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**BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

**2023 FINAL RESULTS ANNOUNCEMENT**

**CHAIRMAN'S STATEMENT**

**Highlights**

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

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

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

During the year under review, revenue of HK\$10,760 million was recorded, an increase of 0.4% when compared with HK\$10,722 million recorded in 2022. EBITDA<sup>1</sup> of the Group was HK\$771 million, 8% lower than HK\$841 million recorded in 2022. The profit attributable to shareholders of HK\$475.3 million was recorded, a decrease of 18%, when compared to that for the year 2022.

The Group has a strong net cash position through continuous improvement in working capital management, as at 31 December 2023, the cash and fixed deposits balance of the Group was

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

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

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

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

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

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

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

## **DIVIDENDS**

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

## **BUSINESS REVIEW**

### **Automotive Display Business**

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

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

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

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

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

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

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

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

*\*The above analysis is based on the location at which the services were provided or the goods delivered, analysis by location of sourcing decision is annexed on page 17 for reference.*

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

## **Industrial Display Business**

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

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

## **BUSINESS OUTLOOK**

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

### **Automotive Display Business**

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

Environmental protection is becoming the top priority work of many governments and many governments releases policies to promote use of NEVs which is more environmental friendly. Certain supportive policies for NEV in the PRC such as (i) new automotive technology such as the new China national standard GB15084-2022 for “Motor vehicles — Devices for indirect vision — Requirements of performance and installation” for vehicle CMS products that has been in force in the PRC since 1 July 2023; (ii) the full implementation of the 6B phase of “Limits and measurement methods for emissions from light-duty vehicles (CHINA 6)”; and (iii) The

office of The State Council released a guideline to strengthen the integration of NEVs into the country's power grid in June 2023. Meanwhile, the European Parliament approved a new law to forbid new sale of petrol and diesel cars in the European Union from 2035. The roadmap of the transition from petrol and diesel vehicles to NEV shall provide a growth chance to us in European markets. We believe all the above shall increase the demand for NEVs and our products.

Apart from the traditional display, the upcoming automotive display system business and the smart cockpit solution market will have great potential development. With the continuous upgrade of smart cockpits, the cockpit space has multiple attributes such as socializing, working, and entertainment. Automotive will become people's "third space" in addition to living space and workspace. The Group also introduce "HERO" project for application scenarios of smart cockpit and work with our global partners to develop Healthiness, Entertainment, Relation and Office scenarios for smart cockpits. The digitalization and upgrading of the Human Interface ("HMI") experience in smart cockpit is becoming a major trend in the automotive industry. With the integration of more and more advanced display technologies, such as Camera Monitoring System ("CMS"), naked-eye 3D displays, smart surface display and privacy-on-demand ("POD"), the demand for larger and more displays in the cockpit continues to increase. According to market research, the automotive display system market is showing a steady upward trend and the size of the PRC market is expected to reach nearly HK\$100 billion in 2026. The global smart cockpit and smart travel market is expected to reach hundreds of billions of Hong Kong dollars in 2026.

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

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

With the keen competition among automotive manufacturers and to achieve breakthrough in the growth rate, to expand into overseas markets will be a critical option for those leading PRC automotive manufacturers. Though facing certain challenges such as insufficient NEV charging network, immature distribution channel and low branding loyalty, the PRC automotive manufacturers are improving its products cost performance ratio, product uniqueness, product design and product quality, and are becoming more welcomed by overseas customers. Certain PRC NEV manufacturers have increased their footprints, capability and influence across the globe, demonstrated by investment in overseas production plants, higher global sales, break-

through in profitability and with more strategic cooperation with global large investors. The Group expects that those leading NEV manufacturers in the PRC will further increase their market shares in the automotive market in the future and become global automotive enterprise. At present, the Group has footprints on most of the overall market share in the NEV market in the PRC, and maintains a high market shares in leading automotive manufacturers, the development of the industry represents vibrant development opportunity for the players in the industries including our Group.

