nm³ and a reduction of 467 tonnes of CO₂e greenhouse gas emissions. Furthermore, to conserve water resources, two sets of wastewater recycling systems were implemented in the plant during its construction in 2022. These systems recycle and reuse wastewater from cleaning products and trays in module production lines, and reverse osmosis concentrated water generated from pure water preparation. The production line cleaning wastewater recycling system has a designed treatment capacity of 30.5 m³/h and adopts a process of "bag filtration + activated carbon filtration + security filtration" to purify the water for pure water preparation. The reverse osmosis concentrated water recycling system has a designed treatment capacity of 15.7 m³/h and utilizes a process of "security filtration + reverse osmosis" to purify the water for reuse in pure water preparation and toilet flushing. For 2023, a total of 64,502 m³ of wastewater was recycled, resulting in a daily water savings of 177 m³.

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2023 Energy Saving Project of Heyuan Plant

Item	Particular	Energy saved (kWh/Year 2023)
1 Execution time 1 January 2023 T8 lamp changed to LED lamp	Converting T8 36W fluorescent lamps into 16W LED lamps workshop (a total of 150 lamps).	168
2 Execution time 1 March 2023 Warehouse Department shuts down some air conditioners	There are 10 air conditioners in the warehouse department. They used to be fully operational in spring, summer and autumn, but now 7 units are used in summer and autumn and 3 units are used in spring. N1 warehouse stores 4 air conditioners, including 3 62.5kW units and 1 11kW unit. N2 warehouses have 6 units, including 3 51.4kW units and 3 7.5kW units.	490,295
3 Execution time 1 April 2023 Energy-saving renovation of compressors in the plant	The compressed air supply on 4 floors of the entire LCM plant is supplied by 2 ordinary compressors without adjustment function (100P & 75P). The air supply requirements for the day and night shifts are different. In the energy-saving renovation, solenoid valves are installed on each layer of compressed air pipelines to control and adjust the supply areas for the day and night shifts. The conversion function is to turn on the 100P compressor during the day shift and the 75P compressor during the night shift.	59,535
4 Execution time 1 April 2023 Instantly improve power supply based on production needs	Workshop production changes immediately, and some compressors can be shut down reasonably to control costs while ensuring production needs. 1. In April, the first plant adjusted the output pressure of the smart automatic control system and shuts down 5 compressors with a compressor power of 150kW for a total of 6 days as planned. 2. In April, the second factory shut down 3 compressors for a total of 4 days, with a compressor power of 150kW. 3. In May, the first plant adjusted the output pressure of the smart automatic control system and shut down 5 compressors with a compressor power of 150kW for 4 days as planned. 4. In May, the second plant plans to shut down 5 compressors for 4 days, with a compressor power of 150kW. 5. From June to December, the first plant adjusted the output pressure of the smart automatic control system and shut down 5 compressors with a compressor power of 150kW for 2 days as planned. 6. From June to December, the second plant plans to shut down 5 compressors for 2 days, with a compressor power of 150kW.	622,080
5 Execution time 1 June 2023 Photovoltaic power generation project.	Photovoltaic power generation panels are installed on the roofs of the plant and the canteen, and grid-connected power generation is provided to supply power to the plant. Use pure energy (photovoltaic power generation) to achieve energy saving and cost reduction.	396,629.5
6 Execution time 1 July 2023 Strictly control the operation of the ice water unit	Strictly control the input of air-conditioning ice-water units in the plant. The first and second plants each reduce the operation of 1 ice-water machine, with a 270kW ice-water machine.	1,166,400

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Item	Particular	Energy saved (kWh/Year 2023)
7 Execution time September to December 2023 Energy-saving transformation of high-energy-consuming UV mercury lamps in LCD liquid crystal sealing process (5 lines)	Use low-voltage (220v, 1.82kW) LED lights to replace 5 high-voltage (600v, 15kW + 220v, 2kW cooling air conditioning) mercury lamp lines in the LCD liquid crystal sealing process.	691,235
Total power:		3,426,342.5 kWh
Reduced CO ₂ emissions: 3,426,342.5 x 0.5703/1,000		1,954.0431 tCO ₂ e

2023 Energy Saving Project of Chengdu Plant

Item	Particular	Energy saved (kWh/Year 2023)
1 Execution time 9 February 2023 Dryer valley electricity price regeneration	Adjust the operating sequence of the dryer and use the trough electricity price period from 23:00 at night to 7:00 the next day to regenerate the adsorbent, thereby saving electricity costs.	62,800
2 Execution time 31 January 2023 Fan Filter Unit (FFU) speed decrease	By continuing to reduce the FFU speed in the reserved area and testing the feasibility of shutting down some FFU, it is estimated that 355,800 kWh of electricity can be saved in a year.	355,800
3 Execution time 15 January 2023 Boiler temperature setting	After adjusting the target temperature setting value of the boiler water, approximately 1,900 m ³ of gas can be saved in a single day, accounting for approximately 45%.	About 17,500 m ³ of natural gas
4 Execution time 1 February 2023 Cold machine full heat recovery	Improve the working conditions of the heat recovery mode of the chiller, increase the heat recovery efficiency, and ensure a stable supply of hot water without using the boiler.	About 18,500 m ³ of natural gas
5 Execution time 1 January 2023 Substation air conditioning operation optimization	Under the condition that the temperature requirements of the substation are met, the substation air conditioner is turned off and the substation exhaust fan is turned on during the transition season.	197,200
6 Execution time 31 February 2023 Parallel unit operation	The Make-up Air Unit (MAU) on the first floor was switched from 1 unit to 2 units. After testing, 2 units running at low frequency are more energy-saving than 1 unit running at high frequency.	37,000
7 Execution time 21 January 2023 Monthly inventory of power equipment adjustments	The operation mode of the air compressor was adjusted during production shutdown and monthly inventory, and the centrifuge was adjusted to screw machine operation to reduce standby energy consumption.	160,200

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Item	Particular	Energy saved (kWh/Year 2023)
8 Execution time 1 February 2023 Equipment lighting energy saving	The internal lighting of the production line equipment is turned off after the maintenance is completed or when the internal production conditions are observed.	1,100
9 Execution time 10 March 2023 Lighting control	The lighting in the corridor is adjusted so that 3 lights are turned off and 1 light is turned on. Emergency lighting will be retained in the clean reserved area, and the illumination will be reduced after confirming that the production area and on-site personnel can meet the operating illumination level. Some lighting in the office area is turned off to ensure normal office illumination. The production line has a total of 3,339 lights, of which 1,695 have been shut down, with a shutdown rate of 51% and a daily energy saving of RMB397. There are a total of 1,018 lights in the office area, 266 of which are closed, with a shutdown rate of 26% and a daily energy saving of RMB31.6.	200,200
10 Execution time 31 May 2023 Lighting control	Module workshop upper mezzanine lighting optimization. On the premise of meeting the emergency lighting requirements, the upper mezzanine of M2 can extinguish 400 lamps, and it is estimated that the annual saving will be RMB1,760.	1,900
11 Execution time 31 May 2023 Refined management of temperature in power machine room	Correct and control the temperature according to the actual temperature difference between the test points in the computer room and the environment to reduce the load of cold and heat sources.	81,100
12 Execution time 3 July 2023 Cancel Make-up Air Unit (MAU) unit non-woven fabrics	Dust reduction and elimination of non-woven fabrics in MAU units save RMB9,000 per month.	67,900
13 Execution time 1 August 2023 Three units parallel operation mode	When the VEX system meets the terminal pressure, the parallel operation of 3 units can save 0.5 kW of electricity per hour compared to the parallel operation of 2 units.	1,100
14 Execution time 1 August 2023 Turn on demand	Turn on air conditioner on demand and cancel the scheduled power on and off function every day to avoid waste.	33,600
15 Execution time 1 August 2023 Optimize control logic	The air conditioning in the hall adopts automatic timing and temperature control to accurately control the execution time.	24,500
16 Execution time 1 August 2023 Optimize control logic	The cooling tower optimizes the control logic, adds the adding and subtracting machine prompt function, switches the equipment on and off as needed and adjusts the frequency in a timely manner.	17,400
17 Execution time 1 August 2023 Adjust the cooling machine outlet water temperature	Without affecting the operation of the production equipment, the medium-temperature chilled water supply temperature is adjusted according to terminal consumption and weather changes. The outlet water temperature of the chiller is adjusted from 15°C to 15.5°C, which reduces the power consumption of the chiller, saves energy consumption.	14,200
18 Execution time Continue Optimize control logic	1 set of spare EDI equipment will be deactivated in the pure water system and will be put into use after the demand of the production line meets the usage requirements. It is estimated that monthly energy cost savings will be RMB5,076.	114,900

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Total power: Total natural gas:	1,370,900 kWh 35,500 m³
Reduced CO ₂ emissions: 1,370,900 x 0.5703/1,000 + 3.55 x 21.6434	858.6583 tCO₂e

Climate Change

As an enterprise with social responsibility, the Group also recognises that climate change could create uncertainties in our business development. We assess how climate change could affect our business operations, and minimise the potential impacts on our sustainable growth. We are dedicated to reducing our electricity and water consumption, and emissions during operations as disclosed.

The main risks of climate change to the development of the business includes the market risk-increase in raw material costs. Our parts suppliers and their upstream suppliers may be subject to more stringent energy saving and emission reduction requirements, or be exposed to the risk of inclusion in the carbon emission market, carbon tax and other policy developments. If they face higher costs, these costs may be passed on to the Group. In order to manage the risks of climate change, we have carried out a series of actions to support the Group with climate change mitigation and adaptation, including but not limited to the plant construction photovoltaic power generation project, and will continue to deepen our innovation and iteration of green products and adhere to any sustainable development strategies in order to adapt to new green development trends within the market.

Waste management is a vital aspect to the Group. To lower environmental impact caused by waste generation, the Group has abided by relevant laws and regulations, and strengthened its monitoring on the waste management where the consumption of electricity and water, recycling of wastewater and disposal of hazardous and non-hazardous solid waste can be monitored more efficiently.

Greenhouse gas ("GHG") emissions are closely linked to climate-related crises nowadays. To reduce corporate GHG emissions as well as to lower individual carbon footprint of its employees, the Group has put efforts in the encouragement of employees to take public transport during local and cross-border business travel, while high speed rail is used or video/telephone conference is held whenever possible to reduce or avoid any unnecessary overseas business travel, and encourage direct flights are chosen to reduce carbon emissions caused by inevitable business travel.

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Earth Hour, 25 March 2023

In line with our commitment to environmental sustainability, the Company and its employees actively participated in Earth Hour on 25 March 2023. By joining millions of individuals and organizations worldwide in turning off non-essential lights for one hour, the Company demonstrated its dedication to reducing energy consumption and promoting environmental awareness.

Hong Kong Green Day 2023

The Company aims to foster collective responsibility and encourage employee engagement in environmental initiatives. Employees of the Company were encouraged to show support to the Hong Kong Green Day on 5 June 2023 by wearing green attire on the day and throughout the month of June, and also by participating in Green Day campaigns that provide opportunities to actively participate in sustainable practices.

Others

Chengdu plant commenced construction in January 2022. The first-phase production line commenced mass production in October 2022, and the second-phase production line equipment was gradually moved in and put into trial production in 2023. Chengdu plant is and will be in the stage of increasing production lines and increasing production capacity for a long time to come. Indirect greenhouse gas emissions caused by electricity consumption will trend upward. We will use 2023 as the base year to reduce the intensity of greenhouse gas emissions and strive to control the rate of increase in greenhouse gas emissions through measures such as establishing a carbon management system, saving energy, increasing the proportion of renewable energy use, and improving production efficiency.

Chengdu plant has an energy management and control center, which uses automation, information and intelligent technologies to implement centralized dynamic monitoring and digital management of the plant's energy purchase and storage, processing and conversion, transportation and distribution, end-use links and energy measurement instruments. Energy efficiency analysis, management and assessment provide an integrated system for energy conservation and consumption reduction management and control of the plant.

Chengdu Plant Energy Management Center Monitoring Interface Diagram



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Areas	Actions Taken
<p>Governance: Governance measures to address climate-related risks and opportunities</p>	<p>Board's Oversight and Management's Role</p> <ul style="list-style-type: none"> ▶ the Board plays a central role in climate governance. The ESG risk management provides support and oversees the climate-related issues and report the Board regularly. ▶ to formulate a climate change policy, guide our management approach to climate-related issues, and provide support and coordination for ESG issues.
<p>Strategy: Impacts of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning</p>	<p>Climate-related Risks and Opportunities</p> <ul style="list-style-type: none"> ▶ the risks of extreme weather and earthquake caused by climate change as these can damage our plants and facilities. In the long term, prolonged extremely hot weather also poses health risks to workers. ▶ transitional risks, such as changing policies, potential increment in energy costs, and the need for green materials. ▶ an opportunity in the transition to a low-carbon economy, such as reduction in operating costs due to higher energy usage efficiency facilitated by technology advancement.
<p>Risk Management: The process of identifying, assessing and managing relevant climate-related risks</p>	<p>Climate Risk Assessment</p> <ul style="list-style-type: none"> ▶ to assess the physical and transitional risks climate change may bring to the operation, and incorporate them into the sustainability strategy. Risk management and internal control system should consider ESG and climate-related issues.

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Carbon Emissions / Energy Consumption

Heyuan: To reduce carbon emissions/energy consumption intensity by 70% by 2025 (compared with the base year of 2018).

Chengdu: It is expected that carbon emissions/energy consumption intensity will reach their peak by 2028, and carbon emission intensity will be reduced by more than 40% (compared with the base year of 2023).

Waste

Heyuan: To reduce hazardous solid waste and non-hazardous solid waste intensities by at least 70% by 2025 (compared with the base year of 2018).

Chengdu: To reduce hazardous solid waste and non-hazardous solid waste intensities by at least 20% by 2025 (compared with the base year of 2023).

Water Resources

Heyuan: To reduce water consumption intensity by 80% by 2025 (compared with the base year of 2018).

Chengdu: To reduce water consumption intensity by 5% by 2025 (compared with the base year of 2023); to reduce water consumption intensity by 15% by 2028.

(Chengdu plant only has modular technology and uses a single water-use process, and the plant has a high level of water-saving design, so there is little room for further water saving).

Environmental Education

The Hong Kong headquarters and Heyuan production plant continue to adhere to the concept of "Green Office" as the theme in 2023. In the same year, the Hong Kong office participated in the "ESG Pledge" Scheme organized by The Chinese Manufacturers' Association of Hong Kong and co-operated with Hong Kong Brand Development Council. The Scheme is aim at strengthening the concern of sustainable development. It encourages the business and public sectors to sign the pledge and implement the action plans to improve the ESG (Environmental, Social and Governance) performance, thus building a sustainable environment in future.

In recent years, in the "low-carbon" and green and low-carbon transformation of paper, electronic documents are used to reduce the use of paper, which can achieve real-time information replacement, fast time, high accuracy, and save maintenance costs. The electronic signature management system meets the data display requirements, reduces traditional paper, and is green and efficient. We advocate paperless office and checking before printing to avoid wasting paper; we also set double-sided printing and copying as the default, using both sides of the paper to reduce paper waste.

In the Hong Kong office, the consumption level of electricity is announced on a monthly basis, in order to enhance the awareness of energy saving among colleagues.

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GREEN WALK



The Group advocates a healthy lifestyle to all employees. We organize health and wellness seminars as well as various sports activities for employees to participate in. The purpose of these activities is to achieve a balance between work and life and to encourage their continuous practice. The "Green Walk" competition, which lasted for 10 days, was held in April 2023, with a total of 1,180 employees from Hong Kong and China participating. Through this low-carbon walking initiative, participants formed 25 teams and competed against each other by accumulating their step counts over the 10-day event, aiming to promote a healthy lifestyle.

SOCIAL

EMPLOYMENT

The Group strictly observes the labour law in Hong Kong and the PRC. It is the policy of the Company to maintain a working environment that complies with the Race Discrimination Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance and the Family Status Discrimination Ordinance of the Ordinance and Code of Practice.

Diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, ethnicity and disability. We make reasonable workplace adjustments (including during the hiring process) to ensure all individuals feel supported and are able to participate fully and reach their potential. If employees are disabled, we proactively seek to support them with appropriate training and workplace adjustments where possible and explore every opportunity to ensure their employment continues. During the year, we have employed 63 disabled employees. The Group provides remuneration, welfare and fringe benefits to employees comparable to the market standard. Remuneration, salary and bonus distribution are determined with reference to a performance-linked scale. When it comes to annual reviews, factors such as the Company's financial performance, business prospects, individual performance, market rates and inflation rate are taken into consideration to decide the rate and scale.

In 2023, the turnover rates for Hong Kong, the PRC and Overseas staff were 14.1%, 14.8% and 5.1% respectively.

During the year, there was no significant reported case of non-compliance with the relevant laws and regulations in Hong Kong, the PRC and Overseas.

HEALTH AND SAFETY

The Group's policy on health and safety is to comply fully with local government regulations, as stipulated in the law of prevention of occupational disease 《中華人民共和國職業病防治》 and fire prevention in the PRC 《中華人民共和國消防法》, and to maintain a healthy and safe working environment for all employees, including the plant and systems of work, and to provide such information, instruction, training and supervision as they need. The production plant in Heyuan and Chengdu has successfully renewed its ISO45001:2018 with Health and Safety accreditation. The accreditation test includes (but are not limited to) canteens and fire smoke (nitrogen oxides, sulphur dioxide, smoke and etc.), drinking water and workplace air (benzene, toluene, xylene, methylene chloride, dust, formaldehyde, isopropanol, n-hexane and etc.) and noise. According to the "Environmental Noise Emission Standard at the Boundary of Industrial Enterprises" (GB12348-2008), the measured value of the environmental noise at the plant boundary reaches the standard.

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For the past 3 years, including 2023, there is no work-related fatality in the Group and no injury case was reported among Hong Kong employees. The factory recorded 20 (2022: 19) injury cases with 569 (2022: 345) lost days due to work injuries. Every injury case underwent a detailed review and evaluation, with precautionary measures put in place to avoid a repeat occurrence. Extra training was conducted with the parties involved.

The Group understands that natural disasters and accidents are unavoidable, and our management aims to mitigate any damage during mishaps. An emergency and fire drill, and fire precautionary training are conducted once a year in the Hong Kong office and twice a year at the production plant. First-aid training is provided to staff and workers. Training in safe handling of chemicals is also conducted for related workers on the production floors. In the production plant, a patrolling team is responsible for carrying out audits regarding workplace efficiency, effectiveness, and safety measure.



Safety skills competition



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Workforce and Turnover Rate

Age	2023			2022		
	Hong Kong	PRC	Overseas	Hong Kong	PRC	Overseas
Male						
18-45	45	3,176	27	46	2,108	22
46-65	39	172	15	37	105	16
Turnover rate	7.7%	15.2%	0%	8.4%	30.8%	11.1%
Female						
18-45	26	3,136	11	30	2,860	11
46-65	12	521	3	14	476	6
Turnover rate	25.5%	14.5%	17.6%	29.5%	23.2%	0%
Employment Type						
Staff	122	1,362	56	127	1,562	55
Workers	0	5,643	0	0	3,987	0
Full-time	121	7,005	56	126	5,549	55
Part-time	1	0	0	1	0	0

Development and Training

	2023				2022			
	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member
HK Staff								
Male	808	88	54	15.0	1,131	84	47	23.3
Female	453	56	29	15.6	281	32	21	12.9
PRC Staff								
Male	4,200	1,408	387	10.9	12,167	1,743	1,071	11.4
Female	4,429	1,561	355	12.5	5,464	765	486	11.2
PRC Workers								
Male	5,638	1,844	1,287	4.4	10,907	3,175	1,397	7.8
Female	16,892	7,046	3,644	4.6	17,095	6,681	3,220	5.3
Total								
Male	10,645	3,340	1,728	6.2	24,205	5,002	2,515	9.6
Female	21,773	8,663	4,028	5.4	22,840	7,478	3,727	6.1

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DEVELOPMENT AND TRAINING

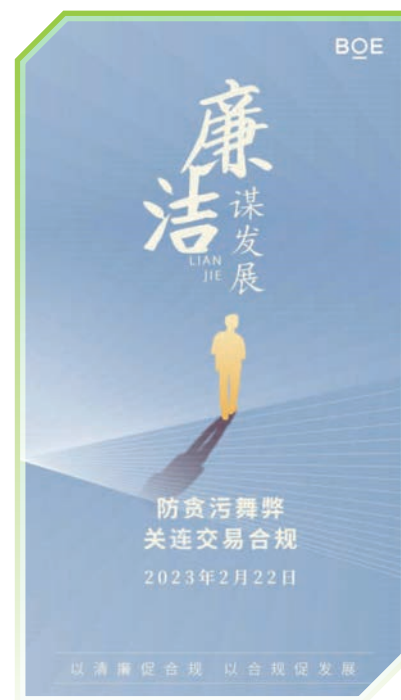
The Group values its employees and is committed to providing an ideal workplace in which its staff members may grow and develop. At the same time, the Group promotes a staff engagement culture and aims to build an innovative, energetic and highly motivated workforce to meet with accelerating business development.

The Group's policy is to ensure that all employees achieve personal growth in their careers, and training is therefore encouraged. This is usually held during working hours, so that employees need not sacrifice personal time for training. A flexible work pattern may be scheduled for Hong Kong staff members working in the production plant if they need to pursue further studies.

All new employees are required to undergo orientation training organised by the Human Resources department to better comprehend the Group's core values, business goals, as well as code of conduct.

Training covers a wide range of topics including operational skills, craftsmanship, display technology, quality standards, environmental matters, health and safety and soft management skills. Senior managerial staff members are usually invited to be technical instructors. External coaches are employed for specific trainings on soft management skills.

In the same year, the Group also provided a training on fraud and anti-corruption for directors and employees to discourage any form of corruption. The training content included the impact of fraud on a company, fraud prevention and reporting, and related regulations and case studies. Participants included the directors, and more than 470 staff from Hong Kong, Heyuan and Chengdu. The relevant training materials are circulated in the Company's public domain, so that the remaining staff could participate by reading the training materials to gain knowledge and updates of anti-corruption.



Training Topics	Total Training Hours
Professional development	11,217
Legislative training	3,712
Orientation training	6,804
Industry knowledge training	8,077
Sustainability and ESG development	1,980
Other trainings	628
Total	32,418

LABOUR STANDARDS

The Group complies with and observes the respective Labour Laws and Regulations in its operating countries. As a responsible employer, the following principles are strictly enforced:

- ▶ No child labour
- ▶ Ensure that wages comply with or exceed the minimum legal requirements of the country where employees are based
- ▶ Overtime practice is based on a voluntary pattern, no forced labour is allowed
- ▶ Respect for the opinions of general employees and the labour union

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- ▶ Formal complaint channels are established and are regularly promoted to employees
- ▶ Equal employment opportunities — employment of disadvantaged employees and diversity and inclusion are encouraged in the workplace
- ▶ Harassment and abuse — these are actively discouraged in any form, to or among all employees
- ▶ Protection of privacy and personal data at work

All potential applicants are required to complete the Company's Employment Application Form, where personal data such as, names, contact details, ID numbers, etc. will be provided by the applicants. Human Resources Department will then reference check the ID cards to ensure that they meet the minimum age standard, i.e. 18 years old or above. If the Group observes any serious violation of the company system by employee, it is entitled to terminate their employment relations.

PEOPLE CARING

The Hong Kong headquarters was awarded the "Happiness-at-work Promotional Scheme" logo sponsored by the Hong Kong Enhancement Happiness Index Fund for 10 consecutive years in 2023. The Company has been committed to promoting and creating a pleasant working environment. Building a "Happy Workplace" can help motivate employees' morale. The ultimate goal of achieving people and things.

The Group arranges annual health check for its employees in the PRC. We also encourage work-life balance, and interest classes such as yoga, aerobics, and dancing were organised in the Heyuan production plant to encourage healthy living, and attracted many colleagues to join, which enhanced the cohesion of the Group, and strengthened the physical and mental development of employees.

SUPPLY CHAIN MANAGEMENT

The Group takes a collaborative approach to supply chain sustainability management, as it views its suppliers as part of an interdependent ecosystem.

The Company bases on customer requirements and relevant guidelines to formulate a CSR (Social Responsibility) agreement, Supplier Social Responsibility Commitment Letter and RBA Supplier Self-Assessment Form which are signed by most of our suppliers. We require suppliers to establish a CSR management system with reference to internationally recognized CSR standards such as ISO 14001/ISO 45001/IPC 1401 and pass it on to lower-level suppliers. This supplier CSR audit tool applies to all suppliers and subcontractors that directly or indirectly provide products or services to the Company, including its sub-suppliers.

Key rules:

- ▶ Ensure supplier diversity and not over-reliance on a single supplier.
- ▶ Strengthen long-term cooperative relationships with major suppliers and improve the stability and contrast of the supply chain.
- ▶ Strengthen information connectivity and risk monitoring of the supply chain.
- ▶ Increase social responsibility requirements and audits for suppliers.

In 2023, the Group took the initiative to evaluate its suppliers' social responsibility performance. Both material suppliers and logistics service vendors were included in an evaluation distribution list. Completed questionnaires helped the Group to understand and evaluate the performance of its suppliers and vendors in the aspects of:

- ▶ Work hours
- ▶ Child labour
- ▶ Forced labour
- ▶ Health and safety
- ▶ Environmental concerns
- ▶ Corporate social responsibility

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Table of Distribution and Response Status

	Number	Percentage (%)
Total No. of major suppliers for manufacturing operations	101	–
Total No. of major suppliers questionnaires sent	101	100
Total No. of completed questionnaires returned	90	89

Table of Results

Rating	Number	Percentage (%)
Outstanding	61	67.8
Above Average	21	23.3
Average	8	8.9
Need Improvement	0	0
Below Standard	0	0
Total	90	100

DISTRIBUTION OF SUPPLIERS

Suppliers are divided into material suppliers and logistics service vendors, and machinery makers. Certain material suppliers are requested to sign a declaration declaring that their packing material and Bill of Material (BOM) contains no hazardous substance. There was no reported case of violation of the declaration by any of our suppliers in the reporting period.

