

# BOE



## INTERIM REPORT 2022

BOE VARITRONIX LIMITED

Stock Code 710



# Content

<b>2</b>	About BOE Varitronix
<b>3</b>	Corporate Information
<b>4</b>	Chairman's Statement
<b>14</b>	Sustainability
<b>15</b>	Other Information
<b>26</b>	Review Report On Interim Financial Information
<b>27</b>	Consolidated Statement of Profit or Loss
<b>28</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>29</b>	Consolidated Statement of Financial Position
<b>30</b>	Consolidated Statement of Changes in Equity
<b>32</b>	Condensed Consolidated Cash Flow Statement
<b>33</b>	Notes to the Unaudited Interim Financial Report

# 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 in terms of automotive TFT display products, especially in medium-to-large size display modules. Our vision is to become a leading integrated automotive smart cockpit display system solution provider.



Heyuan production base



Show room

# Corporate Information

The corporate information of BOE Varitronix Limited as of 16 September 2022, being the latest practicable date prior to the issue of this interim 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. Zhang Jianqiang

### Independent Non-executive Directors:

Mr. Fung, Yuk Kan Peter  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

## COMPANY SECRETARY

Mr. Chung Kai Cheong (*appointed on 19 April 2022*)  
Mr. Pang Tien Kin (*resigned on 19 April 2022*)

## AUTHORIZED REPRESENTATIVE

Ms. Ko Wing Yan, Samantha  
Mr. Chung Kai Cheong (*appointed on 19 April 2022*)  
Mr. Pang Tien Kin (*resigned on 19 April 2022*)

## AUDIT COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

## REMUNERATION COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)  
Mr. Gao Wenbao  
Ms. Ko Wing Yan, Samantha  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

## NOMINATION COMMITTEE

Mr. Gao Wenbao (*Chairman*)  
Mr. Su Ning  
Mr. Fung, Yuk Kan Peter  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

## 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 Financial Reporting Council Ordinance

## LEGAL ADVISER

Baker & McKenzie

## PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

Agricultural Bank of China Limited  
Bank of China Limited  
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

## 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

## COMPANY WEBSITE

<http://www.boevx.com>

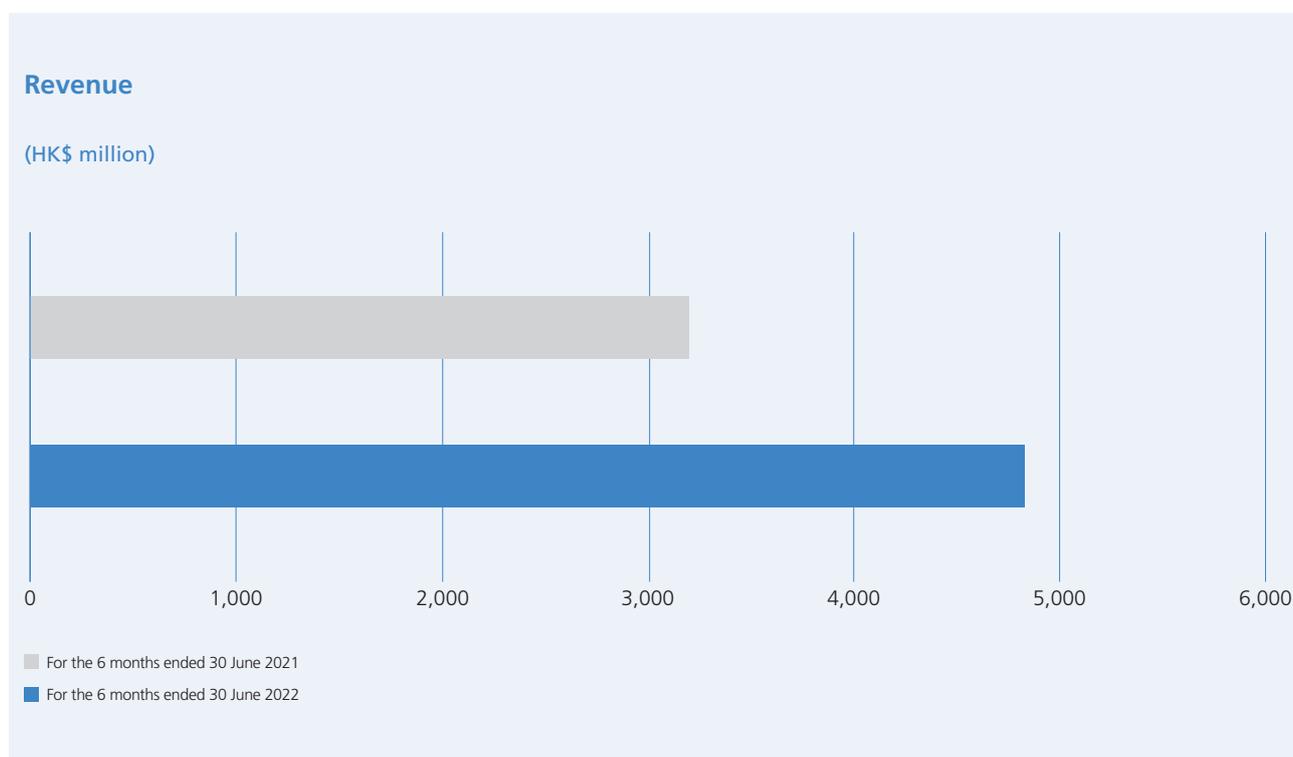
## INVESTOR RELATIONS CONTACT

[investor@boevx.com](mailto:investor@boevx.com)

# Chairman's Statement

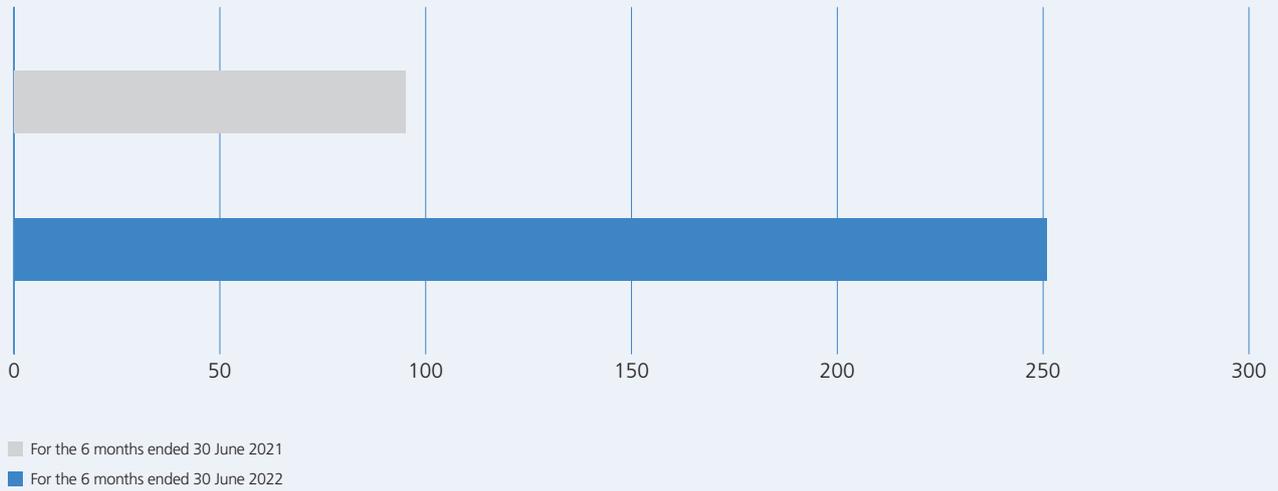
Highlights		
HK\$ million	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Revenue	<b>4,831</b>	3,200
EBITDA <sup>1</sup>	<b>359</b>	174
Profit Attributable to Shareholders	<b>250.9</b>	95.1
Basic Earnings per Share	<b>34.5 HK cents</b>	12.9 HK cents
Diluted Earnings per Share	<b>34.2 HK cents</b>	12.9 HK cents
	As of 30 June 2022	As of 31 December 2021
Cash and Fixed Deposits Balance	<b>2,263</b>	2,267

