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BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2023 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue	5,210	4,831
EBITDA ¹	324	359
Profit Attributable to Shareholders	202.5	250.9
Basic Earnings per Share	25.8 HK cents	34.5 HK cents
Diluted Earnings per Share	25.7 HK cents	34.2 HK cents
	As of 30 June 2023	As of 31 December 2022
Cash and Fixed Deposits Balance	2,360	2,881

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

On behalf of BOE Varitronix Limited (the “Company”) and its subsidiaries (“BOEVx” or the “Group”), I present the results for the six months ended 30 June 2023 (the “period under review”).

During the period under review, the Group has achieved record-high half-year revenue of HK\$5,210 million, an increase of 8% when compared with HK\$4,831 million recorded for the same period of 2022. EBITDA of the Group was HK\$324 million, 10% lower than HK\$359 million recorded for the same period of 2022. The profit attributable to shareholders of HK\$202.5 million was recorded, a decrease of 19%, when compared with HK\$250.9 million recorded for the same period of 2022.

As at 30 June 2023, the cash and fixed deposits balance of the Group was HK\$2,360 million, compared to HK\$2,881 million at the end of 2022. The Group has bank loan of HK\$785 million

as at 30 June 2023, an increase of 18%, when compared with HK\$667 million recorded at the end of 2022. The cash position of the Group remains strong as at 30 June 2023 and in net cash position. The Group is committed to maintain the bank borrowings at an appropriate level, and the main source of funding is from its operation.

The increase in the Group's revenue was mainly contributed by the increased sales of Thin Film Transistor ("TFT") and touch panel display modules in the People's Republic of China ("the PRC") and America. The growth was mainly contributed by the enhancement of production capacity of TFT and touch panel display modules and an overall increase in manufacture and sales in the automotive market in the PRC.

The Group's TFT module business and touch panel display module business contributed around 89% of the Group's revenue while the revenue from monochrome display business decreased slightly during the period.

During the period under review, EBITDA has decreased by 10% to HK\$324 million, represented around 6.2% of the Group's revenue. The decrease was mainly due to the impact of price adjustment, additional costs incurred for the preparation and construction for increasing production scale of our new TFT and touch panel display modules manufacturing facilities in Chengdu, the PRC (the "New Plant"), amid production volume continuously reaching its optimal resulting a higher overall marginal cost during the first half of 2023. In addition, certain of the peak impact of COVID-19 quarantine measures also impacted our production efficiency and overall costs. The profit attributable to shareholders has decreased by HK\$48.4 million, approximately 19% as compared to that of 2022 mainly due to the same factors as the decrease of EBITDA.

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

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

DIVIDENDS

The Board of directors (the "Board") of the Company has resolved not to declare an interim dividend for six months ended 30 June 2023 (six months ended 30 June 2022: 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\$4,646 million, an increase of 7% from the revenue of HK\$4,335 million recorded in the same period of 2022. This business represented approximately 89% of the Group's overall revenue.

During the period, the Group's automotive display business has recorded a 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.

During the period, major automotive manufacturers entered into a competitive landscape of price adjustments. The New Electric Vehicle ("NEV") market presented pricing raving to boost up sales. The development has yielded overall positive results in the first half of 2023. The PRC is the largest market of the Group's automotive display business and accounted for approximately 70% of the Group's automotive revenue in the first half of 2023. Our customer base has been expanding and covers major automotive brands for both conventional and NEV manufacturers. According to our statistics, our TFT display products continue to cover a majority of the top 20 PRC automotive manufacturers and NEV manufacturers and revenue from them are stable and potentially further increase. The sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up their production continuously and this resulted in increased in our sales of TFT related display products in the period under review.

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

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

Other regions like Korea and America have also affected by the economy, high inflation, increase of interest rate and energy crisis. Overall results from other regions were similar with the same period of last year.

The decrease in profit margin was mainly due to the combined effect of price adjustment, additional costs incurred for the preparation and construction for increasing of production scale of our New Plant, amid production volume continuously reaching its optimal which resulted a higher overall marginal cost during first half of 2023. In addition, certain of the peak impact of COVID-19 quarantine measure also impact our production efficiency as well as overall costs. The Group will strive to improve the supply chain and optimize the production efficiency, and we are confident to meet the optimal result of cost control measures with the completion of “warm-up” of the New Plant.

Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$564 million, an increase of approximately 14% from HK\$496 million recorded for the same period of 2022. This business represented approximately 11% of the Group’s overall revenue.

The increase of revenue during the period was mainly attributable to the higher demand from consumer electronic appliance products for the period of 2023 compared to that of 2022.

BUSINESS OUTLOOK

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

Automotive Display Business

The automotive display device business is a tens of billions-level market and there is still a huge room for growth. The global automotive display modules market is showing a steady upward trend, especially those new technologies such as oxide and Low Temperature Poly-silicon (“LTPS”) which we have ample resources. According to Omdia data, the global compound annual growth rate of (i) total shipments of in-vehicle display modules, (ii) shipments of medium and large sizes (8 inches), and (iii) oxide and LTPS shipments in the next three years will reach 6.01%, 10.31% and 18.05% respectively. The Group expects that the expansion of the industry will bring more revenue and profit opportunities, and leading automotive enterprises are rapidly evolving towards trends such as standardization, platformization and supplier concentration to grab those opportunities. The automotive market is rapidly concentrating on top leading customers and the overall market share of top leading customers will also increase rapidly in the future.

Apart from the traditional display, the upcoming automotive display system business and the smart cockpit solution market will have great potential development. The digitalization and upgrading of the Human Interface (“HMI”) experience in smart cockpit is becoming a major trend in the automotive industry. With the integration of more and more advanced display technologies, such as Camera Monitoring System (“CMS”), naked-eye 3D displays and privacy-on-demand (“POD”), the demand for larger and more displays in the cockpit continues to increase. According to Omdia data, the automotive display system market is showing a steady upward trend and the size of the

PRC market is expected to reach nearly HK\$100 billion in 2026. The global smart cockpit and smart travel market is expected to reach nearly HK\$1.6 trillion in 2025.

During the period under review, the Group has maintained number one market share in the global automotive display market in terms of delivery quantity, area and in particular, delivery for displays larger than 8 inches in size. We have established a strong customer network and with our keen technology development ambition, we have continuously obtained mass production projects from major automotive manufacturers.

Benefiting from the world's largest NEV charging network, the supportive policy for NEV such as (i) new automotive technology such as the new China national standard GB15084-2022 for "Motor vehicles — Devices for indirect vision — Requirements of performance and installation" for vehicle CMS products that has been in force in the PRC since 1 July 2023, and (ii) the full implementation of the 6B phase of "Limits and measurement methods for emissions from light-duty vehicles (CHINA 6)" which shall increase the demand for NEV and lead the PRC's production and sales of NEV to maintain first rank in the world for 8 successive years, with global market share exceeding 60%. Meanwhile, the PRC automotive market is still competitive with price raging and new products and technology evolve rapidly. The PRC automotive manufactures are improving its products cost performance ratio, product uniqueness, product design and product quality, and are becoming more welcomed by overseas customers. The PRC NEV manufacturers have increased their footprints and influence across the globe, demonstrated by higher global sales, certain of the PRC NEV manufacturers has turned profitable or reducing their losses recently and more strategic cooperation with global large investors. The Group expects that those leading NEV manufacturers in the PRC will further increase their market shares in the PRC automotive market in the future. At present, the Group has footprints on most of the overall market share in the NEV market in the PRC, and maintains a high market shares in leading automotive manufacturers, the development of the industry represents vibrant development opportunity for the players in the industries including our Group.

The recent geopolitical conflicts, unstable global economic environment, energy crisis, global inflation and increase of interest rate may continue to bring uncertainty to the global economy and the supply and demand of our products. Intensifying price competition goes around automotive industry, customers may shift some of their burdens to us in order to succeed in the competitions. The Group will remain vigilant and take necessary measures to reduce the potential impact that may result.

Despite the above uncertainties, with that overseas markets have relatively stable orders, the Group continuously develops overseas markets with the PRC's top automotive manufacturers as well as other global automotive manufacturers to increase sales of our products globally.

For Europe and America in particular, the Group continues to win new businesses from our long-term customers as well as newly developed customers by working closely with our customers, maintain good relationships and set up local sales teams to give prompt responds to customers' needs. Close communication ensures that the Group can promptly understand and respond to

customer needs, technical requirements, and provide quality after-sale services. With such, we are able to continuously obtain orders from major well-known overseas automotive manufacturers with breakthroughs in super large size and more sophisticated products.