Suppliers by Geographical Region

	PRC	Asia	Europe	United States
Material Suppliers	304	46	13	11
Logistics Service Vendors	2	5	5	2

SELECTION AND EVALUATION OF SUPPLIERS

The Group selects suppliers and purchases materials and/or services from suppliers and vendors using 3 methods, namely, price comparison, bidding and sentinel procurement. Audits of suppliers and vendors are performed on a regular basis. Results are compiled for review by the Supplier Quality Team and are approved by the department head of Quality.

Criteria for audit include:

- ▶ General operation and workforce condition
 - ▶ capability for semi and/or fully automation
 - ▶ financial analysis
 - ▶ nature of business
- ▶ Quality qualification
- ▶ Quality system training
- ▶ Inspection procedures for quality systems
- ▶ Handling procedures for customer complaints
- ▶ Calibration
- ▶ Material suppliers control and handling procedures
- ▶ Production process control and inspection
- ▶ Past performance record

SERVICE VENDORS

The Logistics Department screens and selects service vendors by considering of the following factors:

- ▶ Company background — financial stability, reputation and global network
- ▶ Pricing, competitiveness and future new technology development
- ▶ Services — performance track record, efficiency and customer service
- ▶ Environmental performance — for instance, most of vendors use trucks compliant with Euro standards

MACHINERY MAKERS

The Logistics Department screens and selects machinery makers by considering of the following factors:

- ▶ Company background — financial stability, reputation and global network
- ▶ Pricing, competitiveness and future new technology development
- ▶ Past track record
- ▶ Response time and customer servicing

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ENVIRONMENTAL AND SOCIAL RISKS OF SUPPLY CHAIN

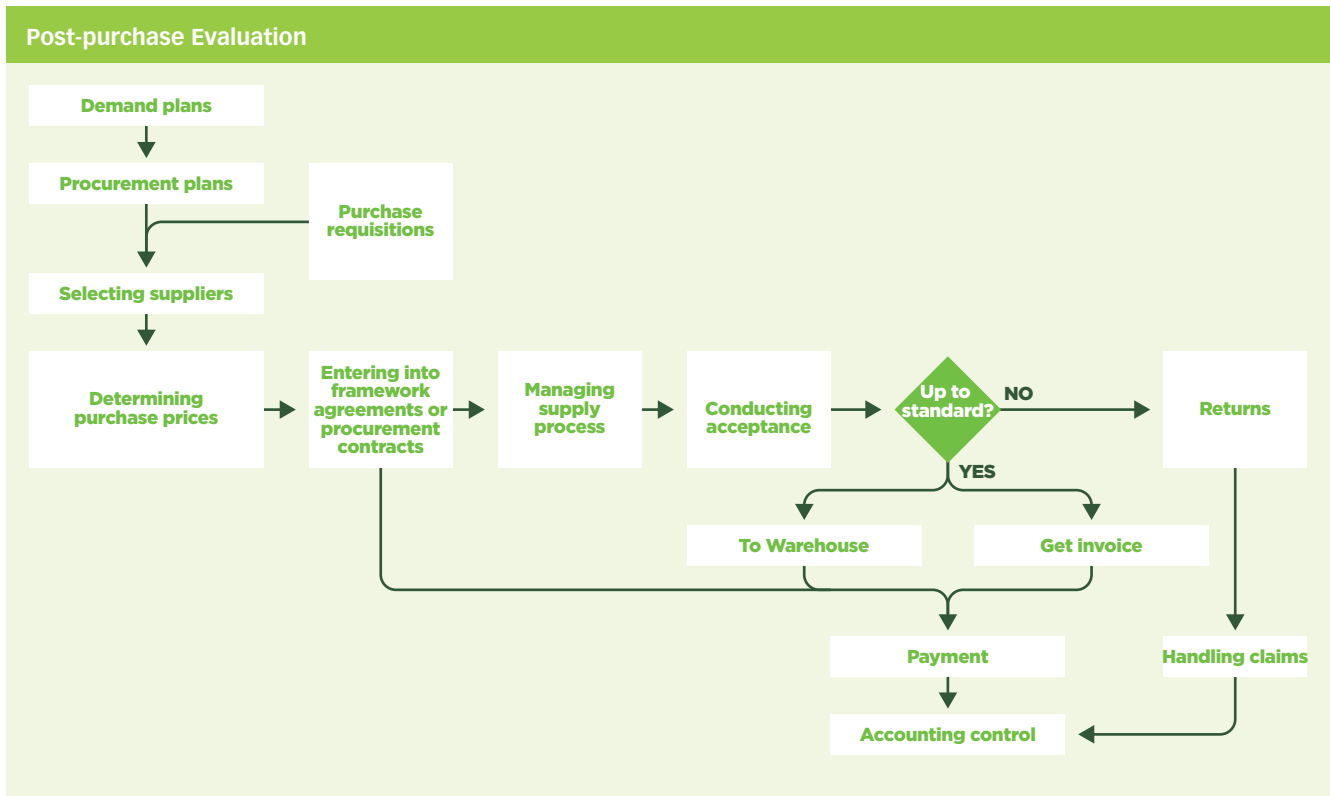
The Group had established and strictly observing the guidelines and procedures as accordance to Group’s policy. Essentially, we adhered to high ethical standards and fair competition practises during our procurement processes. We performed annual performance evaluation for supplier to ensure they continuous delivering the quality services.

In view of the increasing environmental concerns in society, the Group is aware of the importance in managing environmental and social risks of its supply chain. The Group has embedded environmental and social consideration in the procurement process and supplier communication. Supplier’s environmental, social and governance policies, including emissions, use of resources, environmental and natural resources, health and safety, staff development and training, the prevention of child labour, product responsibility and anticorruption would be measured. The Group will continue to monitor its supply chain regarding the environmental and social standards.

We have also formulated policies and procedures to ensure that the suppliers could compete in a transparent and fair way. The Group should not have differentiated or discriminate treatment on certain suppliers. The procedures include measures to prevent all kinds of business bribery and conflict of interest such as the avoidance of employees’ personal interest directly or indirectly in or given by the suppliers.

CORPORATE PROCUREMENT BUSINESS

Procurement business refers to the activities related to purchasing materials (or accepting labor services) and making payments. It primarily involves tasks such as preparing demand plans and procurement plans, creating purchase requisitions, selecting suppliers, determining purchase prices, entering into framework agreements or procurement contracts, managing the supply process, conducting acceptance, handling returns, making payments, and accounting control.



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For further information regarding the Group's measures in relation to environmental compliance, safety and quality control, please refer to the sections headed "Environment", "Health and Safety" and "Product Responsibility".

PRODUCT RESPONSIBILITY

The Group has no recall on products sold or shipped due to safety and health reasons in 2023. There are average 151 cases and 140 cases per month of automotive quality enquiries in 2022 and 2023 respectively.

Safety is always the core of the Group quality policy. To pursue such policy, the Group is qualified by International Standard: ISO 14001 (Environmental Management Systems), ISO45001 (Occupational Health and Safety Management System) and QC 080000 (Electrical and Electronic Components and Products Hazardous substance Process Management System

Requirements). With these standards, the Group has developed an intensive system, to ensure no harmful substances (dangerous material lists from RoHS/REACH) going into finished goods. There is no concerned recall in 2023 record.

Automotive Huizhou Co., Ltd., a wholly owned subsidiary of BOEVX, is accredited with ISO 26262 (Road vehicles — Functional safety) certification which demonstrated a functional safety management system has been established.

As a further environmental protection action, the Group has discussed the decarbonization with European customer which is a requirement to the Company to reach 100% green electricity by 2030. Besides, the Group has also worked with European customer to select the use of the per-and polyfluoroalkyl substances (PFAS) free raw materials to build up our LCD products.



As part of the green energy improvement, our factory had invested and built photovoltaic power project in June 2023.

As one of major automotive component suppliers, the Group takes responsibility for providing customers with quality and completed after-sale services. Such responsibility covers 8-discipline reporting (8D), customer complaint review meeting (CCR) and 6 sigma improvement plan (6 sigma). With 8D approach, the negative impact from defects is quickly limited by containment action (which is mostly defined in 48 hours). With weekly CCR, "cause and action" will be fully consolidated across departments like Production, Process and Design. Furthermore, to achieve reject rate in PPM (parts per million) level, 6 sigma is carried out yearly with the involvement of the senior management.

The Group's prime objective is to provide high quality products that fully conform to their requirements and specifications. This commitment is fundamental to all work undertaken and is closely observed by all members of the Group in their daily activities. All products must strictly comply with the Group's policy of operating Quality Management System that fully meets the requirements of ISO 9001 and IATF 16949 for automotive products and customer requirements for supplementary standards. This standard stipulates all processes from product development to completion of production and to after-sale services. In addition, Hazardous Substance Process Management is in place where procedures and related processes have been assessed and confirmed to be compliant with QC 080000. Heyuan plant and Chengdu plant are accredited with ISO 14001, ISO 9001, IATF 16949, QC 080000 and ISO 45001 certifications.

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The “2485 principle” is the fine tradition of “customer-oriented” that the Group has adhered to for many years to give quick response to customer issue. After receiving customer enquiry, there will have a first response within 2 hours to give an advice to customer to isolate the issue. In the next 48 hours, the Group gives information to formulate the countermeasures the products on the way or products at customer side and give the analysis and improvement action to customer within 5 days.

To ensure stringent quality management, the Group’s Incoming Quality Control Team screens the incoming materials by sampling scheme. Only good quality materials that meet the requirements are accepted for the production process. Similarly, finished goods go through a stringent quality check before being passed to the finished goods warehouse. The Quality Department and sales people also provide comprehensive service ranging from failure analysis and 8D reporting to production and process improvement when handling customer enquiries.

Automatic Optical Inspection (AOI) and Vision System Test (VST) are used by the TFT/TP module department of the plant for automatic screen inspection and automatic OTP program. Through automatic lighting of products, high-speed camera image capture, automatic image analysis, detection of product display defects, such as points, lines, dust spots, spots, mura, and electrical defects, and automatically product test information with product ID upload to MES system. The application of AOI and VST in machine vision will bring the cost lower than the labor rising cost, adapt to 24-hour uninterrupted and repetitive work, and the effect is stable.

The Company regularly offers marketing training and lectures to marketers, strengthens the awareness of marketing, improves employees’ responsibility awareness continuously, and promotes the healthy development of the Company. During the year, the Company launches some special training sessions, e.g. the head of the CSO customer service center shared the organizational structure, functional interpretation, business process, and operation management and etc., and discussed how the CSO customer service team can better cooperate with other business departments to further improve customer satisfaction. We have established a quality control committee to prepare for future resource, mechanism and organization planning.



Quality system optimization

- Focus on customer quality and achieve No. 1 in quality performance
- Complete system audit and obtain evidence, customer audit pass rate is 100%

Certification

ISO 14001	Environmental Management Systems
ISO 45001	Occupational Health and Safety Management System
QC 080000	Electrical and Electronic Components and Products Hazardous substance Process Management System Requirements
ISO 26262	Road vehicles — Functional safety
ISO 9001	Quality Control Systems
IATF 16949	Quality Management System

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BOE VARITRONIX QUALITY MONTH

The Heyuan plant held its annual Quality Month event in 2023, aiming to enhance the quality awareness of all employees through a series of activities. The goal was to establish a “everyone participates in quality, everyone manages quality” mindset and collectively improve the overall quality level of the plant, thereby enhancing the Company’s competitiveness.



The current specific requirements for quality work are as follows:

- ▶ Enhancing the execution capability of the plant.
- ▶ Keeping up with the increasing level of automation by corresponding management.
- ▶ Strengthening the management of secondary suppliers and prioritizing quality in supplier selection.
- ▶ Identifying problem areas in advance and ensuring closure in all aspects.
- ▶ Adapting to the current customer mode transformation, where the proportion of system products gradually increases. Internally, all aspects need to promptly adapt to new requirements in order to further open the door to overseas markets through quality.



PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Recognizing that intellectual properties are important assets to an enterprise, the Group has always adhered to the concept of respect for intellectual property, being devoted to implementing protection for intellectual properties. The intellectual properties as possessed by the Group include but not limited to patents, trademarks, designs, copyrights and trade secrets, with protection scopes covering products, technologies, designs, processes, commercial information, video/audio/graphic materials, software and etc. These intellectual properties can be maintained and used in various legitimate ways such as application for registration, confidentiality measure, enforcement,

litigation and etc. Suitable administration systems for intellectual properties are adopted both internally and externally. The Group respects intellectual property rights of third parties, particularly those of the cooperating parties of the Group, and proactively avoids unauthorized use of relevant intellectual properties. Contracts of cooperation projects will be reviewed by the involved parties before commencement, with security and confidentiality measures taken during the process. During the course of cooperation, confidentiality, licensing, acquisition and other agreements can be signed with mutual respect, for the sake of lawful acquirement and transfer of intellectual properties among the different parties, therefore achieving mutual benefits.

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Varitronix (Heyuan) Display Technology Ltd. (“Varitronix (HY)”), a wholly-owned subsidiary of the Company, was recognized as the 2022 “National Intellectual Property Demonstration Enterprise” by the State Intellectual Property Office, becoming the first enterprise in Heyuan City to receive this honor, and realized Heyuan City’s national intellectual property demonstration enterprise zero breakthrough. The Company has established a complete intellectual property management system and passed the certification of intellectual property standards in 2022. Up to now, Varitronix (HY) has been granted 86 patents, including 41 invention patents and 45 utility model patents, and has won 7 China Patent Excellence Awards for 4 consecutive years. Varitronix (Chengdu) Display Technology Ltd., a wholly-owned subsidiary of the Company has been granted 9 patents, including 3 invention patents and 6 utility model patents.

DATA PROTECTION AND PRIVACY POLICIES

In order to gain trust from our stakeholders, the security of their personal information is important to us. The Group acknowledges the importance in handling the personal information carefully.

The Group understands stakeholders use their personal information for different purpose. Therefore, it is important for us to handle this information with care. To protect this information from any unauthorised access, accidental loss and destruction, the Group adopts appropriate security measures in the transfer and storage of the personal data.

ANTI-CORRUPTION

The Group are committed to maintaining the highest level of business ethics and integrity in carrying out its business activities. The Group places emphasis on ensuring all business is conducted in accordance with relevant local laws and regulations, including but not limited to Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong); and Criminal Law of the People’s Republic of China (中華人民共和國刑法).

The Group has formulated its internal policies, namely “Code of Conduct” and “Anti-corruption Policy”, to ensure that business activities are conducted integritiously, transparently, and legitimately, as well as to abstain from all forms of misconduct, including corruption, bribery, extortion and fraud within the Group. Such measures are preventive, detective and punitive in nature. All employees shall sign and abide by the “BOEVX Declaration of Professional Ethics”, follow the code of conducts and professional ethics, perform the duties with integrity, fairness and professionalism, not taking advantage of their job position to engage in any form of bribery or solicit any personal benefits or favors from business partners, and are subjected to supervision.

During the year, concluded legal cases were reported regarding corrupt practices against the Group or its employees. The Group reported no cases of serious violations of laws and regulations in relation to corruption, bribery, extortion and fraud that would have a significant impact to the Group.

Relevant policies include:

Code of Conduct:

set the upper limit on the value of the gifts that the staff can accept; prohibit the staff from soliciting or accepting any benefits from business partner; procedures and reporting mechanisms for handling conflicts of interest.

Anti-corruption Policy:

the staff shall not engage in any form of corruption or bribery, shall not offer or accept any gifts, gratuities or entertainment that may be considered to have an unfair impact on business relationships.

Travel Policy:

establish the standards and approval procedures for the business entertainment that occurs in the normal course of business.

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WHISTLEBLOWING MECHANISM

To commit a high standard of corporate governance, the Group has devised a whistleblowing policy for all employees of the Group to report serious concerns about any misconduct, malpractice or irregularities that the Company or any of its subsidiaries has been or may become involved in. Whistleblowing matters may include but are not confined to breach of legal or regulatory requirements (such as corruption or acts of fraud) or, malpractice, impropriety or fraud relating to internal controls, accounting, auditing and financial matters of the Group. The Group has set a specific reporting channel to receive reports from whistleblowers on misconduct and relevant details and evidence. To safeguard its interests, the Group will conduct the investigation against any suspicious or misconduct based on the actual circumstances.

The Group will make every effort to treat all disclosures in a confidential and sensitive manner. The identity of the individual employee of the Group making the allegation will not be divulged without the employee's consent, where appropriate. Harassment or victimization of a genuine whistle blower will be treated as gross misconduct, which if proven, may result in dismissal. The Group assess the efficiency of current whistleblowing measures annually. In case of appropriate necessity, the Group will amend existing policies or develop and introduce additional policies.

Extract of whistleblowing policy:

Reporting Channel
▶ Employee who has a legitimate malpractice concern should report to the Audit Committee via email.
Protection and Confidentiality
▶ Employees may raise a concern anonymously or in confidence.
▶ The Group will protect their identity and will not disclose it without their consent.
▶ The Group will ensure that employees should not suffer any form of intimidation, reprisal, retaliation or adverse reaction as a consequence of whistleblowing.
Investigation Procedure
▶ The format and the length of an investigation will vary depending upon the nature and particular circumstances of each complaint made, including:
▶ be investigated internally;
▶ be referred to the external organisation;
▶ be referred to the appropriate regulatory body.
▶ The Audit Committee or the person designated to investigate the complaint will write to the complainant, acknowledging that the concern has been received, telling the complainant whether any initial enquiries have been made, and whether further investigations will take place.
Record Retention
▶ In the event a reported impropriety leads to an investigation, all relevant information relating to the case shall be retained, including details of corrective action taken.

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ETHICS AND INTEGRITY EDUCATION TRAINING

On 7 December 2023, Mr. Yue Zhanqiu, the Chief Auditor of the BOE Group, and Mr. Guo Huaping, the Secretary of the BOE Group's Disciplinary Committee and Chief Cultural Officer, conducted a clean and integrity education and training session at Chengdu plant in the Sichuan region. Hong Kong Headquarters and Heyuan plant participated in the session via a video link. More than 200 cadres and employees attended the training. The objective of this training was to ensure that leaders at all levels adhere to professional ethics and abide by laws, regulations, industry rules, and company policies. The aim is to promote transparent and ethical operations and establish a solid foundation of integrity for BOE to successfully achieve its goals.



ANTI-CORRUPTION AND COMPLIANCE OF CONNECTED TRANSACTION TRAINING

On 22 February 2023, the Chief Financial Officer and the Internal Audit Department held the anti-corruption and compliance of connected transaction training. More than 470 employees from Hong Kong, Heyuan and Chengdu attended the training, which is aiming to improve the employees' awareness of business integrity, and to strengthen the employees' understanding of the Listing Rules.

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45TH ANNIVERSARY COMMEMORATIVE EVENT



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To further enhance the communication and cooperation in the automotive business, the Group organized a three-day automotive business seminar and 45th anniversary commemorative event from 15 to 17 June 2023. The event was held in BOE Chengdu under the theme "Forty-Five Years of Ingenuity, Setting Sail for a Century of Opportunities." It aims to provide a comprehensive understanding and review of the milestone events of the Group over the past 45 years. Representatives from the Group's overseas sales and various domestic locations attended the event, including countries and regions such as the United Kingdom, United States, Germany, France, Switzerland, Italy, Japan, Korea and etc.



Partners from various locations gathered together to enjoy a harmonious gathering filled with joy. Music was integrated into team-building activities, utilizing the collaborative performance of a band to symbolize the team's cooperation principles. Through the collision of instruments, the team played a magnificent melody to celebrate the 45th anniversary of the Company, allowing every participant to truly experience the charm of teamwork.

On 16 June 2023, the Group invited senior experts from industry-leading benchmark companies for on-site exchanges and lectures. Through learning from their excellent experiences, the Group aims to overcome business bottlenecks and achieve our annual business goals.



Completing a project is like performing a song together in a band. Having clear goals enables each team member to have a clear direction for their efforts. When encountering differences during the project, it is important to listen and understand each other, making communication between both parties more effective.

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BOE Technology Group Co., Ltd. celebrates its 30th anniversary of establishment



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COMMUNITY INVOLVEMENT, CHARITY AND STAFF WELLBEING

As a responsible enterprise, the Group is involved in a variety of events that combine charity and sports and committed to encouraging caring for the community and help those in need. In 2023, the Group made charitable and other donations of over HK\$83,172.

As of the latest practicable date, the Group sponsored our employees to participate in various charity sports activities and company cultural and sports activities. These included:



Charity event for disabled families during the Spring Festival, organised for the China Disabled Persons Federation in Yuancheng



Donation Day for the "Rural Revitalization Support" Event in 2023



Spring Festival condolences activities



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Volunteering, Automobile Culture Festival, Strategy seminars and digital transformation workshops, Football league, Family open day



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2024 BOE Varitronix
Annual Party



In the PRC, the Heyuan production plant participated in the "Guangdong Poverty Alleviation Day" fundraising event every year, to help the poor.

SCHOLARSHIP

Since 2012, the Heyuan plant established a school-enterprise cooperation with the Heyuan Polytechnic to enrol students in "Specialized BOEVx Class". A scholarship is sponsored for outstanding students. In addition, the Group has also specially set up a "Specialized BOEVx Scholarship" to help students with financial needs to complete their studies.

PRECAUTIONARY MEASURES AGAINST CORONAVIRUS

Our employees' health and safety is always our top priority. As COVID restrictions have been loosened, the Group has maintained and adjusted precautionary measures to prevent the outbreak of COVID-19 in the workplaces.

A comprehensive set of preventive measures and guidelines have been put in place at our Hong Kong headquarters, overseas offices and factories in the PRC. We have provided health protection and personal hygiene guidelines to our workers, monitored their physical condition while they are working in the factories, and maintained social distance in the canteens and dormitories. We also encouraged our employees to be vaccinated for better protection.

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APPENDIX 1

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE NUMBER
A ENVIRONMENTAL		
ASPECT A1: EMISSIONS	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO AIR AND GREENHOUSE GAS EMISSIONS, DISCHARGES INTO WATER AND LAND, AND GENERATION OF HAZARDOUS AND NON-HAZARDOUS WASTE.	
A1.1	The types of emissions and respective emissions data.	38
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	38
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	38
A1.5	Description of emission target(s) set and steps taken to achieve them.	39, 53
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	42, 43, 53
ASPECT A2: USE OF RESOURCES	POLICIES ON THE EFFICIENT USE OF RESOURCES, INCLUDING ENERGY, WATER AND OTHER RAW MATERIALS.	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	41, 46
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	46
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	46–50, 53
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	41, 53
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	42
ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES	POLICIES ON MINIMISING THE ISSUER'S SIGNIFICANT IMPACTS ON THE ENVIRONMENT AND NATURAL RESOURCES.	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	44
ASPECT A4: CLIMATE CHANGE	POLICIES ON IDENTIFICATION AND MITIGATION OF SIGNIFICANT CLIMATE-RELATED ISSUES WHICH HAVE IMPACTED, AND THOSE WHICH MAY IMPACT, THE ISSUER.	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	50, 52

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SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE NUMBER
B SOCIAL EMPLOYMENT AND LABOR PRACTICES		
ASPECT B1: EMPLOYMENT	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO COMPENSATION AND DISMISSAL, RECRUITMENT AND PROMOTION, WORKING HOURS, REST PERIODS, EQUAL OPPORTUNITY, DIVERSITY, ANTI-DISCRIMINATION, AND OTHER BENEFITS AND WELFARE.	
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	56
B1.2	Employee turnover rate by gender, age group and geographical region.	56
ASPECT B2: HEALTH AND SAFETY	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO PROVIDING A SAFE WORKING ENVIRONMENT AND PROTECTING EMPLOYEES FROM OCCUPATIONAL HAZARDS.	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	55
B2.2	Lost days due to work injury.	55
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	54
ASPECT B3: DEVELOPMENT AND TRAINING	POLICIES ON IMPROVING EMPLOYEES' KNOWLEDGE AND SKILLS FOR DISCHARGING DUTIES AT WORK. DESCRIPTION OF TRAINING ACTIVITIES.	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	56
B3.2	The average training hours completed per employee by gender and employee category.	56
LABOR STANDARDS	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO PREVENTING CHILD AND FORCED LABOR.	
B4.1	Description of measures to review employment practices to avoid child and forced labor.	57
B4.2	Description of the steps taken to eliminate such practices when discovered.	57

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SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS		PAGE NUMBER
OPERATION PRACTICES		
ASPECT B5: SUPPLY CHAIN MANAGEMENT	POLICIES ON MANAGING ENVIRONMENTAL AND SOCIAL RISKS OF THE SUPPLY CHAIN.	
B5.1	Number of suppliers by geographical region.	59
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	59
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	60
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	60
ASPECT B6: PRODUCT RESPONSIBILITY	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO HEALTH AND SAFETY, ADVERTISING, LABELLING AND PRIVACY MATTERS RELATING TO PRODUCTS AND SERVICES PROVIDED AND METHODS OF REDRESS.	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	61
B6.2	Number of products and service related complaints received and how they are dealt with.	61
B6.3	Description of practices relating to observing and protecting intellectual property rights.	63
B6.4	Description of quality assurance process and recall procedures.	61
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	64
ASPECT B7: ANTI-CORRUPTION	INFORMATION ON THE POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE ISSUER RELATING TO BRIBERY, EXTORTION, FRAUD AND MONEY LAUNDERING.	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	64
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	65
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COMMUNITY		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	70
B8.2	Resources contributed to the focus area (e.g. money or time).	70

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR'S BIOGRAPHICAL INFORMATION



GAO Wenbao

aged 49, is our Executive Director and the Chairman appointed since September 2018. He was re-appointed as an Executive Director and the Chairman in April 2019 and 2022. Mr. Gao is the chairman of the Nomination Committee and Investment Committee, and a member of the Remuneration Committee of the Company.

Mr. Gao holds a doctor degree in microelectronics and solid-state electronics from Jilin University.

Mr. Gao joined BOE since 2003. He is currently a director, a president and the vice chairman of the executive committee of the 10th Board of Directors of the BOE Group, and the chairman of Beijing Zhongxiangying Technology Co., Ltd. and other positions. Mr. Gao is also currently the group president and BOEU principal of the back-desk (business support system) of BOE, and the front-desk head of the display device and the IoT innovation business of BOE.



