



2023 INTERIM REPORT

<HELLO_WORLD/>

BOE

BOE VARITRONIX LIMITED
Stock Code 710

MISSION

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

VISION

To be the leader of intelligent automotive displays and solutions.



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ABOUT **BOE VARITRONIX**

BOE Varitronix Limited (the “Company”) and its subsidiaries (the “Group”) were 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, and is a leading integrated automotive smart cockpit display system solution provider.

CORPORATE INFORMATION

The corporate information of BOE Varitronix Limited as of 14 September 2023, 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. Meng Chao

Independent Non-executive Directors:

Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang (*retired on 27 June 2023*)
Mr. Pang Chunlin (*appointed on 7 April 2023*)

COMPANY SECRETARY

Mr. Chung Kai Cheong

AUTHORIZED REPRESENTATIVE

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

AUDIT COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang (*retired on 27 June 2023*)
Mr. Pang Chunlin (*appointed on 7 April 2023*)

REMUNERATION COMMITTEE

Mr. Fung, Yuk Kan Peter (*Chairman*)
Mr. Gao Wenbao
Ms. Ko Wing Yan, Samantha
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang (*retired on 27 June 2023*)
Mr. Pang Chunlin (*appointed on 7 April 2023*)

NOMINATION COMMITTEE

Mr. Gao Wenbao (*Chairman*)
Mr. Su Ning
Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang (*retired on 27 June 2023*)
Mr. Pang Chunlin (*appointed on 7 April 2023*)

INVESTMENT COMMITTEE

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

INDEPENDENT AUDITORS

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

LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

(IN ALPHABETICAL ORDER)

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 710

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

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

COMPANY WEBSITE

<http://www.boevx.com>

INVESTOR RELATIONS CONTACT

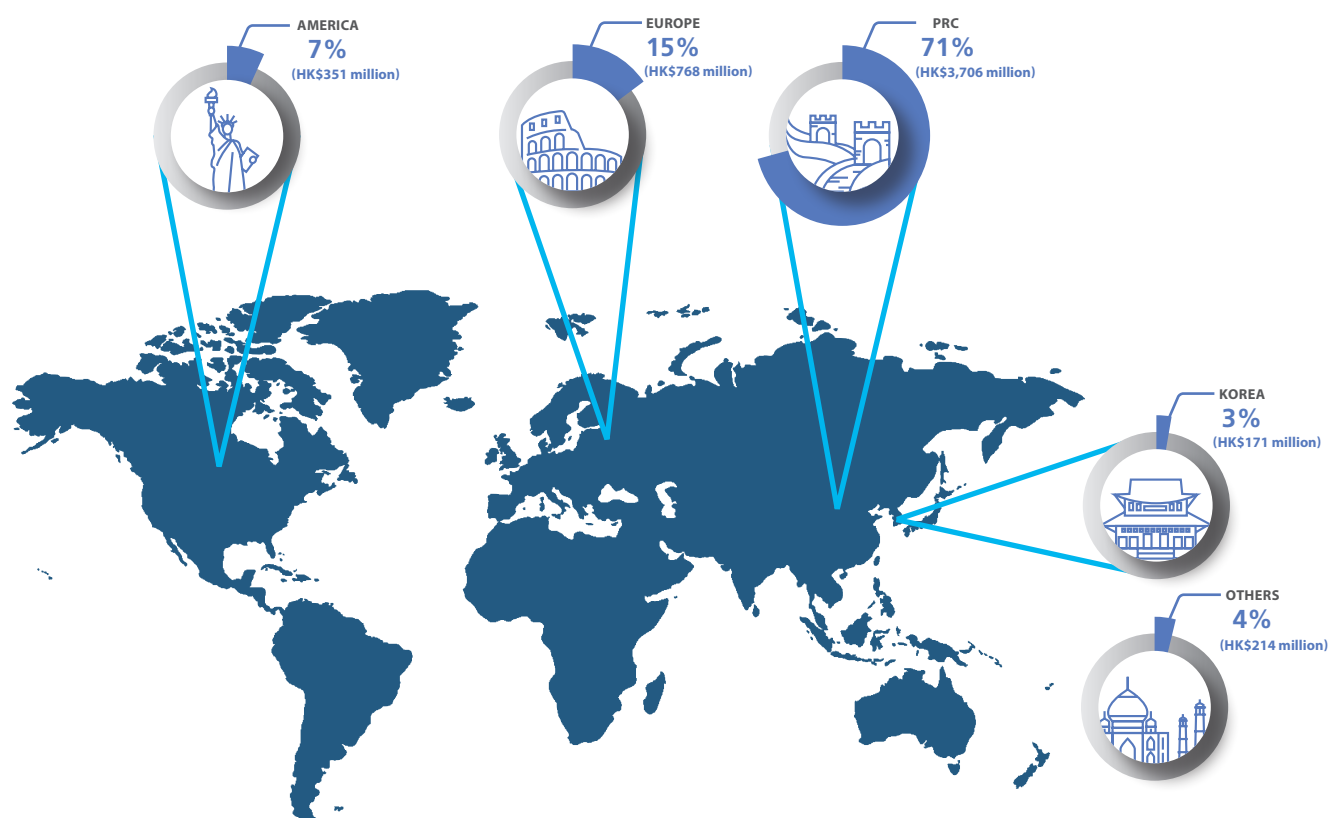
investor@boevx.com

CHAIRMAN'S STATEMENT

Highlights		
HK\$ million	For the 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