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

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

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

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

In terms of the supply chain, suppliers of IC chip are gradually switched from more expensive sources to lower cost sources and reduces their overall cost. In addition, the Group expects that some upstream partners will be able to enjoy lower cost sources and ultimately improve our profitability. The Group shall continue to have dual global sources to meet the quality and cost need for us and our customers.

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

Looking forward to the second half of 2023, amid those challenges and opportunities, the Group will keep striving to improve supply chain management, optimize production efficiency, capture market opportunities, we believe with the successful optimization of the operation, higher utilization of plant and equipment of the New Plant, and an ideal market condition and demand that meets the desired production capacity, we believe we could achieve an overall lower marginal cost and reach optimal profitability.

Industrial Display Business

During the period, the Group successfully gained orders from new energy transportation and aviation industry with the relaxation of pandemic. The Group continues to promote TFT display products to our long-term customers in industrial meters, medical instruments, high-end home appliance consumer products, education-related products and film and television accessories to expand the business and improve profitability of our Industrial Display Business.

Development Strategy

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

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

Sustainability is key to future success of the Group and the Group attaches great importance to environmental protection and sustainable development. The Group has installed solar power generation devices to reduce carbon emission and power consumption, and certain energy saving equipment laying the foundation of nation green factories. In addition, we are working together with our customers and suppliers to meet the net zero ambition by proposing the use of environmental-friendly materials and avoiding the use of hazardous materials.

Technology Development

Future Smart Vehicle Cockpit will provide users with a complete set of solutions around the needs for more use cases. “HERO” is exactly the use cases that the Group strives to create, including Healthiness, Entertainment, Relaxation and Office. The Group will improve our technology on the basis of existing products, integrate more innovative products and solutions into the Cockpit Design, and create more value for consumers.

Automotive Oxide Technology

With the increasing demand for high resolution, narrow borders, and low power consumption, traditional amorphous silicon (“a-Si”) can no longer meet the requirements of use. Therefore, it is necessary to find other semiconductors with higher electron mobility to meet the requirements of use. Some oxide semiconductors, represented by indium gallium zinc oxide (IGZO), have become the best choice to replace traditional a-Si due to their simple fabrication process and high electron mobility. In order to improve product performance, the Group is also constantly pursuing technological innovation. The Automotive Oxide Technology is a major breakthrough in improving the display performance based on the a-Si technology. The Oxide Technology has now fully passed Automotive Reliability Verification.

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

ADS-Pro

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

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

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

f-OLED

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

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

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

Curved Display

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

3D Display

Regarding the 3D display, with the continuous development of autonomous driving, the communication between the driver and the car requires a new HMI. 3D space image and HMI input will be the focus of future development. Currently, the Group is developing a naked eye 3D display with a ~5K 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, the first samples had been produced and interactive algorithm development of voice assistant interactive animation such as Nomi/Siri are undergoing. Realize humanized communication, dialogue scenes and three-dimensional interactive display scene with inspiration.

Smart Surface Display

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

The smart surface is an important component of the automotive interior that integrates decoration and display functions. It uses a certain dielectric material to increase the optical structure of the

product, and can be awakened by touch sensing, gestures or voice commands when the user needs. Activate to get display feedback and responses.

Haptic Feedback Display Technology

With the development of simplified cockpit design, the original physical keys, such as buttons and knobs, are integrated into the touch display screen, so that the driver cannot get timely physical feedback when doing these operations, or observe changes in the display content, thus reducing the driving safety. In the existing touch display system, the piezoelectric ceramic actuator is added, so that when operating on the touch display screen, the actuator gives rapid and powerful vibration feedback and has a variety of vibration sensations, which can match different vibration sensations such as keys, knobs, volume adjustment and air conditioning adjustment. In this way, interactive experience can be improved, blind exercise can be realized and driving safety can be improved.

Privacy on Demand Technology (“POD”)

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

System/Semi-system with Passive Display

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

Smart Cockpit Display System

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

In Augmented Reality Heads Up Displays (“AR-HUD”) system, a new generation TFT solution

using our self-developed 3.6 inches Liquid Crystal Display Projected Graphic Units (3.6 inches LCD PGU) solution to achieve super-large perceived image design has been completed, which enables us to upgrade the performance across the whole series. We have also completed the development of Liquid Crystal on Silicon (“LCOS”) based optical core in AR-HUD products and have applied for 34 technology patents that generated from the development. The Group can now provide customers with super-large image AR-HUD products based on the three mainstream technology solutions of TFT, Digital Light Processing (DLP) and LCOS.

