

# BOE



## ANNUAL REPORT 2021

BOE VARITRONIX LIMITED

Stock Code 710



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# Chairman's Statement

Highlights		
HK\$ million	2021	2020
Revenue	<b>7,738</b>	4,527
EBITDA <sup>1</sup>	<b>513</b>	216
Profit Attributable to Shareholders	<b>327.8</b>	68.6
Cash and Fixed Deposits Balance	<b>2,267</b>	1,635
Basic Earnings per Share	<b>45.1 HK cents</b>	9.3 HK cents
Final Dividend per Share	<b>15.0 HK cents</b>	5.0 HK cents

<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.

**Mr. Gao Wenbao**  
Chairman

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 2021.

During the year under review, revenue of HK\$7,738 million was recorded, an increase of 71% when compared with HK\$4,527 million recorded in 2020. EBITDA<sup>1</sup> of the Group was HK\$513 million, 138% higher than HK\$216 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$327.8 million was recorded, an increase of 378%, when compared with HK\$68.6 million recorded in 2020.

As at 31 December 2021, the cash and fixed deposits balance of the Group was HK\$2,267 million, compared to HK\$1,635 million at the end of 2020. The Group has no bank loan as at 31 December 2021 and 2020. The cash position of the Group remains strong during the year.

The Group has achieved remarkable results in 2021 with record-high revenue and profit attributable to shareholders. During the year under review, the Group has recovered from the impact of COVID-19 pandemic in 2020 and grasped the market opportunities to expand our business in automotive sector. Our revenue has increased across all geographical regions as a result

of increase in sales of Thin Film Transistor (“TFT”) and touch panel display modules to customers, with exceptional growth in the People’s Republic of China (“the PRC”). Our sales in the PRC has nearly doubled in the year under review as compared to that of 2020 which is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand in the PRC in the automotive market. For other regions like Europe, America, Korea and Japan, we have also recorded a notable growth contributed by the increase in sales of TFT and touch panel display modules in the automotive business. At the same time, the Group had been able to manage the global shortage of electronic components through various measures to reduce the impact to our supply chain and production and strived to ensure stable delivery to our customers. During the year, the selling price of certain products has increased in response to the increase in material costs resulted from this global shortage of electronic components.

The Group’s TFT module business and touch panel display modules business contributed around 85% of the Group’s revenue while the revenue from monochrome display business contributed around 15% during the year. The revenue from the former has increased by 86% while the latter has increased by 19%.

During the year under review, EBITDA has increased by 138% to HK\$513 million, around 6.6 % of the Group’s revenue. The increase is mainly contributed by the increase in gross profit contributed by the increase in revenue. The profit attributable to shareholders has increased by HK\$259.2 million, approximately 378% as compared to that of 2020. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group’s revenue, increased to approximately 4.2% as compared to 1.5% in 2020. The Group’s overall profitability has been improving through the continuous achievement of economies of scales as our sales increases. The staff costs and other operating expenses have increased comparing with the same period of last year as the base of comparison is low during COVID-19 when the business activities were

reduced. Nevertheless, the increase was corresponding to the increase in sales and business activities during the year and the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales. Furthermore, the Group has recorded approximately HK\$10 million net exchange gain during the year as compared to a net exchange loss of HK\$28 million in year 2020.

## DIVIDENDS

The Board (the “Board”) of Directors (the “Director”) has recommended a final dividend of 15.0 HK cents (2020: 5.0 HK cents) per share. The annual dividend payout ratio was 34% (2020: 54%).

## BUSINESS REVIEW

### Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$6,509 million, an increase of 89% from the revenue of HK\$3,450 million recorded in 2020. This business represented approximately 84% of the Group’s overall revenue.

During the year, the Group’s automotive display business has recorded a significant growth in sales as compared to 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. The impact of COVID-19 began to fade out in the second half of 2020 and the overall automotive display demand, in particular the PRC, began to gradually increase in the first half of 2021 and further accelerated in the second half of 2021. The sales growth was mainly contributed by such increase in market demand together with scheduled commencement of mass production of TFT and touch panel display modules projects during the year. In terms of average selling price, in addition to the increase in selling price of certain products due to the increase in material costs, the gradual shift in product mix to higher average selling price products like touch panel display modules and larger-size TFT display modules also contributed to the increase in sales.

The development of our automotive business in the PRC has yielded remarkable results in 2021. The PRC is the largest market of the Group's automotive display business and accounted for over 40% of the Group's revenue in 2021. Our customer base has been expanding and covers major car brands for both conventional and new energy vehicle ("NEV") manufacturers. According to our statistics, our TFT display products coverage for top 20 PRC automobile manufacturers has exceeded 30%. During the year, the sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up its production in the second half of 2021. This has increased our sales of TFT related display products in 2021. Our product coverage for NEV customers in the PRC has also exceeded 30% according to our statistics.