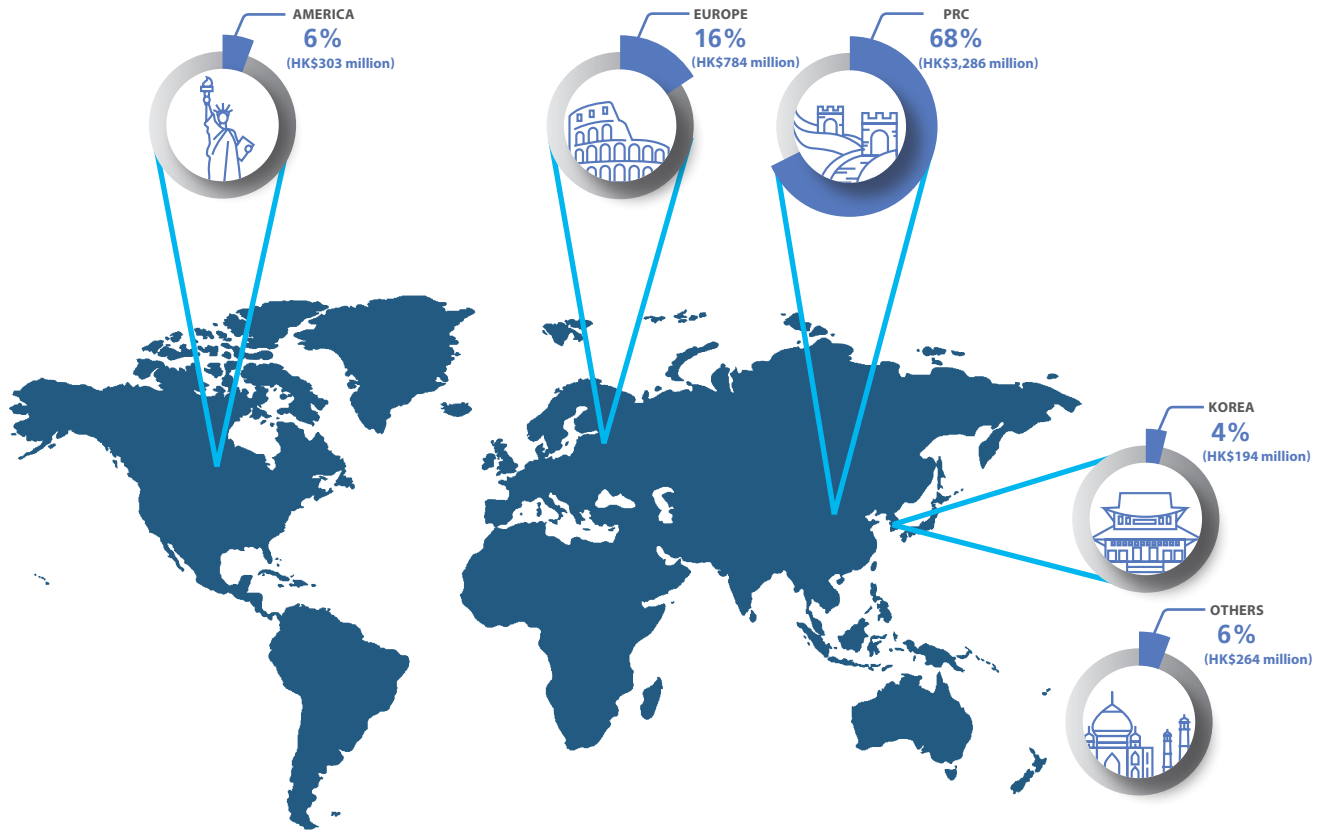
¹ EBITDA means profit for the period plus the following to the extent deducted in calculating such profit for the period: finance costs, income tax, depreciation and amortisation.

REVENUE BY GEOGRAPHY FOR THE 6 MONTHS ENDED 30 JUNE 2023



CHAIRMAN'S STATEMENT

FOR THE 6 MONTHS ENDED 30 JUNE 2022



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.



CHAIRMAN'S STATEMENT

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 raging 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.

CHAIRMAN'S STATEMENT

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 ecosystem 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.

CHAIRMAN'S STATEMENT



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.

CHAIRMAN'S STATEMENT

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. Combining 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 interim report.

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 pursue 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 reiterates 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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The revenue of BOE Varitronix Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2023 increased by approximately 8% to HK\$5,210 million as compared with the same period of 2022. 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 ("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.

PROFIT FROM OPERATIONS

The profit from operations for the period ended 30 June 2023 was HK\$241 million, a decrease of HK\$34 million or approximately 12% as compared with the same period of 2022. The decrease was mainly due to the impact of price adjustment, additional costs incurred for the preparation and construction for increasing production scale of in 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.

During the period under review, the Group spent HK\$112 million on research and development ("R&D") activities, which represented approximately 2% of the Group's revenue. The proportion of R&D expenses to revenue remains stable.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the period ended 30 June 2023 was HK\$202.5 million, as compared with a profit attributable to shareholders of HK\$250.9 million in the same period of 2022. The decrease was mainly due to the same factors as the decrease of profit from operations.

Basic earnings per share for the period ended 30 June 2023 were 25.8 HK cents as compared with basic earnings per share of 34.5 HK cents in the same period of 2022. During the period, the Group did not declare an interim dividend.

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

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

STRUCTURE OF ASSETS

As at 30 June 2023, the total assets of the Group amounted to HK\$8,449 million (31 December 2022: HK\$8,283 million), such increase was mainly due to completion of the New Plant. At the period end, inventories increased by approximately 6% to HK\$1,658 million (31 December 2022: HK\$1,568 million), such increase was mainly due to enhanced production capacity following the completion of the New Plant. While other financial assets amounted to HK\$43 million (31 December 2022: HK\$43 million).

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). Current ratio changed as certain funds were used for the construction of the New Plant.

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%), such change was due to the increase of borrowing during the period.

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), inventory turnover ratio decreased as the enhanced production capacity increase the inventory level. 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), debtor turnover days increased in line with trade receivables.

CASH FLOWS

In the period under review, the Group's cash used in operations amounted to HK\$380 million (2022: cash generated from operations amounted to HK\$318 million). The increase in inventories decreased cash flow by HK\$127 million, and the increase in trade and other receivables, deposits and prepayments and other contract costs decreased cash flow by HK\$389 million, the decrease in trade and other payables decreased cash flow by HK\$282 million.

Net cash used in investing activities amounted to HK\$143 million (2022: HK\$283 million). There were payments for the purchase of property, plant and equipment of HK\$373 million (2022: HK\$305 million).

CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt, which includes the bank borrowings. There was no change as to the capital structure of the Group during the period. The bank borrowings increased to HK\$785 million as at 30 June 2023 (31 December 2022: HK\$667 million). The bank borrowings of the Group are predominately denominated in Hong Kong dollars.

As at 30 June 2023, the cash and cash equivalents of the Group was HK\$2,356 million (31 December 2022: HK\$2,819 million).

The cash and cash equivalents are denominated in:

	As at 30 June 2023	As at 31 December 2022
	HK\$ million	HK\$ million
– RMB	844	1,522
– USD	1,392	856
– HK\$	37	355
– Other currencies	83	86
	2,356	2,819

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$ million	Utilised during 2023 HK\$ million	Accumulated utilised (up to 30 June 2023) HK\$ million	Unutilised (as at 30 June 2023) HK\$ million	Expected timetable for the usage of the unutilised net proceeds as at 30 June 2023
Plant construction in the PRC	18	143.9	13.3	143.9	–	N/A
Purchases of various manufacturing equipment in the PRC	51	410.7	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 report.

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

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.

FINANCIAL GUARANTEES AND CHARGE ON ASSETS

As at 30 June 2023, the Company had no financial guarantees and charge on assets (31 December 2022: Nil).

COMMITMENTS

The capital commitments outstanding at 30 June 2023 not provided in the Group’s financial statements were approximately HK\$299 million (31 December 2022: HK\$905 million), mainly representing the acquisition cost of plant, machinery, tools and equipment not provided for in the financial statements. The above will be financed by internal resources of the Group and/or external financing.