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



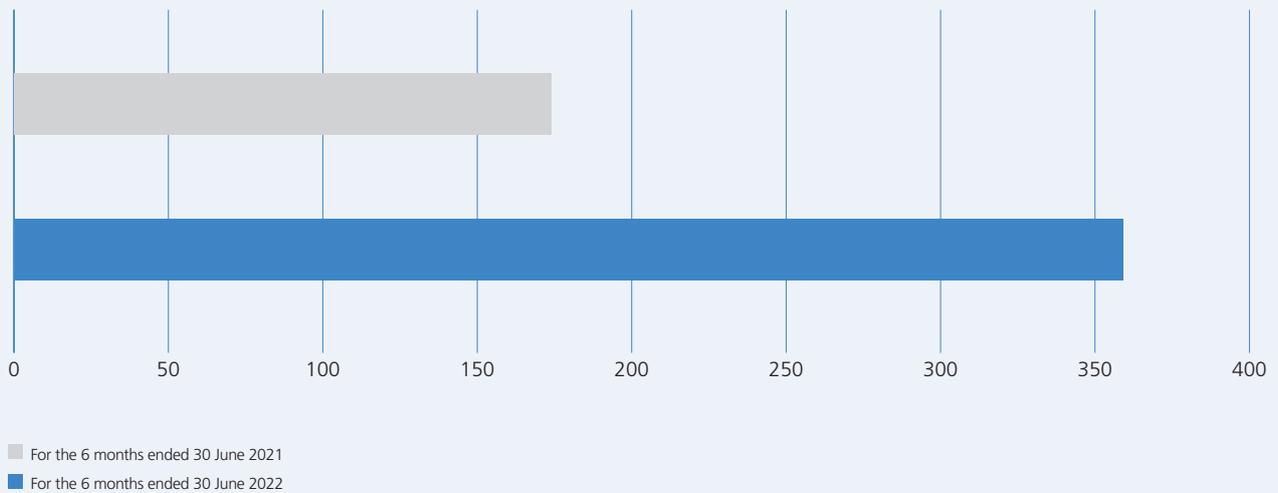
## Profit Attributable to Shareholders

(HK\$ million)



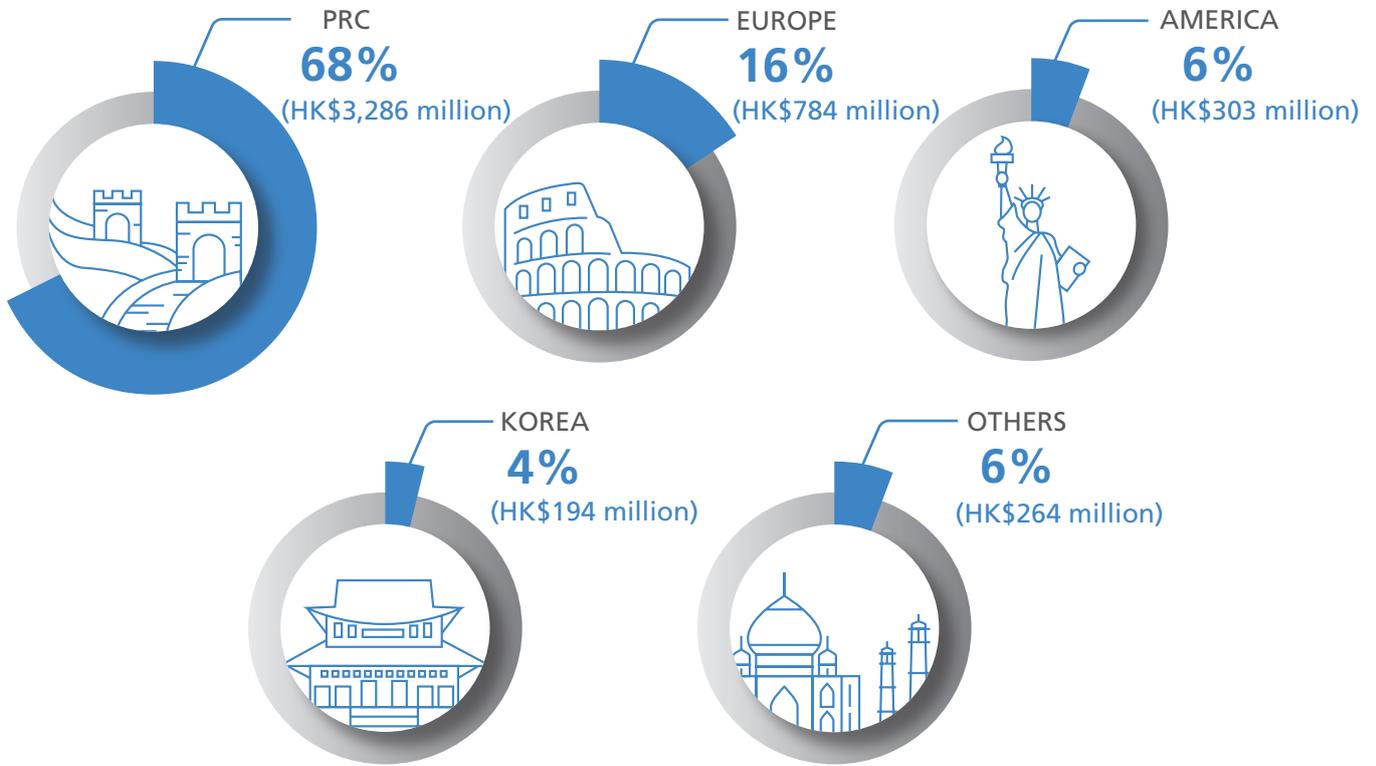
## EBITDA

(HK\$ million)

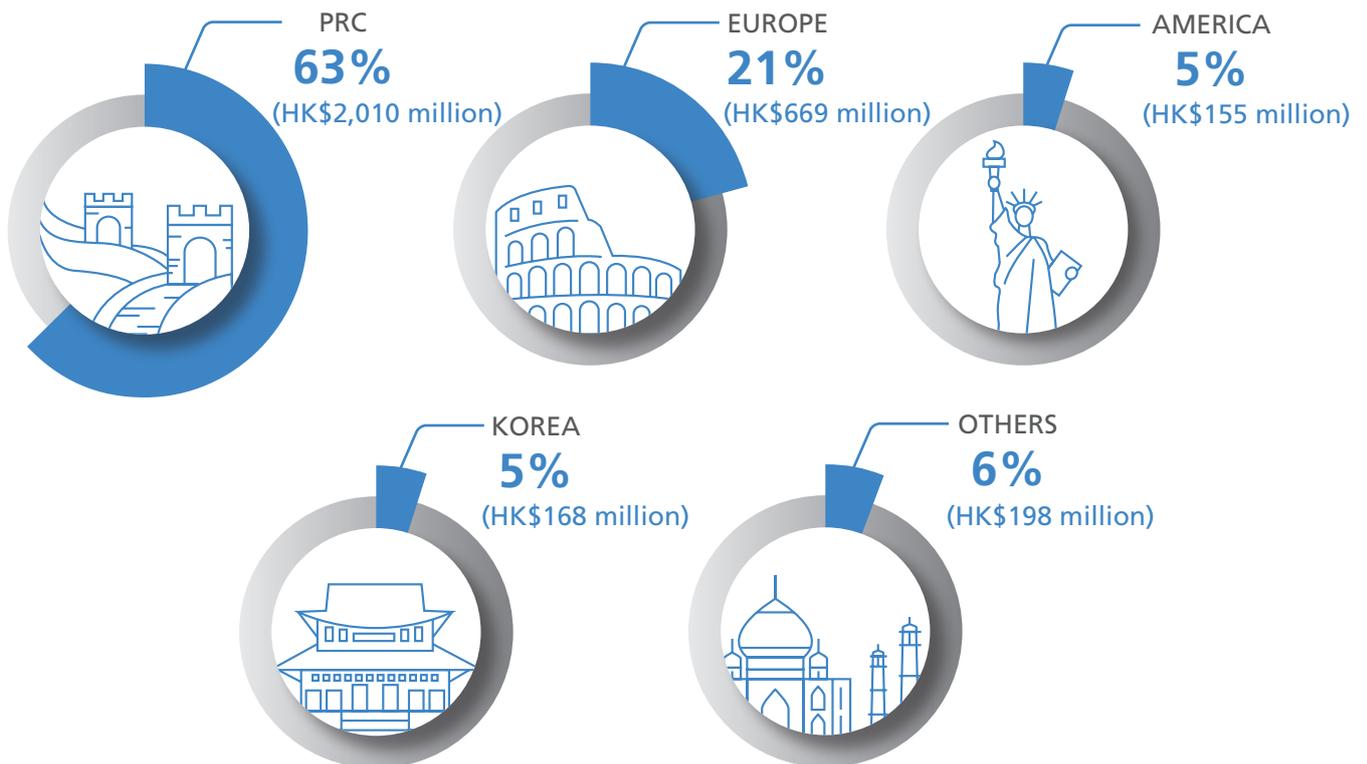


## REVENUE BY GEOGRAPHY

FOR THE 6 MONTHS ENDED 30 JUNE 2022



FOR THE 6 MONTHS ENDED 30 JUNE 2021



On behalf of BOE Varitronix Limited (the “Company”) and its subsidiaries (“BOEVx” or the “Group”), I present the results for the six months ended 30 June 2022 (the “period under review”).

During the period under review, the Group achieved revenue of HK\$4,831 million, an increase of 51% when compared with the HK\$3,200 million for the same period of 2021. EBITDA<sup>1</sup> of the Group was HK\$359 million, 106% higher than HK\$174 million recorded for the same period of 2021. The profit attributable to shareholders was HK\$250.9 million, an increase of 164% compared with HK\$95.1 million recorded for the same period of 2021.

As at 30 June 2022, the cash and fixed deposits balance of the Group was HK\$2,263 million, which is similar to the balance of HK\$2,267 million at the end of 2021. As at 30 June 2022, the bank borrowings was HK\$46.8 million which is repayable within one year, and there was no bank borrowings at the end of 2021. The Group mainly sources its funding from its operation. The cash position of the Group remains strong as at 30 June 2022. The Group is committed to maintain the bank borrowings at an appropriate level.