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

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

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

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

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

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

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

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

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

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

## **Industrial Display Business**

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

## **Development Strategy**

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

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

Sustainability is key to future success of the Group and the Group attaches great importance to environmental protection and sustainable development. The Group also aware that certain of our customers put Environmental, Social and Governance (“ESG”) as an important factor for supplier selection. To enhance our ESG performance, the Group has (i) installed solar power generation devices to reduce carbon emission and power consumption, (ii) centralized treatment facilities to process waste gas and water before discharge and (iii) replaced old equipment by certain energy saving equipment laying the foundation of nation green factories. Our manufacturing facilities regularly measure and monitor the emissions of pollutants, we also set targets for our manufacturing facilities to reduce carbon emission, energy and water consumption, hazardous and non-hazardous waste in 2025. In addition, we are also working together with our customers and suppliers to meet the net zero ambition by proposing the use of environmental-friendly materials and avoiding the use of hazardous materials. The Group also strive to maintain high standard of employee safety, we will investigate all injury cases and implement precautionary measures to avoid a repeat occurrence. Our supply chain management system includes the evaluation of our suppliers’ social responsibility performance and their social responsibility performance will be one of the factors in our selection of supplier. International recognitions are also important for us to sell our high quality products to overseas and PRC customers, all products must strictly comply with our quality management system, which fully comply with ISO 9001 and IATF 16949, and we will monitor and follow the international standards in order to meet our overseas and PRC customers’ needs.

## **Technology Development**

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



deeply participated in the intelligent development of the global automotive industry with its profound technological accumulation and firm investment in innovation, providing unlimited possibilities for the flourishing of the intelligent cockpit industry.

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

## **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. At the CES 2024, the newly developed Curved 45-inch 9K ultra-large Oxide cockpit screen was displayed. At the same time, several Oxide display products are under development.

## **ADS-Pro**

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

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

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

## **f-OLED**

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

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

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

## **Curved Display**

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

## **3D Display**

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

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

## **Smart Surface Display**

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

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

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

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

## **Privacy on Demand Technology (“POD”)**

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

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

## **Force Touch Sensing Technology**

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

## **System/Semi-system with Passive Display**

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

## **Smart Cockpit Display System**

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

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

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

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

## **IMPORTANT EVENT AFTER THE YEAR ENDED 31 DECEMBER 2023**

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

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

## **ACKNOWLEDGEMENT**

During the year, the Group has achieved growth in revenue through successful implementation of our strategy. Our customer base has broadened and solidified thanks to the trust of our business partners. The Group will continue to grasp the upcoming trend of the automotive industry and to 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. It is the 45<sup>th</sup> anniversary of the Company, our long establishment, our success and continuing growth was contributed by our management, employees, shareholders, investors and business partners, on behalf of the Board, I would like to express my sincere gratitude for their continuous support.

**Gao Wenbao**  
**Chairman**

**Hong Kong, 21 March 2024**

## **REVIEW OF OPERATIONS**

### **REVENUE BY DELIVERY LOCATION**

#### **THE PRC**

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

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

As a supplier of NEV manufacturers, the Group works with our NEV business partners to empower their growth and remain competitive. With the immense business opportunities brought by the growth of demand of NEV and the demand for larger and more advanced display and the sustainable renewal of automotive, we have prepared the new Thin Film Transistor ("TFT") and touch panel display modules manufacturing facilities in Chengdu, the PRC (the "New Plant") to greet the needs, the New Plant in Chengdu commenced its production since 2022, and climbs up to more than 5 times its production in 2023 which further strengthens the production and supply capacity of the Group. During the year, the Group recorded an increased result in both sales quantity and revenue.

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

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

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

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

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

## **EUROPE**

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

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

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

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

## **AMERICA**

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

The increase was mainly contributed by our effort in getting orders of TFT displays modules