OTHER INVESTMENTS

As at 30 June 2023, the Group owned a diversified investment portfolio, such as investments in associates and equity investments in the automotive industry.

Apart from the above, there are no other material investment. The results of the above investments have been properly reflected in the unaudited financial statements for the period ended 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Company had no material contingent liabilities (31 December 2022: Nil).

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 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.

STAFF RETIREMENT SCHEMES

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

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

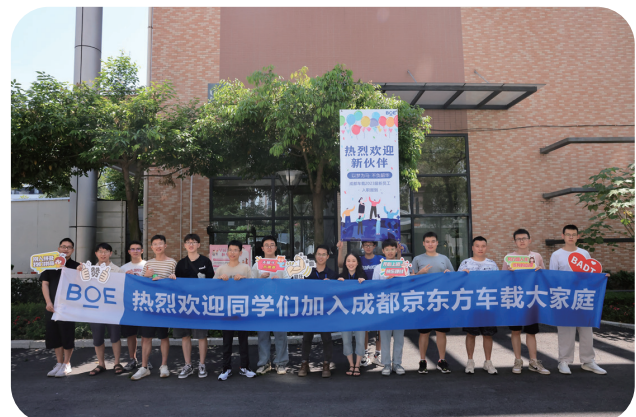
With effect from 1 December 2019, the Top-Up ORSO scheme is ceased and instead, the Top-Up contributions is made to the MPF scheme.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to

the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

During the period, the total retirement scheme cost charged to the Consolidated Statement of Profit or Loss for the period ended 30 June 2023 was HK\$26 million (30 June 2022: HK\$30 million). Charges to administer the scheme are deducted from the employer’s contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the period ended 30 June 2023 was HK\$Nil (30 June 2022: HK\$Nil) and at 30 June 2023, the balance available to reduce the level of contributions in future amounted to HK\$Nil (30 June 2022: HK\$Nil).

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



REVIEW OF **OPERATIONS**

PRC
71%

Korea
3%

Europe
15%

America
7%

Others
4%



THE PRC

During the period under review, the PRC generated revenue of HK\$3,706 million, representing an increase of approximately 13% as compared with that in 2022. This region has accounted for approximately 71% of the Group's total revenue. Revenue from automotive display business remained a major part of and the rest was mainly derived from educational and industrial sector.

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

As a supplier of NEV manufacturers, the Group works with our NEV business partners to empower their growth and remain competitive. With the immense business opportunities brought by the growth of demand of NEV and the demand for larger and more advanced display and the sustainable renewal of automotive, we have prepared the new Thin Film Transistor ("TFT") and touch panel display modules manufacturing facilities in Chengdu, the PRC (the "New Plant") to greet the needs, the New Plant in Chengdu commenced its production since 2022, and climbs up to more than double its production in the first half 2023 which further strengthens the production and supply capacity of the Group. During the period, the Group recorded an increased result in both sales quantity and revenue.

NEV has become an unstoppable trend in the automotive industry, the Group anticipates the overall manufacture and sales amount of NEV in the PRC will maintain strong growth in the second half of this year. During the period, the Group has successfully increased its revenue in various TFT and touch panel display modules. We have penetrated major players in the NEV and are awarded projects in the upcoming car models which will benefit our business in future years. For display system related projects, the Group has been promoting our solutions to NEV and achieved positive results. The Group has also achieved further breakthrough in the provision of panel and system solution and has sold our system products to certain NEV customers.

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

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

The PRC automotive manufactures have improved much in cost performance ratio, product uniqueness, product design and product quality, and are becoming more welcomed by overseas customers, the PRC NEV manufacturers have increased their footprints across the globe with higher global sales. With strong customer relationship and excellent product quality, the Group believes the orders from overseas regions will have notable growth.

EUROPE

During the period under review, revenue of HK\$768 million was generated from the display business in Europe, which represented a decrease of approximately 2% as compared with 2022. The European business contributed approximately 15% of the total revenue for the Group in the period under review.

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

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

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

REVIEW OF OPERATIONS

AMERICA

Under the period under review, America generated revenue of HK\$351 million, contributing approximately 7% to the total revenue of the Group. The revenue has increased by approximately 16% as compared with that of last year.

The increase was mainly contributed by our effort in getting orders of TFT displays modules from several automotive customers in previous years and start of delivery in 2023. The Group has been promoting our TFT display modules in America for both automotive and industrial customers to address the shift of customers' preference from monochrome display to colour display and the end-of-life of monochrome display projects, especially in the industrial sectors. The Group has also been striving to grasp the NEV trend to promote our products to existing customers and new customers. We closely communicate and maintain strong relationship with our customers, and will set up local sales team in the middle America to further enhance our reaction to customers' needs and empowers the Group to promptly understand and response to customer's technical requirements, and to shorten the time of obtaining the orders.

KOREA

During the period, revenue generated from Korea was HK\$171 million, representing a decrease of approximately 12% from that of last year. Korea accounted for approximately 3% of the Group's revenue.

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

SUSTAINABILITY

The Group has incorporated its Environmental, Social and Governance (“ESG”) Report into its annual report since 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 (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.



SUSTAINABILITY

BOE Varitronix Limited (the "Company") and its subsidiaries (the "Group") are highly committed to promoting sustainable development and actively engages in stakeholders' green initiatives. We place great importance on the concerns of stakeholders regarding sustainability, deeply valuing the environments in which they operate and their overall development. Embracing the concept of "growing together," we are dedicated to enhancing our products to promote greenization and protect the environment in collaboration with our stakeholders. As part of this commitment, we are actively working towards using more environmentally friendly packaging materials, aligning our practices with stakeholders' expectations.

Our latest ESG Report was published with our 2022 annual report on 26 April 2023, highlighting the Group's progress in corporate governance, climate change and carbon neutrality, and social responsibility. For further information on the Group's ESG efforts, the 2022 annual report is available on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.boevx.com respectively.

The Group has formulated a comprehensive set of indicators and objectives to assess and guide our sustainability efforts, including:

- monitor the use of energy and resources, and performance in carbon emissions of the Group semi-annually and disclose the data on a yearly basis.
- achieve carbon neutrality by 2050.
- establish clear parameters for carbon emissions, energy and water consumption, waste production and reuse, and green building.

Areas	Target	Status during the Period Under Review
Carbon emission/ Energy consumption	To reduce carbon emissions/energy consumption intensity by 70% by 2025 (compared with the base year of 2018)	– Improvement in progress.
Water resources	To reduce water consumption intensity by 80% by 2025 (compared with the base year of 2018)	– Improvement in progress.
Waste	To reduce hazardous solid waste and non-hazardous solid waste intensities by at least 70% by 2025 (compared with the base year of 2018)	– Improvement in progress.