The Group has achieved remarkable results during the period under review with record-high revenue and profit attributable to shareholders. During the period under review, the Group grasped the market opportunities of the recovery from the impact of COVID-19 pandemic and expands our business in the automotive sector. Our revenue has increased across most of geographical regions as a result of increase in sales of Thin Film Transistor (“TFT”) and touch panel display modules to customers, with exceptional growth in the People’s Republic of China (the “PRC”). Our sales in the PRC has increased by more than 60% during the period under review as compared to that of the same period of last year which is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall

increase in market demand and average selling price in the automotive market in the PRC. For other regions like Europe, America, Korea and most of other regions, we have also recorded a notable growth and mainly contributed by the increase in sales of TFT and touch panel display modules in the automotive business. At the same time, the Group had been able to manage the co-effect of global shortage of electronic components, quarantine measures and geopolitical instabilities through various measures to reduce the impact on our supply chain and production. We strived to maintain a stable delivery to our customers and further strengthen the relationship with our customers.

The Group’s TFT module business and touch panel display modules business contributed around 87% of the Group’s revenue while the revenue from monochrome display business increased slightly during the period.

During the period under review, EBITDA has increased by 106% to HK\$359 million, represented around 7.4% of the Group’s revenue. The increase is mainly contributed by the increase in gross profit contributed by the increase in revenue. The profit attributable to shareholders has increased by HK\$155.8 million, approximately 164% as compared to that of 2021. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group’s revenue, increased to approximately 5.2% as compared to approximately 3.0% in 2021. The Group’s overall profitability has been improving through the continuous achievement of economies of scales through our increases in sales. The staff costs and other operating expenses were increased comparing with the same period of last year for our increase in production and expansion of production capacity. Nevertheless, the increase was corresponding to the increase in sales and business activities during the period and the Group has constantly carrying out efficiency management measures with an aim to achieve better profitability.

### DIVIDENDS

The Board of directors (the "Directors") (the "Board") of the Company has resolved not to declare an interim dividend for six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Group has no change in its dividend policy.

### BUSINESS REVIEW

#### Automotive Display Business

For the period under review, the revenue for the automotive display business was HK\$4,335 million, an increase of 68% from the revenue of HK\$2,578 million recorded in the same period of 2021. This business represented approximately 90% of the Group's overall revenue.

During the period, the Group's automotive display business has recorded a significant growth in sales as compared to the same period of last year. 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. Despite the quarantine measures in the PRC which caused severe strains to the automotive display supply chain, the Group has successfully mitigated the impact on the Group's business. The sales growth was mainly contributed by such increase in market demand together with scheduled commencement of mass production of TFT and touch panel display modules projects during the period. In terms of average selling price, in addition to the increase in selling price of certain products due to the increase in material costs, the gradual shift in product mix to higher average selling price products like touch panel display modules and larger-size TFT display modules also contributed to the increase in sales as compare to the same period of 2021.

The development of our automotive business in the PRC has yielded remarkable results in the first half of 2022. The PRC is the largest market of the Group's automotive display business and accounted for approximately 71% of the Group's automotive revenue in the first half of 2022. Our customer base has been expanding and covers major car brands for both conventional and new energy vehicle ("NEV") manufacturers. According to our statistics, our TFT display products continues to cover most of the top 20 PRC automobile manufacturers and NEV manufacturers and revenue from them keep increasing. During the period, the sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up its production continuously from the second half of 2021. This has increased our sales of TFT related display products in the period under review.

Our automotive business in Europe has recorded a considerable growth as compare to the same period of 2021. Though our major customers in Europe have gradually recovered from the impact of the pandemic, it was hindered by the geopolitical and inflation issues. The increase in revenue was due to increased average selling price, improved order fulfilment as a result of global electronic component shortage is relaxing and turning to mass production phrase for our certain products.

Other regions like Korea and America have also benefited from the recovery and ramp-up of orders during the period.

#### Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$496 million, a decrease of approximately 20% from the revenue of HK\$622 million recorded for the same period of 2021. This business represented approximately 10% of the Group's overall revenue.

The decrease of revenue during the period is mainly attributable to the special need for education product and demand from a world-renowned high-end home appliance brand for the same period of 2021 while there was less such demand in 2022.

## BUSINESS OUTLOOK

During the period, the Group has successfully expanded our automotive business and increased our overall revenue and profit. The Group has grasped market opportunities benefited from the further recovery of the economy of the PRC, the strong demand of the automotive market in NEV in the PRC and other regions. The mass production of various TFT and touch panel modules projects during the period has boosted the revenue and brought economies of scales which improved our overall net profit margin.

Looking forward to the second half of 2022, the Group expects that our revenue will continue to grow based on the order status of mass production projects which mainly drives from the increasing demand from TFT and touch panel display modules in the PRC and other regions such as Europe and Korea. The gradual mass production of high-end display products like BD display, AMOLED display, mini-LED and display system solution in coming years will also contribute to the growth. It is expected that the Group will continue to enhance profitability level through further economies of scale as our revenue increases and utilisation of production plants are optimised.

The recent geopolitical conflict, global inflation, interest rate hike of America and supply chain tension may still cast cloud of uncertainty over the global economy, and supply and demand condition of our products while the global shortage of electronic components is ease, customers may demand shifting certain burden to keep them success in the competition. The Group will stay vigilant and take necessary measures to minimize the potential impact that may have caused.

## Automotive Display Business

During the period under review, the Group has increased our global automotive display market share and achieved a leading position in terms of delivery quantity, area and especially delivery for display larger than 8 inches. We have established a strong customer network and obtained mass production projects for major automobiles manufacturers. The growth is especially remarkable in the PRC for TFT and touch panel display modules for NEV manufacturers. We expect the recent stimulus policy of the PRC Government shall boost the recovery of automotive sales in the second half of 2022 and shall be beneficial to us in future.

The Group expected that the trend of shifting to NEV in the PRC will continue based on the market trend and the PRC's target to achieve peak carbon emissions and carbon neutrality. The Group has successfully developed close relationship with major NEV manufacturers in the PRC and obtained a number of TFT and touch panel display modules orders over the past years which shall contribute significant amount of the Group's revenue over the order fulfilment period. Automobile manufacturers, in particular NEV manufacturers, are constantly upgrading user experience through multiply, large-sized, and high-quality displays with improving human-machine-interface ("HMI"). In view of this trend, the Group has been promoting different products, like large-sized TFT touch panel display modules, BD display, AMOLED display modules and system display products to our customers. The Group has won large-sized AMOLED display projects for several PRC NEVs. In relation to the development of system business, the Group has won business for system display solution for several PRC automobile manufacturers. It is expected that the revenue from high-end display products will increase in the coming years.

## Chairman's Statement

For Europe and America, the Group continues to win new business from our long-term customers as well as newly developed customers. We work very closely with our customers and continue to secure high-volume platform projects from the Group's long-established Tier-1 customers during the period. The Group won order with display using BD cell technology from a customer. There is also an order received from super cars manufacturers. The Group is also actively collaborating with our customers in new display technologies, such as high-resolution 3D display. For Korea and Japan automotive business, we expect the growth will continue as the mass production of TFT display projects continues to ramp-up since the second half of 2021.

### Industrial Display Business

The Group has been introducing TFT display products to our long-term customers and also developed new customers like high-end consumer products in home appliances and education-related products. In respect of the slower market demand of education-related products in the PRC, the Group has been gradually reducing its effort in this area since the latter half of 2021 with its less contribution to our revenue in future years. Our monochrome display products will continue to play a key role in non-automotive business as the demand is relatively stable in the areas of industrial meters, medical and other products.

### Development Strategy

Through the relentless effort of the Group, we have achieved staged development to pursuit our vision to become a leading integrated automotive smart cockpit display solution provider. Our market share has been

increasing and our products have reached major customers including Tier-1 manufacturers and new energy automobile manufacturers. We have developed our competitive advantage in providing versatile, state-of-the-art products with stable supply and quality assurance. The Group has also established strong relationship with our strategic partners, including major automobile manufacturers, NEV manufacturers and other eco-system partners, to develop our business in relation to smart cockpit display.

The Group will strive to expand and maintain our leading position of the automotive display business through technical advancement, high quality and reliable products and total customer satisfaction. In view of the positive outlook of the automotive display business, the Group has decided to establish our TFT and touch panel display module manufacturing facilities in Chengdu, the PRC. The Group believes the expansion can allow us to capture upcoming business opportunities and further expand our market share upon its expected completion in late 2022 or early 2023.



Chengdu production base



Production base for automotive displays in Chengdu

The digitalization and upgrading of the HMI experience in smart cockpit is becoming a major trend in the automotive industry. The need for larger-sized displays and more displays in the cockpit has been increasing with more and more advanced display technologies being integrated, like Augmented Reality Heads Up Display (“AR-HUD”), e-mirror, naked-eye 3D display and privacy-on-demand (“POD”).