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

The Group is actively exploring new technological solutions to reserve future development needs. In terms of rear-seat entertainment solutions, the Group has developed a 17.3 inches rear-seat entertainment ceiling screen to target core customers and initiate project development. In a completely new field, the Group has completed a cockpit domain controller based on the high-computing power SemiDrive’s Infotainment SoC platform, which adopts a hardware isolation scheme to realize a one system to multiple screens, and dual operating system in single board. It meets functional safety and network security requirements. Combing the Group's software and hardware resource advantages, the Group can provide customers with a full cockpit solution and maximize product added value.

IMPORTANT EVENT AFTER THE PERIOD ENDED 30 JUNE 2023

The Group had no material events for disclosure subsequent to 30 June 2023 and up to the date of this announcement.

ACKNOWLEDGEMENT

During the period, the Group has achieved record-high revenue through successful implementation of our strategy. Our customer base has broadened and solidified thanks to the trust of our business partners. The Group will continue to grasp the upcoming trend of the automotive industry and to pursuit our strategy to become a leading integrated automotive smart cockpit display system solution provider. The Company's shares have been included in the Hang Seng Index series constituent stocks and Hong Kong Stock Connect in March 2023 marking a recognition of our importance in the stock market and this further reiterate our mission to achieve the satisfaction of our shareholders.

On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders, investors and business partners for your continuing support.

Gao Wenbao
Chairman

Hong Kong, 22 August 2023

Consolidated statement of profit or loss
For the six months ended 30 June 2023 - unaudited

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	5	5,210,217	4,830,849
Other operating income	6	118,568	62,383
Change in inventories of finished goods and work in progress		258,845	260,354
Raw materials and consumables used		(4,650,060)	(4,232,678)
Staff costs		(403,099)	(354,927)
Depreciation		(85,721)	(81,835)
Other operating expenses	7(c)	(207,908)	(209,118)
Profit from operations		240,842	275,028
Finance costs	7(a)	(15,638)	(662)
Share of losses of associates		(4,471)	-
Profit before taxation	7	220,733	274,366
Income tax	8	(18,690)	(40,523)
Profit for the period		202,043	233,843
Profit attributable to:			
Equity shareholders of the Company		202,512	250,876
Non-controlling interests		(469)	(17,033)
		202,043	233,843
Earnings per share for profit attributable to the equity shareholders of the Company (in HK cents)	10		
Basic		25.8 cents	34.5 cents
Diluted		25.7 cents	34.2 cents

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2023 - unaudited

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	202,043	233,843
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
- Exchange translation adjustments: net movement in exchange reserve	(64,888)	(121,948)
Total comprehensive income for the period	137,155	111,895
Attributable to:		
Equity shareholders of the Company	137,624	130,750
Non-controlling interests	(469)	(18,855)
	137,155	111,895

Consolidated statement of financial position

At 30 June 2023 - unaudited

	Note	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Non-current assets			
Property, plant and equipment		1,701,740	1,490,300
Interest in associates		10,891	7,922
Intangible assets		24,485	22,173
Other financial assets		42,515	42,588
Non-current deposits and prepayments		43,976	98,265
Deferred tax assets		12,739	11,286
		<u>1,836,346</u>	<u>1,672,534</u>
Current assets			
Inventories		1,657,586	1,568,001
Trade and other receivables, deposits and prepayments and other contract costs	11	2,593,351	2,157,832
Other financial assets		47	65
Current tax recoverable		2,133	4,122
Fixed deposits with banks with more than three months to maturity when placed		3,815	61,723
Cash and cash equivalents		2,356,066	2,818,823
		<u>6,612,998</u>	<u>6,610,566</u>
Current liabilities			
Trade and other payables	12	3,178,976	3,389,694
Lease liabilities		8,052	7,392
Current tax payable		45,758	65,324
Bank loans		713,142	636,288
Deferred income		17,743	4,427
Dividends payable		180,964	-
		<u>4,144,635</u>	<u>4,103,125</u>

Consolidated statement of financial position (continued)

At 30 June 2023 - unaudited

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Net current assets	2,468,363	2,507,441
Total assets less current liabilities	4,304,709	4,179,975
Non-current liabilities		
Lease liabilities	11,875	4,402
Deferred tax liabilities	2,179	9,977
Deferred income	131,531	18,911
Bank loans	72,207	30,912
	217,792	64,202
NET ASSETS	4,086,917	4,115,773
CAPITAL AND RESERVES		
Share capital	197,894	197,853
Reserves	3,838,417	3,866,845
Total equity attributable to equity shareholders of the Company	4,036,311	4,064,698
Non-controlling interests	50,606	51,075
TOTAL EQUITY	4,086,917	4,115,773

Notes:

1. General

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

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

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

2. Independent review

The interim financial results set out in this announcement do not constitute the Group’s interim financial report for the six months ended 30 June 2023 but are extracted from that interim financial report.