- enhance our climate-related disclosures, consider following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), focusing on the four main pillars namely governance, strategy, risk management and metrics and targets.

Areas	Actions Taken	Status during the Period Under Review
Governance: Governance measures for addressing climate-related risks and opportunities	<p>Board's Oversight and Management's Role</p> <ul style="list-style-type: none"> – The Board of directors (the "Board") plays a central role in climate governance. The ESG risk management team provides support and oversees climate-related issues, and regularly reports to the Board. – To formulate a climate change policy, provide guidance for the management of climate-related issues, and support and coordinate ESG matters. 	<ul style="list-style-type: none"> – Participate ESG Academy webinar. – Navigating Climate-related Disclosures, that focus on upcoming climate-related disclosures requirements. – Read publications on Enhancement of Climate-Related Disclosures under the Environmental, Social and Governance Framework. – The ESG risk management team regularly reported its findings to the Board, ensuring that the Board was well-informed of the Group's progress in addressing climate change risks and opportunities. – The Board, the management of the Company and a service provider visited the Chengdu factory to evaluate photovoltaic and power storage solutions in February 2023. – The Group integrates Corporate Social Responsibility (CSR) into the procurement operation process. Supplier CSR (Social Responsibility) Agreement according to the customer's requirements and relevant guidelines has been formulated. – Guidance on climate-related issues was provided to the Board, and ESG matters are supported and coordinated.
Strategy: Impact of climate-related risks and opportunities on the Group's businesses, strategies, and financial planning	<p>Climate-related Risks and Opportunities</p> <ul style="list-style-type: none"> – The risks of extreme weather and earthquake caused by climate change as these can damage our plants and facilities. In the long term, prolonged extremely hot weather also poses health risks to workers. – Transitional risks, such as policy changes, potential increases in energy costs, and demand for green materials. 	<ul style="list-style-type: none"> – Enhance energy supply, storage and sales system to ensure safety, and the use of renewable energy and reduce carbon emissions. – Measures such as strengthening our infrastructure and facilities, improving our emergency response plans, and providing health and safety trainings to our employees are implemented. – A decentralized photovoltaic power station was constructed and a power storage project is currently underway.

SUSTAINABILITY

Areas	Actions Taken	Status during the Period Under Review
Risk management: Procedures for identifying, assessing, and managing climate-related risks	<p>Climate Risk Assessment</p> <ul style="list-style-type: none"> – Opportunities for transitioning to a low-carbon economy, such as a reduction in operational costs due to increased energy efficiency resulting from technological advancements. – To assess the physical and transitional risks climate change may pose to operations, and incorporate them into the sustainability strategy. Risk management and internal control system should consider ESG and climate-related issues in order to effectively manage these risks. 	<ul style="list-style-type: none"> – Green supply chain management is currently running. – Carbon emission accounting and reporting system are improved. – Solar power generation devices on factories and power storage facilities were installed. – ESG and climate-related issues are integrated into our risk management and internal control system.
Metrics and Targets: Metrics and targets in relation to climate-related risks and opportunities	<p>Carbon Emissions and Reduction Target</p> <ul style="list-style-type: none"> – To monitor our performance, we have been measuring and disclosing our energy consumption and Scope 1, 2 and 3 emissions as available. – To set a target of reducing carbon emissions by 10% by 2025 (compared with the base year of 2018). Due to the growth of our production capacity and the improvement of equipment automation, the increase in electricity consumption has resulted in an increase in indirect greenhouse gas (Scope 2) carbon emissions. 	<ul style="list-style-type: none"> – To obtain the ISO14064 certificate in August 2023, accurately quantifying the GHG emissions and reduction situation. – Improvement in progress.

EMISSIONS

For the better implementation of the energy conservation and emission reduction work, the Group regularly conducts energy conservation assessment on the major energy-consuming equipment, continuously explores its own potential for energy conservation and emission reduction, and constantly improves the efficiency of energy resource utilization while reducing energy consumption. At the same time, the Group actively participates in the promotion of green carbon reduction projects and further supporting the Group's efforts to achieve carbon peak and carbon neutrality.

ENERGY CONSUMPTION

Decentralized photovoltaic power station: The Group actively implemented a green energy plan in 2022, considering the use of renewable energy sources. We evaluated the construction of a decentralized photovoltaic power station to fully utilize the existing roof space of our production buildings. This project has been completed and officially started generating electricity on 7 June 2023 for factory air conditioning and air compressor power consumption.

The installed capacity of the photovoltaic system is 544.5 kWh. In June 2023, the total power generation was 25,455.5 kWh, of which 16,258.5 kWh was generated by the photovoltaic system at the new Plant 1 (with a transformer ratio of 750/5=150) and 9,197 kWh was generated by the photovoltaic system at the new Plant 2 (with a transformer ratio of 500/5=100), resulting in a reduction of 14.52 tCO₂ emissions. This effectively responds to the national policies of carbon neutrality and peak carbon emissions, while also providing the Group with clean and pollution-free green energy.



Total power generation: New Plant 1 + New Plant 2 = 16,258.5 kWh + 9,197 kWh = 25,455.5 kWh

The power generation meter readings are as follows:

New Plant 1:

$108.39 \times 150 = 16,258.5$ kWh (the transformer ratio for the new Plant 1 is $750/5 = 150$)



New Plant 2:

$91.97 \times 100 = 9,197$ kWh (the transformer ratio for the new Plant 2 is $500/5 = 100$)



SUSTAINABILITY

Power storage project: The infrastructure construction was completed by the end of June 2023 and the energy storage battery cabinet has arrived on site. Due to the need of the local power supply authorities to inspect and approve the project after the completion of the line connection and engineering works, it is estimated that the project will not start generating benefits until September 2023.



GREENHOUSE GAS

We entrust a professional which specializes in third-party certification business. It conducts verification of direct and indirect energy greenhouse gas emissions, emission reductions and/or removal increments in accordance with the requirements of ISO14064-3:2019 and provides greenhouse gas reports and certifications. The quantification and report of greenhouse gas emissions and elimination compliance with ISO14064-1:2018 requirements.

The implementation of the carbon peak and carbon neutrality initiative is of great significance to the Group, as it is an indispensable step towards transitioning to a more sustainable, green future.

SUPPLY CHAIN MANAGEMENT

If the entire supply chain switches to renewable energy sources, the Co₂ emissions of purchased goods are expected to drop. We need deeper know-how about materials and supply chains to identify individual measures. To focus at our supply base, implementing green electricity in the supply chain, increasing recycled materials shares, deep diving products for mutual collaboration on sustainability topics and etc are inevitable. To meet the carbon neutrality, improving carbon footprint on product level and energy efficiency of products, optimising mechanical design for minimum weight and etc are necessary.