Riding on this trend, the roadmap for the Group in coming years is to develop and strengthen our business in automotive display system to enable us to become a leading integrated automotive smart cockpit display solution provider. Our subsidiary has commenced mass production of a AR-HUD project for a PRC local brand car in the first half of 2022. The Group will keep its effort in the development of system business, and with our effort, were awarded display system solution projects from several major PRC automobile manufacturers and some of them have begun mass production.

## Technology Development

In recent years, as the automotive industry continues to evolve in terms of “CASE”, Connectivity, Autonomous, Sharing and Electrification, the industry has reached a consensus that vehicles will no longer be traditional means of transportation, but will gradually become a smart mobile terminal integrating travel, office, entertainment and leisure.

The development of smart vehicles has integrated many advanced technologies. Among them, the automotive display, as the core component of the cockpit, has also become a guarantee in the smart vehicle industry chain. The technical competition between car companies in automotive display is also becoming more and more fierce. Screens in large size screen, free-form, curved and interactive becomes a new trend in smart vehicle cockpit displays. The Group is dedicated to the development of a next-generation automotive display technology and contributes to the evolution of smart automobile.

We are dedicated to develop high dynamic range (“HDR”) technology, LED Local Dimming technology, mini-LED technology and BD Cell technology, so as to greatly increase the dynamic contrast ratio and enhance the color gamut, and show a darker and more

natural display image. The automotive cockpit display image has a strong black to white transition and is more susceptible to halo artifacts. The more dimming zones can provide better matching of the backlight to display the image, thereby reduce the halo effect. We have achieved phased results and are working to improve and increase the cost competitiveness on this technology. The Group is focused on BD Cell technology development, which combines monochrome and color high-resolution screens using precise optical bonding technology. By using pixel level local dimming technology, the TFT-LCD display contrast can be greatly improved to a hundred thousand ultra-high level. With the strong technical strength of the BOE Group, we will continue to develop related technologies and apply to automotive and other applications.

Due to the development of various smart functions and the full presentation of these functions and massive information, the display area continues to increase and NEV companies are more aggressive in this regard. To avoid information being forced to be divided into different display areas due to the physical distance between the screens, which resulting in information fragmentation, 27.0 inches 4K LTPS Full In-Cell Touch display has been launched. For cost reasons, it can be used as Pillar to Pillar Display by combining conventional instrument cluster display (e.g. 12.3 inches) under one cover glass as central information display and co-pilot display (when used together). It can also be used as panoramic unbounded sliding screen.

With the advantages of cost and sunlight readability, we continue to improve the existing passive display effect for the increasing demand for motorcycles. The new development of color polarizer technology has already phased in mass production stage in the second quarter of 2022. It can provide multi-color and customized color pattern display effect to which fit user’s requirement, and act as an alternative cost-effective color solution to customer. The colored hybrid VCI-TFT and Versi-colour (VCI) technology have been widely used in both automotive and motorcycle application. The first VCI motorcycle display project has been launched in the PRC market in the middle of 2022. This is a start to enter the PRC motorcycle market. The verification process of VCI motorcycle cluster will be completed in the third quarter of 2022. The focus change from display panel

production to system production will make a growing point in monochrome display business.

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

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

Regarding the 3D display, with the continuous development of autonomous driving, the communication between the driver and the car requires a new HMI. 3D space image and HMI input will be the focus of future development. Currently, the Group is developing a naked eye 3D display with a 4K ultra-high panel to provide visually attractive 3D performance, such as providing more viewpoints, a wider FOV (Field of View) and adjustable 3D depth by algorithm.

Currently, first samples had been produced and the 3D user interface implementation is undergoing. We are also developing 3D touch technologies, Infra-Red ("IR") Gesture technology by IR emission and sensing, together with naked eye 3D display, for contactless gesture machine communication and hovering control for user interface control applications.

The usage of LED segment HUD products has been breaking new highs in the past years. To the best of our knowledge, it has mainly been using in Taiwan and Southeast Asia markets for motorcycle cluster application. The Group leveraged the advantages of LCD to launch after-market monochrome HUD products to the potential high-volume HUD market during the period. Meanwhile, in conjunction with AR algorithms, AR-HUD products for the high-end market are launched for expanding the product category and benefiting to develop more market opportunities.

Besides, we have completed a number of products and technology development related to the smart cockpit display system. In addition to the traditional W-HUD (Windshield type HUD) products development, we focused more on the development of AR-HUD system and have already launched the first product for mass production. At the time being, we are proactively planning for the next HUD technology generation like 3D and lightguide technology to enhance the visual effect as well as to effectively reduce the volume of the optical box to enable us to be more competitive in technology and capability.

In the development of Camera Monitor System ("CMS"), we have completed our proprietary vision communication system platform based on well-known image/video processing System on Chip ("SOC") and will have a project expected start mass production in the second half of the year. A related industry standard is to be in force in the PRC by this year, it is anticipated that the CMS products shall well exhibit its market value.

In the smart cockpit display system, the Group has entered the harvest stage of the product development. We have launched production for a leading NEV automobile manufacturer and have been continuously winning projects from several new automobile manufacturers. We have also been awarded projects from 2 overseas NEV manufacturers and have established a development center in UK as well for corresponding Europe and America NEV. The Group will continue to invest and expand both the PRC and overseas system development teams in order to prepare for the opportunities that coming.

### **IMPORTANT EVENT AFTER THE PERIOD ENDED 30 JUNE 2022**

Please refer to note 17 to the unaudited financial statements for the period under review.

## ACKNOWLEDGEMENT

During the period, the Group has achieved record-high revenue and profit through successful implementation of our strategy. Thanks to the trust of our business partners, our customer base has broadened and solidified. The Group will continue to grasp the upcoming trend of the automotive industry and to pursue our strategy to become a leading integrated automotive smart cockpit display system solution provider. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders, investors, customers, suppliers and other business partners for your continuing support.

**Gao Wenbao**  
Chairman

Hong Kong, 15 August 2022

The Group began incorporating its Environmental, Social and Governance (ESG) Report into its annual report from 2014. The ESG Report has been compiled in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") requirements as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The covered scopes and contents are in compliance with the disclosure obligations under the "Comply or Explain" provisions in the Guide. The ESG Report covers operations in the PRC (including Heyuan and Chengdu) and Hong Kong, which together represent the core operations of the Group.

## GREENHOUSE GAS EMISSIONS

We hope to keep the intensity as 0.065 tonnes of CO<sub>2</sub>e per 1,000 units as a target and establish medium to long-term plan in reducing emissions gradually in 2021. We measure carbon footprint within the Group's operational control, assess the feasibility of our emission reduction targets, and develop emission reduction strategies. In the future, we will also regularly review and update carbon emission reduction pathway and related goals based on changes in environmental trends and corporate business development.

## ELECTRICITY CONSUMPTION

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. According to the change of production orders, the utilities supply is adjusted for the energy saving. The following energy conservation initiatives were adopted within the plant and the office:

- (a) Lighting systems
  - Turning off lights when not in use
  - Maintaining the cleanliness of lamps to enhance the energy efficiency
  - Replacing energy-efficient fluorescent tubes when necessary

- Dividing the lighting system with zones and installing separate switches to reduce lighting consumption
- (b) Air conditioning systems
  - Installing energy-efficient air conditioners when necessary
  - Cleaning filters of air conditioners for the operational efficiency
  - Setting minimum temperature of air conditioning system to 25.5°C
- (c) Electronic equipment and appliances
  - Setting the electronic appliances in standby or sleep mode when not in use
  - Unplugging the appliances before long holidays to reduce energy use
  - Purchasing electronic equipment with energy efficiency label

## WATER CONSUMPTION

We invested in the transformation of the water loop treatment system at the Heyuan plant which was used to treat the waste water and recycling. It reduced the annual discharge of 6,000 tonnes of wastewater. To preserve water resources, we are committed to reducing water consumption through enhancing wastewater recycling at our plant.

## CLIMATE CHANGE

In order to actively response to climate change, we will make more disclosures on governance, risk management, strategy, indicators and targets based on the suggestions of the TCFD (Task Force on Climate-Related Financial Disclosures) framework. We will set the carbon emission, energy consumption and other environmental targets and will regularly review the achievement progress of the targets. We will coordinate with operation, construction, design and other professional divisions and departments in evaluation and management of issues on climate change.

# Other Information

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Group has no change in its dividend policy.

## STAFF

As at 30 June 2022, the Group employed 4,063 staff around the world, of whom 123 were in Hong Kong, 3,887 were in the People's Republic of China (the "PRC") and 53 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 and a share award plan, and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the total equity of the Group was HK\$3,356 million (31 December 2021: HK\$3,346 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.80 as at 30 June 2022 (31 December 2021: 2.24).