KO Wing Yan, Samantha

aged 44, is an Executive Director and the Vice Chairlady of the Company appointed since October 2014 and January 2019 respectively. Ms. Ko is a member of the Remuneration Committee and the Investment Committee of the Company and a director of various subsidiaries of the Group. Ms. Ko was also appointed as the chief executive officer of the Company in March 2015 and was redesignated to a co-chief executive officer of the Company in April 2016 before redesignated to the current position. Ms. Ko was appointed as an independent non-executive director of Qingdao AlInnovation Technology Group Co., Ltd which is listed on the Main Board of the Stock Exchange in May 2021.

Ms. Ko holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, U.S.A., and a Master Degree in Finance from the Imperial College, London. She has over 7 years of experience in banking and has extensive experience in the securities and capital markets, and was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served at Morgan Stanley (Hong Kong) and JP Morgan Securities Limited (London).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



SU Ning

aged 43, is our Executive Director and the Chief Executive Officer of the Company since April 2016 and January 2019 respectively. He was appointed as a Co-chief Executive Officer of the Company in April 2016 before redesignated to the current position. Mr. Su was re-appointed as an Executive Director and the Chief Executive Officer of the Company in April 2019 and 2022. Mr. Su is a member of the Nomination Committee and the Investment Committee, and a director of various subsidiaries of the Group.

Mr. Su graduated from the Graduate School of Chinese Academy of Sciences with a master degree in engineering. Since 2005, Mr. Su has served as a deputy division chief in the module technical department, a deputy department head in the new application business department, the division chief, a deputy general manager in the application business department of Beijing BOE Optoelectronics Technology Co., Ltd. (a subsidiary of BOE). Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE).

Mr. Su is currently a vice president of BOE Group and the general manager of the front-desk of automotive SBU of the display device and the IoT innovation business of BOE.



SHAO Xibin

aged 54, is our Non-executive Director appointed since April 2019. Mr. Shao was reappointed as a Non-executive Director in April 2022. Mr. Shao graduated from Changchun Institute of Physics, Chinese Academy of Sciences with a doctor degree in condensed matter physics. From 1994 to 2006, Mr. Shao worked at Changchun Institute of Physics, Chinese Academy of Sciences, Tohoku University and Jilin North Color Crystal Display Co., Ltd.. Since 2006, Mr. Shao joined the BOE Group. He worked as a deputy director of strategic planning department, a director of research and development of central research institute, a director of product development of BOE Display, a director of DT development and a department head of TV development, a deputy head of IT/TV product development, head of IT/TV product development, the chief product officer, a co-chief technology officer of Display Business Group of BOE.

Mr. Shao is currently the chief new product officer of the mid-desk of the technology and product of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of LCD product development centre of the mid-desk of the technology and product of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the technology and the product mid-desk terminal product and technology development of the display device and the IoT innovation business of BOE.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



JIN Hao

aged 50, is our Non-executive Director appointed since April 2019. Mr. Jin was reappointed as a Non-executive Director in April 2022. Mr. Jin graduated from Northeast Forestry University with a bachelor's degree in trade economy. From 1997 to 2003, Mr. Jin worked at Beijing Gucheng Tourism Vocational School, K.E.D. Co., Ltd. and BTC Information and Communication Co., Ltd.. Since 2003, Mr. Jin joined the BOE Group.

Mr. Jin is currently the deputy person in charge of the mid-desk of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the production and marketing operation centre of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the team leader of business operation team of the domestic marketing platform area of the front-desk of the display device and the IoT innovation business of BOE.



MENG Chao

aged 36, is our Non-executive Director appointed since February 2023. Mr. Meng graduated from Beijing Institute of Technology with a master's degree in business management. Mr. Meng joined BOE in 2009. He was the deputy head of the Planning and Finance Department, the deputy head of the Budget Analysis Section of the Budget Management Department, the deputy head of the Budget Management Department, the head of the Smart System Budget and Operation Innovation Department, the head of the Major Project Performance Management Section of Budget Management Department and the deputy head of the Budget Center of BOE.

Mr. Meng is currently the head of the financial operation management center in Display Devices and IoT Innovation Business of CFO organisation of the back-desk of BOE (business support system), the head of the back-desk (business support system) of CFO organisation of the budgeting center, and VCFO of the back-desk (business support system) of CFO organization.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



FUNG, Yuk Kan Peter

aged 57, is our Independent Non-executive Director appointed in June 2016. Mr. Fung is the Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Fung was trained and qualified in KPMG London before returning to KPMG Hong Kong in 1993. Since his return Mr. Fung has travelled regularly into China to lead different types of China projects, including Initial Public Offerings and due diligence exercises for merger and acquisitions. Mr. Fung became a partner in October 2000. Later in 2006 he moved to and started stationing in Beijing. In the past two decades, he has been in many positions within KPMG, including the partner in-charge of large accounts, regional head of audit and regional head of business development.

Mr. Fung's last position before retirement is the Global Chair of KPMG Global China Practice ("GCP"). The GCP is a community of professionals in China and across the globe with a total focus on inbound and outbound China businesses and assists Chinese businesses with their globalisation strategy and helps multinational companies enter or expand into the China market. In this role, he regularly meets with market players to discuss the continuous development of China and issues confronting executives from different businesses. He also writes publications and appears in conferences and events as presenters/panelists to share his experience and views on these matters.

Mr. Fung is a fellow member of the Institute of Chartered Accountants of England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor of science in Economics from London School of Economics and Political Science in 1988.



CHU, Howard Ho Hwa

aged 59, is our Independent Non-executive Director appointed since June 2016. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chu has 20 years of business experience and 15 years of experience in corporate governance. Mr. Chu is a partner of Go Capital Limited which is a private equity firm based in Hong Kong and Shanghai. Mr. Chu was appointed as an independent non-executive director of Guolian Securities Co., Ltd. and Crypto Flow Technology Limited which are listed on the Main Board of the Stock Exchange in June 2019 and the Growth Enterprise Market of the Stock Exchange in September 2022 respectively.

From 2012 to 28 February 2018, Mr. Chu was the chief executive officer of mReferral Corporation (HK) Limited which is a leading mortgage referral company and is a joint venture of Midland Holdings Limited and Cheung Kong (Holdings) Limited. From March 2012 to June 2012, he was the chief financial officer of China Smart Electric Co. Ltd.. From July 2009 to October 2011, he was the chief financial officer of Trony Solar Holdings Company Limited which is a publicly listed company on the Main Board of the Stock Exchange. From September 2010 to May 2012, he was an independent non-executive Director of China Kingstone Mining Holdings Limited which is a publicly listed company on the Main Board of the Stock Exchange. He has previously worked for Shanghai Century Acquisition Corporation, a company listed on the American Stock Exchange, and United Energy Group Limited, a company listed on the Stock Exchange. He was a director at ABN AMRO Asia Corporate Finance Ltd. and was also a director at the Hong Kong and Shanghai Banking Corporation Ltd.. From June 2012 to June 2015, he was an independent non-executive Director of Weichai Power Co. Ltd. which is a publicly listed company on the Main Board of Stock Exchange. He resigned as an independent non-executive director of Directel Holdings Limited which is listed on the Growth Enterprise Market of the Stock Exchange in June 2016.

He obtained a master degree of business administration from the Columbia University and a bachelor degree of science from the University of Rochester in 1990 and 1986 respectively.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



PANG Chunlin

aged 53, is our Independent Non-executive Director appointed in April 2023. Mr. Pang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Pang graduated from Kunming University of Science and Technology with a master's degree in business administration. Mr. Pang is a member of, among others, the Ministry of Industry and Information Technology Expert Committee of Vehicles Network Identity Authentication and Safety Trust Work in Vehicles Network Safety Field* (工業和信息化部車聯網安全領域車聯網身份認證和安全信任工作專家委員會); the deputy chairman of the Artificial Intelligence Sub-Committee of The Chinese Society for Agricultural Machinery* (中國農業機械學會人工智能分會委員會); the deputy secretary-general of the Agricultural Electronics Sub-Technical Committee of the National Agricultural Machinery Standardization Technical Committee (TC201)* (全國農業機械標準化技術委員會(TC201)農業電子分技術委員會).

Mr. Pang is an independent director of ZKTeco Co., Ltd., the shares of which are listed on the Growth Enterprise Market of the Shenzhen Stock Exchange. From May 2022 to April 2023, Mr. Pang was a non-independent director of Shenzhen Qingyi Photomask Limited, the shares of which are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

CHUNG Kai Cheong

aged 46, is the Chief Financial Officer and Company Secretary of the Group. He obtained a Master's degree in Corporate Governance and Compliance from Hong Kong Baptist University and a Bachelor's degree majoring in Accountancy from The City University of Hong Kong. He is a Fellow Member of each of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He joined the Group in April 2022.

CHOI Wing

aged 45, is the Chief Operating Officer of the Group. She obtained a Bachelor's degree in Chemistry from the Chinese University of Hong Kong and a Master's degree in Data Science and Business Statistics from the Chinese University of Hong Kong. She joined the Group in October 2000.

PARK Soo Bin, James

aged 53, is the Chief Marketing Officer of the Group. He obtained a Bachelor's degree in Physics from Sogang University in South Korea. He joined the Group in October 2006.

YOON Dae Keun

aged 49, is the Chief Technology Officer of the Group. He obtained a Master's degree in Optics from the Sogang University in South Korea. Before joining the Group, Mr. Yoon served at BOE Group and has more than 20 years of TFT module development experience. He joined the Group in October 2023.

LO Pak Chi, Patrick

aged 50, is the General Manager responsible for operation of the Heyuan plant of the Group. He obtained a Bachelor's degree in Applied Physics from Hong Kong Baptist University. He joined the Group in May 1998.

CHENG Wei

Aged 42, is the General Manager — Smart Vehicle Solutions (China region), and is responsible for Systems and Smart Vehicle Solutions of the Group. He obtained a degree in Information Engineering from the Beijing Institute of Technology, China and a Master's degree in Software Engineering from the Huazhong University of Science and Technology, China. Before joining the Group, Mr. Cheng served at BOE Group and has more than 17 years of TFT module production and operational experience. He joined the Group in August 2017.

LUO Ning

aged 37, is the General Manager responsible for operation of the Chengdu plant of the Group. He obtained a Bachelor's degree in Optical Information Science and Technology from Wuhan Institute of Technology, China. He joined the Group in May 2021.

MA Chung Man, Alex

aged 48, the Assistant General Manager — Purchasing of the Group. He obtained a degree in Industrial and Manufacturing Systems Engineering from the University of Hong Kong and a Master's degree in System Engineering and Engineering Management from the Chinese University of Hong Kong. He joined the Group in Oct 1998.

NG Ah Loi, Lloyd

aged 56, is the Assistant General Manager — Head of Quality of the Group. He obtained a Bachelor's degree in Applied Physics from the City University of Hong Kong. Mr. Ng has over 16 years of experience in automotive quality assurance management. He joined the Group in August 2017.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board (the “Board”) of Directors (the “Directors”) recognises that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has adopted and complied with the code provision set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board has taken actions and measures to ensure that the Company is in all aspects in strict compliance.

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2023.

Code provision C.1.6 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Mr. Shao Xibin and Mr. Jin Hao, both non-executive Directors, and Mr. Chu, Howard Ho Hwa, an independent non-executive Director, were unable to attend the annual general

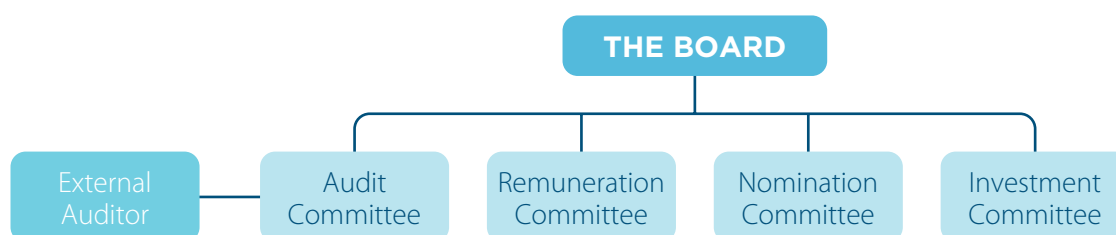
meeting (“AGM”) of the Company held on 27 June 2023 due to other business arrangements.

Code provision F.2.2 stipulates that the chairman of the board should attend the AGM. Mr. Gao Wenbao, the Chairman of the Board, was unable to attend the AGM of the Company held on 27 June 2023 due to other business arrangements. Ms. Ko Wing Yan, Samantha was appointed to chair the AGM and address any questions raised. Given her extensive knowledge of the Group’s business, she was considered a suitable candidate to act as the chairman in the absence of Mr. Gao.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on securities transactions by directors (the “Code of Conduct”) on terms no less exacting than those required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code and the Code of Conduct throughout the year under review.

The Company has also adopted a code of conduct on securities transactions by employees on terms no less exacting than those required standards set out in the Model Code.



CORPORATE GOVERNANCE
REPORT

BOARD OF DIRECTORS

The Company benefits from the professional management expertise of its Directors. Brief biographies of the Directors are set out in the “Board of Directors and Senior Management” section in this Annual Report. The professional management expertise of the Directors ensures that the Board has the capabilities of sustaining the Company’s continued success.

As at 2 April 2024 (the latest practicable date), Board comprises 3 Executive Directors, 3 Non-executive Directors and 3 Independent Non-executive Directors.

Executive Directors:	Mr. Gao Wenbao (<i>Chairman</i>) Ms. Ko Wing Yan, Samantha (<i>Vice Chairlady</i>) Mr. Su Ning (<i>Chief Executive Officer</i>)
Non-executive Directors:	Mr. Shao Xibin Mr. Jin Hao Mr. Meng Chao
Independent Non-executive Directors:	Mr. Fung, Yuk Kan Peter Mr. Chu, Howard Ho Hwa Mr. Pang Chunlin (<i>appointed on 7 April 2023</i>)

The Company has established a mechanism to ensure independent views and input are available to the Board. All the Independent Non-executive Directors meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

The Board meets at least 4 times a year with additional meetings arranged when necessary to review the financial performance, material investments and other matters of the Group that require the resolution of the Board.

During the financial year ended 31 December 2023, a total of 4 meetings and 1 annual general meeting (“AGM”) were held and the attendance of each Director is set out as follows:

Name	Number of meetings attended in 2023				
	Meeting	AGM	Remuneration Committee	Nomination Committee	Audit Committee
Executive Directors:					
Mr. Gao Wenbao	3/4	0/1	6/6	4/4	N/A
Ms. Ko Wing Yan, Samantha	4/4	1/1	6/6	N/A	N/A
Mr. Su Ning	4/4	1/1	N/A	4/4	N/A
Non-executive Directors:					
Mr. Shao Xibin	3/4	0/1	N/A	N/A	N/A
Mr. Jin Hao	4/4	0/1	N/A	N/A	N/A
Mr. Meng Chao	4/4	1/1	N/A	N/A	N/A
Mr. Zhang Jianqiang (<i>passed away in 2023</i>)	0/0	0/0	N/A	N/A	N/A
Independent Non-executive Directors:					
Mr. Fung, Yuk Kan Peter	4/4	1/1	6/6	4/4	3/3
Mr. Chu, Howard Ho Hwa	4/4	0/1	6/6	4/4	3/3
Mr. Hou Ziqiang (<i>retired on 27 June 2023</i>)	2/2	1/1	5/5	3/3	2/2
Mr. Pang Chunlin (<i>appointed on 7 April 2023</i>)	2/2	1/1	2/2	1/1	1/1

CORPORATE GOVERNANCE REPORT

During the year, Mr. Meng Chao and Mr. Pang Chunlin were appointed as Non-executive director and Independent Non-executive director respectively. They have obtained the legal advice pursuant to Rule 3.09D of the Listing Rules and confirmed their understanding of their obligations as a director of a listed issuer.

The Directors have no financial, business, family or other material/relevant relationships among the members of the Board except that:

- (i) Mr. Gao Wenbao is a director, a president and the vice chairman of the executive committee of the 10th Board of Directors of the BOE Group, and the chairman of Beijing Zhongxiangying Technology Co., Ltd. and other positions. Mr. Gao is also the group president and BOEU principal of the back-desk (business support system) of BOE, and the front-desk head of the display device and the IoT innovation business of BOE. Mr. Su Ning is a vice president of BOE Group and the general manager of the front-desk of automotive SBU of the display device and the IoT innovation business of BOE. Mr. Shao Xibin is the chief new product officer of the mid-desk of the technology and product of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of LCD product development centre of the mid-desk of the technology and product of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the technology and the product mid-desk terminal product and technology development of the display device and the IoT innovation business of BOE. Mr. Jin Hao is the deputy person in charge of the mid-desk of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the production and marketing operation centre of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the team leader of business operation team of the domestic marketing platform area of the front-desk of the display device and the IoT innovation business of BOE. Mr. Meng Chao is the head of the financial operation management center in Display Devices and IoT Innovation Business of CFO organisation of the back-desk of BOE (business support system), the head of the back-desk (business support system) of CFO organisation of the budgeting center, and VCFO of the back-desk (business support system) of CFO organization.

In the Board's opinion, these relationships do not affect the Directors' independent judgment and integrity in executing their roles and responsibilities and there is mechanism to protect respective stakeholders' interest.

PROFESSIONAL DEVELOPMENT

Pursuant to C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. On 1 December 2023, an on-line training is provided to the Directors about the overview of directors' responsibilities; corporate governance and internal control; notifiable transactions and connected transactions; and directors' holding and trading securities. Up to the date of this report, all Directors have participated in continuous professional development by participating seminars, training course and/or lectures, and/or referring materials on the topics related to corporate governance and regulations.

RESPONSIBILITIES OF THE BOARD

The Board has established the Company's purpose, values and strategy, and satisfy itself that these and the Company's culture are aligned. The Board promotes the desired culture which should instill and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

With integrity, the Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as interim and annual results, major transactions, director appointments or reappointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the management.

The Board has reviewed the implementation and effectiveness of the mechanism which ensures independent views and input are available to it on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, code of conduct of employees and directors, and practices on compliance with the CG Code.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board, Mr. Gao Wenbao and the Chief Executive Officer, Mr. Su Ning are separated, with a clear division of responsibilities. The Chairman of the Board is responsible for formulating corporate strategies and overall business development planning. Chief Executive Officer's duty is to oversee the execution of daily business activities. The division of responsibilities is to ensure a balance of power and authority.

The Vice Chairlady, Ms. Ko Wing Yan, Samantha, shall assist the Chairman of the Board in performing the latter's duties and responsibilities. In particular, the Vice Chairlady shall take the important role in monitoring the implementation of the Company's strategies. During the period when the Chairman is absent and the normal functions of the Chairman cannot be carried out, the Vice Chairlady will take the role as the acting Chairman until the Chairman resumes carrying out his normal duties or a new Chairman has been elected and appointed by the Board.

The division of responsibilities between the Chairman and the Chief Executive Officer are clearly established and set out in writing in March 2012.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All Non-executive Directors have been appointed for a term of 3 years and all Independent Non-executive Directors have been appointed for a fixed term expiring on 31 December 2024 or such other date as agreed by the Independent Non-executive Directors. All Directors are subject to retirement by rotation at least once every 3 years under the Company's Bye-laws.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

AUDIT COMMITTEE

The audit committee of the Company (the "AC") comprises the following Independent Non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Pang Chunlin as the date of this report. 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 terms of reference of the AC are available at the websites of the Company and the Stock Exchange.

The AC held 3 meetings in 2023 in which the Committee reviewed with management the accounting principles, estimates and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters so as to ensure that an effective control and corporate governance environment is maintained. The number of AC meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in the section headed "BOARD OF DIRECTORS" above in this report.

The AC also made its recommendation to the Board that the external auditors should be reappointed reviewed and approved the audit service, non-audit services, remuneration and the terms of engagement of the external auditors.

The internal and external auditors have unrestricted access to the AC, which ensures that their independence remains unimpaired. There were private meetings between the AC and external auditors for the best corporate governance purposes.

There is no disagreement between the Board and the AC on the selection, appointment, resignation or dismissal of the external auditors.

The AC meets and holds discussions with the directors and other senior management of the Group on the interim results and annual results as well as respective reports. The AC reviews and discusses the management's report and representations with a review to ensure that the Group's consolidated financial statements and prepared in accordance with accounting principles generally accepted in Hong Kong with reference to the terms of reference. It also considers reports from the Company's external auditors, KPMG, on the scope and the outcome of their annual audit of the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Report of the Independent Auditor) for preparing the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The reporting responsibilities of KPMG are set out in the Report of the Independent Auditor on pages 117 to 122 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Group's strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the AC to ensure appropriate and effective risk management and internal control systems are in place. The Company has established an Internal Audit Department and the Risk Management Committee (the "RMC"). The RMC consists of representatives from operations departments, the Finance Department and the Internal Audit Department of the Company.

The AC assists the Board in meeting its responsibility for maintaining effective systems of risk management and internal control. The AC reviews all significant aspects of risk management and internal control, including financial, operational and compliance controls; the adequacy of resources, qualifications and experience, training programmes and budgets of the staff of the Group's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance and reporting. It reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. The AC reviews the effectiveness of the internal audit department and its annual work plans, and considers the reports of the RMC on the effectiveness of the systems of risk management and internal control. These reviews and reports are considered by the AC before it makes its recommendation to the Board for approval of the annual consolidated financial statements.

The risk management and internal control systems of the Group are reviewed at least semi-annually. During the year, the AC has reviewed the effectiveness of the risk management and internal control systems of the Group and considered the systems are effective and adequate.

Effective risk management is fundamental to the achievement of the Group's strategic objectives, and an enterprise risk management framework is in place to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks in a pro-active and structured manner.

The Company's management encourages a risk aware and control conscious environment, setting objectives, performance targets or policies for the management of key risks including strategic planning, business operations, acquisitions, investments, legal and regulatory compliance, expenditure control, treasury, environment, health and safety, and customer service. The Company has a well-established organisational structure with defined levels of responsibility and authority and reporting procedures. There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors review operational and financial reports and key operating statistics and hold regular meetings with the management to review their reports.

Budgets are prepared annually by the management and are subject to review and approval by the Chief Executive Officer and then by the Executive Directors. Re-forecasts of operating results for the current year are prepared regularly, reviewed and approved by the Executive Directors and the Board.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditure is subject to overall budget control. Capital expenditure is subject to overall control within the approved budget of individual projects with more specific controls and approvals being required for overspending, unbudgeted expenditure and material expenditure within the approved budget. Regular reports of actual versus budgeted and approved expenditure are also reviewed.

The treasury function, overseeing the Group's investment and funding activities, regularly reports to the Executive Directors on the Group's cash and liquid investments, borrowings, outstanding contingent liabilities and financial derivatives commitments. The Board has reviewed and adopted a treasury policy governing the management of the financial risks of the Group (including interest rate risk, foreign exchange risk and liquidity risk) and the operational risks associated with such risk management activities.

CORPORATE GOVERNANCE REPORT

The legal and company secretarial function reports to the Chief Executive Officer and the Board, and oversees, among other things, the Group's compliance of the Listing Rules and other legal and regulatory requirements.

The internal audit department reports to the AC of the existence and effectiveness of the risk management activities and controls in the operations of the Group. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the AC. Internal Audit's reports on the Group's operations are also reviewed and considered by the AC. The scope of work on the Group performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity and efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation and the progress is reported to the AC.

With the assistance of Internal Audit, the Chief Executive Officer and the Executive Directors review, among other things, the profile of the significant risks (including ESG risks) and sustainability, and how these risks have been identified, evaluated and managed, the changes since the last semi-annual assessment in the nature and extent of significant risks and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit department and other assurance providers, the extent and frequency of communication of monitoring results to the AC which enables it to assess control of the Group and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

Reports from the external auditor on material non-compliance with procedures and significant internal control weakness, if any, are presented to the AC. These reports are considered and reviewed and the appropriate action is to be taken if required.

Whistleblowing channel is established for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the AC about possible improprieties in any matter related to the Group. For details, please refer to the section headed "Anti-Corruption" under the ESG Report.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors and key employees notification of regular blackout period and securities dealing restrictions to the Directors and key employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

Total auditors' remuneration in relation to audit and non-audit services provided to the Group amounted a sum of HK\$3.9 million (2022: HK\$3.9 million) was paid to KPMG. The auditor's remuneration for audit services was HK\$3.3 million (2022: HK\$3.4 million).

The non-audit services provided by the auditor of the Group are as follow:

	2023 HK\$'000	2022 HK\$'000
Review services	586	462
Tax advisory services	31	30
	617	492

CORPORATE GOVERNANCE REPORT

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. Pang Chunlin as the date of this report. There are more than half of the members are Independent Non-executive Directors. The terms of reference of the RC are available at the websites of the Company and the Stock Exchange.

The roles and functions of the RC include consulting the Chairman of the Board about their remuneration proposals for other Executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management of the Group. The RC has adopted the approach under E.1.2(c) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Director and senior management of the Group.

The Company's remuneration policy is to link remuneration packages for Executive Directors and key executives with the achievement of annual and long-term performance goals. By providing competitive and performance-linked compensation, the Company seeks to attract, motivate and retain key executives, which is essential to its long-term success.

The RC held 6 meetings in 2023. During the meetings, the RC reviewed the Company's remuneration policy and fixed the remuneration packages for the directors and senior management of the Group. No change has been proposed to the remuneration policy and the Directors' remuneration. The number of RC meetings held during the year and record of individual attendance of members, on a named basis, at the meeting held is set out in the section headed "BOARD OF DIRECTORS" above in this report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' remuneration is set out in Note 8 to the consolidated financial statements of this Annual Report.

Mr. Gao Wenbao is not be entitled to any salary for serving as the Chairman of the Board or any director's fee or remuneration for his appointment as an executive Director.

Each of Mr. Shao, Mr. Jin and Mr. Meng has not entered into any service contract with the Company. The Company has entered into an appointment letter with each of them, pursuant to which each was appointed as a non-executive Director. The appointment for each of them is for a term of 3 years and is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. Each of them is entitled to an annual director's fee of HK\$200,000 which is determined by the RC and the Board with reference to each experience and the prevailing market director's fees for non-executive directors. Mr. Shao, Mr. Jin and Mr. Meng have agreed to waive their respective annual director's fee.