The Group will further strengthen our green supply chain management by working with upstream and downstream production chains to develop green supply chain infrastructure. We will gradually establish a green and low-carbon management mechanism for the entire product life cycle, and enhance our core competitiveness in the area of green and low-carbon products.

The Group regards CSR as the customer's requirements for the products and their production processes. The Group integrates CSR into the procurement operation process and extend it to our suppliers and subcontractors. We have formulated Supplier CSR (Social Responsibility) Agreement according to the customer's requirements and relevant guidelines. We require our suppliers to establish a CSR management system with reference to ISO14001/ISO45001/IPC1401 and other internationally recognized CSR standards, and pass it on to subcontractors.

Key rules:

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board of directors (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). BOE Varitronix Limited (the "Company") and its subsidiaries (the "Group") have no change in its dividend policy.

SHARE CAPITAL

As at 30 June 2023, the share capital of the Company is as follows:

Number of authorised shares	5,000,000,000
Number of issued share	791,575,204
Total authorised share capital	HK\$1,250,000,000
Par value	HK\$0.25

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

As at 30 June 2023, 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 2)
Ko Wing Yan, Samantha	Personal Interest	1,315,100	0.17%
Su Ning	Personal Interest	1,419,300	0.18%
Fung, Yuk Kan Peter	Personal Interest	212,000	0.03%
Chu, Howard Ho Hwa	Personal Interest	60,000	0.01%
Hou Ziqiang (Note 1)	Personal Interest	191,000	0.02%

Notes:

- (1) Mr. Hou Ziqiang retired on 27 June 2023. Mr. Hou holds 191,000 shares as at 27 June 2023.
- (2) Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 30 June 2023.
- (3) The above interest represented long positions.
- (4) Events after the period under 30 June 2023: the second 30% of awarded shares of the Company were vested on 28 August 2023, which were granted on 15 June 2022. Please refer to the below (b)(ii) Interests in awarded shares of the Company of this report.

OTHER INFORMATION

(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)	0.0049%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 (Note 3)	0.0021%
Jin Hao	Personal Interest	379,500 (Note 4)	0.0010%
Meng Chao	Personal Interest	537,500 (Note 5)	0.0014%

Notes:

- (1) BOE subscribed 419,730,000 shares, representing 53.02% of the issued share capital of the Company.
- (2) On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
- (3) On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme. In July 2023, 100,000 shares were disposed.
- (4) On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme. In April 2023, 249,300 shares were disposed.
- (5) On 21 December 2020, BOE granted 487,500 shares to Mr. Meng under the 2020 share option and restricted share incentive scheme.
- (6) Calculated based on the BOE’s total number of issued share capital of 38,186,064,811 shares as at 30 June 2023.
- (7) The above interest represented long positions.

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

Please refer to the “Share Option Schemes” section of this report.

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

Name of Director	Date of grant	Number of awarded shares yet to be vested as at 1 January 2023	Number of awarded shares granted during the period	Number of shares vested during the period	Number of awarded shares yet to be vested as at 30 June 2023	Vesting date	Closing price per awarded share at the dates of grant	Closing price of per awarded share immediately before the dates of grant	Weighted average closing price of the awarded shares immediately before the awarded shares were vested
Ko Wing Yan, Samantha	29 March 2021	150,000	–	150,000	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022 (Note 5)	90,000	–	–	90,000	(Note 2)	HK\$11.38	N/A	N/A
	22 March 2023	–	27,000	8,100	18,900	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
Su Ning	29 March 2021	150,000	–	150,000	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022 (Note 5)	90,000	–	–	90,000	(Note 2)	HK\$11.38	N/A	N/A
	22 March 2023	–	31,000	9,300	21,700	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
Fung, Yuk Kan Peter	29 March 2021	30,000	–	30,000	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022 (Note 5)	18,000	–	–	18,000	(Note 2)	HK\$11.38	N/A	N/A
Chu, Howard Ho Hwa	29 March 2021	30,000	–	30,000	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022 (Note 5)	18,000	–	–	18,000	(Note 2)	HK\$11.38	N/A	N/A
Hou Ziqiang (Note 4)	29 March 2021	30,000	–	30,000	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
	15 June 2022 (Note 5)	18,000	–	–	18,000	(Note 2)	HK\$11.38	N/A	N/A

Notes:

- (1) Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 28 April 2021;
 - (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.
- (2) Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 26 August 2022;
 - (ii) the second 30% of the awarded shares shall be vested on 28 August 2023; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 26 August 2024.
- (3) Vesting date:
 - (i) the first 30% of the awarded shares shall be vested on 12 April 2023;
 - (ii) the second 30% of the awarded shares shall be vested on 12 April 2024; and
 - (iii) the remaining 40% of the awarded shares shall be vested on 11 April 2025.
- (4) Mr. Hou Ziqiang retired on 27 June 2023.
- (5) Subsequent to 30 June 2023, 117,000 awarded shares (representing 0.01% of the issued shares capital of the Company on the date of grant) are granted to Ms. Ko Wing Yan, Samantha, Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang on 28 August 2023. Both of Ms. Ko and Mr. Su are granted 45,000 awarded shares and each of Mr. Fung, Mr. Chu and Mr. Hou is granted 9,000 awarded shares.
- (6) There were no awarded shares cancelled/lapsed during the period.
- (7) The total number of awarded shares granted to the five highest paid individuals during the period was 128,000.
- (8) The above interests represented long positions.

OTHER INFORMATION

Saved as disclosed above, as at 30 June 2023, 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 2023 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 2023, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, the following companies and person had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name 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 4)
BOE Technology Group Co., Ltd. ("BOE")	419,730,000 (Note 1)	–	419,730,000	53.02%
Ko Chun Shun, Johnson	44,386,000 (Note 2)	–	44,386,000	5.61%
China Orient Asset Management (International) Holding Limited	39,580,000 (Note 3)	–	39,580,000	5.00%

Notes:

- (1) The subscription of the 419,730,000 shares of the Company by BOE, a joint stock company established in the PRC and the issued shares of which are listed on the Shenzhen Stock Exchange with stock code 000725 for its A shares and stock code 200725 for its B shares.
- (2) Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson, held 37,008,000 shares and 5,478,000 shares of the Company respectively.
- (3) China Orient Multi-Strategy Master Fund and China Orient Enhanced Income Fund, both wholly-owned by China Orient Asset Management (International) Holding Limited, held 31,024,000 shares and 8,556,000 shares of the Company respectively.
- (4) Calculated based on the Company's total number of issued ordinary shares of 791,575,204 shares as at 30 June 2023.
- (5) The above interests represented long positions.