At the period end, the Group held a liquid portfolio of HK\$2,267 million (31 December 2021: HK\$2,271 million) of which HK\$2,263 million (31 December 2021: HK\$2,267 million) was cash and fixed deposits balance, HK\$4 million (31 December 2021: HK\$4 million) was other financial assets. At the period end, the Group had the bank borrowings balance of HK\$47 million (31 December 2021: HK\$Nil). The Group's gearing ratio (bank borrowings over net assets) was 1.4% as at 30 June 2022 (31 December 2021: Nil%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2022 was 8.1 times (31 December 2021: 10.2 times). Debtor turnover days (trade receivables over annualised revenue times 365) for the six months ended 30 June 2022 was 62 days (31 December 2021: 76 days).

## 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 States dollars, Euros, Japanese Yen and Renminbi.

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

As of 30 June 2022, the bank borrowings of the Group are with fixed interest rate (as of 31 December 2021: Nil bank borrowings). The Group will monitor interest rate movements and consider appropriate measures when arrange bank borrowings with floating rates.

## COMMITMENTS ON OTHER INVESTMENTS

References are made to the announcements of the Company dated 20 August and 28 October 2021 and the circular dated 2 December 2021. The Group and BOE entered into the shareholders' agreement establishing Chengdu BOE Automotive. Chengdu BOE Automotive was formed for the purpose of, among others, expanding and maintaining the Group's leading position of the automotive display business. The capital commitments outstanding at 30 June 2022 not provided in the Group's financial statements were approximately HK\$635.7 million (31 December 2021: approximately HK\$94 million). The above will be financed by internal resources of the Group and/or external financing.

Apart from the above, there are no other material investment. The results of the above investments have been properly reflected in the interim financial statements for the period ended 30 June 2022.

## CONTINGENT LIABILITIES

As of 30 June 2022, the Group has no material liabilities (31 December 2021: Nil).

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

As at 30 June 2022, the interests and shorts positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company (Note 6)
Ko Wing Yan, Samantha	Personal Interest	597,000 (Note 1)	0.08%
Su Ning	Personal Interest	600,000 (Note 2)	0.08%
Fung, Yuk Kan Peter	Personal Interest	70,000 (Note 3)	0.01%
Chu, Howard Ho Hwa	Personal Interest	70,000 (Note 4)	0.01%
Hou Ziqiang	Personal Interest	49,000 (Note 5)	0.01%

Notes:

- 597,000 shares include 350,000 awarded shares of which 200,000 awarded shares and 150,000 awarded shares were vested on 28 April 2021 and 2022 respectively, granted on 29 March 2021.
- 600,000 shares include 350,000 awarded shares of which 200,000 awarded shares and 150,000 awarded shares were vested on 28 April 2021 and 2022 respectively, granted on 29 March 2021.
- 70,000 are awarded shares of which 40,000 awarded shares and 30,000 awarded shares were vested on 28 April 2021 and 2022 respectively, granted on 29 March 2021.
- 70,000 are awarded shares of which 40,000 awarded shares and 30,000 awarded shares were vested on 28 April 2021 and 2022 respectively, granted on 29 March 2021.
- 70,000 are awarded shares of which 40,000 awarded shares and 30,000 awarded shares were vested on 28 April 2021 and 2022 respectively, granted on 29 March 2021. Mr. Hou disposed 21,000 awarded shares on 10 June 2022.
- Calculated based on the Company's total number of issued share capital of 736,565,204 shares as at 30 June 2022.
- The above interest represented long positions.
- Events after the period under 30 June 2022: the first 40% of awarded shares were vested on 26 August 2022, which were granted on 15 June 2022. Please refer to the below (b)(ii).

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

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

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 Interest	1,860,700 (Note 2)	0.0048%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 (Note 3)	0.0020%
Jin Hao	Personal Interest	628,800 (Note 4)	0.0016%
Zhang Jianqiang	Personal Interest	641,500 (Note 5)	0.0017%

Notes:

- BOE subscribed 400,000,000 shares, representing 54.31% of the issued share capital of the Company.
- 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 588,700 shares to Mr. Zhang under the 2020 share option and restricted share incentive scheme.
- Calculated based on the BOE's total number of issued share capital of 38,445,746,482 shares as at 30 June 2022.
- The above interest represented long positions.

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

Name of Director	Date of grant	Number of share options at 1 January 2022	Number of share options granted during the period	Number of share options exercised during the period	Number of share options at 30 June 2022	Exercisable period	Exercise price per share option
Ko Wing Yan, Samantha	24 January 2019	500,000	–	–	500,000	(Note 1)	HK\$2.00
Su Ning	24 January 2019	500,000	–	–	500,000	(Note 1)	HK\$2.00
Fung, Yuk Kan Peter	24 January 2019	100,000	–	–	100,000	(Note 1)	HK\$2.00
Chu, Howard Ho Hwa	24 January 2019	30,000	–	–	30,000	(Note 1)	HK\$2.00
Hou Ziqiang	24 January 2019	100,000	–	–	100,000	(Note 1)	HK\$2.00

Notes:

- Exercisable period:
  - the first 40% of the share options shall be exercisable from 1 February 2020 to 31 January 2023;
  - the second 30% of the share options shall be exercisable from 1 February 2021 to 31 January 2023; and
  - the remaining 30% of the share options shall be exercisable from 1 February 2022 to 31 January 2023.
- The above interests represented long positions.

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

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

Name of Director	Date of grant	Number of awarded shares at 1 January 2022	Number of awarded shares granted during the period	Number of awarded shares vested during the period	Number of awarded shares at 30 June 2022	Closing price per awarded share on the date of grant	Vesting date
Ko Wing Yan, Samantha	29 March 2021	300,000	–	150,000	150,000	HK\$3.23	(Note 1)
	15 June 2022	–	150,000	–	150,000	HK\$11.38	(Note 2)
Su Ning	29 March 2021	300,000	–	150,000	150,000	HK\$3.23	(Note 1)
	15 June 2022	–	150,000	–	150,000	HK\$11.38	(Note 2)
Fung, Yuk Kan Peter	29 March 2021	60,000	–	30,000	30,000	HK\$3.23	(Note 1)
	15 June 2022	–	30,000	–	30,000	HK\$11.38	(Note 2)
Chu, Howard Ho Hwa	29 March 2021	60,000	–	30,000	30,000	HK\$3.23	(Note 1)
	15 June 2022	–	30,000	–	30,000	HK\$11.38	(Note 2)
Hou Ziqiang	29 March 2021	60,000	–	30,000	30,000	HK\$3.23	(Note 1)
	15 June 2022	–	30,000	–	30,000	HK\$11.38	(Note 2)

Notes:

- Vesting date:
  - the first 40% of the awarded shares shall be vested on 28 April 2021;
  - the second 30% of the awarded shares shall be vested on 28 April 2022; and
  - the remaining 30% of the awarded shares shall be vested on 28 April 2023.
- Vesting date:
  - the first 40% of the awarded shares to be vested on 26 August 2022;
  - the second 30% of the awarded shares to be vested on 28 August 2023; and
  - the remaining 30% of the awarded shares to be vested on 26 August 2024.
- The above interests represented long positions.

Saved as disclosed above, as at 30 June 2022, none of the Directors, chief executives or any of their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their spouses or children under the age of 18 to acquire benefits by the means of the acquisition of the shares in or debentures of the Company or any other body corporate.

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

As at 30 June 2022, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, the following companies and person had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	Number of shares in the Company held	Number of underlying shares in the Company held	Total	Approximate percentage of the total issued share capital of the Company (Note 3)
BOE Technology Group Co., Ltd. ("BOE")	400,000,000 (Note 1)	–	400,000,000	54.31%
Ko Chun Shun, Johnson	50,551,000 (Note 2)	–	50,551,000	6.86%
Rockstead Technology Limited	37,951,000 (Note 2)	–	37,951,000	5.15%

Notes:

1. The subscription of the 400,000,000 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. Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson (a former Executive Director of the Company and the former Chairman of the Board), held 37,951,000 shares and 10,700,000 shares of the Company respectively.
3. Calculated based on the Company's total number of issued ordinary shares of 736,565,204 shares as at 30 June 2022.
4. The above interests represented long positions.

Saved as disclosed above, as at 30 June 2022, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

### SHARE OPTION SCHEMES

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

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

A fourth share option scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years and as at 30 June 2022, the fourth share option has a remaining life of up to 2 June 2023. On 24 January 2019, 4,500,000 share options were granted under the fourth share option scheme and a consideration of HK\$41.00 was received. Save as disclosed above, during the six months ended 30 June 2022, no share option was granted under the fourth share option scheme.

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

### SHARE OPTION SCHEMES (CONTINUED)

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

As at the date of this report, the total number of share options that can be granted was 28,391,520 (after deducting the 4,500,000 share options granted on 24 January 2019), representing 3.85% of the issued share capital of the Company. The total number of shares available for issue under the share option scheme as at 30 June 2022 represents 0.34% (30 June 2021: 0.47%) of the issued share capital of the Company at that date.

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

Date of grant	Number of share options at 1 January 2022	Number of share options granted during the period	Number of share options cancelled/ lapsed during the period	Number of share options exercised during the period	Number of share options at 30 June 2022	Exercisable period	Exercise price per share option	Weighted average closing price of share options immediately before the dates on which the share options were exercised
<b>Directors</b>								
24 January 2019	1,230,000	–	–	–	1,230,000	(Note 1)	HK\$2.00	N/A
<b>Employees</b>								
24 January 2019	1,660,000	–	–	410,000	1,250,000	(Note 1)	HK\$2.00	HK\$9.34
	2,890,000	–	–	410,000	2,480,000			

Notes:

1. Exercisable period:

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

2. The above interests represented 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 1(r) of the 2021 annual report of the Company.