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

## **KOREA**

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

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

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

## **JAPAN**

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

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

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

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



## REVENUE BY LOCATION OF SOURCING DECISION OF CUSTOMERS

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

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

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

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

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

## Consolidated statement of profit or loss

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	4	<b>10,760,416</b>	10,722,361
Other operating income, net	5	<b>174,215</b>	143,494
Change in inventories of finished goods and work in progress		<b>549,090</b>	385,540
Raw materials and consumables used		<b>(9,307,367)</b>	(9,290,616)
Staff costs		<b>(938,819)</b>	(680,018)
Depreciation		<b>(202,110)</b>	(165,770)
Other operating expenses	6(c)	<b>(465,702)</b>	(444,527)
<b>Profit from operations</b>		<b>569,723</b>	670,464
Finance costs	6(a)	<b>(25,220)</b>	(12,361)
Share of losses of associates		<b>(4,471)</b>	(456)
<b>Profit before taxation</b>	6	<b>540,032</b>	657,647
Income tax	7	<b>(58,951)</b>	(98,077)
<b>Profit for the year</b>		<b>481,081</b>	559,570
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>475,260</b>	582,451
Non-controlling interests		<b>5,821</b>	(22,881)
		<b>481,081</b>	559,570
<b>Dividends</b>	8		
Final dividend proposed after the end of the reporting period		<b>150,399</b>	182,062
<b>Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)</b>	9		
Basic		<b>60.4 cents</b>	78.4 cents
Diluted		<b>60.2 cents</b>	77.8 cents

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

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

## Consolidated statement of financial position

At 31 December 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,759,580</b>	1,490,300
Interest in associates		-	7,922
Intangible assets		<b>25,061</b>	22,173
Other financial assets		<b>41,897</b>	42,588
Non-current deposits and prepayments		<b>101,264</b>	98,265
Deferred tax assets		<b>8,843</b>	11,286
		<b>1,936,645</b>	1,672,534
<b>Current assets</b>			
Inventories		<b>1,947,101</b>	1,568,001
Trade and other receivables, deposits and prepayments and other contract costs	10	<b>2,555,501</b>	2,157,832
Amounts due from associates		<b>12,220</b>	-
Other financial assets		<b>15,405</b>	65
Current tax recoverable		<b>10,354</b>	4,122
Fixed deposits with more than three months to maturity when placed		-	61,723
Restricted bank deposits		<b>55,884</b>	-
Cash and cash equivalents		<b>3,500,760</b>	2,818,823
		<b>8,097,225</b>	6,610,566
<b>Current liabilities</b>			
Trade and other payables	11	<b>4,738,130</b>	3,389,694
Lease liabilities		<b>8,159</b>	7,392
Current tax payable		<b>13,925</b>	65,324
Bank loans		<b>236,439</b>	636,288
Deferred income		<b>26,138</b>	4,427
		<b>5,022,791</b>	4,103,125

## Consolidated statement of financial position (continued)

At 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>Net current assets</b>	<b>3,074,434</b>	2,507,441
<b>Total assets less current liabilities</b>	<b>5,011,079</b>	4,179,975
<b>Non-current liabilities</b>		
Lease liabilities	13,907	4,402
Deferred tax liabilities	3,468	9,977
Deferred income	200,496	18,911
Bank loans	383,497	30,912
	<b>601,368</b>	64,202
<b>NET ASSETS</b>	<b>4,409,711</b>	4,115,773
<b>CAPITAL AND RESERVES</b>		
Share capital	197,894	197,853
Reserves	4,155,701	3,866,845
Total equity attributable to equity shareholders of the Company	4,353,595	4,064,698
Non-controlling interests	56,116	51,075
<b>TOTAL EQUITY</b>	<b>4,409,711</b>	4,115,773

## Notes:

### 1. General

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

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

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

### 2. Basis of preparation

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2023 but are extracted therefrom.

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

The accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2022, except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2023 (see note 3).

### 3. Changes in accounting standards and its application

#### (a) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors*:

### *Definition of accounting*

- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

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

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

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

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

## **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.

Revenue represents the invoiced value of goods supplied to customers by the Group less returns and discounts within the scope of HKFRS 15.