Saved as disclosed above, as at 30 June 2023, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES (Lapsed on 2 June 2023)

Purpose

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

Participant

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

Total Number of Shares Available for Issue

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

The total number of share options available for grant is 28,391,520 and 28,891,520, representing 3.59% and 3.65% of the issued share capital of the Company at the beginning and the end of the period under review respectively. The total number of shares available for issue under the share option scheme (lapsed on 2 June 2023) as at 30 June 2023 represents Nil% (2022: 0.34%) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 14(b) to the financial statements. Calculated based on the Company's total number of issued share capital of 791,575,204 shares as at 30 June 2023.

Maximum Entitlement of Each Participant

Unless approved by the shareholders of the Company, the maximum entitlement of each participant in the total number of shares issued and to be issued upon exercise of share options granted under the share option scheme of the Company in any 12-month period shall not exceed 1.00% of the total number of shares in issue.

Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the shares issued or to be issued upon exercise of all share options already granted or

to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of shares of the Company in issue; and (b) having an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million.

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

Share Option Period and Remaining Life

On 6 June 1991, the Company adopted a share option scheme. It was subsequently amended on 8 June 1999 and expired on 5 June 2001.

A second share option scheme of the Company was adopted on 22 June 2001 and terminated on 12 May 2003.

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

A fourth share option scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years and has a remaining life of up to 2 June 2023. The share option scheme has been expired on 2 June 2023. During the period under review, no share option was granted under the fourth share option scheme.

Exercise Period

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

Payment on Acceptance of the Share Option

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

OTHER INFORMATION

Basis of Determining the Exercise Price

Subscription price of the shares in relation to a share option shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to the participants, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

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

Date of grant	Number of share options as at 1 January 2023	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 (Note 2)	Number of share options as at 30 June 2023	Exercisable period	Price per share to be paid on exercise of share options	Market value per share at dates of grant of share options	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors									
24 January 2019	0	–	–	–	0	(Note 1)	HK\$2.00	HK\$2.00	N/A
Employees									
24 January 2019	665,000	–	500,000 (Note 3)	165,000	0	(Note 1)	HK\$2.00	HK\$2.00	HK\$14.76

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) There is no outstanding unexercised share option.
- (3) The share options are lapsed.
- (4) 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 Note 2(r) of the 2022 annual report of the Company.

SHARE AWARD PLAN

Purpose

On 28 August 2020 (the "Adoption Date"), the Company adopted a share award plan. The purposes of the share award plan are to recognise and reward the contribution of the participants, to give incentives to the participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Participant

Participant(s) refers to the Group's and invested entity's employees, directors and adviser, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Total Number of Shares Available for Issue

During the period under review, none of shares are purchased. Total number of shares of the Company purchased is 12,373,000 (representing 1.56%* of the issued shares capital of the Company) under the share award plan.

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

The total number of awarded shares that was purchased and remain available for grant is 3,153,000 and 2,491,000 as of 1 January and 30 June 2023, representing 0.40%* and 0.31%* of the issued share capital of the Company respectively.

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

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

Maximum Entitlement of Each Participant

The maximum number of shares to be subscribed for and/or purchased for the share award plan shall not exceed 10.00% of the total number of issued shares of the Company as at the Adoption Date.

The maximum number of shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1.00% of the total number of issued shares of the Company as at the Adoption Date.

Minimum Vesting Period

There is no performance target which must be achieved and no minimum period for which the awarded share must be held before they are vested but the Board may determine.

Payment on Acceptance of the Awarded Shares

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

Basis of Determining the Exercise Price

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

Awarded Share Period and Remaining Life

The share award plan shall be valid and effective for a period of 10 years commencing from the Adoption Date and as at 30 June 2023, the Share Award Plan has a remaining life of up to 27 August 2030, but may be terminated earlier as determined by the Board.

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

OTHER INFORMATION

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

Date of grant	Number of awarded shares yet to be vested as at 1 January 2023	Number of awarded shares granted during the period	Number of awarded shares vested during the period	Number of awarded shares cancelled/lapsed during the period	Number of awarded shares yet to be vested as at 30 June 2023	Vesting date	Closing price of per awarded share at the dates of grant	Closing price of per awarded share immediately before the dates of grant	Weighted average closing price of the awarded shares immediately before the dates on which the awarded shares were vested
Directors									
29 March 2021	390,000	–	390,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
15 June 2022 (Note 5)	234,000	–	–	–	234,000	(Note 2)	HK\$11.38	N/A	N/A
22 March 2023	–	58,000	17,400	–	40,600	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20
Employees									
29 March 2021	1,434,000	–	1,434,000	–	0	(Note 1)	HK\$3.23	N/A	HK\$13.08
15 June 2022 (Note 5)	1,254,000	–	–	18,000 (Note 6)	1,236,000	(Note 2)	HK\$11.38	N/A	N/A
21 December 2022	500,000	–	200,000	3,000 (Note 6)	297,000	(Note 4)	HK\$13.86	N/A	HK\$14.20
22 March 2023	–	604,000	181,200	5,600 (Note 6)	417,200	(Note 3)	HK\$14.82	HK\$15.14	HK\$13.20

Notes:

- (1) Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 28 April 2021;
 - (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.
- (2) Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 26 August 2022;
 - (ii) the second 30% of the awarded shares shall be vested on 28 August 2023; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 26 August 2024.
- (3) Vesting date:
 - (i) the first 30% of the awarded shares shall be vested on 12 April 2023;
 - (ii) the second 30% of the awarded shares shall be vested on 12 April 2024; and
 - (iii) the remaining 40% of the awarded shares shall be vested on 11 April 2025.
- (4) Vesting date:
 - (i) the first 40% of the awarded shares shall be vested on 27 March 2023;
 - (ii) the second 30% of the awarded shares shall be vested on 27 March 2024; and
 - (iii) the remaining 30% of the awarded shares shall be vested on 27 March 2025.
- (5) Subsequent to 30 June 2023, 735,000 awarded shares are granted on 28 August 2023 (representing 0.09% of the issued shares capital of the Company on the date of grant) of which 117,000 awarded shares (representing 0.01% of the issued shares capital of the Company on the date of grant) are granted to the Directors (please refer to the (b)(ii) Interest in awarded shares of the Company of "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report) and 618,000 awarded shares (representing 0.08% of the issued shares capital of the Company on the date of grant) are granted to the employees of the Group.
- (6) The awarded shares are lapsed.
- (7) The above interests represented long positions.

The value per awarded share granted on 29 March 2021, 15 June 2022, 21 December 2022 and 22 March 2023 during the period was HK\$3.23, HK\$11.38, HK\$13.86 and HK\$14.82 respectively 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 note 2(r) of the 2022 annual report of the Company.

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

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

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

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.

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.

OTHER INFORMATION

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.