The interim financial report is unaudited and has been reviewed by the auditor of the Company, KPMG in accordance with Hong Kong Standard on Review Engagement 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the Board is included in the interim financial report to be sent to the shareholders of the Company. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

3. Basis of preparation

The 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 HKICPA. It was authorised for issuance on 22 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

4. Changes in accounting policies

(a) New and amended Hong Kong Financial Reporting Standards (“HKFRSs”)

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the developments have had a material effect on how the Group’s 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.

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

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as

deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

5. 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 (“LCDs”) and related products.

(a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of LCDs 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 been presented in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

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

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

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group’s

revenues from external customers and (ii) the Group’s property, plant and equipment, intangible assets and interest in associates (“specified non-current assets”). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of intangible assets and interest in associates.

(i) Group’s revenue from external customers

	Six months ended 30 June	
	2023	2022
	HK\$’000	HK\$’000
The People’s Republic of China (“PRC”) (place of domicile)	3,706,212	3,285,902
Europe	768,202	784,435
America	351,245	302,987
Korea	170,734	194,142
Others	213,824	263,383
	1,504,005	1,544,947
Consolidated revenue	5,210,217	4,830,849

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

	Six months ended 30 June	
	2023	2022
	HK\$’000	HK\$’000
Czech Republic	189,443	226,738
Germany	144,789	126,436
Romania	79,803	109,195
France	74,821	40,042
Portugal	47,049	30,848
Italy	40,339	50,665
United Kingdom	5,917	4,029
Other European countries	186,041	196,482
	768,202	784,435

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

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
The PRC (place of domicile)	1,716,063	1,515,654
Others	21,053	4,741
	<u>1,737,116</u>	<u>1,520,395</u>

6. Other operating income

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interest income on financial assets measured at amortised cost	48,065	20,085
Government grants (note)	47,783	13,210
Net exchange gain	16,440	17,937
Net gain on disposal of property, plant and equipment	465	-
Rental receivable from operating leases	3,836	7,287
Other income	1,979	3,864
	<u>118,568</u>	<u>62,383</u>

Note: 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\$8,409,000 (2022: HK\$6,777,000), amortisation of government grants received from the PRC authorities in relation to acquisitions of machineries of HK\$2,145,000 (2022: HK\$5,330,000), incentive related to production of HK\$34,200,000 (2022: HK\$Nil), and incentives granted in relation to staff retention of HK\$3,029,000 (2022: HK\$1,103,000). There are no unfulfilled conditions attaching to these government grants.

7. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on lease liabilities	433	369
Interest on bank borrowings	15,205	293
	<u>15,638</u>	<u>662</u>
(b) Other item		
Cost of inventories	4,737,131	4,217,354
(c) Other operating expenses		
Amortisation of intangible assets	1,445	2,488
Auditors' remuneration		
- Audit services	2,038	1,866
- Other services	18	18
Bank charges	1,005	668
Building management fees	4,351	2,560
(Reversal) / provision of expected credit losses allowance on trade receivables	(889)	4,807
Factory consumables, cleaning and security service expenses	12,528	7,535
Freight charges	32,746	31,409
Insurance and quality assurance expenses	4,452	3,728
Legal and professional fees	5,067	5,753
Office expenses	6,020	7,252
Other taxes, surcharge & duties	8,328	9,179
Repair and maintenance	12,941	10,696
Sales, marketing and commission expenses	33,211	33,171
Subcontracting fees	13,980	34,417
Trademark licence fee	9,699	11,493
Travelling and entertainment expenses	15,662	6,470
Utilities expenses	37,296	33,732
Miscellaneous expenses	8,010	1,876
	<u>207,908</u>	<u>209,118</u>