## SHARE AWARD PLAN

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

The Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board. As at 30 June 2022, the Plan has a remaining life of up to 27 August 2030. The maximum number of shares to be subscribed for and/or purchased for the purpose of the Plan shall not exceed 10.00% of the total number of issued shares of the Company as at the Adoption Date. The maximum number of shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1.00% of the total number of issued shares of the Company as at the Adoption Date.

The shares may be purchased on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or

off the market. In the event that any purchases are off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the 5 preceding trading days on which the shares were traded on the Stock Exchange.

During the period ended 30 June 2022, none of shares are purchased.

On 15 June 2022, the Board has granted a total of 2,500,000 awarded shares (representing 0.34% of the issued shares capital of the Company) to selected participants, comprising 5 Directors and certain employees of the Group, pursuant to the Plan.

As at the date of this report, the total number of awarded shares that can be granted was 3,633,000 (after deducting the 6,310,000 awarded shares and 2,500,000 awarded shares granted on 29 March 2021 and 15 June 2022 respectively), representing 0.49% of the issued share capital of the Company.

Subject to the Plan, the trust deed and the fulfilment of the vesting conditions as set out in the grant notice to each selected participant, the awarded shares held by the trustee shall vest in the respective selected participant, and the trustee shall cause the awarded shares to be transferred to such selected participant on the vesting date.

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

Date of grant	Number of awarded shares at 1 January 2022	Number of awarded shares granted during the period	Number of awarded shares lapsed during the period	Number of awarded shares vested during the period	Number of awarded shares at 30 June 2022	Vesting date
<b>Directors</b>						
29 March 2021	780,000	–	–	390,000	390,000	(Note 1)
15 June 2022	–	390,000	–	–	390,000	(Note 2)
<b>Employees</b>						
29 March 2021	2,976,000	–	24,000	1,488,000	1,464,000	(Note 1)
15 June 2022	–	2,110,000	20,000	–	2,090,000	(Note 2)
	3,756,000	2,500,000	44,000	1,878,000	4,334,000	

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. The above interests represented long positions.

### SHARE AWARD PLAN (CONTINUED)

The value per awarded share granted on 29 March 2021 and 15 June 2022 during the period was HK\$3.23 and HK\$11.38 and their fair value was measured based on the market price of the Company's shares at the respective grant dates. 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 1p(iii) of the 2021 annual report of the Company.

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

Ms. Zhang Shujun retired as a non-executive Director with effect from 20 January 2022.

Mr. Zhang Jianqiang ("Mr. Zhang") was been appointed as a non-executive Director with effect from 20 January 2022.

The term of office of Mr. Gao Wenbao ("Mr. Gao"), Mr. Su Ning ("Mr. Su"), Mr. Shao Xibin ("Mr. Shao"), Mr. Jin Hao ("Mr. Jin") and Mr. Zhang expired on 27 April 2022. In this connection, with effect from 28 April 2022, Mr. Gao was re-appointed as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company; Mr. Su was re-appointed as an executive Director, the chief executive officer and a member of the Nomination Committee of the Company; and Mr. Shao, Mr. Jin and Mr. Zhang were re-appointed as a non-executive Director.

Mr. Gao is currently a director and the president of the 10th board of directors, vice-chairman of the executive committee of BOE Technology Group, the chief executive officer of Display Business Group of BOE.

Mr. Su is currently the general manager of automotive SBU of the Display Business Group of BOE.

Mr. Jin is currently the deputy head of the centre of the planning and operation, and display device and IoT innovation business.

Each of Mr. Shao, Mr. Jin and Mr. Zhang 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 three 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 with reference to each experience and the prevailing market director's fees for non-executive directors. Mr. Shao, Mr. Jin and Mr. Zhang have agreed to waive his respective annual director's fee.

Ms. Ko Wing Yan, Samantha was appointed as an independent non-executive director of Qingdao Alnnovation Technology Group Co., Ltd in May 2021 which is listed on the Main Board of the Stock Exchange in January 2022.

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

During the period ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. On 15 June 2022, the Board has granted a total of 2,500,000 awarded shares (representing 0.34% of the issued shares capital of the Company as at 30 June 2022) to selected participants, comprising 5 Directors and certain employees of the Group, pursuant to the Plan.

### CORPORATE GOVERNANCE

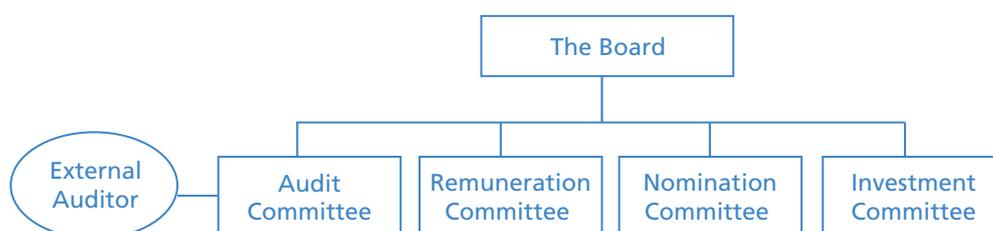
In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2022.

All other information on the CG Code has been disclosed in the corporate governance report contained in the 2021 annual report of the Company issued in April 2022.

## 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. 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 period 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.



### AUDIT COMMITTEE

The Audit Committee of the Company (the “AC”) comprises 3 independent non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group’s financial information and oversight of the Group’s financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company’s internal and external auditors. The AC has reviewed the interim results for the six months ended 30 June 2022 of the Company now reported on.

The interim financial report for the six months ended 30 June 2022 has been reviewed by the Company’s auditors, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

The Nomination Committee of the Company (the “NC”) comprises Mr. Gao Wenbao (Chairman of the NC), Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the NC, 3 members are independent non-executive Directors.

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

### 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 comprises 9 members, including Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning. Other members are not directors of the Company.

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

### INVESTOR RELATIONS

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 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 Company’s strategies, and through the effective communication, we are able to raise the quality of our management and to maximize the Company’s value.

In view of COVID, there was a change in the mode of interaction with the investment community. Various on-line communication formats and channels are adopted by the Group, such as announcement, shareholders’ meeting, video or voice conferences 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 the first half of 2022, the Group participated in more than 52 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 11 equity research analysts actively covering the Company.

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](mailto:investor@boevx.com). All questions or comments will be replied to the extent permitted by applicable laws, regulations and the Listing Rules.

### CHANGE OF STATUTORY DOCUMENT

During the period ended 30 June 2022, the existing bye-laws of the Company was amended to permit the Company to (i) bring the existing bye-laws in line with amendments made to the applicable laws of Bermuda and the Listing Rules; and (ii) incorporate certain housekeeping amendments. The Memorandum of Association and New Bye-Laws of the Company have been published on the websites of the Company and the Stock Exchange.

## **SIGNIFICANT SUBSEQUENT EVENTS AFTER 30 JUNE 2022 TO 16 SEPTEMBER 2022, BEING THE LATEST PRACTICABLE DATE OF THIS INTERIM REPORT**

Apart from those disclosed in note 17 to the unaudited financial statements for the period under review, there were below significant subsequent events:

(i) Placing of new shares under general mandate; (ii) connected transaction in relation to subscription of new shares under specific mandate; and (iii) proposed increase in authorised share capital

The Company and Credit Suisse (Hong Kong) Limited (the "Placing Agent") entered into the placing agreement on 1 September 2022, all conditions precedent to the placing as set out in the placing agreement have been satisfied and that the closing of the placing took place on 9 September 2022. An aggregate of 33,300,000 shares of the Company (the "Shares"), representing approximately 4.33% of the total issued share capital of the Company as enlarged by the allotment and issue of the placing shares, have been successfully placed by the Placing Agent to 28 places at the placing price of HK\$15.20 per placing share. Following the closing, the total issued ordinary shares of the Company as at the latest practicable date was 769,895,204. The net proceeds from the placing (after deducting all placing commission, fees, costs and expenses incurred by the Company in connection with the placing) amount to approximately HK\$499.77 million. On 1 September 2022, the Company and BOE Technology (HK) Limited ("BOE(HK)") entered into a shareholder subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and BOE(HK) has conditionally agreed to subscribe for, 19,730,000 Shares at HK\$15.20 per share, for a total cash consideration of approximately HK\$299.90 million. The Company intends to apply the net proceeds of the placing and the shareholder subscription mainly for its expansion of TFT and touch panel display module manufacturing facilities, including the facilities in the PRC (including the relevant capital expenditure and working capital), and for general working capital purposes.

In order for the Company to accommodate the future expansion and growth of the Group, on 1 September 2022, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 800,000,000 Shares to HK\$1,250,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,200,000,000 new Shares.

Please refer to the announcements of the Company dated 1 and 9 September 2022 for details.