### **(a) Operating segment results**

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the revenue and operating profits are derived from this business segment. The consolidated financial information has already been presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

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

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

### **(b) Geographic information**

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



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

	<i>2023</i> <b>HK\$'000</b>	<i>2022</i> HK\$'000
The PRC (place of domicile)	<u>7,913,271</u>	<u>7,494,766</u>
Europe	<b>1,412,246</b>	1,607,278
America	<b>727,532</b>	680,320
Korea	<b>304,753</b>	396,589
Others	<b>402,614</b>	543,408
	<u>2,847,145</u>	<u>3,227,595</u>
Consolidated revenue	<u><b>10,760,416</b></u>	<u>10,722,361</u>

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

	<i>2023</i> <b>HK\$'000</b>	<i>2022</i> HK\$'000
Czech Republic	<b>315,521</b>	443,518
Germany	<b>242,108</b>	237,130
Romania	<b>142,705</b>	214,818
France	<b>140,563</b>	99,060
Portugal	<b>96,478</b>	73,059
Italy	<b>71,918</b>	112,275
United Kingdom	<b>3,946</b>	24,330
Other European countries	<b>399,007</b>	403,088
	<u>1,412,246</u>	<u>1,607,278</u>

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

	<i>2023</i> <b>HK\$'000</b>	<i>2022</i> HK\$'000
The PRC (place of domicile)	<b>1,765,921</b>	1,515,654
Others	<b>18,720</b>	4,741
	<u>1,784,641</u>	<u>1,520,395</u>

## 5. Other operating income, net

	2023 HK\$'000	2022 HK\$'000
Changes in fair value of other financial assets	(716)	(736)
Gain on deemed disposal of a subsidiary	-	98
Government grants (note)	71,607	55,416
Interest income on financial assets measured at amortised cost	93,282	52,849
Net exchange (loss)/gain	(4,522)	16,840
Net gain on disposal of property, plant and equipment	1,708	884
Rental receivable from operating leases	4,212	14,122
Other income	8,644	4,021
	<u>174,215</u>	<u>143,494</u>

Note: The amount represents the incentives granted by the government to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$21,835,000 (2022: HK\$16,035,000), amortisation of government grants received in relation to acquisitions of machineries of HK\$48,522,000 (2022: HK\$10,197,000), incentive related to production of HK\$781,000 (2022: HK\$22,400,000), subsidies of HK\$Nil (2022:HK\$2,748,000) under Employment Support Scheme and incentives granted in relation to staff retention of HK\$469,000 (2022: HK\$4,036,000). There are no unfulfilled conditions attaching to these government grants.

## 6. Profit before taxation

Profit before taxation is arrived at after charging:

	2023 HK\$'000	2022 HK\$'000
(a) <i>Finance costs</i>		
Interest on lease liabilities	921	669
Interest on bank borrowings	24,299	11,692
	<u>25,220</u>	<u>12,361</u>

	2023 HK\$'000	2022 HK\$'000
<b>(b) Other items</b>		
Trade receivables and amounts due from associates in respect of:		
- Expected credit loss allowance	7,298	20,372
Cost of inventories	9,620,357	9,530,183
Research and development costs	236,522	190,165
Contributions to defined contribution retirement plans	64,886	44,799
Equity settled share-based payment expenses	20,385	22,590
	<u>                    </u>	<u>                    </u>
<b>(c) Other operating expenses</b>		
Amortisation of intangible assets	3,153	5,298
Auditors' remuneration		
- Audit services	3,281	3,429
- Review services	586	462
- Tax services	31	30
Bank charges	3,387	1,680
Building management fees	9,354	5,116
Expense related short-term lease	16,150	3,766
Factory consumables, cleaning and security service expenses	34,340	13,334
Freight charges	73,620	62,032
Insurance and quality assurance expenses	10,413	6,330
Legal and professional fees	10,592	12,826
Office expenses	11,702	12,340
Other taxes, surcharge & duties	23,893	19,326
Provision of expected credit losses allowance on trade receivables and amounts due from associates	7,298	20,372
Repair and maintenance	36,639	31,939
Sales, marketing and commission expenses	55,224	48,864
Subcontracting fees	26,842	84,747
Trademark licence fee	19,305	21,818
Travelling and entertainment expenses	36,612	17,097
Utilities expenses	82,095	70,012
Miscellaneous expenses	1,185	3,709
	<u>                    </u>	<u>                    </u>
	<u>465,702</u>	<u>444,527</u>

## 7. Income tax in the consolidated statement of profit or loss

Taxation in the consolidated statement of profit or loss represents:

	2023 HK\$'000	2022 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	22,226	38,920
Over-provision in respect of prior years	(492)	(3,467)
	<u>21,734</u>	<u>35,453</u>
<b>Current tax – PRC income taxes</b>		
Provision for the year	23,614	57,761
Under-provision in respect of prior years	9,795	332
	<u>33,409</u>	<u>58,093</u>
<b>Current tax – Jurisdictions outside Hong Kong and the PRC</b>		
Provision for the year	6,276	13,447
Under-provision in respect of prior years	1,755	1,137
	<u>8,031</u>	<u>14,584</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(4,223)</u>	<u>(10,053)</u>
	<u>58,951</u>	<u>98,077</u>

(i) Hong Kong Profits Tax

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

(ii) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), REHEO technology co. ltd. ("REHEO") and Varitronix Automobile Electronics (Huizhou) Co., Ltd ("Varitronix Huizhou"), subsidiaries of the Group, were designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%.

Chengdu BOE Automotive Display Technology Co., Ltd. (“Chengdu Automotive”), subsidiary of the Group was entitled to preferential tax policy of the western development and was subject to the preferential Corporate Income Tax rate of 15%. Accordingly, the Varitronix Heyuan and Chengdu Automotive’s applicable tax rate are 15% for the years ended 31 December 2023 and 2022 and REHEO and Varitronix Huizhou’s applicable tax rate are 15% for the year ended 31 December 2023 (2022: 25%).

Other subsidiaries of the Group incorporated in the Chinese Mainland are subject to the standard PRC Corporate Income Tax rate of 25%.

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

(iii) Jurisdictions outside Hong Kong and the Chinese Mainland

Taxation for subsidiaries with operations outside Hong Kong and the Chinese Mainland is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 8. Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the year

	2023 HK\$’000	2022 HK\$’000
Final dividend proposed after the end of reporting period of 19.0 HK cents (2022: 23.0 HK cents) per share	<b>150,399</b>	182,062

The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

The proposed final dividend for the year ended 2023 is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 HK\$’000	2022 HK\$’000
Final dividend in respect of the previous financial year, approved and paid during the year, of 23.0 HK cents (2022: 15.0 HK cent) per share	<b>180,964</b>	109,284
	<b>180,964</b>	109,284

## 9. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$475,260,000 (2022: HK\$582,451,000) and the weighted average of 786,365,101 ordinary shares (2022: 742,756,425 ordinary shares) in issue during the year, calculated as follows:

#### Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 31 December	<u>786,365,101</u>	<u>742,756,425</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$475,260,000 (2022: HK\$582,451,000) and the weighted average of 788,953,698 ordinary shares (2022: 748,648,454 ordinary shares), calculated as follows:

#### Weighted average number of ordinary shares (diluted)

	2023	2022
Weighted average number of ordinary shares at 31 December	786,365,101	742,756,425
Effect of deemed issue of share under Company's share option scheme for nil consideration	67,855	2,400,478
Effect of Share Award Plan	<u>2,520,742</u>	<u>3,491,551</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>788,953,698</u>	<u>748,648,454</u>

## 10. Trade and other receivables, deposits and prepayments and other contract costs

As at the end of the reporting period, the aging analysis of trade debtors and bills receivables (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$44,100,000 (2022: HK\$39,465,000), is as follows:

	<i>2023</i> <b>HK\$'000</b>	<i>2022</i> HK\$'000
Within 60 days of the invoice issue date	<b>1,482,570</b>	1,444,061
61 to 90 days after the invoice issue date	<b>378,849</b>	244,722
91 to 120 days after the invoice issue date	<b>255,079</b>	160,660
More than 120 days but less than 12 months after the invoice issue date	<b>94,903</b>	156,530
	<b>2,211,401</b>	2,005,973

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

## 11. Trade and other payables

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

	<i>2023</i> <b>HK\$'000</b>	<i>2022</i> HK\$'000
Within 60 days of supplier invoice date	<b>3,242,495</b>	2,408,202
61 to 120 days after supplier invoice date	<b>377,646</b>	462,904
More than 120 days but within 12 months after supplier invoice date	<b>131,089</b>	50,119
More than 12 months after supplier invoice date	<b>56,951</b>	18,872
	<b>3,808,181</b>	2,940,097

## 12. Commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial information were as follows:

	2023 HK\$'000	2022 HK\$'000
Contracted for	<u>346,202</u>	<u>905,255</u>

The capital commitments outstanding at the end of the reporting period are mainly for the new production base for automotive display, manufacturing facilities in Chengdu, Chinese Mainland.