8. Income tax

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	6,317	11,627
Current tax – the PRC income taxes	15,730	21,796
Current tax – Jurisdictions outside Hong Kong and the PRC	5,894	7,636
Deferred tax	(9,251)	(536)
	<u>18,690</u>	<u>40,523</u>

(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") and REHEO technology co. ltd. ("REHEO"), subsidiaries of the Group, were designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Chengdu BOE Automotive Display Technology Co., Ltd. ("Chengdu Automotive"), subsidiary of the Group was entitled to preferential tax policy of the western development and was subject to the preferential Corporate Income Tax rate of 15%. Accordingly, the Varitronix Heyuan and Chengdu Automotive's applicable tax rate are 15% for the periods ended 30 June 2023 and 2022 and REHEO applicable tax rate is 15% for the period ended 30 June 2023 (2022: 25%).

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 with operations outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

9. Dividends

(a) 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 2023 (six months ended 30 June 2022: HK\$Nil).

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 23.0 HK cents (2022: 15.0 HK cent) per share	180,964	109,284

The final dividend has been recognised as dividend payable in the consolidated statement of financial position as at 30 June 2023.

10. 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\$202,512,000 (six months ended 30 June 2022: HK\$250,876,000) and the weighted average of 785,412,552 ordinary shares (2022: 727,148,038 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\$202,512,000 (six months ended 30 June 2022: HK\$250,876,000) and the weighted average of 789,120,056 ordinary shares (2022: 732,873,839 shares).

11. Trade and other receivables, deposits and prepayments and other contract costs

As at the end of the reporting period, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on invoice date and net of loss allowance of HK\$38,576,000 (31 December 2022: HK\$39,465,000) is as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 60 days of the invoice issue date	1,704,777	1,444,061
61 to 90 days after the invoice issue date	344,943	244,722
91 to 120 days after the invoice issue date	170,210	160,660
More than 120 days but less than 12 months after the invoice issue date	66,021	156,530
	<u>2,285,951</u>	<u>2,005,973</u>

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

12. Trade and other payables

As at the end of the reporting period, the aging 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 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 60 days of supplier invoice date	1,957,947	2,408,202
61 to 120 days after supplier invoice date	532,840	462,904
More than 120 days but within 12 months after supplier invoice date	89,195	50,119
More than 12 months after supplier invoice date	33,327	18,872
	<u>2,613,309</u>	<u>2,940,097</u>

13. 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 2023 HK\$'000	At 31 December 2022 HK\$'000
Contracted for	<u>299,397</u>	<u>905,255</u>

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). The Group has no change in its dividend policy.

OTHER INFORMATION

Staff

As at 30 June 2023, the Group employed 7,022 staff around the world, of whom 128 were in Hong Kong, 6,842 were in the People's Republic of China (the "PRC") and 52 were in overseas. The Group remunerates its employees (including directors) based on their performance, experience and prevailing industry practice. The Group operates a share option scheme (lapsed on 2 June 2023), a share award plan, provides rent-free quarters to certain of its employees in Hong Kong and the PRC and other fringe benefit to employees.

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

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

Liquidity and Financial Resources

As at 30 June 2023, the total equity of the Group was HK\$4,087 million (31 December 2022: HK\$4,116 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.60 as at 30 June 2023 (31 December 2022: 1.61).

At the period end, the Group held a liquid portfolio of HK\$2,360 million (31 December 2022: HK\$2,881 million) of which HK\$2,360 million (31 December 2022: HK\$2,881 million) was in cash and fixed deposits balance, HK\$47 thousand (31 December 2022: HK\$65 thousand) was in other financial assets. At the period end, the Group had the bank borrowings balance of HK\$785

million (31 December 2022: HK\$667 million). The carrying amounts of bank borrowings are mainly denominated in Hong Kong dollars and the remaining are in Renminbi. The Group's gearing ratio (bank borrowings over net assets) was approximately 19.2 % as at 30 June 2023 (31 December 2022: 16.2%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2023 was 6 times (31 December 2022: 8 times). Debtor turnover days (trade receivables over annualised revenue times 365) for the six months ended 30 June 2023 was 79 days (31 December 2022: 68 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 primarily hedge its foreign currency exposure by its operation and 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 2023, the bank borrowings of the Group are with fixed and floating interest rate, where the balances are HK\$156 million and HK\$629 million respectively (as of 31 December 2022: HK\$33 million and HK\$634 million respectively). The Group will monitor interest rate movements and consider appropriate measures when arranging bank borrowings with floating rates.