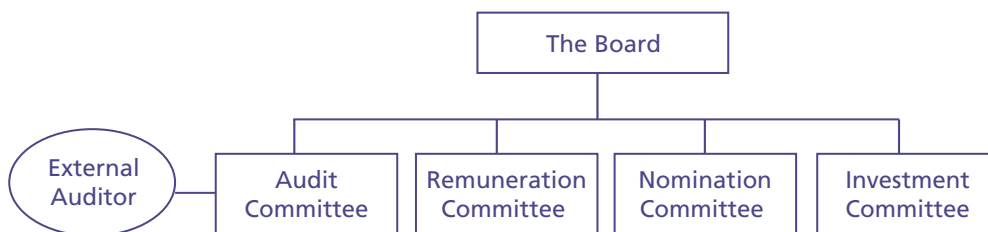
Code provision F.2.2 stipulates that the chairman of the board should attend the AGM. Mr. Gao Wenbao, the Chairman of the Board, was unable to attend the AGM of the Company held on 27 June 2023 due to other business arrangements. Ms. Ko Wing Yan, Samantha was appointed to chair the AGM and address any 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. 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 this report. 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.

The interim financial report for the six months ended 30 June 2023 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. Pang Chunlin as at the date of this report. 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 this report. 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.

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.

Post COVID effect, there was a change in the mode of interaction with the investment community. Various on-line and off-line communication formats and channels are adopted by the Group, such as announcement, shareholders' meeting, offline or video/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 2023, the Group participated in more than 230 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 17 equity research analysts actively covering the Company.



OTHER INFORMATION



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

SUFFICIENCY OF PUBLIC FLOAT

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

SIGNIFICANT SUBSEQUENT EVENTS AFTER 30 JUNE 2023 TO 14 SEPTEMBER 2023, BEING THE LATEST PRACTICABLE DATE OF THIS INTERIM REPORT

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

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. 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.



2023年4月

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 42 to 58 which comprises the consolidated statement of financial position of BOE Varitronix Limited as at 30 June 2023 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six 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 2023 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

22 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 \$'000	2022 \$'000
Revenue	4	5,210,217	4,830,849
Other operating income	5	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	6(c)	(207,908)	(209,118)
Profit from operations		240,842	275,028
Finance costs	6(a)	(15,638)	(662)
Share of losses of associates		(4,471)	–
Profit before taxation	6	220,733	274,366
Income tax	7	(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 equity shareholders of the Company (in HK cents)	8		
Basic		25.8 cents	34.5 cents
Diluted		25.7 cents	34.2 cents

The notes on pages 48 to 58 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	\$'000	\$'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

The notes on pages 48 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2023	At 31 December 2022
	Note	\$'000	\$'000
Non-current assets			
Property, plant and equipment	9	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
		1,836,346	1,672,534
Current assets			
Inventories	10	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	12	3,815	61,723
Cash and cash equivalents	12	2,356,066	2,818,823
		6,612,998	6,610,566
Current liabilities			
Trade and other payables	13	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	14	180,964	–
		4,144,635	4,103,125

		At 30 June 2023	At 31 December 2022
	Note	\$'000	\$'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	14	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

The notes on pages 48 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – 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
Balance at 1 January 2022	184,039	1,309,846	(33,609)	57,499	8,215	105,921	720,191	680,322	3,032,424	313,201	3,345,625
Changes in equity for 2022:											
Profit for the period	-	-	-	-	-	-	-	250,876	250,876	(17,033)	233,843
Other comprehensive income	-	-	-	(120,126)	-	-	-	-	(120,126)	(1,822)	(121,948)
Total comprehensive income	-	-	-	(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
Issuance of shares upon exercise of share options	103	957	-	-	(240)	-	-	-	820	-	820
Balance at 30 June 2022	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – 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
Balance at 1 January 2023	197,853	2,101,464	(23,835)	(163,922)	12,038	27,921	610,907	1,302,272	4,064,698	51,075	4,115,773
Changes in equity for 2023:											
Profit for the period	-	-	-	-	-	-	-	202,512	202,512	(469)	202,043
Other comprehensive income	-	-	-	(64,888)	-	-	-	-	(64,888)	-	(64,888)
Total comprehensive income	-	-	-	(64,888)	-	-	-	202,512	137,624	(469)	137,155
Final dividend approved in respect of the previous year	-	-	-	-	-	-	(180,964)	-	(180,964)	-	(180,964)
Vesting of shares under the share award plan	-	-	7,569	-	(11,781)	-	-	4,212	-	-	-
Equity settled share-based transactions	-	-	-	-	14,623	-	-	-	14,623	-	14,623
Issuance of shares upon exercise of share option	41	392	-	-	(103)	-	-	-	330	-	330
Release upon lapse of share options	-	-	-	-	(311)	-	-	311	-	-	-
Balance at 30 June 2023	197,894	2,101,856	(16,266)	(228,810)	14,466	27,921	429,943	1,509,307	4,036,311	50,606	4,086,917

The notes on pages 48 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Operating activities		
Cash (used in)/generated from operations	(334,679)	356,485
Tax paid		
– Hong Kong Profits Tax paid	(3,568)	–
– People's Republic of China ("PRC") income taxes paid	(35,113)	(34,136)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC	(6,837)	(4,781)
Net cash (used in)/generated from operating activities	(380,197)	317,568
Investing activities		
Proceeds from disposal of property, plant and equipment	465	–
Payment for the purchase of property, plant and equipment	(373,087)	(304,987)
Payment for the purchase of intangible assets	(3,916)	(3,973)
Government grants received relating to acquisition of property, plant and equipment	128,620	6,158
Decrease in fixed deposits with more than three months to maturity when placed	57,908	–
Interest received	46,873	20,035
Net cash used in investing activities	(143,137)	(282,767)

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Financing activities		
Proceeds from bank loans	170,307	46,800
Repayment of bank loans	(52,158)	–
Capital element of lease rentals paid	(5,888)	(5,720)
Interest element of lease rentals paid	(433)	(369)
Interest paid	(15,205)	(293)
Proceeds from shares issued under share option scheme	330	820
Net cash generated from financing activities	96,953	41,238
Net (decrease)/increase in cash and cash equivalents	(426,381)	76,039
Cash and cash equivalents at 1 January	2,818,823	2,267,118
Effect of foreign exchange rates changes	(36,376)	(80,612)
Cash and cash equivalents at 30 June	2,356,066	2,262,545

The notes on pages 48 to 58 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars otherwise indicated)

1. GENERAL

BOE Varitronix Limited (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 Company and its subsidiaries (the "Group") to be BOE Technology Group Co., Ltd, which is incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Units A-F, 35/F., Legend Tower, No.7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

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

2. 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 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. Details of any changes in accounting policies are set out in note 3.

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 2022 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 (the "Board") is included on page 41. 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 2022 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars otherwise indicated)

3. 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 estimates*
- 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 Hong Kong 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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.