The remuneration paid to the members of the senior management (excluding directors) by bands in 2023 is set out below:

Remuneration bands	Number of Individuals
HK\$500,001 to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	2
HK\$1,500,001 to HK\$2,000,000	3
HK\$2,000,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	1

The RC and the Board have resolved to grant certain awarded shares to directors and employees of the Group for the long term development of the Group. For details of the grant, please refer to sections headed "Share Schemes and Directors' and Chief Executives' Right to Acquire Shares or Debentures" as set out in Report of the Directors for further information.

CORPORATE GOVERNANCE REPORT

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. Pang Chunlin as at the date of this report. Among those members of the NC, more than half of the members are Independent Non-executive Directors. The terms of reference of the NC are available at the websites of the Company and the Stock Exchange.

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. New Directors are sought mainly through referrals. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and expertise of the appointee as well as personal ethics, integrity and time commitment of the appointee.

The NC held 4 meetings in 2023. Issues concerning the structure, size, composition of the Board and appointment of new directors were discussed and reviewed. The number of NC meetings held during the year and record of individual attendance of members, on a named basis, at the meetings held during is set out in the section headed “BOARD OF DIRECTORS” above in this report.

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy (the “Board Diversity Policy”) which to comply with the CG Code on board diversity. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. The NC’s assessment of the candidates includes, but is not limited to, consideration of the relevant knowledge and diversity of backgrounds, skills, experience and perspectives that would complement the existing Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing it, and the progress made towards achieving those objectives are disclosed as below:

— Summary

The Company recognized and embraced the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the board. In designing the board’s composition, board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

— Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the amount of time and effort that candidates will devote to discharge their duties and responsibilities and, in the case of independent non-executive director(s), the independence requirements set out in the Listing Rules (as amended from time to time). The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. It will not consider diversity to be achieved for a single gender board. The Board’s composition will be disclosed in the Corporate Governance Report annually.

— Implementation and Monitoring

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, taking into account the benefits of all relevant diversity aspects and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

— Reviewing

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board constitutes male and female directors, age of different group, knowledge from business development, auditing, accounting and finance, corporate finance, technology development, products, etc. and it is considered there is enough diversity.

The Board should review the implementation and effectiveness of the Board Diversity Policy on board diversity on an annual basis.

We target to maintain the current level of female representation on the Board as we considered the existing board composition to be sufficiently diverse.

We are also committed to diversity and inclusion at the workforce level, recruiting employees and summer interns from diverse backgrounds.

INVESTMENT COMMITTEE

The investment committee of the Company (the "IC") is established to source, review and select appropriate investment projects to achieve the Group's advancement and transformation strategy. The IC is also responsible for the examine of the investment management risk policies, research of the Group's capital policies and major financing plans. The IC comprises 9 members, including Mr. Gao Wenbao (Chairman of the IC), Ms. Ko Wing Yan, Samantha and Mr. Su Ning and other management of the Company.

The Board has approved and authorized the IC to make decisions on investment projects with the authorization limits and period.

The terms of reference and operating rules of the Investment Committee was adopted and effective on 11 July 2022.

COMPANY SECRETARY

Mr. Chung Kai Cheong was appointed as the Company Secretary of the Company in April 2022. The Company Secretary is responsible for that board procedures comply with applicable laws, rules and regulations and advising the Board on corporate governance and other matters. The Company Secretary reports to the Board through the Chairman whilst all Directors have rights to access to the advice and service of the Company Secretary. The biographical details of Mr. Chung are set out under the section head "Board of Directors and Senior Management" in this Annual Report.

Mr. Chung has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2023 and has complied with the requirement as set out in Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders of the Company and the Board. The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as an extraordinary general meeting ("EGM") whenever necessary.

— Right to convene EGM

Members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "Registered Office") or its principal office at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Principal Office"), for the attention of the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the general meeting, signed by the member(s) concerned and may consist of several documents in like form, each signed by one or more of those members.

If the requisition is in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

- At least 14 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

— Right to put enquiries to the Board

Members of the Company do not generally have any right to put forward enquiries to the Board. There is no procedure set out in the Bermuda Companies Act 1981 or in the Bye-Laws of the Company available for any member to put forward an enquiry to the Board. A member of the Company may, of course, at any time write to the Board and it is up to the Board to decide whether or not to entertain any request made by a member of the Company.

Members of the Company who have enquiries about the above procedures or have enquiries to put to the Board may write to the company secretary of the Company at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

— Right to put forward proposals at shareholders' meetings

Member(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all members having the right to vote at the shareholders' meeting; or (ii) not less than 100 members, can submit a written request stating the resolution intended to be moved at an AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular shareholders' meeting.

The written request/statements must be signed by the member(s) concerned and deposited at the Registered Office or the Principal Office, for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in the case of any other requisition.

CORPORATE GOVERNANCE REPORT

If the written request is in order, the company secretary of the Company will ask the Board (i) to include the resolution in the agenda for an AGM; or (ii) to circulate the statement for the shareholders' meeting, provided that the member(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the member(s) concerned in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid or the member(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the member(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the shareholders' meeting.

The procedures for shareholders of the Company to propose a person for election as a director is posted on the Company's website.

INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy with the objective of ensuring that the shareholders of the Company and stakeholders will have equal and timely access to information about the Company. The Group adhere to the best practice in information disclosure in terms of accuracy, transparency and consistency. We are committed to maintaining highly honest, sincere and effective communication with the financial community and other stakeholders.

The Company will make the Corporate Communications available on its website (www.boevx.com) and the Stock Exchange's website (www.hkexnews.hk).

A notice of publication of the website version of Corporate Communications, in both English and Chinese, will be sent by the Company to the Shareholders by email or by post (if the Company does not possess the functional email address of the Shareholder) on the publication date of the Corporate Communications at the election of the Shareholder.

The Group aimed to have proactive and timely communications with investor regarding the market and industry development, impact and corresponding measures of the Group. Our goals are to deepen investors' understanding of the Group's strategies, and through the effective communication, we are able to raise the quality of our management and to maximize the Group's value.

The Company has reviewed the implementation and effectiveness of the shareholders' communication policy conducted during the year and believes that the current communication policy has been effective at maintaining clear and timely communication with its shareholders and stakeholders.

Various on-line and off-line communication formats and channels are adopted by the Group, such as announcement, shareholders' meeting, video or voice conferences, seller-side organized off-line seminar and non-deal roadshow etc. to communicate with various stakeholders such as analysts, retail and institutional investors. These communication channels served to reinforce understanding and trust between the Group and the capital market. Meanwhile our management also gained better knowledge of the expectations and demands from the capital market on the Group. We will seriously consider and put into practice all constructive suggestions. In 2023, the Group participated in more than 300 investor relations' events, including but not limited to, post-results roadshows, self-organized investor day, investor conferences/corporate days, individual meetings and conference calls. Currently, there are 14 equity research analysts actively covering the Group.

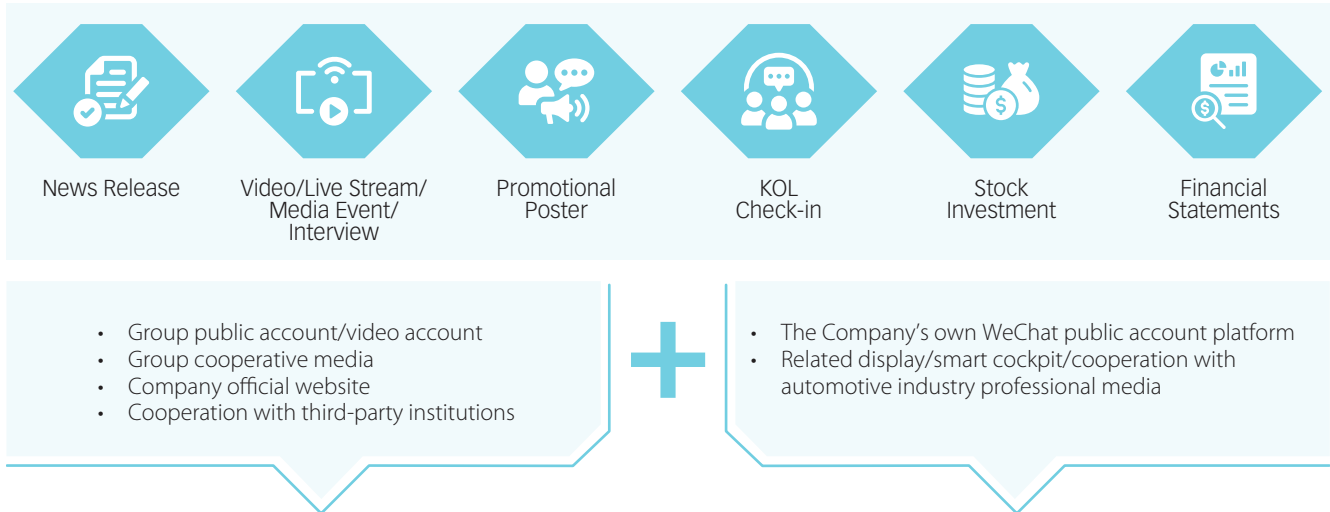
The AGM is an important opportunity for communicating with shareholders. The Company's Chairman, Directors, senior management and the external auditors are available at the AGM to answer questions from shareholders of the Company. The chairmen of the audit, remuneration, nomination and any other committees (as appropriate) are invited to attend. The chairman of the independent board committee and senior management (if applicable) is/are available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

PROTECTION OF THE RIGHTS OF THE INVESTORS

BOEVx places a high premium on information disclosure and investor relations management. We publish interim and annual result reports as well as circulate other announcements where necessary. The Company communicates with investors on a periodic basis and actively shares the investors' suggestions and feedback about the Company's products, operations and governance with internal teams so as to maximize the protection of the investors' rights.
















CORPORATE GOVERNANCE REPORT

PUBLIC RELATIONS MEDIA COMMUNICATION FORMS AND CHANNELS



Comprehensively showcasing the solid foundation of the Company's intelligent cockpit, the leading global intelligent cockpit display technology, as well as innovative application scenarios for the future-oriented "HERO" cockpit intelligent interaction. Through extensive media coverage and widespread dissemination across the Internet, it has gained broad, in-depth, and precise communication effects and attracted high attention.

Major Publicity Events in 2023

Exhibition/ Innovation Day	Forum	Media	Launch of new products	Awards	Variety Shows
 Two-wheeler business exhibition	 CCID Forum	 Chengdu TV interview	 Launch of Rising Auto R7	 GAC Aion Innovation Contribution Award	 Wonder Lab of Worry Solutions
 Great Wall Motor Innovation Day	 Intelligent Cockpit Ecological Forum	 Media event at vehicle assembly plant	 CMS mass production	 Chongqing YAZAKI Excellent Partner Award	
 CES	 Two-wheeler cooperative research and discussion event	 Aston Martin media event	 Launch of Changan A07		

CORPORATE GOVERNANCE REPORT

HONOURS



- 1 Harman Best Technology Award
- 2 Schneider Electric 2023 High Quality Supplier
- 3 2023 Leapmotor Global Partner Conference Pioneering Innovation Award
- 4 Oxide technology won the 8th Lingxuan Award
- 5 Chongqing YAZAKI Excellent Partner Award
- 6 GAC Aion Outstanding Collaboration Award
- 7 NETA Auto Outstanding Collaboration Award
- 8 Xiaopeng Outstanding Supplier Award
- 9 Hangsheng Group Outstanding Partnership Award

CORPORATE GOVERNANCE REPORT



Exhibitions/Talks/Seminars

BOEVx made appearance at CES once again, creating a new cockpit experience with “screen-based car connectivity”

Empowering a New Trend of Smart and Enjoyable Travel — BOEVx was invited to attend the CCID Forum and deliver a keynote speech on smart cabins

BOE made a collective appearance with numerous automotive industry partners

BOEVx was invited to attend and deliver a speech at the Smart Cabin Industry Alliance Technology Exchange Conference

REHEO | Innovating to Empower Better Travel in Multiple Scenarios

BOEVx was invited to attend the inaugural Hefei Vehicle Display Integration and Development Forum and deliver a speech

BOEVx co-host the Intelligent and Electrification Innovation Collaboration Seminar for Two-Wheeler Vehicles in the Chengdu-Chongqing region

2023 SID | BOE Vehicle Display Products Leading the Next Wave of Cabin Display Transformation

BOEVx was invited to attend the International Automotive Display Summit and proudly showcased their new generation AR-HUD solution

Smart Cabin Display Empowers Intelligent Travel — BOEVx was invited to attend the 2023 Jiangxi Capital Market Summit Forum and deliver a speech

New Technology, New Ecology, New Trends — BOEVx was invited to attend the Beijing Station of the Smart Cabin Industry Alliance Conference and deliver a speech

BOEVx attended the 5th Flexible Electronics Industry Development Conference and delivered a speech



Collaborations

BOE and Great Wall Motors join hands to discuss smart cabins

BOEVx and Nexchip Semiconductor Corporation signed a strategic framework agreement for automotive chip integration, aiming to promote the integrated development of “vehicle, chip, and display” technologies.

BOE collaborates with Xiaopeng to make driving smarter

BOEVx unveiled the first 45-inch 8K panoramic display integrated in the Geely Galaxy E8, setting a new benchmark for future intelligent travel in collaboration with Geely

BOE collaborates with Changan Nevo to create a new digital intelligent cabin experience

BOEVx entered into a partnership with BYD to explore innovative cabin display solutions, paving the way for advancements in in-vehicle display technology

BOEVx enters into a partnership with Chery Automobile to showcase new heights in car display technology

We are grateful to all stakeholders for their remarkable support. If you have any questions or comments with regards to our work, please contact us at investor@boevx.com. All questions or comments will be replied to the extent permitted by applicable laws, regulations and the Listing Rules.

CHANGE OF CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2023, there had been no significant change in the Company’s constitutional documents.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting herewith their report together with the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT module assembly capacity. Since its incorporation, the Company has been combining scientific and technological research, innovative product design, flexible product specifications and efficient manufacturing for many applications, including automotive components, industrial and consumer products, also providing complete display solutions for its customers. In addition to supplying standard products, the Group also provides tailor-made LCDs (liquid crystal display) and modules for the specific needs of its customers. Particulars of the Company's principal subsidiaries set out in Note 15(a) to the financial statements of this Annual Report. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of The Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, can be found in Chairman's Statement on pages 5 to 18, Management Discussion and Analysis on pages 19 to 23, Review of Operations on pages 24 to 29, Environmental, Social and Governance Report on pages 30 to 75, and Notes 28(e) and 29 to the financial statements of this Annual Report.

A discussion on the Group's key relationships with its stakeholders, environmental policies and performance, and its compliance with the relevant laws and regulations that have a significant impact on the Group is contained in Environmental, Social and Governance Report on pages 30 to 75 of this Annual Report. These discussions form part of this Directors' Report.

The analysis of the principal activities, revenue by delivery locations and revenue by location of sourcing decision of customers of the Group during the financial year are set out in Notes 4 and 12(b) to the financial statements and page 28 of this Annual Report.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out in Note 15(a) to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 123 to 182 of this Annual Report.

DIVIDEND AND DIVIDEND POLICY

The Board has recommended declaring a final dividend of 19.0 HK cents (2022: 23.0 HK cents) per share, representing a total of 19.0 HK cents (2022: 23.0 HK cents) per share for the year ended 2023.

The Board has approved and adopted a dividend policy on 1 January 2019 (the "Dividend Policy"). Under the Dividend Policy, subject to compliance with applicable laws, rules and regulations and the bye-laws of the Company, the Company intends to maintain a stable dividend policy in future with a dividend payout ratio of not less than 30%. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. The determination to pay dividends in the future will be made at the discretion of the Board and will be based on the profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant. The payment of dividends may be limited by legal restrictions and agreements that the Company may enter into in the future.

The Group has no change in the Dividend Policy for the year ended 2023.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Tuesday, 25 June 2024. The notice of AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 June 2024 to Tuesday, 25 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 June 2024.

Subject to the shareholders approving the recommended final dividend at the AGM of the Company, such dividend will be payable on or around Friday, 19 July 2024 to shareholders whose names appear on the register of members of the Company on Friday, 12 July 2024. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 9 July 2024 to Friday, 12 July 2024 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 8 July 2024.

SHARE CAPITAL AND SHARE SCHEMES

Details of the movements in the share capital and share scheme of the Company during the year are set out in Note 28(c), 27(a) and 27(b) respectively to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$83,172 (2022: HK\$183,185).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 13 to the financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in Note 28(a) to the financial statements. Details of movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of the compliance with the laws and regulations in commercial activities, and the failure to comply could result in serious risk and consequences. The Group has reasonably allocated legal, corporate governance, financial and human resources, in particular, the setting up of the compliance and risk management team, to ensure ongoing compliance with respective requirements of the laws and regulations and the policies. Meanwhile, the Group maintains good relationships with Government regulators through effective communication. During the year under review, to the best of our knowledge, the Group has complied with the following salient PRC laws and regulations, namely the Foreign Investment Law, the Company Law, the Environmental Protection Law, Control of Foreign Exchange Regulations and other relevant laws and regulations.

The Group is also committed to the compliance with the following salient laws and regulations in Hong Kong, including but not limited to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has been working with external professionals to develop internal guidelines and educating its employees so as to ensure that the Group and its employees will adopt business practices that are compliant with the relevant laws from time to time.

DIRECTORS

The Directors during the financial year and up to the date of this Annual Report were:

EXECUTIVE DIRECTORS:

Mr. Gao Wenbao (*Chairman*)
Ms. Ko Wing Yan, Samantha
Mr. Su Ning

NON-EXECUTIVE DIRECTORS:

Mr. Shao Xibin
Mr. Jin Hao
Mr. Meng Chao

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Pang Chunlin (*appointed on 7 April 2023*)

In accordance with bye-law 84 of the Company, Mr. Shao Xibin, Mr. Jin Hao and Mr. Chu, Howard Ho Hwa will retire by rotation at the forthcoming annual general meeting (the "AGM"). All the above-mentioned retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS OF SUBSIDIARIES

List of directors of subsidiaries of the Company during the year and up to the date of this report is kept at the Company's principal place of business.

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

As at 31 December 2023, the interests of the Directors and chief executive 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 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 maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(A)(I) INTERESTS IN SHARES OF THE COMPANY AS AT 31 DECEMBER 2023

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company (Note 6)
Ko Wing Yan, Samantha (Note 1)	Personal Interest	1,360,100	0.1718%
Su Ning (Note 2)	Personal Interest	1,464,300	0.1850%
Fung, Yuk Kan Peter (Note 3)	Personal Interest	221,000	0.0279%
Chu, Howard Ho Hwa (Note 4)	Personal Interest	69,000	0.0087%

Notes:

- 24,000 awarded shares of the Company were granted to Ms. Ko Wing Yan, Samantha on 22 March 2024. Please refer to the (B)(II) Share Award Plan of "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" section of the Report of Directors.
- 119,000 awarded shares of the Company were granted to Mr. Su Ning on 22 March 2024. Please refer to the (B)(II) Share Award Plan of "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" section of the Report of Directors.
- 30,000 awarded shares of the Company were granted to Mr. Fung, Yuk Kan Peter on 22 March 2024. Please refer to the (B)(II) Share Award Plan of "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" section of the Report of Directors.
- 30,000 awarded shares of the Company were granted to Mr. Chu, Howard Ho Hwa on 22 March 2024. Please refer to the (B)(II) Share Award Plan of "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" section of the Report of Directors.
- 30,000 awarded shares of the Company were granted to Mr. Pang Chunlin on 22 March 2024. Please refer to the (B)(II) Share Award Plan of "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" section of the Report of Directors.
- Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 31 December 2023.

REPORT OF THE DIRECTORS

(A)(II) INTERESTS IN SHARES OF BOE TECHNOLOGY GROUP CO., LTD. (“BOE”) (AN ASSOCIATED CORPORATION) AS AT 31 DECEMBER 2023 (NOTE 1)

Name of Director	Capacity	Number of A shares in BOE held	Approximate percentage of the total issued share capital of BOE (Note 6)
Gao Wenbao	Personal	1,860,700	0.0049%
	Interest	(Note 2)	
Su Ning	Personal	150,000	0.0004%
	Interest		
Shao Xibin	Personal	687,600	0.0018%
	Interest	(Note 3)	
Jin Hao	Personal	379,500	0.0010%
	Interest	(Note 4)	
Meng Chao	Personal	537,500	0.0014%
	Interest	(Note 5)	

Notes:

- BOE holds 419,730,000 shares of the Company, representing 53.02% of the issued share capital of the Company. The shares of BOE are listed on the Shenzhen Stock Exchange with stock code 000725 for its A shares and stock code 200725 for its B shares.
- On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 487,500 shares to Mr. Meng under the 2020 share option and restricted share incentive scheme.
- Calculated based on BOE’s total number of issued share capital of 37,652,529,195 shares as at 31 December 2023.
- All the interests disclosed above represent long positions.

Other than the aforesaid and as disclosed under the section headed “Share Schemes and Directors’ and Chief Executives’ Rights to Acquire Shares or Debentures” below, as at 31 December 2023, none of the Directors, chief executives or any of their associates had any interests or short positions 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.

SHARE SCHEMES AND DIRECTORS’ AND CHIEF EXECUTIVES’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(B)(I) INTERESTS IN SHARE OPTIONS OF THE COMPANY (LAPSED ON 2 JUNE 2023)

Purpose

This is to provide the Group with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants.

Participant

Participant(s) refers to the full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiary) and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for share options under the share option scheme.

Total Number of Shares Available for Issue

The maximum number of shares in respect of which share options may be granted under the share option schemes of the Company may not exceed 10.00% of the issued share capital of the Company at the date of approval of the share option schemes.

The total number of share options available for grant is 28,391,520 and 28,891,520, representing 3.59%* and 3.65%* of the issued share capital of the Company at the beginning and the end of the financial year of 2023 respectively. The total number of shares available for issue under the share option scheme (lapsed on 2 June 2023) as at 31 December 2023 represents Nil% (2022: 0.08%*) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 27(a) to the financial statements.

* Calculated based on the Company’s total number of issued share capital of 791,575,204 shares as at 31 December 2023.

Maximum Entitlement of Each Participant

Unless approved by the Shareholders, 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 share option scheme of the Company in any 12-month period shall not exceed 1.00% of the total number of shares in issue.

Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the shares issued or to be issued upon exercise of all share options already granted or to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of shares of the Company in issue; and (b) having an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million.

Each grant of share options to the participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the share option scheme must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the proposed grantee of the share options).

Share Option Period and Remaining Life

On 6 June 1991, the Company adopted a share option scheme. 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. 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 can 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 has a remaining life of up to 2 June 2023. The share option scheme has expired on 2 June 2023. During the year, no share option was granted under the fourth share option scheme.

Exercise Period

There is no performance target which must be achieved and no minimum period for the share options to be held before any of the share options can be exercised, unless otherwise specified by the Board at the time of grant.

Payment on Acceptance of the Share Option

The Participant shall pay the Company HK\$1.00, as the consideration, for the grant of share options on acceptance of share option offer within 28 days after the offer date.

Basis of Determining the Exercise Price

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.

REPORT OF THE DIRECTORS

Movements in the Company's share options during the year are as follows:

Category	Date of grant	Number of share options as at 1 January 2023	Number of share options granted during the year	Number of share options cancelled/lapsed during the year	Number of share options exercised during the year (Note 2)	Number of share options as at 31 December 2023	Exercisable period	Price per share to be paid on exercise of share options	Market value per share at dates of grant of share options	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors	24 January 2019	0	-	-	-	0	(Note 1)	HK\$2.00	HK\$2.00	N/A
Employees (Note 3)	24 January 2019	665,000	-	500,000 (Note 4)	165,000	0	(Note 1)	HK\$2.00	HK\$2.00	HK\$14.76

Notes:

- Exercise period:
 - the first 40% of the options shall be exercised from 1 February 2020 to 31 January 2023;
 - the second 30% of the options shall be exercised from 1 February 2021 to 31 January 2023; and
 - the remaining 30% of the options shall be exercised from 1 February 2022 to 31 January 2023.
- There is no outstanding unexercised share option.
- No share options were granted during the financial year of 2023. The information for the 5 highest paid individuals is not applicable.
- The share options are lapsed.
- All the interests disclosed above represent long positions.

The value per share option granted was HK\$0.59 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 share options is provided in the accounting policy Note 2(r) on page 139 of this Annual Report.

(B)(II) SHARE AWARD PLAN**Purpose**

On 28 August 2020 (the "Adoption Date"), the Company adopted a share award plan. The purposes of the Share Award Plan are to recognise and reward the contribution of the participants, to give incentives to the 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.

Participant

Participant(s) refers to 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.

Total Number of Shares Available for Issue

During the year, no shares were purchased. Total number of shares of the Company purchased is 12,373,000 (representing 1.56%* of the issued share capital of the Company) under the share award plan.

On 22 March 2023, the Board has granted a total of 662,000 awarded shares (representing 0.08%* of the issued share capital of the Company) to the certain selected participants, comprising 2 Directors and certain employees of the Group, pursuant to the share award plan.

The total number of awarded shares that was purchased and remain available for grant is 3,153,000 and 2,491,000 as of 1 January and 31 December 2023, representing 0.40%* and 0.31%* of the issued share capital of the Company respectively.

At the end of the financial year of 2023, the total number of awarded shares that can be granted was 2,491,000 and 63,635,520 (after deducting the 662,000 awarded shares granted on 22 March 2023), based on the accumulated number of shares of the Company purchased in so far and the maximum number of awarded shares that can be granted at the Adoption Date, representing 0.31%* and 8.04%* respectively of the issued share capital of the Company.

Subsequent to the financial year to 2 April 2024, the latest practicable date:

- the Board has granted a total of 2,047,000 awarded shares (representing 0.26%* of the issued share capital of the Company) to the certain selected participants, comprising 5 Directors and certain employees of the Group on 22 March 2024, pursuant to the share award plan.
- 1,000,000 shares (representing 0.13%* of the issued share capital of the Company) are purchased in March 2024. Total number of shares of the Company purchased is 13,373,000 (representing 1.69%* of the issued share capital of the Company) under the share award plan.

* Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 31 December 2023, 22 March 2024 and the latest practicable date.

Maximum Entitlement of Each Participant

The maximum number of shares to be subscribed for and/or purchased for the share award 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.

REPORT OF THE DIRECTORS

Minimum Vesting Period

The Board may from time to time considered the performance target which must be achieved and minimum period for which the awarded share must be held before they are vested.