Purchase, Sale or Redemption of the Company's Listed Securities

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

The net proceeds (after deducting the commissions and expenses payable by the Company relating to the Placing) from the Placing of 33,300,000 new ordinary Shares to 28 independent third parties was approximately HK\$499.8 million (representing a net placing price of approximately HK\$15.01 per placing share), which was based on the placing price of HK\$15.20 per placing share. The net proceeds (after deducting the expenses payable by the Company relating to the

Shareholder Subscription) from the Shareholder Subscription of 19,730,000 new ordinary Shares to BOE Technology (HK) Limited, the controlling shareholder and therefore a substantial shareholder of the Company, was approximately HK\$299.0 million (representing a net subscription price of approximately HK\$15.15 per subscription share), which was based on the subscription price of HK\$15.20 per subscription share.

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

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

As at 30 June 2023, our planned use and actual use of net proceeds from the Placing and the Shareholder Subscription were as follows:

	Percentage of net proceeds	Available to utilise	Utilised during 2023	Accumulated utilised (up to 30 June 2023)	Unutilised (as at 30 June 2023)	Expected timetable for the usage of the unutilised net proceeds as at 30 June 2023
	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Plant construction in the PRC	18	143.9	13.3	143.9	-	N/A
Purchases of various manufacturing equipment in the PRC	51	410.7	121.2	155.6	255.1	On or before 31 December 2023
Working capital and general corporate purpose in the PRC	31	244.2	159.2	244.2	-	N/A
Total	100	798.8	293.7	543.7	255.1	

The directors of the Company (“Directors”) are not aware of any material change to the planned use of net proceeds as at the date of this announcement.

The unutilized net proceeds as at 30 June 2023 was deposited with licensed banks in Hong Kong and the PRC.

B) During the period ended 30 June 2023, the trustee of the Company’s share award plan (adopted on 28 August 2020) (the “Share Award Plan”) does not purchase any shares of the Company on the Stock Exchange. Total accumulated number of shares of the Company purchased were 12,373,000 (representing 1.56% of the issued shares capital of the Company) under the Share

Award Plan.

During the period ended 30 June 2023, a total of 662,000 awarded shares (representing 0.08%* of the issued shares capital of the Company) were granted to certain selected participants, comprising of 2 Directors and certain employees of the Group on 22 March 2023, pursuant to the Share Award Plan.

*Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 30 June 2023.

Other than the aforesaid, during the period ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2023.

Code provision C.1.6 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Mr. Shao Xibin and Mr. Jin Hao, both non-executive Directors, and Mr. Chu, Howard Ho Hwa, an independent non-executive Director, were unable to attend the annual general meeting ("AGM") of the Company held on 27 June 2023 due to other business arrangements.

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

All other information on the CG Code has been disclosed in the corporate governance report contained in the 2022 annual report of the Company issued in April 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on securities transactions by directors (the "Code of Conduct") on terms no less exacting than those required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code and the Code of Conduct throughout the 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 the following independent non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Pang Chunlin as at the date of announcement. Mr. Hou Ziqiang retired as an independent non-executive Director and ceased as a member of the AC with effect from 27 June 2023. 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 with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including the review of the interim results for the six months ended 30 June 2023 of the Company now reported on.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company (the “RC”) is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Mr. Fung, Yuk Kan Peter (Chairman of the RC), Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha, Mr. Chu, Howard Ho Hwa and Mr. Pang Chunlin as at the date of announcement. Mr. Hou Ziqiang ceased as a member of the RC with effect from 27 June 2023. There are more than half of the 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. Pang Chunlin as at the date of announcement. Mr. Hou Ziqiang ceased as a member of the NC with effect from 27 June 2023. Among those members of the NC, more than half of the 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 the Company’s directors Mr. Gao Wenbao (Chairman of the IC), Ms. Ko Wing Yan, Samantha and Mr. Su Ning and other management of the Company.

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

PUBLICATION OF UNAUDITED INTERIM RESULTS AND THE INTERIM REPORT

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.boevx.com). The Company’s interim report for the six months ended 30 June 2023 will be despatched to the shareholders of the Company who have elected to receive printed copies and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 22 August 2023

As at the date of this announcement, the Board comprises nine Directors, of whom Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Mr. Shao Xibin, Mr. Jin Hao and Mr. Meng Chao are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa, and Mr. Pang Chunlin are independent non-executive Directors.