4. 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. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and touch panel display module assembly capacity.

(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 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.

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Operating segment results (Continued)

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

The Board assesses the performance of the operating segments based on revenue which is consistent with that in the interim financial report. Other information, being the total assets excluding deferred tax assets, other financial assets, current tax recoverable and interest in 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 to which they are allocated, in the case of intangible assets and interest in associates.

(i) Group's revenue from external customers

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
The 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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars otherwise indicated)

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Interest income on financial assets measured at amortised cost	48,065	20,085
Government grants (note (i))	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
	118,568	62,383

Note:

- (i) The amount 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.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest on lease liabilities	433	369
Interest on bank borrowings	15,205	293
	15,638	662
(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 loss 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
	207,908	209,118

7. INCOME TAX

	Six months ended 30 June	
	2023	2022
	\$'000	\$'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 PRC	5,894	7,636
Deferred tax	(9,251)	(536)
	18,690	40,523

(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.

8. 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 ordinary shares of 789,120,056 (2022: 732,873,839 shares).

9. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for use of office and warehouses, and therefore recognised the additions to right-of-use assets of HK\$13,981,000. (six months ended 30 June 2022: HK\$Nil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of HK\$343,258,000 (six months ended 30 June 2022: HK\$297,045,000). Items of property, plant and equipment with a net book value of HK\$Nil were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$Nil), resulting in a gain on disposal of HK\$465,000 (six months ended 30 June 2022: HK\$Nil).

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10. INVENTORIES

During the six months ended 30 June 2023, the Group recognised inventory write-down of HK\$92,256,000 (six months ended 30 June 2022: HK\$17,870,000) in profit or loss and reversal of write-down of inventories of HK\$7,219,000 (six months ended 30 June 2022: HK\$7,592,000) as a reduction in the amount of inventories recognised as an expense in profit or loss.

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

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

	At 30 June 2023 \$'000	At 31 December 2022 \$'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
	2,285,951	2,005,973

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

12. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Fixed deposits with banks with more than three months to maturity when placed	3,815	61,723
Fixed deposits with banks with three months or less to maturity when placed	1,241,730	777,167
Cash at banks and on hand	1,114,336	2,041,656
Cash and cash equivalents	2,356,066	2,818,823

13. 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 2023 \$'000	At 31 December 2022 \$'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
	2,613,309	2,940,097

14. 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 2023 (six months ended 30 June 2022: HK\$Nil).

(ii) 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
	\$'000	\$'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 cents) 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.

(b) Equity settled share-based transactions

(i) Share option scheme

During the six months ended 30 June 2023, options have been exercised to subscribe for 165,000 ordinary shares in the Company at a consideration of HK\$330,000 (six months ended 30 June 2022: 410,000 ordinary shares at a consideration of HK\$820,000).

During the six months ended 30 June 2023, 500,000 options were lapsed (six months ended 30 June 2022: no options were lapsed).

(ii) Share award plan

During the six months ended 30 June 2023, the Group did not repurchase any shares (six months ended 30 June 2022: HK\$Nil) for the purpose of the share award plan.

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.

On 15 June 2022, the Company has 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 26 August 2022, the second 30% of the awarded shares shall be vested on 28 August 2023, and the remaining 30% shall be vested on 26 August 2024. Further details are set out in the Company's announcement dated 15 June 2022.

On 21 December 2022, the Company awarded a total of 500,000 ordinary shares to the eligible persons including its directors and employees. Among the 500,000 awarded shares, the first 40% of the awarded shares were vested to the eligible persons on 27 March 2023, the second 30% of the awarded shares were vested on 27 March 2024, and the remaining 30% shall be vested on 27 March 2025. Further details are set out in the Company's announcement dated 21 December 2022.

On 22 March 2023, the Company awarded a total of 662,000 ordinary shares to the eligible persons including its directors and employees. Among the 662,000 awarded shares, the first 30% of the awarded shares were vested to the eligible persons on 12 April 2023, the second 30% of the awarded shares were vested on 12 April 2024, and the remaining 40% shall be vested on 11 April 2025. Further details are set out in the Company's announcement dated 22 March 2023.

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15. 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	Fair value measurements as at			Fair value at	Fair value measurements as at		
	30 June	30 June 2023 categorised into			31 December	31 December 2022 categorised into		
	2023	Level 1	Level 2	Level 3	2022	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements								
Listed equity securities	47	47	-	-	65	65	-	-
Unlisted equity securities	42,515	-	-	42,515	42,588	-	-	42,588
	42,562	47	-	42,515	42,653	65	-	42,588

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: 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	
	2023	2022
	\$'000	\$'000
Unlisted equity securities:		
At 1 January	42,588	40,614
Exchange adjustment	(73)	(75)
At 30 June	42,515	40,539

(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 2023 and 31 December 2022.

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	Six months ended 30 June	
		2023	2022
		\$'000	\$'000
Purchase of goods from BOE Group	1	2,377,442	3,021,589
Purchase of property, plant and equipment from BOE Group	2	38,311	–
Lease of property, plant and equipment from BOE Group	2	3,512	–
Lease of property, plant and equipment to BOE Group	3	3,472	7,287
Rental, management fee, utilities fees and computer integrated manufacturing system management fee charged by BOE Group	4	47	50
Trademark licence fee charged by BOE Group	5	9,699	11,493
Subcontracting fee charged to BOE Group	6	677	1,967

Notes:

- The transactions were conducted based on the terms as governed by the renewed master purchase agreement entered into between the Company and BOE on 6 September 2021. Further details are set out in the Company's announcement dated 6 September 2021. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- The transactions were conducted based on the terms as governed by the master framework agreement entered into between the Company and BOE on 22 July 2022. Further details are set out in the Company's announcement dated 22 July 2022. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- The transactions were conducted based on the terms as governed by the renewed assets lease agreement entered into between Varitronix (Chengdu) Display Technology Co., Ltd., 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 renewed tenancy agreement ("Renewed Tenancy Agreement") for a term commencing from 1 January 2022 to 31 December 2024. The transactions as contemplated under the Renewed 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 renewed trademark licence agreement ("Trademark Licence Agreement") on 21 December 2022 to extend the terms to 31 December 2024. The transactions as contemplated under the Trademark Licence Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.
- 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.

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16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

At 30 June 2023, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of HK\$902,949,000 (31 December 2022: HK\$1,492,132,000). Non-current deposits of HK\$24,221,000 (31 December 2022: HK\$52,300,000) were paid to BOE Group for the purchase of the TFT panels toolings for manufacturing TFT modules. Prepayment of HK\$79,535,000 (31 December 2022: HK\$33,083,000) 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.

17. COMMITMENTS

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

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Contracted for	299,397	905,255

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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