On 22 March 2023, a total of 662,000 awarded shares (representing 0.08%* of the issued shares capital of the Company) to the selected participants pursuant to the share award plan. The vesting period and performance target are disclosed in the Company's announcement dated 22 March 2023. The number of the awarded shares granted is determined based on the selected participants' position, years of service, performance and future long-term contribution to the Group. Talent development and reserve are very important to the future development of the Company. In addition to providing competitive salaries, the Group also grants long-term incentives to (a) recognise and reward the contribution of the selected participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development and improve competitiveness of the Group. Through long-term incentives for the selected participants could align the interests of the selected participants with that of the shareholders of the Company effectively, which is expected to have a positive impact on the market value of the Group. As such, the Company's remuneration committee holds the view that the grant of the awarded shares, including the vesting periods are fair and reasonable and consistent with the purposes of the share award plan.

The vesting of the awarded shares is subject to the fulfilment of certain performance targets and other requirements as set out in the grant notice to be entered into between the Company and each selected participant. The performance targets shall include: financial targets (such as net profit after tax for the year of the Group and management/business targets (such as productivity, quality, research and development ability, client satisfaction etc.) which shall be determined based on the (i) individual performance; (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional departments, projects and/or geographical area managed by the selected participants. In case the vesting conditions are not satisfied in part or in full, the relevant portion of the award shares granted would lapse.

Payment on Acceptance of the Awarded Shares

Consideration of the awarded shares granted is nil. The participants are required to submit to the Company a duly signed offer letter.

Basis of Determining the Purchase Price

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, 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.

Awarded Share Period and Remaining Life

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date and as at 31 December 2023, the Share Award Plan has a remaining life of up to 27 August 2030, but may be terminated earlier as determined by the Board.

Subject to the Share Award 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.

The trustee shall not exercise the voting rights in respect of the awarded shares held under trust constituted by the trust deed. The selected participants shall not have any right to receive any awarded shares set aside for them unless and until the trustee has transferred and vested the legal and beneficial ownership of such awarded shares to and in the selected participants.

The Share Award Plan was adopted before the effective date of the new Chapter 17 of the Listing Rules. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements provided for the share award plan.

REPORT OF THE DIRECTORS

Movements in the Company's awarded shares during the year are as follows:

Category	Date of grant	Number of awarded shares yet to be vested as at 1 January 2023	Number of awarded shares granted during the year	Number of awarded shares vested during the year	Number of awarded shares cancelled/lapsed during the year	Number of awarded shares yet to be vested as at 31 December 2023	Vesting date	Closing price of per awarded share at the dates of grant of awarded shares	Closing price of per awarded share immediately before the dates of awarded shares	Weighted average closing price of the awarded shares on which the were vested
Directors										
Ko Wing Yan, Samantha	29 March 2021	150,000	–	150,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	90,000	–	45,000	–	45,000	(Note 2)	HK\$11.38	N/A	HK\$7.40
	22 March 2023	–	27,000	8,100	–	18,900	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
Su Ning	29 March 2021	150,000	–	150,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	90,000	–	45,000	–	45,000	(Note 2)	HK\$11.38	N/A	HK\$7.40
	22 March 2023	–	31,000	9,300	–	21,700	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
Fung, Yuk Kan Peter	29 March 2021	30,000	–	30,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	18,000	–	9,000	–	9,000	(Note 2)	HK\$11.38	N/A	HK\$7.40
Chu, Howard Ho Hwa	29 March 2021	30,000	–	30,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	18,000	–	9,000	–	9,000	(Note 2)	HK\$11.38	N/A	HK\$7.40
Hou Ziqiang (Note 5)	29 March 2021	30,000	–	30,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	18,000	–	9,000	–	9,000	(Note 2)	HK\$11.38	N/A	HK\$7.40
Employees (Note 6)	29 March 2021	1,434,000	–	1,434,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022	1,254,000	–	618,000	34,500	601,500	(Note 2)	HK\$11.38	N/A	HK\$7.40
	21 December 2022	500,000	–	200,000	3,000	297,000	(Note 4)	HK\$13.86	N/A	HK\$14.20
	22 March 2023	–	604,000	181,200	15,100	407,700	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
		3,812,000	662,000	2,957,600	52,600	1,463,800				(Note 7)

REPORT OF THE DIRECTORS

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. Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 26 August 2022;
 - (ii) the second 30% of the awarded shares shall be vested on 28 August 2023; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 26 August 2024.
3. Vesting date:
 - (i) the first 30% of the awarded shares shall be vested on 12 April 2023;
 - (ii) the second 30% of the awarded shares shall be vested on 12 April 2024; and
 - (iii) the remaining 40% of the awarded shares shall be vested on 11 April 2025.
4. Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 27 March 2023;
 - (ii) the second 30% of the awarded shares shall be vested on 27 March 2024; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 27 March 2025.
5. Mr. Hou Ziqiang retired on 27 June 2023.
6. The total number of awarded shares granted to the 5 highest paid individuals during the financial year of 2023 was 128,000.
7. The awarded shares are lapsed.
8. Subsequent to the financial year, 2,047,000 awarded shares (representing 0.26% of the issued share capital of the Company on the date of grant) are granted to Ms. Ko Wing Yan, Samantha, Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa, Mr. Pang Chunlin and certain employees of the Group on 22 March 2024. Ms. Ko and Mr. Su are granted 24,000 awarded shares and 119,000 awarded shares respectively, and each of Mr. Fung, Mr. Chu and Mr. Pang is granted 30,000 awarded shares. The vesting date is (i) the first 40% of the awarded shares to be vested on 2 May 2024; (ii) the second 30% of the awarded shares to be vested on 2 May 2025; and (iii) the remaining 30% of the awarded shares to be vested on 4 May 2026.
9. All the interests disclosed above represent long positions.

As at 31 December 2023, the fair value of awarded share at the date of granted is as follows. 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 Note 2(r)(iv) on page 139 of this Annual Report.

Number of awarded shares	Date of grant	Market value per awarded share	Fair value of awarded shares
6,310,000	29 March 2021	HK\$3.23	HK\$20,381,300
2,500,000	15 June 2022	HK\$11.38	HK\$28,450,000
500,000	21 December 2022	HK\$13.86	HK\$6,930,000
662,000	22 March 2023	HK\$14.82	HK\$9,810,840
9,972,000			HK\$65,572,140

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of 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 31 December 2023, 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	Capacity	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 (Note 3)
BOE Technology Group Co., Ltd.	Interest of controlled corporation	419,730,000 (Note 1)	–	419,730,000	53.02%
China Orient Asset Management (International) Holding Limited	Interest of controlled corporation	63,356,000 (Note 2)	–	63,356,000	8.00%

Notes:

1. The subscription of the 419,730,000 shares of the Company by BOE, 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. China Orient Multi-Strategy Master Fund and China Orient Enhanced Income Fund, both wholly-owned by China Orient Asset Management (International) Holding Limited, held 39,753,000 shares and 23,603,000 shares of the Company respectively.
3. Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 31 December 2023.
4. Subsequent to the financial year, China Orient Asset Management (International) Holding Limited filed a disclosure of interests on 25 January and 2 April 2024 and represents its interest in the Company's share increased to 79,250,000 shares (representing 10.01% of the issued share capital of the Company based on the total number of issued share capital of 791,575,204 shares as at 2 April 2024).
5. All the interests disclosed above represent long positions.

REPORT OF THE DIRECTORS

Saved as disclosed above, as at 31 December 2023, 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.

DEBENTURE ISSUE

The Group has not issued any debenture during the year ended 31 December 2023.

DIRECTORS' SERVICE CONTRACTS

Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning have entered into a management agreement with the Company which may be terminated by either party to the agreement at one month's notice.

Non-executive Directors are appointed for a term of 3 years. Independent Non-executive Directors are appointed for a period up to 31 December 2024 or such other date as agreed by the Independent Non-executive Directors and the Company.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Referring the section headed "Continuing Connected Transactions, Connected Transactions and Other Related Party Transactions" as disclosed, Mr. Gao Wenbao ("Mr. Gao") held 1,860,700 A shares of BOE, Mr. Su Ning ("Mr. Su") held 150,000 A shares of BOE, Mr. Shao Xibin ("Mr. Shao") held 687,600 A shares of BOE and Mr. Jin Hao ("Mr. Jin") held 379,500 A shares of BOE and Mr. Meng Chao ("Mr. Meng") held 537,500 issued A shares of BOE. In addition, Mr. Gao is a director, a president and the vice chairman of the executive committee of the 10th Board of Directors of the BOE Group, and the chairman of Beijing

Zhongxiangying Technology Co., Ltd. and other positions. Mr. Gao is also the group president and BOEU principal of the back-desk (business support system) of BOE, and the front-desk head of the display device and the IoT innovation business of BOE. Mr. Su is a vice president of BOE Group and the general manager of the front-desk of automotive SBU of the display device and the IoT innovation business of BOE. Mr. Shao is the chief new product officer of the mid-desk of the technology and product of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of LCD product development centre of the mid-desk of the technology and product of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the technology and the product mid-desk terminal product and technology development of the display device and the IoT innovation business of BOE. Mr. Jin is the deputy person in charge of the mid-desk of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the deputy head of the mid-desk of the production and marketing operation centre of the planning and operation of the mid-desk of the display device and the IoT innovation business of BOE, the team leader of business operation team of the domestic marketing platform area of the front-desk of the display device and the IoT innovation business of BOE. Mr. Meng is the head of the financial operation management center in Display Devices and IoT Innovation Business of CFO organisation of the back-desk of BOE (business support system), the head of the back-desk (business support system) of CFO organisation of the budgeting center, and VCFO of the back-desk (business support system) of CFO organization.

Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Mr. Meng may be considered having interests in the above-mentioned transactions. They have been abstained from voting in respect of those transactions.

Except as disclosed above, there has been no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. There is no material interest of directors in contracts involving the Company.

CONTINUING CONNECTED TRANSACTIONS, CONNECTED TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS

A number of continuing connected transactions are entered into and between the Group and members of BOE. BOE Technology (HK) Limited ("BOE(HK)"), a wholly-owned subsidiary of BOE, is the controlling shareholder of the Company holding approximately 53.02% of the issued share capital of the Company as at 31 December 2023 and is an associate of the controlling shareholder and thus a connected person of the Company.

(A) CONTINUING CONNECTED TRANSACTIONS

(1) Master Purchase Agreement and Renewed Master Purchase Agreement

On 27 October 2016, the Company and BOE entered into the master purchase agreement (the "Master Purchase Agreement"), pursuant to which the Group agreed to purchase TFT panels and other products including, but not limited to, raw materials for manufacturing TFT/TP modules from the BOE and its subsidiaries (the "BOE Group") up to 31 December 2018 (as renewed by the agreements dated 22 November 2018, effective up to 31 December 2021).

The Master Purchase Agreement was approved at the special general meeting of the Company held on 29 December 2016, and was approved for renewal at the special general meeting of the Company held on 10 January 2019, pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2021. On 6 September 2021, in view of the expected transaction amount under the Master Purchase Agreement for the year ended 31 December 2021 will be higher than the Existing Annual Cap, and the expiration of the Master Purchase Agreement on 31 December 2021, the Company therefore revised the Existing Annual Cap for the year ended 31 December 2021 and entered into the Renewed Master Purchase Agreement (the "Renewed Master Purchase Agreement"), pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2024.

Pursuant to the Master Purchase Agreement, the Group has from time to time since 2016 engaged the BOE Group to purchase the TFT panels and other products including, but not limited to, raw materials for the manufacturing of its LCDs and related products, in particular TFT/TP modules, from the BOE Group.

Leveraging its competitive edges, such as panel research and automated manufacturing process, the BOE Group has supplied the Group with TFT panels with customized design and comprehensive quality support at prices considered to be fair and reasonable by the Company. With the stable supply of TFT panels and provision of technical support by the BOE Group, together with the availability of the BOE Group's full spectrum of state-of-the-art display products, the Group's TFT business expanded rapidly, especially in the PRC, even though the automotive display market faced keen competition.

Pursuant to the approval obtained at the special general meeting of the Company held on 22 October 2021, the revised annual cap for year ended 31 December 2021 and the annual caps under the Renewed Master Purchase Agreement for the three years are as follows:

	For the year ended 31 December 2021 (Revised) HK\$ million	For the year ended 31 December 2022 HK\$ million	For the year ended 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
Purchase Transactions	5,000	6,800	6,000	6,800

The total amounts of the Purchase Transactions during the years 2022 and 2023 are HK\$6,475,616,000 and HK\$4,592,212,000 respectively.

For details of the continuing connected transactions contemplated under the Master Purchase Agreement and Renewed Master Purchase Agreement, please refer to the announcement of the Company dated 6 September 2021 and the circular of the Company dated 30 September 2021.

REPORT OF THE DIRECTORS

(2) The Trademark Licence Agreement and Renewed Trademark Licence Agreement

On 30 December 2021, the Company and BOE Group entered into the trademark licence agreement (the "Trademark Licence Agreement"), pursuant to which BOE agrees to grant the Group the right to use the Trademark in connection with the display products and services, the brand identity and brand promotion, and as a trade name for a company, for a term commencing from 1 December 2021 to 31 December 2022.

Since the Company has amended its name to BOE Varitronix Limited in 2017, the Company has been adopting the Trademark for all its businesses, corporate promotions and other business activities in the display products and services, which are generally known and recognised by the public. With the stable supply of TFT panels and the provision of technical support by the BOE Group, the Group's TFT business expanded rapidly, especially in the PRC. In view of the above, the Company entered into the Trademark License Agreement to continue to use the Trademark.

Pursuant to the Trademark Licence Agreement, the annual caps for the total annual payment for the relevant periods in 2021 and 2022 are as follows:

	For the period from 1 December 2021 to 31 December 2021 HK\$ million	For the year ended 31 December 2022 HK\$ million
Trademark Licence Fee	2	32

On 21 December 2022, in view of the expiration of the Trademark Licence Agreement on 31 December 2022, the Company therefore entered into the Renewed Trademark Licence Agreement (the "Renewed Trademark Licence Agreement"), pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2024.

Pursuant to the Trademark Licence Agreement, the annual caps for the total annual payment for the relevant periods in 2023 and 2024 are as follows:

	For the year ended 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
Trademark Licence Fee	30	65

The total amounts of the Trademark Licence Fee during the years 2022 and 2023 are HK\$21,818,000 and HK\$19,257,000 respectively.

For details of the continuing connected transactions contemplated under the Trade Mark Licence Agreement and Renewed Trademark Licence Agreement, please refer to the announcement of the Company dated 21 December 2022.

(3) The New Tenancy Agreement, The Assets Lease Agreement, The Renewed Tenancy Agreement and The Renewed Assets Lease Agreement

On 14 February 2019, Varitronix (Chengdu) Display Technology Limited (the "Chengdu Vx", formerly known as Chengdu BOE Vehicle Display Technology Co. Ltd.) entered into the new tenancy agreement (the "New Tenancy Agreement") and assets lease agreement (the "Assets Lease Agreement") with Chengdu BOE Optoelectronics Technology Co., Ltd. (the "Chengdu BOE").

The TFT business is highly competitive. The Group is developing standardized platform TFT modules to promote to its customers in order to achieve further economies of scales. The Group considered that it is to the Group's interest that the manufacturing of standardized platform TFT modules under one integrated manufacturing process and control, i.e. from panel production to TFT modules assembly, will render the Group higher competitive advantages including, but not limited to yield enhancement, quality control, supply chain management and etc. by leveraging the various competitive edges of the BOE Group.

As a result of aforesaid integration of the TFT modules manufacturing process for standardized platform TFT modules products to the BOE Group, the premises for TFT modules assembly will no longer be required by the Group and the office of Chengdu Vx will be relocated to the new premises (a total construction floor area of approximately 135 square metres) under the new tenancy agreement. The BOE Group will utilize the lease assets for the manufacturing of TFT modules in the premises. The Directors are of the view that the new tenancy agreement for the new premises are beneficial to the Group for cost-saving purpose.

On 30 December 2021, in view of the expiration of the New Tenancy Agreement and the Assets Lease Agreement on 31 December 2021, the Company therefore entered into the Renewed Tenancy Agreement (the "Renewed Tenancy Agreement") and Renewed Assets Lease Agreement (the "Renewed Assets Lease Agreement"), pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2024.

Pursuant to the Renewed Tenancy Agreement and the Renewed Assets Lease Agreement on an aggregate basis, the annual caps (including VAT) for the total annual payment (comprising the rental, management fee and utilities fee) and total annual payment received under Renewed Assets Lease Agreement for the relevant periods in 2022, 2023 and 2024 are as follows:

	For the year ended 31 December 2022 RMB	For the year ended 31 December 2023 RMB	For the year ending 31 December 2024 RMB
Total Rental	31,784	31,784	31,784
Total Management Fee	29,711	29,711	29,711
Total Utilities Fee	29,832	29,832	29,832
Total payment under the Renewed Tenancy Agreement	91,327	91,327	91,327
Total payment received under the Renewed Assets Lease Agreement	13,685,608	13,685,608	13,685,608
Total (Annual Caps)	14,500,000	14,500,000	14,500,000

The total annual payment (comprising the rental, management fee and utilities fee) for the year 2022 and 2023 are HK\$102,000 (equivalent to approximately RMB91,000) and HK\$93,000 (equivalent to approximately RMB84,000) respectively. The total annual payment received under Assets Lease Agreement for the year 2022 and 2023 are HK\$15,328,000 (equivalent to approximately RMB13,686,000) and HK\$3,472,000 (equivalent to approximately RMB3,028,000) respectively.

For details of the continuing connected transactions contemplated under the New Tenancy Agreement, the Assets Lease Agreement, the Renewed Tenancy Agreement and the Renewed Assets Lease Agreement, please refer to the announcement of the Company dated 30 December 2021.

(4) Master Subcontracting Agreement

On 29 April 2022, the Company entered into the master subcontracting agreement (the "Master Subcontracting Agreement") with Beijing BOE Optoelectronics Technology Co., Ltd., Hefei BOE Optoelectronics Technology Co., Ltd, Hefei Xinsheng Optoelectronics Technology Co., Ltd. and Chengdu BOE (collectively known as "the Subcontractors"), pursuant to which the Group has agreed to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis to the Subcontractors, for a term from 29 April 2022 to 31 December 2024. Each of the Subcontractors is a wholly-owned subsidiary of BOE and an associate of BOE(HK) and is thus a connected person of the Company under the Listing Rules.

The Group has its own plant and equipment and is engaged in the processing of TFT/TP modules and other products. The Subcontracting Transactions could provide benefits to the Group, among others, (i) generating additional revenue to the Group; (ii) utilising our production facilities more efficiently; (iii) allowing the Group to keep up-to-date knowledge to the development of technology and the industry; and (iv) allowing the Group to meet the production and quality requirement of the ultimate customers, and has a better chance to be a qualified supplier of them for other products and increase our market share and revenue in future.

REPORT OF THE DIRECTORS

Pursuant to the Master Subcontracting Agreement, the annual caps for the total amount for the relevant periods in 2022, 2023 and 2024 are as follows:

	For the year ended 31 December 2022 HK\$ million	For the year ended 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
Subcontracting	60	85	120

The total amounts of the Subcontracting Transactions during the years 2022 and 2023 are HK\$8,127,000 and HK\$3,666,000 respectively.

For details of the continuing connected transactions contemplated under the Master Subcontracting Agreement, please refer to the announcement of the Company dated 29 April 2022.

(5) Master Framework Agreement — Equipment, Software, Construction and Engineering Services

On 22 July 2022, the Company and BOE entered into the master framework agreement in relation to purchase and/or lease equipment and related software; and engage the construction and engineering services (the "Master Framework Agreement — Equipment, Software, Construction and Engineering Services"), pursuant to which the Group may (i) purchase and/or lease equipment and related software from the BOE Group; and (ii) engage the BOE Group to provide the construction and engineering services from time to time during the term from 22 July 2022 to 31 December 2024.

Over the years, the BOE Group has accumulated extensive experience in producing equipment as well as providing construction and engineering services with the technical know-how and more than 70,000 patents. Being a well-established market leader in the industry and equipped with the well-established streamline supply chain and the profound technical maintenance team, the BOE Group can (i) supply and/or lease certain high-quality equipment and related software; and (ii) provide the Group with professional construction and engineering services for the expansion of manufacturing facilities in the PRC.

By entering into the Master Framework Agreement — Equipment, Software, Construction and Engineering Services, the Group would be benefited with the flexibility (but not an obligation) to purchase and lease equipment and related software, and procure construction and engineering services from the BOE Group. Moreover, it could allow the Group to obtain more competitive offer among equipment and related software suppliers and service providers which are market leaders, and also facilitate the operation and growth of the Group's business.

Pursuant to the Master Framework Agreement — Equipment, Software, Construction and Engineering Services, the annual caps for the total amount for the relevant periods in 2022, 2023 and 2024 are as follows:

	For the year ended 31 December 2022 HK\$ million	For the year ended 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
Purchase and lease equipment and related software, and procure construction and engineering services	110	110	50

The total amounts of the Transactions of purchase and lease equipment and related software, and procure construction and engineering services during the years 2022 and 2023 are HK\$43,788,000 and HK\$79,326,000 respectively.

For details of the continuing connected transactions contemplated under the Master Framework Agreement — Equipment, Software, Construction and Engineering Services, please refer to the announcement of the Company dated 22 July 2022.

(6) Master Framework Agreement — Factory Maintenance Services

On 8 May 2023, the Company and BOE Environmental and Energy Technology Co., Ltd (“BOE Environmental and Energy”) entered into the master framework agreement in relation to factory maintenance services (the “Master Framework Agreement — Factory Maintenance Services”), pursuant to which the Group may engage BOE Environmental and Energy to provide factory facilities repair, maintenance and related services from time to time during the term from 8 May 2023 to 31 December 2024.

Over the years, BOE Environmental and Energy has accumulated extensive experience in facilities repair, maintenance and related services with the technical know-how. Its teams are located in many regions, including Chengdu, of the PRC and have rich resources and professional capabilities. Being a well-established market leader in the industry and equipped with the well-established streamline supply chain and the profound technical maintenance team, BOE Environmental and Energy can provide the Group with professional facilities repair, maintenance and related services for the expansion of manufacturing facilities in the PRC while leverage its local presence such as Chengdu.

By entering into the Master Framework Agreement — Factory Maintenance Services, the Group would be benefited (but not an obligation) from the flexibility of obtaining the industry-leading personnel and services of facilities repair, maintenance and related services from BOE Environmental and Energy with competitive cost. It can also facilitate the operation and production of the Group, in particular, Chengdu plant, to quickly enter into optimal scale of production and operation with competitive cost of production for further growth.

Pursuant to the Master Framework Agreement — Factory Maintenance Services, the annual caps for the total amount for the relevant periods in 2023 and 2024 are as follows:

	For the year ending 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
Factory Maintenance Services Fee	11	17

The total amounts of the Factory Maintenance Services Fee during the year 2023 is HK\$Nil.

For details of the continuing connected transactions contemplated under the Master Framework Agreement — Factory Maintenance Services, please refer to the announcement of the Company dated 8 May 2023.

Governance

Pursuant to Listing Rules 14A.55, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

In accordance with Listing Rule 14A.56, the Company's auditor was engaged by the Board of Directors to report on the continuing connected transactions in relation to the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter advised that nothing has come to their attention that causes them to believe that above continuing connected transactions:

- i. have not been approved by the Company's Board of Directors;
- ii. the transactions (which involved provision of goods or services) were not, in all material respects, in accordance with the pricing policies of the Group;
- iii. were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing the continuing connected transactions; and
- iv. the relevant cap amounts have been exceeded during the financial year ended 31 December 2023.

(B) OTHER RELATED PARTY TRANSACTIONS

Except as disclosed above, related party transactions entered into by the Group during the year which (i) do not constitute connected transactions or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under the Listing Rules are disclosed in Note 32 to the financial statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions and connected transactions entered into by the Group during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Other than the aforesaid and as disclosed under the section headed "Share Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Company's Bye-law provides that the Directors shall be indemnified out of the assets of the Company against any actions, costs, charges, losses, damages and expenses as a result of any act or failure to act in carrying out their functions.

The Company has arranged directors' and officers' liability insurance during the year in respect of any possible legal action against the Directors and officers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the law of Bermuda.

BANK LOANS

The Group has bank loan of HK\$620 million as at 31 December 2023 (2022: HK\$667 million).

CAPITALISATION OF INTEREST

No interest was capitalised by the Group during the year.

PROPERTIES

Particulars of the properties held by the Group are shown on page 184 of this Annual Report.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 183 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, for the year under review, the Company has maintained the prescribed public float under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers of the Group accounted for 48.4% of the Group's total revenue while the largest customer of the Group accounted for 21.2% of the Group's total revenue. In addition, for the year ended 31 December 2023, the five largest suppliers of the Group accounted for 49.5% of the Group's total purchases while the largest supplier of the Group accounted for 16.0% of the Group's total purchases. The largest supplier of the Group is the associate of BOE which is the substantial shareholder of the Company.

Saved as disclosed above, at no time during the year have the Directors or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's total issued share capital) had any interest in these major customers and suppliers.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Pang Chunlin has been appointed as an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 7 April 2023.

Mr. Hou Ziqiang has retired as an independent non-executive Director and ceased as a member of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 27 June 2023.

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

During the year ended 31 December 2023, the trustee of the Company's share award plan (adopted on 28 August 2020) (the "Share Award Plan") did not purchase any shares of the Company on the Stock Exchange. Total accumulated number of shares of the Company purchased were 12,373,000 (representing 1.56%* of the issued share capital of the Company) under the Share Award Plan.

REPORT OF THE DIRECTORS

During the year ended 31 December 2023, a total of 662,000 awarded shares (representing 0.08%* of the issued share capital of the Company) were granted to certain selected participants, comprising 2 Directors and certain employees of the Group on 22 March 2023, pursuant to the Share Award Plan.

As at 31 December 2023, the total number of awarded shares that can be granted was 2,491,000 and 63,635,520 (after deducting the 662,000 awarded shares granted on 22 Mar 2023), based on the accumulated number of shares of the Company purchased in so far and the maximum number of awarded shares that can be granted at the Adoption Date, representing 0.31%* and 8.04%* respectively of the issued share capital of the Company.