## 13. Contingent liabilities

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

## DIVIDEND

The Board has recommended declaring a final dividend of 19.0 HK cents (2022: 23.0 HK cents) per share, representing a total of 19.0 HK cents (2022: 23.0 HK cents) per share for the year ended 2023. The Group has no change in its dividend policy.

## ANNUAL GENERAL MEETING (“AGM”)

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

## CLOSURE OF REGISTER OF MEMBERS

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

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



## **OTHER INFORMATION**

### **Staff**

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

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

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

### **Liquidity and Financial Resources**

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

At the year end, the Group held a liquid portfolio of HK\$3,572 million (2022: HK\$2,881 million) of which HK\$3,501 million (2022: HK\$2,881 million) was in cash and fixed deposits balance, HK\$15 million (2022: HK\$65 thousand) was in other financial assets, HK\$56 million (2022: Nil) was in restricted bank deposits. At the year end, the Group had the bank borrowings balance of HK\$620 million (2022: HK\$667 million). The carrying amounts of bank borrowings are denominated in Renminbi. The Group's gearing ratio (bank borrowings over net assets) was approximately 14.1% as at 31 December 2023 (2022: 16.2%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 5 times (2022: 8 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 75 days (2022: 68 days).

### **Foreign Currency and Interest Rate Exposure**

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Euros, Japanese Yen and Renminbi.

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

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

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

A. Reference to announcement and circular of the Company dated 1 September 2022 and 28 September 2022, respectively, the existing manufacturing facilities in Heyuan of the PRC have been highly utilised. To capture the upcoming business opportunities and further expand its market share in the automotive display industry, the Group has established the project of setting up its new TFT and touch panel display module manufacturing facilities in Chengdu of the PRC, therefore the Company raised fund for the project from the placing of new shares under general mandate (the "Placing") and by the shareholder subscription of new shares under specific mandate (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 closing price of the Company's shares on 9 September 2022 was HK\$17.00 per share. The net proceeds (after deducting the expenses payable by the Company relating to the Shareholder Subscription) from the Shareholder Subscription of 19,730,000 new ordinary Shares to BOE Technology (HK) Limited, the controlling shareholder and therefore a substantial shareholder of the Company, was approximately HK\$299.0 million (representing a net subscription price of approximately HK\$15.15 per subscription share), which was based on the subscription price of HK\$15.20 per subscription share. The closing price of the Company's shares on 21 October 2022 was HK\$12.56 per share.

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

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

The Directors are not aware of any material change to the planned use of net proceeds as at the date of this announcement.

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

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

B. During the year ended 31 December 2023, the trustee of the Company's share award plan (adopted on 28 August 2020) (the "Share Award Plan") 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 31 December 2023, a total of 662,000 awarded shares (representing 0.08%\* of the issued shares capital of the Company) were granted to the certain selected participants, comprising of 2 Directors and certain employees of the Group on 22 March 2023, pursuant to the Share Award Plan.

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

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

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

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules throughout the year ended 31 December 2023, other than as summarised as below.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

## **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 announcement. 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 final results for the year ended 31 December 2023 of the Company now reported on.

## **REMUNERATION COMMITTEE**

The Remuneration Committee of the Company (the “RC”) is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Mr. Fung, Yuk Kan Peter (Chairman of the RC), Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha, Mr. Chu, Howard Ho Hwa and Mr. Pang Chunlin as at the date of this announcement. 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 announcement. 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 as at the date of this announcement.

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

## **SCOPE OF WORK OF THE COMPANY’S AUDITORS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND THE ANNUAL REPORT**

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.boevx.com](http://www.boevx.com)). The Company's annual report for the year ended 31 December 2023 will be despatched to the shareholders of the Company who have elected to receive printed copies and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**BOE Varitronix Limited**  
**Gao Wenbao**  
Chairman

Hong Kong, 21 March 2024

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