## **DIRECTORS**

As at the date of this report, the Board comprises 9 Directors, of whom Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Mr. Shao Xibin, Mr. Jin Hao and Mr. Zhang Jianqiang are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.

# Review Report



## Independent Review Report to the Board of Directors of BOE Varitronix Limited

(Incorporated in Bermuda with limited liability)

### INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 40 which comprises the consolidated statement of financial position of BOE Varitronix Limited as of 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### KPMG

*Certified Public Accountants*

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

15 August 2022

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
<b>Revenue</b>	3	<b>4,830,849</b>	3,200,005
Other operating income	4	<b>62,383</b>	24,975
Change in inventories of finished goods and work in progress		<b>260,354</b>	72,669
Raw materials and consumables used		<b>(4,232,678)</b>	(2,698,440)
Staff costs		<b>(354,927)</b>	(267,729)
Depreciation		<b>(81,835)</b>	(77,939)
Other operating expenses	5(c)	<b>(209,118)</b>	(157,972)
<b>Profit from operations</b>		<b>275,028</b>	95,569
Finance costs	5(a)	<b>(662)</b>	(429)
Share of losses of associates		<b>–</b>	(278)
<b>Profit before taxation</b>	5	<b>274,366</b>	94,862
Income tax	6	<b>(40,523)</b>	(5,882)
<b>Profit for the period</b>		<b>233,843</b>	88,980
<b>Profit/(loss) attributable to:</b>			
Equity shareholders of the Company		<b>250,876</b>	95,105
Non-controlling interests		<b>(17,033)</b>	(6,125)
		<b>233,843</b>	88,980
<b>Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)</b>	7		
Basic		<b>34.5 cents</b>	12.9 cents
Diluted		<b>34.2 cents</b>	12.9 cents

The notes on pages 33 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Profit for the period</b>	<b>233,843</b>	88,980
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
– Foreign currency translation adjustments: net movement in exchange reserve	(121,948)	11,648
<b>Total comprehensive income for the period</b>	<b>111,895</b>	100,628
<b>Profit/(loss) attributable to:</b>		
Equity shareholders of the Company	130,750	106,250
Non-controlling interests	(18,855)	(5,622)
	<b>111,895</b>	100,628

The notes on pages 33 to 40 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	768,363	583,434
Intangible assets		39,822	38,457
Goodwill		11,487	11,487
Other financial assets		40,539	40,614
Non-current deposits and prepayments		78,232	15,332
Deferred tax assets		654	654
		<b>939,097</b>	689,978
<b>Current assets</b>			
Inventories	9	1,273,542	832,617
Trade and other receivables, deposits and prepayments and other contract costs	10	1,932,090	1,744,344
Other financial assets		3,758	4,367
Current tax recoverable		3,232	4,740
Cash and cash equivalents	11	2,262,545	2,267,118
		<b>5,475,167</b>	4,853,186
<b>Current liabilities</b>			
Trade and other payables	12	2,844,944	2,135,804
Lease liabilities		10,185	11,513
Current tax payable		18,110	17,476
Deferred income		5,577	3,260
Bank borrowings		46,800	–
Dividends payable	13	109,284	–
		<b>3,034,900</b>	2,168,053
<b>Net current assets</b>		<b>2,440,267</b>	2,685,133
<b>Total assets less current liabilities</b>		<b>3,379,364</b>	3,375,111
<b>Non-current liabilities</b>			
Lease liabilities		6,185	11,042
Deferred tax liabilities		12,641	13,165
Deferred income		4,826	5,279
		<b>23,652</b>	29,486
<b>NET ASSETS</b>		<b>3,355,712</b>	3,345,625
<b>CAPITAL AND RESERVES</b>			
Share capital	13	184,142	184,039
Reserves		2,877,224	2,848,385
Total equity attributable to equity shareholders of the Company		<b>3,061,366</b>	3,032,424
Non-controlling interests		294,346	313,201
<b>TOTAL EQUITY</b>		<b>3,355,712</b>	3,345,625

The notes on pages 33 to 40 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Awarded shares held under the Share Award Plan \$'000	Exchange reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	183,794	1,307,585	(16,932)	51,900	2,060	21,501	720,191	439,837	2,709,936	57,218	2,767,154
<b>Changes in equity for 2021:</b>											
Profit for the period	-	-	-	-	-	-	-	95,105	95,105	(6,125)	88,980
Other comprehensive income	-	-	-	11,145	-	-	-	-	11,145	503	11,648
Total comprehensive income	-	-	-	11,145	-	-	-	95,105	106,250	(5,622)	100,628
Final dividend approved in respect of the previous year	-	-	-	-	-	-	-	(36,780)	(36,780)	-	(36,780)
Shares purchased by the trustee under share award plan	-	-	(23,183)	-	-	-	-	-	(23,183)	-	(23,183)
Shares vested under share award plan	-	-	6,506	-	(8,088)	-	-	1,582	-	-	-
Equity settled share-based transactions	-	-	-	-	10,377	-	-	-	10,377	-	10,377
Shares issued under share option scheme	105	976	-	-	(241)	-	-	-	840	-	840
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	8,678	8,678
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	(3,550)	(3,550)	3,550	-
<b>Balance at 30 June 2021</b>	183,899	1,308,561	(33,609)	63,045	4,108	21,501	720,191	496,194	2,763,890	63,824	2,827,714

## Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2022</b>	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
<b>Changes in equity for 2022:</b>											
Profit for the period	-	-	-	-	-	-	-	250,876	250,876	(17,033)	233,843
Other comprehensive income	-	-	-	(120,126)	-	-	-	-	(120,126)	(1,822)	(121,948)
<b>Total comprehensive income</b>	-	-	-	(120,126)	-	-	-	250,876	130,750	(18,855)	111,895
Final dividend approved in respect of the previous year	-	-	-	-	-	-	-	(109,284)	(109,284)	-	(109,284)
Vesting of shares under the share award plan	-	-	6,344	-	(6,066)	-	-	(278)	-	-	-
Equity settled share-based transactions	-	-	-	-	6,656	-	-	-	6,656	-	6,656
Shares issued under share option scheme	103	957	-	-	(240)	-	-	-	820	-	820
<b>Balance at 30 June 2022</b>	184,142	1,310,803	(27,265)	(62,627)	8,565	105,921	720,191	821,636	3,061,366	294,346	3,355,712

The notes on pages 33 to 40 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Operating activities</b>		
Cash generated from operations	356,485	66,645
Tax (paid)/recovered		
– People's Republic of China ("PRC") income taxes paid	(34,136)	(7,598)
– Tax (paid)/recovered in respect of jurisdictions outside Hong Kong and the PRC	(4,781)	1,313
<b>Net cash generated from operating activities</b>	<b>317,568</b>	<b>60,360</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	–	1
Payment for the purchase of property, plant and equipment	(304,987)	(48,274)
Payment for the purchase of intangible assets	(3,973)	(1,630)
Acquisition of subsidiary, net of cash acquired	–	3,722
Payment for the purchase of equity securities	–	(38,800)
Government grants received relating to acquisition of property, plant and equipment	6,158	–
Decrease in fixed deposits with more than three months to maturity when placed	–	7,753
Interest received	20,035	11,729
<b>Net cash used in investing activities</b>	<b>(282,767)</b>	<b>(65,499)</b>
<b>Financing activities</b>		
Proceeds from bank borrowings	46,800	–
Capital element of lease rentals paid	(5,720)	(5,689)
Interest element of lease rentals paid	(369)	(429)
Interest paid	(293)	–
Proceeds from shares issued under share option scheme	820	840
Shares purchased under share award plan	–	(23,183)
<b>Net cash generated from/(used in) financing activities</b>	<b>41,238</b>	<b>(28,461)</b>
Net increase/(decrease) in cash and cash equivalents	76,039	(33,600)
Cash and cash equivalents at 1 January	2,267,118	1,627,531
Effect of foreign exchange rates changes	(80,612)	6,989
Cash and cash equivalents at 30 June	2,262,545	1,600,920

The notes on pages 33 to 40 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 15 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the auditor of the Company, KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 26. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

## 3. REVENUE AND SEGMENT REPORTING

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

### (a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the revenue and operating profits are derived from this business segment. The interim financial report has 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. The Group's management has determined that a single operating segment exists based on this internal reporting.

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

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 3. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Geographic information

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

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
The PRC (place of domicile)	3,285,902	2,009,215
Europe	784,435	669,249
America	302,987	155,309
Korea	194,142	168,091
Others	263,383	198,141
	1,544,947	1,190,790
Consolidated revenue	4,830,849	3,200,005

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Czech Republic	226,738	209,702
Germany	126,436	143,387
Romania	109,195	72,047
Italy	50,665	41,231
France	40,042	33,210
Portugal	30,848	49,123
United Kingdom	4,029	7,110
Other European countries	196,482	113,439
	784,435	669,249

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
The PRC (place of domicile)	814,500	626,290
Others	5,172	7,088
Total	819,672	633,378

## 4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Interest income on financial assets measured at amortised cost	20,085	11,618
Government grants (note (i))	13,210	4,804
Net exchange gain	17,937	2,020
Net loss on disposal of property, plant and equipment	–	(2)
Impairment loss on interest in an associate	–	(1,000)
Loss on deemed disposal of an associate	–	(1,786)
Rental receivable from operating leases	7,287	7,267
Others	3,864	2,054
	62,383	24,975

Note:

- (i) The amount mainly represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$6,777,000 (2021: HK\$Nil), amortisation of government grants received from the PRC authorities in relation to acquisitions of machineries of HK\$5,330,000 (2021: HK\$2,656,000) and incentives granted in relation to staff retention of HK\$1,103,000 (2021: HK\$2,131,000). There are no unfulfilled conditions attaching to these government grants.