Other than the aforesaid, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Subsequent to the financial year to 2 April 2024, the latest practicable date:

- the Board has granted a total of 2,047,000 awarded shares (representing 0.26%* of the issued share capital of the Company) to the certain selected participants, comprising 5 Directors and certain employees of the Group on 22 March 2024, pursuant to the share award plan.
- 1,000,000 shares (representing 0.13%* of the issued share capital of the Company) are purchased in March 2024. Total number of shares of the Company purchased is 13,373,000 (representing 1.69%* of the issued share capital of the Company) under the share award plan.

* Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 31 December 2023, 22 March 2024 and the latest practicable date.

COMPETING INTEREST

None of the Directors has interest in any business which competes or its likely to compete, either directly or indirectly, which the business of the Group that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

SIGNIFICANT SUBSEQUENT EVENTS AFTER 31 DECEMBER 2023 TO 2 APRIL 2024, BEING THE LATEST PRACTICABLE DATE OF THIS REPORT

Save as disclosed as above and that in the Chairman's Statement, the Group had no material events for disclosure subsequent to 31 December 2023 and up to the date of this report.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Gao Wenbao
Chairman

Hong Kong, 21 March 2024

REPORT OF THE INDEPENDENT AUDITOR



Independent auditor's report to the shareholders of BOE Varitronix Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of BOE Varitronix Limited ("the Company") and its subsidiaries ("the Group") set out on pages 123 to 182, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

REPORT OF THE INDEPENDENT AUDITOR

TIMING OF REVENUE RECOGNITION

Refer to note 4 to the consolidated financial statements and the accounting policy note 2(u).

The Key Audit Matter

Revenue from sales of the Group's liquid crystal display ("LCD") products is recognised when the Group transfers the control of the goods to the customer.

The Group's sales contracts with customers, which principally comprise automotive manufacturers, have a variety of trade terms relating to goods acceptance. Such terms may affect the timing of the recognition of sales to those customers. The Group evaluates the trade terms of each sales contract in order to determine the appropriate timing for revenue recognition.

There is a risk that revenue transactions may not be recognised in the appropriate financial period due to lead times for sales made around the year end and the variety of trade terms offered to the customers.

We identified the timing of revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and could be subject to manipulation to meet targets or expectations and because of the variety of trade terms offered to customers which increases the risk of error in the recognition of revenue.

How the matter was addressed in our audit

Our audit procedures to assess the timing of revenue recognition included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition;
- inspecting key customer contracts to identify terms and conditions relating to goods acceptance and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;
- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying sales invoices and delivery documents with the customers' acknowledgement of goods acceptance to determine whether the related revenue had been recognised in the appropriate financial period; and
- inspecting underlying documentation for journal entries relating to revenue selected based on specific risk-based criteria.

VALUATION OF INVENTORIES

Refer to note 19 to the consolidated financial statements and the accounting policy note 2(m).

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group held significant inventories as at 31 December 2023, which comprised raw materials, work-in-progress and finished goods in respect of LCD and related products.</p>	<p>Our audit procedures to assess the valuation of inventories included the following:</p>
<p>Inventories are stated at the lower of cost and net realisable value.</p>	<ul style="list-style-type: none"> obtaining an understanding of and assessing the design and implementation of the Group's key internal controls over the inventory write-down assessment process, including the Group's monitoring controls over slow-moving inventories;
<p>The Group maintains its inventory levels based on customer orders and forecast demand. There is a risk that the net realisable value of inventories may fall below their costs due to changes in customer demand and the consequent overstocking of inventories at the end of the reporting period. In addition, a significant proportion of the Group's products are manufactured to meet specific customer requirements. There is a risk that if a customer experiences financial difficulty or there is a demand issue with a customer's product that includes products manufactured and held by the Group as inventories which may not be sold or may be sold at a price below their costs.</p>	<ul style="list-style-type: none"> evaluating the Group's inventory write-down policy with reference to the requirements of the prevailing accounting standards;
<p>Management assesses the level of write-down of inventories required at each reporting date after considering inventory ageing and other relevant factors. Such assessment involves significant management judgement and estimation in determining the value of inventories which will not be recoverable at each reporting date.</p>	<ul style="list-style-type: none"> assessing whether the inventory write-downs at the reporting date were calculated on a basis consistent with the Group's inventory write-down policy by recalculating the inventory write-downs based on the percentages and other parameters in the Group's inventory write-down policy;
<p>We identified the valuation of inventories as a key audit matter because inventories are significant to the consolidated financial statements and because of the significant degree of management judgement involved in determining the write-down of inventories.</p>	<ul style="list-style-type: none"> assessing the classification of inventory items in the inventory ageing report by comparison with purchase invoices and other relevant underlying documentation, on a sample basis;
	<ul style="list-style-type: none"> selecting raw materials and work-in-progress items, on a sample basis, at the reporting date and comparing their usage subsequent to the reporting date;
	<ul style="list-style-type: none"> enquiring of the senior members of the production department whether there are any expected changes in production plans which may indicate write-down of inventories would be required;
	<ul style="list-style-type: none"> evaluating inventory items, on a sample basis, whether they were stated at the lower of cost and net realisable value at the reporting date by comparing the sales price of those inventory items subsequent to the reporting date with their carrying values; and
	<ul style="list-style-type: none"> assessing the historical accuracy of management's calculation of write-down of inventories by examining the utilisation or release of write-downs recorded at the end of the previous financial year during the current financial year.

REPORT OF THE INDEPENDENT AUDITOR

EXPECTED CREDIT LOSS ALLOWANCE FOR TRADE RECEIVABLES

Refer to notes 20 and 29(a) to the consolidated financial statements and the accounting policies notes 2(l) and 2(o).

The Key Audit Matter

The Group held significant trade receivables as at 31 December 2023, which comprised a large number of individual balances.

The Group has a wide range of customers with different individual characteristics which are exposed to their own risks. Therefore, there is a risk that certain of the Group's trade receivables may not be recoverable.

Management has implemented internal controls to monitor credit control, collection of trade receivables and follow up of overdue balances.

Management measures the expected credit loss allowance required at each reporting date at an amount equal to the lifetime expected credit losses based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions and forward-looking information. Such assessment involves significant management judgement and estimation.

We identified the loss allowance for trade receivables as a key audit matter because of the significance of trade receivables to the consolidated financial statements and because of the significant degree of management judgement involved in determining the expected credit losses.

How the matter was addressed in our audit

Our audit procedures to assess the expected credit loss allowance for trade receivables included the following:

- obtaining an understanding of and assessing the design and implementation of the Group's key internal controls over the processes of credit control, and estimate of expected credit losses;
- evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;
- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the Group, including the basis of the segmentation of trade receivables based on shared credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;
- assessing the appropriateness of the Group's estimates of expected loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- re-performing the calculation of the loss allowance as at 31 December 2023 based on the Group's credit loss allowance policies; and
- assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation.

REPORT OF THE INDEPENDENT AUDITOR

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT OF THE INDEPENDENT AUDITOR

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chui Kin Pong.

KPMG

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

21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Revenue	4	10,760,416	10,722,361
Other operating income, net	5	174,215	143,494
Change in inventories of finished goods and work in progress		549,090	385,540
Raw materials and consumables used		(9,307,367)	(9,290,616)
Staff costs		(938,819)	(680,018)
Depreciation	13	(202,110)	(165,770)
Other operating expenses	6(c)	(465,702)	(444,527)
Profit from operations		569,723	670,464
Finance costs	6(a)	(25,220)	(12,361)
Share of losses of associates		(4,471)	(456)
Profit before taxation	6	540,032	657,647
Income tax	7(a)	(58,951)	(98,077)
Profit for the year		481,081	559,570
Profit attributable to:			
Equity shareholders of the Company		475,260	582,451
Non-controlling interests		5,821	(22,881)
		481,081	559,570
Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)	11		
Basic		60.4 cents	78.4 cents
Diluted		60.2 cents	77.8 cents

The notes on pages 129 to 182 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Profit for the year		481,081	559,570
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Item that may be reclassified subsequently to profit or loss:			
— Exchange translation adjustments: net movement in exchange reserve		(26,894)	(235,277)
Total comprehensive income for the year		454,187	324,293
Attributable to:			
Equity shareholders of the Company		449,146	361,030
Non-controlling interests		5,041	(36,737)
		454,187	324,293

The notes on pages 129 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000		Note	2023 \$'000	2022 \$'000
Non-current assets				Total assets less current liabilities			
Property, plant and equipment	13	1,759,580	1,490,300			5,011,079	4,179,975
Interest in associates	17	–	7,922	Non-current liabilities			
Intangible assets	14	25,061	22,173	Lease liabilities	24	13,907	4,402
Other financial assets	18	41,897	42,588	Deferred tax liabilities	25(b)	3,468	9,977
Non-current deposits and prepayments	20	101,264	98,265	Deferred income	26	200,496	18,911
Deferred tax assets	25(b)	8,843	11,286	Bank loans	23	383,497	30,912
		1,936,645	1,672,534			601,368	64,202
Current assets				NET ASSETS			
Inventories	19	1,947,101	1,568,001			4,409,711	4,115,773
Trade and other receivables, deposits and prepayments and other contract costs	20	2,555,501	2,157,832	CAPITAL AND RESERVES			
Amounts due from associates	17	12,220	–	Share capital	28(c)	197,894	197,853
Other financial assets	18	15,405	65	Reserves		4,155,701	3,866,845
Current tax recoverable	25(a)	10,354	4,122	Total equity attributable to equity shareholders of the Company			
Fixed deposits with more than three months to maturity when placed	21	–	61,723			4,353,595	4,064,698
Restricted bank deposits	21	55,884	–	Non-controlling interests	16	56,116	51,075
Cash and cash equivalents	21	3,500,760	2,818,823	TOTAL EQUITY			
		8,097,225	6,610,566			4,409,711	4,115,773
Current liabilities				Approved and authorised for issue by the board of directors on 21 March 2024.			
Trade and other payables	22	4,738,130	3,389,694	Gao Wenbao Director			
Lease liabilities	24	8,159	7,392	Ko Wing Yan, Samantha Director			
Current tax payable	25(a)	13,925	65,324	The notes on pages 129 to 182 form part of these financial statements.			
Bank loans	23	236,439	636,288				
Deferred income	26	26,138	4,427				
		5,022,791	4,103,125				
Net current assets							
		3,074,434	2,507,441				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											
	Note	Share capital	Share premium	Awarded shares held under the Share Award Plan	Exchange reserve	Capital reserve	Other reserves	Contributed surplus	Retained profits	Total	Non-controlling interests	Total equity
		(note 28(c))	(note 28(d)(i))	(note 28(d)(v))	(note 28(d)(iii))	(note 28(d)(iv))	(note 28(d)(vii))	(note 28(d)(ii))				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2022		184,039	1,309,846	(33,609)	57,499	8,215	105,921	720,191	680,322	3,032,424	313,201	3,345,625
Changes in equity for 2022:												
Profit/(loss) for the year		-	-	-	-	-	-	-	582,451	582,451	(22,881)	559,570
Other comprehensive income	10	-	-	-	(221,421)	-	-	-	-	(221,421)	(13,856)	(235,277)
Total comprehensive income		-	-	-	(221,421)	-	-	-	582,451	361,030	(36,737)	324,293
Dividends approved in respect of the previous year	28(b)(ii)	-	-	-	-	-	-	(109,284)	-	(109,284)	-	(109,284)
Placing and shareholder subscription of new shares	28(c)(iii)	13,258	792,798	-	-	-	-	-	-	806,056	-	806,056
Capitalisation of placing and shareholder subscription expenses		-	(6,395)	-	-	-	-	-	-	(6,395)	-	(6,395)
Issuance of shares upon exercise of share options	28(c)(ii)	556	5,215	-	-	(1,321)	-	-	-	4,450	-	4,450
Vesting of shares under the Share Award Plan		-	-	9,774	-	(17,446)	-	-	7,672	-	-	-
Equity settled share-based transactions	6(b)	-	-	-	-	22,590	-	-	-	22,590	-	22,590
Disposal of a subsidiary	31	-	-	-	-	-	(31,827)	-	31,827	-	(4,529)	(4,529)
Acquisition of non-controlling interests without change in control		-	-	-	-	-	(46,173)	-	-	(46,173)	(220,860)	(267,033)
		13,814	791,618	9,774	-	3,823	(78,000)	(109,284)	39,499	671,244	(225,389)	445,855
Balance at 31 December 2022		197,853	2,101,464	(23,835)	(163,922)	12,038	27,921	610,907	1,302,272	4,064,698	51,075	4,115,773

The notes on pages 129 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company												
Note	Share capital	Share premium	Awarded shares held under the Share Award Plan	Exchange reserve	Capital reserve	Other reserves	Contributed surplus	Retained profits	Total	Non-controlling interests	Total equity	
	(note 28(c))	(note 28(d)(i))	(note 28(d)(v))	(note 28(d)(iii))	(note 28(d)(iv))	(note 28(d)(vi))	(note 28(d)(ii))	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2023	197,853	2,101,464	(23,835)	(163,922)	12,038	27,921	610,907	1,302,272	4,064,698	51,075	4,115,773	
Changes in equity for 2023:												
Profit for the year	-	-	-	-	-	-	-	475,260	475,260	5,821	481,081	
Other comprehensive income	10	-	-	(26,114)	-	-	-	-	(26,114)	(780)	(26,894)	
Total comprehensive income				(26,114)				475,260	449,146	5,041	454,187	
Dividends approved in respect of the previous year	28(b)(ii)	-	-	-	-	-	(180,964)	-	(180,964)	-	(180,964)	
Issuance of shares upon exercise of share options	28(c)(ii)	41	392	-	(103)	-	-	-	330	-	330	
Vesting of shares under the Share Award Plan		-	-	10,072	(20,228)	-	-	10,156	-	-	-	
Equity settled share-based transactions	6(b)	-	-	-	20,385	-	-	-	20,385	-	20,385	
Release upon lapse of share options		-	-	-	(311)	-	-	311	-	-	-	
		41	392	10,072	-	(257)	(180,964)	10,467	(160,249)	-	(160,249)	
Balance at 31 December 2023		197,894	2,101,856	(13,763)	(190,036)	11,781	27,921	429,943	1,787,999	4,353,595	56,116	4,409,711

The notes on pages 129 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000		Note	2023 \$'000	2022 \$'000
Operating activities				Financing activities			
Cash generated from operations	21(c)	1,306,883	833,660	Capital element of lease rentals paid	21(d)	(10,349)	(11,140)
Tax paid				Interest element of lease rentals paid	21(d)	(921)	(669)
— Hong Kong Profits Tax paid		(56,551)	(11,614)	Placing and shareholder subscription of new shares	28(c)(iii)	—	799,661
— Chinese Mainland income taxes paid		(54,381)	(33,452)	Proceed for bank loans	21(d)	619,936	776,700
— Tax paid in respect of jurisdictions outside Hong Kong and Chinese Mainland		(9,873)	(14,598)	Repayment of bank loans	21(d)	(667,200)	(83,023)
Net cash generated from operating activities		1,186,078	773,996	Acquisition of non-controlling interests without change in control	16	—	(267,033)
Investing activities				Issuance of shares upon exercise of share options	28(c)(ii)	330	4,450
Proceeds from disposal of property, plant and equipment		1,721	3,243	Interest paid		(24,299)	(11,692)
Proceeds from redemption of certificates of deposits		—	3,124	Dividends paid		(180,964)	(109,284)
Decrease/(increase) in fixed deposits with more than three months to maturity when placed		61,723	(61,723)	Net cash (used in)/ generated from financing activities		(263,467)	1,097,970
Increase in restricted bank deposits		(55,884)	—	Net increase in cash and cash equivalents		698,508	702,273
Payment for the purchase of property, plant and equipment		(502,059)	(1,176,262)	Cash and cash equivalents at 1 January		2,818,823	2,267,118
Payment for the purchase of intangible assets		(6,125)	(4,394)	Effect of foreign exchange rates changes		(16,571)	(150,568)
Payment for purchase of other financial assets		(15,405)	(1,710)	Cash and cash equivalents at 31 December	21(a)	3,500,760	2,818,823
Net cash outflow from disposal of a subsidiary	31	—	(14,822)				
Government grants received relating to acquisition of property, plant and equipment		201,942	33,324				
Interest received		89,984	49,527				
Net cash used in investing activities		(224,103)	(1,169,693)				

The notes on pages 129 to 182 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL

The Company is incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The Company is a public limited company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider the ultimate controlling party of the Group to be BOE Technology Group Co., Ltd, which is incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Units A-F, 35/F., Legend Tower, No.7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT module assembly capacity.

2 MATERIAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in equity securities are stated at their fair values as explained in note 2(h).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs

The Group has applied the following amendments to HKFRS issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(c) CHANGES IN ACCOUNTING POLICIES

(CONTINUED)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability, which should result in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group's profit or loss for the year ended 31 December 2022 and the Group's and the Company's financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively. Alternatively, the catch-up profit or loss adjustment was recognised in the current accounting period with the corresponding adjustment to the LSP liability.

(d) SUBSIDIARIES, CONTROLLED STRUCTURED ENTITIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(d) SUBSIDIARIES, CONTROLLED STRUCTURED ENTITIES AND NON-CONTROLLING INTERESTS (CONTINUED)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2(l)(iii)).

(e) ASSOCIATE

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identified net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(l)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of associates and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of associates' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the Expected Credit Loss ("ECL") model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss.

(f) BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2(l)(iii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see note 2(h)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(g) GOODWILL

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)(iii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associate, are set out below.

Investments in debt and equity securities are recognised or derecognised on the date the Group commits to purchase or sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified as amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(ii)).

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(i) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(iii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(i) PROPERTY, PLANT AND EQUIPMENT

(CONTINUED)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

— Right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest are depreciated over the unexpired term of lease	
— Interests in land and buildings	40 years
— Plant and machinery	2 to 10 years
— Tools and equipment	2 to 8 years
— Office equipment	2 to 8 years
— Others	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets (other than goodwill) that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Technology know-how	7 years
— Computer software	5–10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(i) and 2(l)(iii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(k) LEASED ASSETS (CONTINUED)

As a lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(h) and 2(l)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(l) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, other financial assets and amounts due from associates, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments

(Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 12 months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(u)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 365 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(I)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position and interest in associates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (CONTINUED)

(iii) Impairment of other non-current assets

(Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(I)(i), (ii) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(n) CONTRACT ASSETS, CONTRACT LIABILITIES AND OTHER CONTRACT COSTS

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)).

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(m)), property, plant and equipment (see note 2(i)) or intangible assets (see note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the performance obligations relate to the contract are satisfied. The accounting policy for revenue recognition is set out in note 2(u).

(o) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

(p) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(l)(i).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(r) EMPLOYEE BENEFITS

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligation

The group has the defined benefit plans of LSP under the Hong Kong Employment Ordinance.

The group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Share award plan

For the share award plan, the Group may purchase its own shares through the trustee of the share award plan from the open market for the shares to be granted under the share award plan. Shares held by a controlled structured entity of the Group (see note 2(d)) to meet obligations under share award plan (see note 27(b)) are accounted for as treasury shares in the consolidated financial statements.

(v) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) INCOME TAX

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(s) INCOME TAX (CONTINUED)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(t) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods. Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised at point in time when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income which is recognised in profit or loss on a systematic basis over the useful life of the asset.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(v) RESEARCH AND DEVELOPMENT

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(w) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Hong Kong dollars, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

(x) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(y) RELATED PARTIES

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES

(CONTINUED)

(y) RELATED PARTIES (CONTINUED)

- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 27 and 29 contains information about assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) VALUATION OF TRADE RECEIVABLES

The Group maintains a loss allowance account measured at an amount equal to lifetime ECL of receivables stated at amortised cost. The loss allowance is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factor that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If there is a change in the financial condition of the debtors, actual credit losses would be higher or lower than estimated.

(b) WRITE-DOWN OF INVENTORIES

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 2(m). Management estimates net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversal of write-down made in prior years and affect the Group's net asset value and profit or loss.

4 REVENUE

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 ("LCDs") and related products. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and touch panel display module assembly capacity.

Revenue represents the invoiced value of goods supplied to customer by the Group less returns and discounts within the scope of HKFRS 15.

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues in 2023 (2022: two). In 2023 revenues from sales to these two customers amounted to approximately HK\$3,585,002,000 (2022: HK\$4,132,550,000). Details of concentrations of credit risk are set out in note 29(a).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the above information does not include revenue that the Group will be entitled to when it satisfies the remaining performance obligations under contracts with customers that had an original expected duration of one year or less.

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER OPERATING INCOME, NET

	2023 \$'000	2022 \$'000
Changes in fair value of other financial assets	(716)	(736)
Gain on deemed disposal of a subsidiary	–	98
Government grants (note)	71,607	55,416
Interest income on financial assets measured at amortised cost	93,282	52,849
Net exchange (loss)/gain	(4,522)	16,840
Net gain on disposal of property, plant and equipment	1,708	884
Rental receivable from operating leases	4,212	14,122
Other income	8,644	4,021
	174,215	143,494

Note: The amount represents the incentives granted by the government to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$21,835,000 (2022: HK\$16,035,000), amortisation of government grants received in relation to acquisitions of machineries of HK\$48,522,000 (2022: HK\$10,197,000), incentive related to production of HK\$781,000 (2022: HK\$22,400,000), subsidies of HK\$Nil (2022: HK\$2,748,000) under Employment Support Scheme and incentives granted in relation to staff retention of HK\$469,000 (2022: HK\$4,036,000). There are no unfulfilled conditions attaching to these government grants.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 \$'000	2022 \$'000
(a) Finance costs		
Interest on lease liabilities (note 21(d))	921	669
Interest on bank borrowings (note 21(d))	24,299	11,692
	25,220	12,361
(b) Other items		
Trade receivables and amounts due from associates in respect of: <ul style="list-style-type: none"> — Expected credit loss allowance 	7,298	20,372
Cost of inventories (note 19(b))	9,620,357	9,530,183
Research and development costs	236,522	190,165
Contributions to defined contribution retirement plans	64,886	44,799
Equity settled share-based payment expenses	20,385	22,590

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

	2023 \$'000	2022 \$'000
(c) Other operating expenses		
Amortisation of intangible assets	3,153	5,298
Auditors' remuneration		
— Audit services	3,281	3,429
— Review services	586	462
— Tax services	31	30
Bank charges	3,387	1,680
Building management fee	9,354	5,116
Expense related short-term lease	16,150	3,766
Factory consumables, cleaning and security service expenses	34,340	13,334
Freight charges	73,620	62,032
Insurance and quality assurance expenses	10,413	6,330
Legal and professional fees	10,592	12,826
Office expenses	11,702	12,340
Other taxes, surcharge & duties	23,893	19,326
Provision of expected credit losses allowance on trade receivables and amounts due from associates	7,298	20,372
Repair and maintenance	36,639	31,939
Sales, marketing and commission expenses	55,224	48,864
Subcontracting fees	26,842	84,747
Trademark licence fee	19,305	21,818
Travelling and entertainment expenses	36,612	17,097
Utilities expenses	82,095	70,012
Miscellaneous expenses	1,185	3,709
	465,702	444,527

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS:

	2023 \$'000	2022 \$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	22,226	38,920
Over-provision in respect of prior years	(492)	(3,467)
	21,734	35,453
Current tax — PRC income taxes		
Provision for the year	23,614	57,761
Under-provision in respect of prior years	9,795	332
	33,409	58,093
Current tax — Jurisdictions outside Hong Kong and the PRC		
Provision for the year	6,276	13,447
Under-provision in respect of prior years	1,755	1,137
	8,031	14,584
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	(4,223)	(10,053)
	58,951	98,077

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(CONTINUED)

(a) TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS: (CONTINUED)

(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 Chinese Mainland are subject to Corporate Income Tax Law of the People Republic of China ("PRC"). The standard Chinese Mainland Corporate Income Tax rate is 25%.

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), REHEO technology co. ltd. ("REHEO") and Varitronix Automobile Electronics (Huizhou) Co., Ltd ("Varitronix Huizhou"), subsidiaries of the Group, were designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Chengdu BOE Automotive Display Technology Co., Ltd. ("Chengdu Automotive"), subsidiary of the Group was entitled to preferential tax policy of the western development and was subject to the preferential Corporate Income Tax rate of 15%. Accordingly, the Varitronix Heyuan and Chengdu Automotive's applicable tax rate are 15% for the periods ended 31 December 2023 and 2022, REHEO and Varitronix Huizhou's applicable tax rate are 15% for the period ended 31 December 2023 (2022: 25%).

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Varitronix Heyuan and Chengdu Automotive was entitled to the bonus deduction of its certain research and development costs incurred as tax deductible expenses when determining its assessable profits for the years ended 31 December 2023 and 2022. The Group made their best estimate for the bonus deduction to be claimed for Varitronix Heyuan in ascertaining its assessable profits for the years ended 31 December 2023 and 2022.

Other subsidiaries of the Group incorporated in the Chinese Mainland are subject to the standard PRC Corporate Income Tax rate of 25%.

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

(iii) Jurisdictions outside Hong Kong and the Chinese Mainland

Taxation for subsidiaries with operations outside Hong Kong and the Chinese Mainland is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(b) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT AT APPLICABLE TAX RATES:

	2023 \$'000	2022 \$'000
Profit before taxation	540,032	657,647
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	86,442	99,100
Tax effect of non-deductible expenses	5,625	11,751
Tax effect of non-taxable income	(9,844)	(6,727)
Effect on research and development bonus deduction	(34,388)	(30,649)
Tax effect of unused tax losses not recognised	9,710	32,407
Tax effect of other temporary difference not recognised	(9,664)	(6,284)
Utilisation of unused tax losses previously not recognised	(25)	395
Under/(over)-provisions in prior years	11,058	(1,998)
Others	37	82
Actual tax expense	58,951	98,077

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

YEAR ENDED 31 DECEMBER 2023

	Directors' fees	Salary	Other benefit	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Directors								
Gao Wenbao	-	-	-	-	-	-	-	-
Ko Wing Yan, Samantha	-	2,400	-	140	18	2,558	812	3,370
Su Ning	-	1,010	1,127	786	230	3,153	851	4,004
Non-executive Directors								
Shao Xibin	-	-	-	-	-	-	-	-
Jin Hao	-	-	-	-	-	-	-	-
Meng Chao (note i)	-	-	-	-	-	-	-	-
Zhang Jianqiang	-	-	-	-	-	-	-	-
Independent non-executive Directors								
Fung, Yuk Kan Peter	200	-	-	-	-	200	118	318
Chu, Howard Ho Hwa	200	-	-	-	-	200	118	318
Hou Ziqiang	98	-	-	-	-	98	118	216
Pang Chunlin (note ii)	147	-	-	-	-	147	-	147
Total	645	3,410	1,127	926	248	6,356	2,017	8,373

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2022

	Directors' fees \$'000	Salary \$'000	Other benefit \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Sub-total \$'000	Share-based payments \$'000	Total \$'000
Executive Directors								
Gao Wenbao	-	-	-	-	-	-	-	-
Ko Wing Yan, Samantha	-	2,400	-	616	18	3,034	1,433	4,467
Su Ning	-	1,008	268	706	230	2,212	1,433	3,645
Non-executive Directors								
Shao Xibin	-	-	-	-	-	-	-	-
Jin Hao	-	-	-	-	-	-	-	-
Zhang Shujun	-	-	-	-	-	-	-	-
Zhang Jianqiang (note iii)	-	-	-	-	-	-	-	-
Independent non-executive Directors								
Hou Ziqiang (note iv)	200	-	-	-	-	200	287	487
Fung, Yuk Kan Peter	200	-	-	-	-	200	287	487
Chu, Howard Ho Hwa	200	-	-	-	-	200	287	487
Total	600	3,408	268	1,322	248	5,846	3,727	9,573

Note (1): During the year, no directors exercised share options. (2022: Ms. Ko Wing Yan, Samantha exercised 500,000 shares options on 7 December 2022; Mr. Su Ning exercised 500,000 shares options on 9 November 2022; Mr. Hou Ziqiang exercised 100,000 share options on 3 October 2022; Mr. Fung, Yuk Kan Peter exercised 100,000 share options on 24 October 2022 and Mr. Chu, Howard Ho Hwa exercised 30,000 share options on 10 October 2022).

Note (i): Meng Chao has been appointed as a non-executive director with effect from 17 February 2023.

Note (ii): Pang Chunlin has been appointed as an independent non-executive director with effect from 7 April 2023.

Note (iii): Zhang Jianqiang has passed away and ceased to be as a non-executive director with effect from January 2023.

Note (iv): Hou Ziqiang has been retired as an independent non-executive director with effect from 27 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: two) are Directors, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	2023 \$'000	2022 \$'000
Salaries and other emoluments	4,448	3,957
Discretionary bonuses	1,299	1,793
Share-based payments	1,388	1,742
Retirement scheme contributions	88	83
	7,223	7,575

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following band:

	2023 Number of individual	2022 Number of individual
\$2,000,001–\$2,500,000	2	1
\$2,500,001–\$3,000,000	1	2

10 OTHER COMPREHENSIVE INCOME

There are no tax effects in respect of the components of other comprehensive income.

Components of other comprehensive income are as follows:

	2023 \$'000	2022 \$'000
Exchange translation adjustments:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(26,894)	(235,491)
Net amount previously recognised in other comprehensive income transferred to profit or loss in the current year	–	214
	(26,894)	(235,277)

11 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 HK\$475,260,000 (2022: HK\$582,451,000) and the weighted average of 786,365,101 ordinary shares (2022: 742,756,425 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 31 December	786,365,101	742,756,425

(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 HK\$475,260,000 (2022: HK\$582,451,000) and the weighted average of 788,953,698 ordinary shares (2022: 748,648,454 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
Weighted average number of ordinary shares at 31 December	786,365,101	742,756,425
Effect of deemed issue of share under Company's share option scheme for nil consideration	67,855	2,400,478
Effect of Share Award Plan	2,520,742	3,491,551
Weighted average number of ordinary shares (diluted) at 31 December	788,953,698	748,648,454

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 SEGMENT REPORTING

(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 consolidated financial statements are 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 consolidated financial statements. Other information, being the total assets excluding deferred tax assets, other financial assets, 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 tables set 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, the location of operation to which they are allocated, in the case of intangible assets and the location of operation, in the case of interests in associates.

(i) Group's revenues from external customers

	2023 \$'000	2022 \$'000
The PRC (place of domicile)	7,913,271	7,494,766
Europe	1,412,246	1,607,278
America	727,532	680,320
Korea	304,753	396,589
Others	402,614	543,408
	2,847,145	3,227,595
Consolidated revenue	10,760,416	10,722,361

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

	2023 \$'000	2022 \$'000
Czech Republic	315,521	443,518
Germany	242,108	237,130
Romania	142,705	214,818
France	140,563	99,060
Portugal	96,478	73,059
Italy	71,918	112,275
United Kingdom	3,946	24,330
Other European countries	399,007	403,088
	1,412,246	1,607,278

(ii) Group's specified non-current assets

	2023 \$'000	2022 \$'000
The PRC (place of domicile)	1,765,921	1,515,654
Others	18,720	4,741
	1,784,641	1,520,395

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use carried at cost \$'000	Plant, machinery, tools and equipment \$'000	Construction in progress \$'000	Office equipment \$'000	Others \$'000	Sub-total \$'000	Interest in leasehold land held for own use \$'000	Total \$'000
Cost									
At 1 January 2022	223,509	31,571	1,732,858	–	48,616	158,010	2,194,564	68,265	2,262,829
Exchange adjustments	(16,762)	(1,466)	(119,041)	(2,320)	(1,260)	(13,661)	(154,510)	(4,906)	(159,416)
Additions	–	1,875	140,489	951,162	9,544	10,735	1,113,805	–	1,113,805
Transfer	63,129	–	–	(63,129)	–	–	–	–	–
Disposal of a subsidiary (note 31)	–	–	–	–	–	(2,818)	(2,818)	–	(2,818)
Disposals	–	(158)	(6,157)	–	(280)	(167)	(6,762)	–	(6,762)
At 31 December 2022	269,876	31,822	1,748,149	885,713	56,620	152,099	3,144,279	63,359	3,207,638
At 1 January 2023	269,876	31,822	1,748,149	885,713	56,620	152,099	3,144,279	63,359	3,207,638
Exchange adjustments	(3,598)	(51)	(24,788)	(13,008)	(1,504)	(2,415)	(45,364)	(1,612)	(46,976)
Additions	680	20,516	81,685	355,612	17,753	22,054	498,300	–	498,300
Transfer	391,690	–	729,727	(1,206,282)	83,179	1,686	–	–	–
Disposals	–	(14,902)	(51,021)	–	(1,118)	(857)	(67,898)	–	(67,898)
At 31 December 2023	658,648	37,385	2,483,752	22,035	154,930	172,567	3,529,317	61,747	3,591,064

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use carried at cost \$'000	Plant, machinery, tools and equipment \$'000	Construction in progress \$'000	Office equipment \$'000	Others \$'000	Sub-total \$'000	Interest in leasehold land held for own use \$'000	Total \$'000
Accumulated amortisation and depreciation:									
At 1 January 2022	101,432	10,051	1,388,197	-	38,486	130,917	1,669,083	10,312	1,679,395
Exchange adjustments	(8,866)	(249)	(98,845)	-	(978)	(12,875)	(121,813)	(282)	(122,095)
Charge for the year	10,496	10,476	127,255	-	5,890	9,102	163,219	2,551	165,770
Disposal of a subsidiary (note 31)	-	-	-	-	-	(1,329)	(1,329)	-	(1,329)
Written back on disposals	-	(158)	(3,902)	-	(280)	(63)	(4,403)	-	(4,403)
At 31 December 2022	103,062	20,120	1,412,705	-	43,118	125,752	1,704,757	12,581	1,717,338
At 1 January 2023	103,062	20,120	1,412,705	-	43,118	125,752	1,704,757	12,581	1,717,338
Exchange adjustments	(1,437)	(149)	(16,743)	-	(987)	(558)	(19,874)	(205)	(20,079)
Charge for the year	14,989	11,120	154,698	-	10,617	7,764	199,188	2,922	202,110
Written back on disposals	-	(14,902)	(51,021)	-	(1,105)	(857)	(67,885)	-	(67,885)
At 31 December 2023	116,614	16,189	1,499,639	-	51,643	132,101	1,816,186	15,298	1,831,484
Net book value:									
At 31 December 2023	542,034	21,196	984,113	22,035	103,287	40,466	1,713,131	46,449	1,759,580
At 31 December 2022	166,814	11,702	335,444	885,713	13,502	26,347	1,439,522	50,778	1,490,300

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Other property, plant and equipment comprise mainly leasehold improvements, furniture, fixtures and motor vehicles.

(b) RIGHT-OF-USE ASSETS:

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		2023	2022
	Note	\$'000	\$'000
Ownership interests in leasehold land and buildings held for own use	(i)		
— in Hong Kong		183	192
— outside Hong Kong		537,514	161,983
		537,697	162,175
Interest in leasehold land held for own use outside Hong Kong	(i)	46,449	50,778
Other properties leased for own use, carried at depreciated cost	(ii)	21,196	11,702
Motor vehicles carried at depreciated cost	(iii)	—	213
		605,342	224,868

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023	2022
	\$'000	\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings held for own use	14,689	10,014
Interest in leasehold land held for own use	2,922	2,551
Other properties leased for own use	11,120	10,476
Motor vehicles	207	265
	28,938	23,306
Interest on lease liabilities (note 6(a))	921	669
Expense relating to short-term leases	16,150	3,766

During the year, additions to right-of-use assets were HK\$20,516,000 (2022: HK\$1,875,000).

Details of the maturity analysis of lease liabilities are set out in note 24.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) RIGHT-OF-USE ASSETS: (CONTINUED)

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several buildings for its manufacturing plants and property as staff quarter. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The amount transfer from construction in progress to ownership interests in leasehold land and buildings held for own use is HK\$391,690,000 as of 31 December 2023 (2022: HK\$63,129,000).

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

(iii) Other leases

The Group leases motor vehicles under leases expiring within two years. None of the leases includes variable lease payments.

(c) MACHINERY AND EQUIPMENT LEASED OUT UNDER OPERATING LEASES

During the year, the Group leases out a number of items of machinery under operating leases which is presented under "Plant, machinery, tools and other equipment". The net book value of these machinery and equipment leased out under operating leases is HK\$Nil as of 31 December 2023 (2022: HK\$32,122,000). There is no addition being made during the years ended 31 December 2023 and 2022. Depreciation of HK\$3,035,000 has been charged to profit or loss for the year ended 31 December 2023 (2022: HK\$15,581,000). The leases typically run for an initial period of 3 years. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are HK\$Nil per annum in the next three years (2022: HK\$16,833,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTANGIBLE ASSETS

	Technology know-how \$'000	Computer software \$'000	Total \$'000
Cost:			
At 1 January 2022	20,350	23,691	44,041
Additions	–	4,394	4,394
Disposal of a subsidiary (note 31)	(18,348)	(188)	(18,536)
Exchange adjustments	(2,002)	(146)	(2,148)
At 31 December 2022 and 1 January 2023	–	27,751	27,751
Additions	–	6,125	6,125
Exchange adjustments	–	(68)	(68)
At 31 December 2023	–	33,808	33,808
Accumulated amortisation:			
At 1 January 2022	2,696	2,888	5,584
Charge for the year	2,586	2,712	5,298
Disposal of a subsidiary (note 31)	(4,869)	(49)	(4,918)
Exchange adjustments	(413)	27	(386)
At 31 December 2022 and 1 January 2023	–	5,578	5,578
Charge for the year	–	3,153	3,153
Exchange adjustments	–	16	16
At 31 December 2023	–	8,747	8,747
Net book value:			
At 31 December 2023	–	25,061	25,061
At 31 December 2022	–	22,173	22,173

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

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(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES AND A CONTROLLED STRUCTURED ENTITY

(a) INVESTMENTS IN SUBSIDIARIES

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/operation	Particulars of issued share capital/registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Chengdu BOE Automotive Display Technology Co., Ltd.*	The People's Republic of China	Paid up registered capital of RMB1,500,000,000	100%	–	100%	Manufacture and sales of LCDs and related products
Varitronix (Chengdu) Display Technology Co., Ltd.*	The People's Republic of China	Paid-up registered capital of RMB305,145,455	100%	–	100%	Sales of LCDs and related products
Hefei BOE Vehicle Display Technology Co., Ltd.*	The People's Republic of China	Paid-up registered capital of RMB387,714,246	100%	–	100%	Sales of LCDs and related products
Link Score Investment Limited	Hong Kong	100 ordinary shares	100%	–	100%	Investment holding
Varitronix Limited	Hong Kong	2 ordinary shares, 1,848 non-voting deferred ordinary shares	100%	–	100%	Design and sale of LCDs and related products
Varitronix France SAS	France	2,500 ordinary shares of €15.25 each	100%	–	100%	Marketing and sales consultants
Varitronix GmbH	Germany	100,000 shares of €0.51 each	100%	–	100%	Marketing and sales consultants
Varitronix (Heyuan) Display Technology Limited*	The People's Republic of China	Paid-up registered capital of RMB1,054,353,144	100%	–	100%	Manufacture and sales of LCDs and related products
Varitronix Italy s.r.l.	Italy	12,000 ordinary shares of €1 each	100%	–	100%	Marketing and sales consultants
Varitronix (Shenzhen) Automobile Technology Co., Ltd.*	The People's Republic of China	Paid-up registered capital of RMB50,000,000	100%	–	100%	Design and sale of LCDs and related products
Varitronix (Switzerland) GmbH	Switzerland	Registered capital of CHF30,000	100%	–	100%	Marketing and sales consultants

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES AND A CONTROLLED STRUCTURED ENTITY

(CONTINUED)

(a) INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/operation	Particulars of issued share capital/registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Varitronix (U.K.) Limited	United Kingdom	100 ordinary shares of GBP10 each	100%	–	100%	Marketing and sales consultants
VL Electronics, Inc.	United States	5,000 common stock of US\$10 each	100%	–	100%	Marketing and sales consultants
Varitronix (Japan) Limited	Japan	1,000 ordinary stock of JPY10,000 each	100%	–	100%	Marketing and sales consultants
睿合科技有限公司*	The People's Republic of China	Registered capital of RMB100,000,000 (note)	50.1%	–	50.1%	Manufacture and sales of LCDs and related products
Varitronix Automobile Electronics (Huizhou) Co., Ltd.†	The People's Republic of China	Registered capital of RMB50,000,000	100%	–	100%	Design and sales of LCDs and related products

#Name of company	Type of legal entity
— Chengdu BOE Automotive Display Technology Co., Ltd	Wholly-owned foreign enterprise
— Varitronix (Chengdu) Display Technology Co., Ltd.	Wholly-owned foreign enterprise
— Hefei BOE Vehicle Display Technology Co., Ltd.	Wholly-owned foreign enterprise
— Varitronix (Heyuan) Display Technology Limited	Wholly-owned foreign enterprise
— Varitronix (Shenzhen) Automobile Technology Co., Ltd	Wholly-owned foreign enterprise
— 睿合科技有限公司	Non-wholly-owned foreign enterprise
— Varitronix Automobile Electronics (Huizhou) Co., Ltd	Wholly-owned foreign enterprise

Note: The amount represented the registered capital which is not fully paid up yet.

(b) INVESTMENT IN A CONTROLLED STRUCTURED ENTITY

The Company directly controlled a trust (the "Share Award Plan Trust") that was set up in relation to the Group's Share Award Plan adopted on 28 August 2020 (the "Share Award Plan"). The sole purpose of the Share Award Plan Trust is the purchasing, administering and holding the Company's shares under the Share Award Plan for the benefit of eligible employees (see note 27(b)). The Company has the power to direct the relevant activities of the Share Award Plan Trust and it has the ability to use its power over the trust to affect its exposure to returns. Therefore, the Share Award Plan Trust is considered as a controlled structured entity of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 NON-CONTROLLING INTERESTS

The following table lists out the information in respect of each of the Group's subsidiaries which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	睿合科技有限公司	
	2023	2022
	\$'000	\$'000
NCI percentage	49.9%	49.9%
Non-current assets	65,065	67,328
Current assets	208,126	192,203
Current liabilities	(117,347)	(157,177)
Non-current liabilities	(43,386)	–
Net assets	112,458	102,354
Carrying amount of NCI	56,116	51,075
Revenue	727,342	462,939
Profit for the year	11,666	3,595
Total comprehensive income	11,666	3,595
Profit allocated to NCI	5,821	1,794
Cash outflows from operating activities	(67,266)	(82,130)
Cash outflows from investing activities	(2,276)	(25,670)
Cash inflows from financing activities	66,746	61,762

17 INTEREST IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	2023	2022
	\$'000	\$'000
(a) Non-current asset:		
Interest in associates	–	7,922
(b) Current asset:		
Amounts due from associates*	12,220	–
	12,220	7,922

* Amounts due from associates are trade nature and expected to be recovered within one year.

PARTICULARS OF THE ASSOCIATES

Set out below are the particulars of the major associate of the Group:

Name of associate	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Attributable indirect equity interest % held	Principal activity
Hefei Jiangcheng Technology Co., Ltd. ("Hefei Jiangcheng")	The People's Republic of China	Registered capital of RMB38,481,809	46.24%	Design and sale of display products

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN ASSOCIATES/ AMOUNTS DUE FROM ASSOCIATES

(CONTINUED)

Aggregate information of associates that are not individually material:

	2023 \$'000	2022 \$'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	–	4,471
Aggregate amounts of the Group's share of those associates' loss and total comprehensive income	(4,471)	(456)

18 OTHER FINANCIAL ASSETS

	2023 \$'000	2022 \$'000
Non-current portion		
<i>Financial assets measured at fair value through profit or loss</i>		
— Unlisted equity securities outside Hong Kong	41,897	42,588
Current portion		
<i>Financial assets measured at fair value through profit or loss</i>		
— Listed equity securities outside Hong Kong	–	65
<i>Financial assets measured at amortised cost</i>		
— Issued by financial institutions outside Hong Kong	15,405	–
	15,405	65

19 INVENTORIES

(a) INVENTORIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION COMPRISE:

	2023 \$'000	2022 \$'000
Raw materials	467,614	637,604
Work in progress	571,548	281,089
Finished goods	907,939	649,308
	1,947,101	1,568,001

(b) THE ANALYSIS OF THE AMOUNT OF INVENTORIES RECOGNISED AS AN EXPENSE IS AS FOLLOWS:

	2023 \$'000	2022 \$'000
Carrying amount of inventories sold	9,475,953	9,466,518
Write-down of inventories	150,147	92,326
Reversal of write-down of inventories	(5,743)	(28,661)
	9,620,357	9,530,183

The reversal of write-down of inventories made in prior years arose due to subsequent utilisation of certain inventories as a result of a change in customers' specifications on the products.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND OTHER CONTRACT COSTS

	2023 \$'000	2022 \$'000
Trade debtors and bills receivable, net of expected credit loss allowance	2,211,401	2,005,973
Other tax recoverable	109,807	5,388
Other receivables	114,521	47,306
Amount due from non-controlling interest	11,984	14,012
Deposits and prepayments	161,506	159,969
Other contract costs	47,546	23,449
	2,656,765	2,256,097
Non-current deposits and prepayments	(101,264)	(98,265)
	2,555,501	2,157,832

Non-current deposits and prepayments were paid for the TFT panels toolings for manufacturing TFT modules and acquisition of plant and equipment. Except for the rental deposit of HK\$1,116,000 (2022: HK\$1,116,000), all of the current portion of trade and other receivables are expected to be recovered on demand or recognised as expense within 12 months from the end of the reporting period.

(a) AGEING ANALYSIS

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 the invoice date and net of expected credit loss allowance and allowance for sales return, is as follows:

	2023 \$'000	2022 \$'000
Within 60 days of the invoice issue date	1,482,570	1,444,061
61 to 90 days after the invoice issue date	378,849	244,722
91 to 120 days after the invoice issue date	255,079	160,660
More than 120 days but less than 12 months after the invoice issue date	94,903	156,530
	2,211,401	2,005,973

Trade debtors and bills receivable are generally due within 60 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 29(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND OTHER CONTRACT COSTS (CONTINUED)

(b) CONTRACT COSTS

Contract costs capitalised relate to the incremental costs of obtaining contracts relating to the sale of goods. Contract costs are recognised in the statement of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK\$9,779,000 (2022: HK\$14,973,000). There was no impairment in relation to the capitalised contract costs during the year (2022: HK\$Nil).

The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of goods as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recognised after more than one year is HK\$46,691,000 (2022: HK\$15,691,000).

21 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND RESTRICTED BANK DEPOSITS

(a) CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS COMPRISE:

	2023 \$'000	2022 \$'000
Fixed deposits with banks with more than three months to maturity when placed	–	61,723
Fixed deposits with banks with three months or less to maturity when placed	1,258,701	777,167
Cash at banks and on hand	2,242,059	2,041,656
Cash and cash equivalents	3,500,760	2,818,823

- (i) At 31 December 2023, included in cash and cash equivalents were amounts of approximately HK\$8,606,000 (2022: HK\$7,542,000) placed at the Share Award Plan Trust for purchasing its own shares through the trustee from the open market for the shares to be granted under the Share Award Plan.
- (ii) As at 31 December 2023, cash and cash equivalents and fixed deposits situated in Chinese Mainland amounted to HK\$1,829,326,000 (2022: HK\$1,527,374,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(b) RESTRICTED BANK DEPOSITS:

	2023 \$'000	2022 \$'000
Restricted bank deposits	55,884	–

As at 31 December 2023, the amount of HK\$55,884,000 are deposit at bank which are restricted for letter of credit granted by bank (2022: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

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21 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND RESTRICTED BANK DEPOSITS

(CONTINUED)

(c) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS:

	Note	2023 \$'000	2022 \$'000
Profit before taxation		540,032	657,647
Adjustments for:			
Depreciation	13	202,110	165,770
Amortisation	14	3,153	5,298
Finance costs	6(a)	25,220	12,361
Interest income	5	(93,282)	(52,849)
Share of losses of associates		4,471	456
Net gain on disposal of property, plant and equipment	5	(1,708)	(884)
Equity settled share-based payment expenses	6(b)	20,385	22,590
Gain on deemed disposal of a subsidiary	5	–	(98)
Amortisation of government grants	5	(48,522)	(10,197)
Changes in fair value of other financial assets	5	716	736
Foreign exchange loss		90,571	226,689
		743,146	1,027,519
Changes in working capital:			
Increase in inventories		(398,345)	(818,948)
Increase in trade and other receivables, deposits and prepayments and other contract costs		(347,096)	(539,855)
Increase in trade and other payables		1,309,178	1,164,944
Cash generated from operations		1,306,883	833,660

(d) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans \$'000 (note 23)	Lease liabilities \$'000 (note 24)	Total \$'000
At 1 January 2022	–	22,555	22,555
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(11,140)	(11,140)
Interest element of lease rentals paid	–	(669)	(669)
Proceeds from new bank loans	776,700	–	776,700
Repayment of bank loans	(83,023)	–	(83,023)
Interest paid	(11,692)	–	(11,692)
Total changes from financing cash flows	681,985	(11,809)	670,176
Exchange Adjustment:	6,523	(769)	5,754
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	1,148	1,148
Disposal of a subsidiary (note 31)	(33,000)	–	(33,000)
Finance costs (note 6(a))	11,692	669	12,361
Total other changes	(21,308)	1,817	(19,491)
At 31 December 2022 and 1 January 2023	667,200	11,794	678,994
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(10,349)	(10,349)
Interest element of lease rentals paid	–	(921)	(921)
Proceeds from new bank loans	619,936	–	619,936
Repayment of bank loans	(667,200)	–	(667,200)
Interest paid	(24,299)	–	(24,299)
Total changes from financing cash flows	(71,563)	(11,270)	(82,833)
Exchange Adjustment:	–	105	105
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	20,516	20,516
Finance costs (note 6(a))	24,299	921	25,220
Total other changes	24,299	21,437	45,736
At 31 December 2023	619,936	22,066	642,002

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND RESTRICTED BANK DEPOSITS

(CONTINUED)

(e) TOTAL CASH OUTFLOW FOR LEASES

Amounts included in the cash flow statements for leases comprise the following:

	2023 \$'000	2022 \$'000
Within operating cash flows	16,150	3,766
Within financing cash flows	11,270	11,809
	27,420	15,575

22 TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000
Trade creditors	3,808,181	2,940,097
Accrued charges and other payables	664,717	267,777
Tooling fees received in advance	215,715	151,409
Contract liabilities	49,517	30,411
	4,738,130	3,389,694

All creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand. During the year ended 31 December 2023, HK\$65,927,000 of tooling fees received in advance has been recognised as revenue in the profit or loss (2022: HK\$31,144,000) and advanced payments of HK\$130,457,000 has been received from customers (2022: HK\$56,177,000). As of 31 December 2023, the amount of tooling fees received in advance which are expected to be recognised as income after more than one year is HK\$41,226,000 (2022: HK\$136,134,000).

(a) AGEING ANALYSIS:

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

	2023 \$'000	2022 \$'000
Within 60 days of supplier invoice date	3,242,495	2,408,202
61 to 120 days after supplier invoice date	377,646	462,904
More than 120 days but within 12 months after supplier invoice date	131,089	50,119
More than 12 months after supplier invoice date	56,951	18,872
	3,808,181	2,940,097

(b) MOVEMENTS IN CONTRACT LIABILITIES

	2023 \$'000	2022 \$'000
Balance at 1 January	30,411	80,781
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(30,411)	(80,781)
Increase in contract liabilities as a result of receiving advances from customers during the year	49,517	30,411
Balance at 31 December	49,517	30,411

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of deposit is negotiated on a case by case basis with customers. All contract liabilities are expected to be recognised as income within one year.

NOTES TO THE FINANCIAL STATEMENTS

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23 BANK LOANS

The analysis of the repayment schedule of bank loans is as follows:

	2023 \$'000	2022 \$'000
Within 1 year or on demand	236,439	636,288
After 1 year but within 2 years	57,477	30,912
After 2 years but within 5 years	193,405	–
After 5 years	132,615	–
	619,936	667,200

As at 31 December 2023, the loan amount of HK\$171,044,000 is secured by certain land, buildings, machinery and equipment of a subsidiary of the Group to match its long-term development. Such underlying pledged agreement of the loan agreement is yet to sign by both parties and will be effective when registration of those land and building with relevant authorities is completed. Management expected such process will be completed within 2024. And the remaining bank loans are unsecured as at 31 December 2023.