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>(a) Finance costs</b>		
Interest on lease liabilities	369	429
Interest on bank borrowings	293	–
	<b>662</b>	429
<b>(b) Other item</b>		
Cost of inventories	<b>4,217,354</b>	2,844,896
<b>(c) Other operating expenses</b>		
Amortisation of intangible assets	2,488	488
Auditors' remuneration	1,884	1,850
Bank charges	668	717
Building management fees	2,560	1,992
Expected credit loss allowance on trade receivables	4,807	2,565
Factory consumables, cleaning and security service expenses	7,535	6,261
Freight charges	31,409	26,981
Insurance and quality assurance expenses	3,728	2,220
Legal and professional fees	5,753	4,914
Office expenses	7,252	2,469
Other taxes, surcharge & duties	9,179	10,718
Repair and maintenance	10,696	9,118
Sales, marketing and commission expenses	33,171	19,778
Subcontracting fees	34,417	33,918
Trademark licence fee	11,493	–
Travelling and entertainment expenses	6,470	6,388
Utilities expenses	33,732	26,257
Miscellaneous expenses	1,876	1,338
	<b>209,118</b>	157,972

## 6. INCOME TAX

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Current tax – Hong Kong Profits Tax	11,627	–
Current tax – the PRC income taxes	21,796	3,226
Current tax – Jurisdictions outside Hong Kong and the PRC	7,636	1,496
Deferred taxation	(536)	1,160
	<b>40,523</b>	5,882

### (i) Hong Kong Profits Tax

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

### (ii) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the periods ended 30 June 2022 and 2021.

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

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

### (iii) Jurisdictions outside Hong Kong and the PRC

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

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$250,876,000 (six months ended 30 June 2021: HK\$95,105,000) and the weighted average of 727,148,038 ordinary shares (2021: 735,298,971 ordinary shares) in issue during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$250,876,000 (six months ended 30 June 2021: HK\$95,105,000) and the weighted average of 732,873,839 ordinary shares (2021: 737,066,421 ordinary shares).

## 8. PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 June 2022, the Group did not enter into any new agreement, and therefore no addition to right-of-use assets was recognised (six months ended 30 June 2021: HK\$2,700,000).

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of HK\$297,045,000 (six months ended 30 June 2021: HK\$80,412,000). Items of property, plant and equipment with a net book value of HK\$Nil were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$3,000), resulting in HK\$Nil charge of loss on disposal (six months ended 30 June 2021: HK\$2,000).

## 9. INVENTORIES

During the six months ended 30 June 2022, the Group recognised inventory write-down of HK\$17,870,000 (six months ended 30 June 2021: HK\$20,837,000) in profit or loss and reversal of write-down of inventories of HK\$7,592,000 (six months ended 30 June 2021: HK\$18,285,000) as a reduction in the amount of inventories recognised as an expense in profit or loss.

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

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$24,730,000 (31 December 2021: HK\$19,923,000) is as follows:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 60 days of the invoice issue date	1,415,000	1,083,109
61 to 90 days after the invoice issue date	92,234	270,250
91 to 120 days after the invoice issue date	80,042	124,294
More than 120 days but less than 12 months after the invoice issue date	79,380	138,580
	1,666,656	1,616,233

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

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Fixed deposits with banks with three months or less to maturity when placed	260,345	–
Cash at banks and on hand	2,002,200	2,267,118
Cash and cash equivalents	2,262,545	2,267,118

## 12. TRADE AND OTHER PAYABLES

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 60 days of supplier invoice date	2,032,036	1,170,681
61 to 120 days after supplier invoice date	121,598	454,423
More than 120 days but within 12 months after supplier invoice date	22,891	16,822
More than 12 months after supplier invoice date	7,116	9,933
	<b>2,183,641</b>	1,651,859

## 13. CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$Nil).

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 15.0 HK cents (2021: 5.0 HK cents) per share	109,284	36,780

The final dividend has been recognised as dividend payable in the consolidated statement of financial position as at 30 June 2022.

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

#### (i) Share option scheme

During the six months ended 30 June 2022, options have been exercised to subscribe for 410,000 ordinary shares in the Company at a consideration of HK\$820,000 (six months ended 30 June 2021: 420,000 ordinary shares at a consideration of HK\$840,000).

During the six months ended 30 June 2022, no options were lapsed (six months ended 30 June 2021: 130,000 options).

#### (ii) Share award plan

During the six months ended 30 June 2022, the Group did not repurchase any shares (six months ended 30 June 2021: 5,856,000 shares on the market at a total consideration of HK\$23,183,000) for the purpose of the share award plan.

On 15 June 2022, the Company awarded a new total of 2,500,000 ordinary shares to the selected participants including its directors and employees. Among the 2,500,000 awarded shares, the first 40% of the awarded shares shall be vested to the selected persons on 16 August 2022, the second 30% of the awarded shares shall be vested on 16 August 2023, and the remaining 30% shall be vested on 16 August 2024. Further details are set out in the Company's announcement dated 15 June 2022.

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

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

#### (i) Fair value hierarchy

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

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

	Fair value at 30 June 2022 \$'000	Fair value measurements as at 30 June 2022 categorised into			Fair value at 31 December 2021 \$'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
Listed equity securities	614	614	–	–	1,243	1,243	–	–
Unlisted equity securities	40,539	–	–	40,539	40,614	–	–	40,614
	41,153	614	–	40,539	41,857	1,243	–	40,614

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: HK\$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### (ii) Information about Level 3 fair value measurements

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).

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

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Unlisted equity securities:		
At 1 January	40,614	–
Exchange adjustment	(75)	–
Securities acquired	–	38,800
At 30 June	40,539	38,800

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

## 15. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

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

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
Purchase of goods from BOE Group	1	3,021,589	1,855,675
Lease of property, plant and equipment to BOE Group	2	7,287	7,267
Rental, management fee, utilities fees and computer integrated manufacturing system management fee charged by BOE Group	3	50	50
Trademark license fee paid to BOE Group	4	11,493	–
Subcontracting fee charged to BOE Group	5	1,967	–

Notes:

- The transactions were conducted based on the terms as governed by the renewed master purchase agreement entered 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 transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- The transactions were conducted based on the terms as governed by the renewal assets lease agreement entered between Chengdu BOE Vehicle Display Technology Co., Ltd. ("Chengdu Vx"), a wholly-owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly-owned subsidiary of BOE on 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.
- The transactions were conducted based on the terms as governed by the renewal tenancy agreement for a term commencing from 1 January 2022 to 31 December 2024. The transactions as contemplated under the Tenancy Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

- The transactions were conducted based on the terms as governed by 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 of the Group for a term commencing from 1 December 2021 to 31 December 2022. The annual licence fee is at 0.8% of the revenue from the principal business deducting the internal purchases of the Company of the previous year. Trademark Licence Agreement is entered into the ordinary and usual course of business of the Group; the terms of the Trademark Licence Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and on normal commercial terms or better; and the Trademark Licence Agreement is in the interests of the Company and the Shareholders as a whole. Further details are set out in the Company's announcement dated 30 December 2021. The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- 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.

### (b) Balances with related parties

At 30 June 2022, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of HK\$1,375,189,000 (31 December 2021: HK\$1,066,636,000). Non-current deposits of HK\$38,923,000 (31 December 2021: HK\$14,940,000) were paid to BOE Group for the purchase of the TFT panels toolings for manufacturing TFT modules. Prepayment of HK\$106,800,000 (31 December 2021: HK\$16,444,000) paid 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 repayable/recoverable within one year.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

## 16. COMMITMENTS

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

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Contracted for construction and acquisition of plant and equipment	635,666	93,518

## 17. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

On 12 August 2022, the Group entered into an equity transfer agreement with BOE in relation to the acquisition of the 40% equity interest in Chengdu BOE Automotive Electronic Limited\* (成都京東方汽車電子有限公司) ("Chengdu BOE Automotive"), which is a non-wholly owned subsidiary of the Group. Pursuant to the equity transfer agreement, the Group has agreed to acquire, and BOE has agreed to sell the 40% equity interest of Chengdu BOE Automotive at the cash consideration of RMB230 million.

Upon the completion of equity transfer, the Group will hold 100% equity interest in Chengdu BOE Automotive which will be accounted for as a wholly-owned subsidiary of the Group. Further details are set out in the announcement of the Company dated 12 August 2022.

\* For identification purposes only