All of the above bank loans were unsecured as at 31 December 2022.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions as at 31 December 2022. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 December 2022, none of the covenants relating to drawn down facilities had been breached. The Group has fully repaid the loan with covenants condition mentioned above during the year of 2023.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	2023 \$'000	2022 \$'000
Within 1 year	8,159	7,392
After 1 year but within 2 years	4,665	3,969
After 2 years but within 5 years	9,242	433
	13,907	4,402
	22,066	11,794

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENTS:

	2023 \$'000	2022 \$'000
Tax (recoverable)/payable in respect of Hong Kong Profits Tax	(6,600)	28,216
Tax payable in respect of Chinese Mainland income taxes	8,485	25,337
Tax payable in respect of jurisdictions outside Hong Kong and the Chinese Mainland	1,686	7,649
	3,571	61,202
Representing:		
Current tax recoverable	(10,354)	(4,122)
Current tax payable	13,925	65,324
	3,571	61,202

(b) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation \$'000	Intangible assets \$'000	Provisions \$'000	Deferred income \$'000	Unremitted earnings \$'000	Future benefits of tax losses \$'000	Total \$'000
Deferred tax arising from:							
At 1 January 2022	1,318	4,413	(220)	–	7,000	–	12,511
Charged/(credited) to profit or loss (note 7(a))	170	2,336	(10,039)	(2,520)	–	–	(10,053)
Disposal of a subsidiary (note 31)	–	(4,174)	–	–	–	–	(4,174)
Exchange difference	(155)	562	–	–	–	–	407
At 31 December 2022	1,333	3,137	(10,259)	(2,520)	7,000	–	(1,309)
At 1 January 2023	1,333	3,137	(10,259)	(2,520)	7,000	–	(1,309)
Charged/(credited) to profit or loss (note 7(a))	70,885	131	(14,529)	(32,958)	(7,000)	(20,752)	(4,223)
Exchange difference	(479)	–	231	263	–	142	157
At 31 December 2023	71,739	3,268	(24,557)	(35,215)	–	(20,610)	(5,375)

The reconciliation to the consolidated statement of financial position is as follows:

	2023 \$'000	2022 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(8,843)	(11,286)
Net deferred tax liabilities recognised in the consolidated statement of financial position	3,468	9,977
	(5,375)	(1,309)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$163,386,000 (2022: HK\$163,180,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities for the foreseeable future. The Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	2023 \$'000	2022 \$'000
In December 2025	–	1,325
In December 2026	10,556	30,401
In December 2027	47,920	66,957
In December 2028	34,837	–
Do not expire under current tax legislation	70,073	64,497
	163,386	163,180

26 DEFERRED INCOME

	2023 \$'000	2022 \$'000
Current portion	26,138	4,427
Non-current portion	200,496	18,911
	226,634	23,338

During the year ended 31 December 2023, the Group received government grants of HK\$224,861,000 (2022: HK\$33,324,000) from the PRC authorities as incentives for acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year ended 31 December 2023, HK\$48,522,000 (2022: HK\$10,197,000) of the grants are credited to profit or loss.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 3 June 2013 (the "Scheme") as an incentive for the Group's employees and business associates. The Directors are authorised, at their discretion, to invite any employee, director, including executive and non-executive directors or business associate of any company in the Group (the "Participants") to take up options to subscribe for shares in the Company at a price determined by the Board and notified to each grantee and which will not be less than the closing price of the shares on the Stock Exchange of Hong Kong (the "Stock Exchange") on the date of offer of the option granted to such grantee or the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option granted to such grantee or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company may not exceed 10 percent of the issued share capital of the Company at the date of approval of the share option scheme. The options under the share option schemes are exercisable for a period of ten years from the date of grant.

On 24 January 2019, the Company granted 4,500,000 share options to the Participants under the Scheme. Each share option entitles the holder to subscribe for one share of \$0.25 of the Company at an exercise price of HK\$2.00. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 31 January 2023. Among the 4,500,000 share options granted, 1,800,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 24 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) SHARE OPTION SCHEME (CONTINUED)

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
24 January 2019	1,800,000	Exercisable in three tranches immediately from 1 February of each year from 2020 to 2023	Expire at the close of business on 31 January 2023
Options granted to employees:			
24 January 2019	2,700,000	Exercisable in three tranches immediately from 1 February of each year from 2020 to 2023	Expire at the close of business on 31 January 2023

(ii) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	\$2.00	665,000	\$2.00	2,890,000
Exercised during the year	\$2.00	(165,000)	\$2.00	(2,225,000)
Lapsed during the year	N/A	(500,000)	N/A	–
Outstanding at the end of the year	N/A	–	\$2.00	665,000
Exercisable at the end of the year		–		665,000

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$14.76 (2022: HK\$13.07).

There were no outstanding share options as at 31 December 2023. The options outstanding at 31 December 2022 had exercise price of HK\$2.00 and the weighted average remaining contractual life of 0.08 years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) SHARE OPTION SCHEME (CONTINUED)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on the Binomial Option pricing model. The contractual life of the share option and expectations of early exercise were incorporated into the Binomial Option pricing model.

	Granted on 24 January 2019
Fair value of and assumptions for share options	
Fair value at measurement date	\$0.59
Share price	\$2.00
Exercise price	\$2.00
Weighted average volatility	38.81%
Weighted average share option life	4.02 years
Expected dividends	0.50%
Risk-free interest rate (based on Exchange Fund Notes)	1.83%

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) SHARE AWARD PLAN

The Company has adopted the Share Award Plan on 28 August 2020 (the "Adoption Date") for the purpose of retaining participants for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the rules of the Share Award Plan, the Directors may grant an award to eligible participants (excluding any excluded participant) who is an employee, director, adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity for participation in the Share Award Plan and determine the terms of the award.

The Share Award Plan is subject to the administration of the Board and the trustee in accordance with the terms of the Share Award Plan and the terms of the trust deed which entered between the Company and the trustee on 28 August 2020. The Share Award Plan will 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 Trustee may purchase the Shares 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 the trustee effects any purchases by 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. The maximum number of Shares to be subscribed for and/or purchased by the trustee for the purpose of the share award plan shall not exceed 10% of the total number of issued shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the share award plan when such subscription and/or purchase will result in such threshold being exceeded.

During the year ended 31 December 2023, the Company did not remit cash (2022: HK\$Nil) to the trustee for the purchase of Shares of the Company pursuant to the share award plan. During the year ended 31 December 2023, the trustee did not purchase (2022: Nil) shares on the market for the purpose of the Share Award Plan. During the year ended 31 December 2023, the trustee transferred 2,957,600 (2022: 2,870,000) ordinary shares of the Company to the share awardees upon vesting of the awards.

On 22 March 2023, the Company awarded a total of 662,000 ordinary shares to the eligible persons including its directors and employees. Among the 662,000 awarded shares, the first 30% of the awarded shares were vested to the eligible persons on 12 April 2023, the second 30% of the awarded shares were vested on 12 April 2024, and the remaining 40% shall be vested on 11 April 2025. Further details are set out in the Company's announcement dated 22 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS

(a) MOVEMENTS IN COMPONENTS OF EQUITY OF THE COMPANY

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Note	Share capital (note 28(c)) \$'000	Share premium (note 28(d)(i)) \$'000	Awarded shares held under Share Award Plan (note 28(d)(v)) \$'000	Contributed surplus (note 28(d)(ii)) \$'000	Capital reserve (note 28(d)(iv)) \$'000	Retained profits/ (Accumulated losses) \$'000	Total \$'000
Balance at 1 January 2022	184,039	1,309,846	(33,609)	771,827	8,215	2,318	2,242,636
Changes in equity for 2022:							
Final dividends approved in respect of the previous year	28(b)(ii)	-	-	(109,284)	-	-	(109,284)
Issuance of shares upon exercise of share options	28(c)(ii)	556	5,215	-	(1,321)	-	4,450
Vesting of shares under the Share Award Plan		-	9,774	-	(17,446)	7,672	-
Loss and total comprehensive income for the year		-	-	-	-	(14,403)	(14,403)
Placing and shareholder subscription of new shares	28(c)(iii)	13,258	792,798	-	-	-	806,056
Capitalisation of placing and shareholder subscription expenses		-	(6,395)	-	-	-	(6,395)
Equity settled share-based transaction	6(b)	-	-	-	22,590	-	22,590
Balance at 31 December 2022	197,853	2,101,464	(23,835)	662,543	12,038	(4,413)	2,945,650
Balance at 1 January 2023	197,853	2,101,464	(23,835)	662,543	12,038	(4,413)	2,945,650
Changes in equity for 2023:							
Final dividends approved in respect of the previous year	28(b)(ii)	-	-	(180,964)	-	-	(180,964)
Issuance of shares upon exercise of share options	28(c)(ii)	41	392	-	(103)	-	330
Vesting of shares under the Share Award Plan		-	10,072	-	(20,228)	10,156	-
Equity settled share-based transaction	6(b)	-	-	-	20,385	-	20,385
Release upon lapse of share options		-	-	-	(311)	311	-
Loss and total comprehensive income for the year		-	-	-	-	(8,520)	(8,520)
Balance at 31 December 2023	197,894	2,101,856	(13,763)	481,579	11,781	(2,466)	2,776,881

(b) DIVIDENDS

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

	2023 \$'000	2022 \$'000
Final dividend proposed after the end of reporting period of 19.0 HK cents (2022: 23.0 HK cents) per share	150,399	182,062

The final dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) DIVIDENDS (CONTINUED)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 \$'000	2022 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 23.0 HK cent (2022: 15.0 HK cent) per share	180,964	109,284

(c) SHARE CAPITAL

(i) Authorised and issued share capital

	2023		2022	
	No. of shares	Amount	No. of shares	Amount
	'000	\$'000	'000	\$'000
Authorised:				
Ordinary shares of \$0.25 each	5,000,000	1,250,000	5,000,000	1,250,000
Ordinary shares, issued and fully paid:				
At 1 January	791,410	197,853	736,155	184,039
Issuance of shares upon exercise of share options	165	41	2,225	556
Placing and shareholder subscription of new shares	–	–	53,030	13,258
At 31 December	791,575	197,894	791,410	197,853

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issuance of shares upon exercise of share options

During the year ended 31 December 2023, options have been exercised to subscribe for 165,000 ordinary shares (2022: 2,225,000 ordinary shares) in the Company at a consideration of HK\$330,000 (2022: HK\$4,450,000) of which HK\$41,000 (2022: HK\$556,000) was credited to share capital and the balance of HK\$289,000 (2022: \$3,894,000) was credited to the share premium account. HK\$103,000 (2022: HK\$1,321,000) has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 2(r)(iii).

(iii) Placing and shareholder subscription of new shares

During the year ended 31 December 2022, 53,030,000 ordinary shares of the Company were allotted and issued as fully paid to the subscriber at an issue price of HK\$15.20 per share totaling HK\$806,056,000, of which HK\$13,258,000 was credited to share capital and the balance of HK\$792,798,000 was credited to the share premium account. Issuing expenses in relation to the issuance of new shares of HK\$6,395,000 was also capitalised into the share premium account.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) NATURE AND PURPOSE OF RESERVES

(i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus comprises the capital reduction transferred from the share premium account and the excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1991 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

(iv) Capital reserve

The capital reserve comprises of the Company's equity settled share-based payments recognised in accordance with the accounting policy adopted for share-based payments in notes 2(r)(iii) and 2(r)(iv).

(v) Awarded shares held under the Share Award Plan

Treasury shares held under the Share Award Plan represents the shares purchased by the Group that are not yet granted to directors and employees of the Company under the Share Award Plan (see note 27(b)). The consideration paid for the purchase of the Company's shares is reflected as a decrease in the equity of the Company.

(vi) Other reserves

Other reserves comprise statutory reserves required in respect of a subsidiary in accordance with the relevant rules and regulations in the PRC and the consideration in excess of carrying amount of non-controlling interests acquired.

(vii) Distributability of reserves

At 31 December 2023, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$479,113,000 (2022: HK\$658,130,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes lease liabilities and trade and other payables), less fixed deposits with banks and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2023 and 2022 was as follow:

	Note	2023 \$'000	2022 \$'000
Current liabilities			
Trade and other payables	22	4,738,130	3,389,694
Lease liabilities	24	8,159	7,392
Bank loans	23	236,439	636,288
		4,982,728	4,033,374
Non-current liabilities			
Lease liabilities	24	13,907	4,402
Bank loans	23	383,497	30,912
		397,404	35,314
Total debt		5,380,132	4,068,688
Fixed deposits with banks with more than three months to maturity when placed	21	–	(61,723)
Cash and cash equivalents	21	(3,500,760)	(2,818,823)
Net debt		1,879,372	1,188,142
Total equity		4,409,711	4,115,773
Adjusted capital		4,409,711	4,115,773
Adjusted net debt-to-capital ratio		0.43	0.29

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions for which the Group consider the credit risk is low.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6% (2022: 24%) and 37% (2022: 55%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns based on individual characteristics of customers, the loss allowance based on past due status is further distinguished between the Group's individual credit evaluations of customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.7%	1,684,485	11,026
Less than 1 month past due	1.9%	322,375	6,045
1 to 12 months past due	8.6%	242,419	20,807
More than 12 months past due	100.0%	6,222	6,222
		2,255,501	44,100

	2022		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.2%	920,488	2,186
Less than 1 month past due	0.8%	432,147	3,329
1 to 12 months past due	3.5%	682,398	23,545
More than 12 months past due	100%	10,405	10,405
		2,045,438	39,465

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) CREDIT RISK (CONTINUED)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023 \$'000	2022 \$'000
Balance at 1 January	39,465	19,923
Disposal of a subsidiary (note 31)	–	(830)
Increase in ECL allowance during the year	4,635	20,372
Balance at 31 December	44,100	39,465

(b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates currently applicable at the end of reporting period) and the earliest date that the Group can be required to pay:

	2023						2022					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Trade creditors, accrued charges and other payables	4,472,898	–	–	–	4,472,898	4,472,898	3,207,874	–	–	3,207,874	3,207,874	
Bank loans	245,627	68,412	210,642	144,702	669,383	619,936	657,840	31,492	–	689,332	667,200	
Lease liabilities	8,897	5,161	9,684	–	23,742	22,066	7,660	4,039	437	12,136	11,794	
	4,727,422	73,573	220,326	144,702	5,166,023	5,114,900	3,873,374	35,531	437	3,909,342	3,886,868	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) CURRENCY RISK

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group is also exposed to currency risk through other financial assets acquired which are denominated in a foreign currency. The currencies giving rise to these risks are primarily United States dollars, Euros, Japanese Yen and Renminbi.

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. Most of the sales and purchases are made in the respective functional currency of each group entity, except for group entities whose functional currency is Hong Kong dollars, certain transactions are denominated in United States dollars, Euros and Japanese Yen. Given the Hong Kong dollar is pegged to the United States dollar, the Group does not expect that there will be any significant currency risk associated with such United States dollars denominated transactions. In respect of balances denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	2023				2022			
	Exposure to foreign currencies (expressed in Hong Kong dollars)				Exposure to foreign currencies (expressed in Hong Kong dollars)			
	United States Dollars \$'000	Euros \$'000	Japanese Yen \$'000	Renminbi \$'000	United States Dollars \$'000	Euros \$'000	Japanese Yen \$'000	Renminbi \$'000
Trade and other receivables	494,857	–	–	–	720,831	642	–	–
Cash and cash equivalents	1,211,966	968	517	398,250	874,284	1,081	512	221
Trade and other payables	(208,674)	(772)	(12,722)	(187)	(109,216)	(1,053)	(19,992)	–
	1,498,149	196	(12,205)	398,063	1,485,899	670	(19,480)	221

In addition, the Group exposed to currency risk arising from inter-company receivables and payables denominated in currency other than the functional currency of either the lender or the borrower. The net inter-company receivables amounted to United States dollars 27,003,000 and Renminbi 116,516,000 respectively (2022: receivables amounted to United States dollars 21,532,000 and Renminbi 302,708,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) CURRENCY RISK (CONTINUED)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies for group entities whose functional currency is Hong Kong dollars.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits \$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits \$'000
United States dollars	10%	125,095	10%	138,351
	(10%)	(125,095)	(10%)	(138,351)
Euros	10%	16	10%	74
	(10%)	(16)	(10%)	(74)
Japanese Yen	10%	(1,019)	10%	(1,624)
	(10%)	1,019	(10%)	1,624
Renminbi	10%	33,238	10%	22
	(10%)	(33,238)	(10%)	(22)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate risk profile as monitored by management is set out in below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	Note	2023 \$'000	2022 \$'000
Fixed rate borrowings:			
Lease liabilities	24	22,066	11,794
Bank loans	23	443,154	33,600
		465,220	45,394
Variable rate borrowings			
Bank loans	23	176,782	633,600

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK\$7,180,000 (2022: HK\$1,663,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) FAIR VALUES

(i) Financial assets measured at fair value

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 at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	31 December	31 December 2023 categorised into			31 December	31 December 2022 categorised into		
	2023	Level 1	Level 2	Level 3	2022	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements								
Trading securities	15,405	15,405	-	-	65	65	-	-
Unlisted equity securities	41,897	-	-	41,897	42,588	-	-	42,588
	57,302	15,405	-	41,897	42,653	65	-	42,588

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

Valuation techniques and inputs used in Level 3 fair value measurements

As at 31 December 2023, the fair value of unlisted equity instruments is determined using the enterprise value/sales ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 3% would have increased/decreased the Group's profit after taxation and retained profits by HK\$273,700.

As at 31 December 2022, the fair value of unlisted equity instruments is determined using the enterprise value/sales ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 3% would have increased/decreased the Group's profit after taxation and retained profits by HK\$125,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) FAIR VALUES (CONTINUED)

(i) Financial assets measured at fair value (Continued)

Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

As at 31 December 2022, the fair value of unlisted equity securities is approximated using their purchase price based on comparable transactions approach as the Directors consider that it represents the unlisted equity securities' most recent market value. The valuation approach requires significant judgement, assumption and inputs, including market information of recent transactions (such as recent fund raising transactions undertaken by the investees).

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 2023.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

30 COMMITMENTS

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

	2023 \$'000	2022 \$'000
Contracted for	346,202	905,255

The capital commitments outstanding at the end of the reporting period are mainly for the new production base for automotive display, manufacturing facilities in Chengdu, Chinese Mainland.

31 DISPOSAL OF A SUBSIDIARY

	2022 \$'000
Property, plant and equipment	1,489
Intangible assets	13,618
Goodwill	11,487
Other assets	59,445
Total assets	86,039
Total liabilities	(76,895)
Non-controlling interests	(4,529)
Net assets disposed	4,615
Cumulative exchange loss in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(214)
Remeasurement at fair value of retained interest in former subsidiary	4,927
	4,713
Gain on disposal	98
Net cash outflow is determined as follow:	
Cash and cash equivalents disposed	(14,822)

During the year ended 31 December 2022, Hefei Jiangcheng had issued additional shares to third party investors. Upon completion of the capital increase and a resulting change of board composition of Hefei Jiangcheng, the director considered that the Group no longer had the control over Hefei Jiangcheng. Since then, the Group holds 46.24% of equity interest in Hefei Jiangcheng which has been accounted for as an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel, including amounts paid to the Directors is disclosed in note 8 and certain of the highest paid employees is disclosed in note 9.

(b) RECURRING TRANSACTIONS

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 the annual financial report.

	2023 \$'000	2022 \$'000
<i>BOE Group:</i>		
Purchase of goods from BOE Group (note (1))	4,592,212	6,475,616
Lease of property, plant and equipment to BOE Group (note (2))	3,472	14,089
Purchase of PPE and intangible assets from BOE Group (note (5))	69,201	43,788
Lease of PPE from BOE Group (note (5))	10,125	330
Rental, management fee, utilities service fees and computer integrated manufacturing system fee charged by BOE Group (note (3))	93	97
Trademark licence fee paid to BOE Group (note (4))	19,257	21,818
Subcontracting fee charged to BOE Group (note (6))	3,666	8,127

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 6 September 2021. Further details are set out in the Company's announcement dated 6 September 2021. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- (2) The transactions were conducted based on the terms as governed by the assets lease agreement entered into between 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 30 December 2021. Further details are set out in the Company's announcement dated 30 December 2021. 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 ("Tenancy Agreement") for a term commencing from 1 January 2021 to 31 December 2024. The transactions as contemplated under the Tenancy Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.
- (4) The transactions were conducted based on the terms as governed by the renewed trademark licence agreement ("Trademark Licence Agreement") on 21 December 2022 to extend the terms to 31 December 2024. The transactions as contemplated under the Trademark Licence Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.
- (5) The transactions were conducted based on the terms as governed by the master framework agreement entered into between the Company and BOE on 22 July 2022. Further details are set out in the Company's announcement dated 22 July 2022. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- (6) The transactions were conducted based on the terms as governed by the Master Subcontracting Agreement entered into between the Company and BOE on 29 April 2022. Further details are set out in the Company's announcement dated 29 April 2022. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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

(c) BALANCES WITH RELATED PARTIES

At 31 December 2023, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of HK\$694,949,000 (2022: HK\$1,492,132,000). Non-current deposits of HK\$68,022,000 (2022: HK\$52,300,000) were paid to BOE Group for the purchase of TFT panels toolings for manufacturing TFT modules. Prepayment of HK\$2,739,000 (2022: HK\$33,083,000) made to 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 recoverable within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 \$'000	2022 \$'000
Non-current asset			
Investments in subsidiaries	15	2,773,672	2,944,212
Current assets			
Amount due from a subsidiary		–	600,000
Other receivables		9,037	7,718
Cash and cash equivalents		2,199	1,226
		11,236	608,944
Current liabilities			
Other payables		8,027	7,506
Bank loans		–	600,000
		8,027	607,506
Net current assets		3,209	1,438
NET ASSETS		2,776,881	2,945,650
CAPITAL AND RESERVES			
Share capital	28(c)	197,894	197,853
Reserves	28(a)	2,578,987	2,747,797
TOTAL EQUITY		2,776,881	2,945,650

Approved and authorised for issue by the board of directors on 21 March 2024.

Gao Wenbao
Director

Ko Wing Yan, Samantha
Director

34 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the immediate parent and the ultimate controlling party of the Group to be BOE Technology (HK) Limited, which is incorporated in Hong Kong, and BOE Technology Group Co., Ltd., which is incorporated in the PRC, respectively. BOE Technology Group Co., Ltd. produces financial statements available for public use.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

At 31 December 2023, the bank loan amount of HK\$171,044,000 is secured by certain land, buildings, machinery and equipment of a subsidiary of the Group to match its long-term development. Such underlying pledged agreement of the loan agreement will be effective when registration of those land and building with relevant authorities is completed and management expected will be within 2024.

The Group had no other material events for disclosure subsequent to 31 December 2023 and up to the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

	2019	2022	2021	2022	2023
	\$'000	\$'000	\$'000	\$'000	\$'000
Results:					
Revenue	3,573,978	4,526,914	7,737,943	10,722,361	10,760,416
Profit from operations	29,440	70,443	350,084	670,464	569,723
Finance costs	(538)	(578)	(915)	(12,361)	(25,220)
Share of losses of associate	(552)	(1,850)	(490)	(456)	(4,471)
Profit before taxation	28,350	68,015	348,679	657,647	540,032
Income tax	(3,330)	(1,077)	(38,960)	(98,077)	(58,951)
Profit for the year	25,020	66,938	309,719	559,570	481,081
Profit attributable to:					
Equity shareholders of the Company	25,020	68,639	327,798	582,451	475,260
Non-controlling interests	–	(1,701)	(18,079)	(22,881)	5,821
Profit for the year	25,020	66,938	309,719	559,570	481,081
Assets and liabilities:					
Property, plant and equipment	504,215	467,046	583,434	1,490,300	1,759,580
Interest in associates	10,447	8,806	–	7,922	–
Intangible assets	5,269	4,565	38,457	22,173	25,061
Goodwill	–	–	11,487	–	–
Other financial assets	–	–	40,614	42,588	41,897
Non-current deposits	29,339	32,138	15,332	98,265	101,264
Deferred tax assets	10,277	10,277	654	11,286	8,843
Net current assets	2,212,120	2,269,774	2,685,133	2,507,441	3,074,434
Total assets less current liabilities	2,771,667	2,792,606	3,375,111	4,179,975	5,011,079
Lease liabilities	(3,143)	(9,934)	(11,042)	(4,402)	(13,907)
Deferred tax liabilities	(8,182)	(8,293)	(13,165)	(9,977)	(3,468)
Deferred Income	(8,907)	(7,225)	(5,279)	(18,911)	(200,496)
Non-current bank loans	–	–	–	(30,912)	(383,497)
Net assets	2,751,435	2,767,154	3,345,625	4,115,773	4,409,711
Capital and reserves					
Share capital	183,794	183,794	184,039	197,853	197,894
Reserves	2,567,641	2,526,142	2,848,385	3,866,845	4,155,701
Total equity attributable to equity shareholders of the Company	2,751,435	2,709,936	3,032,424	4,064,698	4,353,595
Non-controlling interests	–	57,218	313,201	51,075	56,116
Total equity	2,751,435	2,767,154	3,345,625	4,115,773	4,409,711
Earnings per share (in HK cents)					
Basic	3.4	9.3	45.1	78.4	60.4
Diluted	3.4	9.3	44.8	77.8	60.2

PROPERTIES HELD BY THE GROUP

	Location	Existing use	Percentage holding
1.	Flat G, 22nd Floor, Tower 1, Yue Man Centre, Nos. 300 and 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	Staff quarters	100%
2.	128 Heyuan Road, Yuancheng District Heyuan City, Guangdong, The People's Republic of China	Industrial	100%
3.	Unit 3 Milbanke Court, Milbanke Way, Bracknell, Berkshire, United Kingdom	Office	100%
4.	No.1188 Hexin Rd, (West Zone), Hi-Tech Zone, Chengdu, Sichuan	Industrial	100%

Note: The above properties are either freehold, held on long or medium-term leases or have no specified lease term.



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