Our automotive business in Europe has recorded growth during the year. Our major customers in Europe have gradually recovered from the impact of the pandemic in 2021 and showed increasing demand. The commencement of mass production of new TFT and touch panel display modules projects in the year also contributed to the increase in revenue. Monochrome display modules have also increased slightly as compared to the last year.

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

### Industrial Display Business

For the year under review, the industrial display business generated revenue of HK\$1,228 million, an increase of 14% from the revenue of HK\$1,077 million recorded in 2020. This business represented approximately 16% of the Group's overall revenue.

The increase of revenue during the year is mainly contributed by the increase in sales of TFT display modules for a world-renowned high-end home appliance brand based in the United Kingdom. The increase in revenue was also contributed by slight increase of monochrome display orders of industrial and consumer sectors from customers in Europe. Revenue from education-related products remained similar as last year.

### BUSINESS OUTLOOK

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

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

The recent geopolitical conflict and the global shortage of electronic components may still cast cloud of uncertainty over the global economy and supply and demand condition. The Group will stay vigilant and take necessary measures to minimize the potential impact that may have caused.

### Automotive Display Business

During the year under review, the Group has increased our global automotive display market share and achieved a leading position in terms of delivery quantity, area and especially delivery for display larger than 8 inches. We have established a strong customer network and obtained mass production projects for major automobile manufacturers. The growth is especially remarkable in the PRC for TFT and touch panel display modules for both conventional vehicles and NEV manufacturers.

The Group expected that the trend of shifting to NEV in the PRC will continue based on the market trend and the PRC's target to achieve peak carbon emissions and carbon neutrality. The Group has successfully developed close relationship with major NEV manufacturers in the PRC and obtained a number of TFT and touch panel display modules orders over the past years which contributed around 15% of the Group's revenue in 2021. Automobile manufacturers, in particular NEV manufacturers, are constantly upgrading user experience through multiple, large-sized, and high-quality displays with improving human-machine-interface ("HMI"). In view of this trend, the Group has been promoting different products, like large-sized TFT touch panel display modules, BD display, AMOLED display modules and display system products to our customers. Apart from the upcoming mass production of a large-sized AMOLED display for a renowned PRC NEV manufacturer in the second quarter of 2022, the Group has won large-sized AMOLED display projects for several NEVs. In relation to the development of system business, the Group has won business for display system solution for several PRC automobile manufacturers. It is expected that the revenue from high-end display products will increase in the coming years.

For Europe, the Group continues to win new business from our long-term customers as well as newly developed customers. We work very closely with our customers and continue to secure high-volume platform projects from the Group's long-established Tier-1 customers during the year. For NEV, the Group has won a large-sized display system solution project for commercial vehicles from a new-emerging NEV manufacturer based in the United Kingdom. The Group is also actively collaborating with our customers in new display technologies, such as high-resolution 3D display.

For Korea, Japan and America automotive business, we expect the growth will continue as the mass production of TFT display projects continues to ramp-up since the second half of 2021.

## Industrial Display Business

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

## Development Strategy

Through the relentless effort of the Group, we have achieved staged development to pursuit our vision to become a leading integrated automotive smart cockpit display system solution provider. Our market share has been increasing and our products have reached major customers including Tier-1 manufacturers and new energy automobile manufacturers. We have developed our competitive advantage in providing versatile, state-of-the-art products with stable supply and quality assurance. The Group has also established strong relationship with our strategic partners, including major automobile manufacturers, NEV manufacturers and other eco-system partners, to develop our business in relation to smart cockpit display.

The Group will strive to expand and maintain our leading position of the automotive display business. In view of the positive outlook of the automotive display business, together with the BOE Group, the Group has decided to expand our TFT and touch panel display module manufacturing facilities in Chengdu, PRC. The Group believes the expansion can allow us to capture upcoming business opportunities and further expand our market share upon its expected completion in early 2023.

The digitalization and upgrading of HMI experience in smart cockpit is becoming a major trend in the automotive industry. The need for larger-sized displays and more displays in the cockpit has been increasing with more and more advanced display technologies being integrated, like AR-HUD, e-Mirror, naked-eye 3D display and Privacy on Demand (POD).

Riding on this trend, the roadmap for the Group in coming years is to develop and strengthen our business in automotive display system to enable us to become a leading integrated automotive smart cockpit display system solution provider. During the year, we have increased our investment in Hefei Jiangcheng Technology Co., Ltd. (formerly known as Shenzhen Jiangcheng Technology Co., Ltd.) to support the development of AR-HUD and HUD related technologies and products. Mass production of a AR-HUD project for a PRC local brand car will commence in first half of 2022. The Group has also established a dedicated subsidiary to consolidate efforts in the development of the system business in the latter half of 2021. We have already been awarded display system solution projects from several major PRC automobile manufacturers and some of them have begun mass production in the latter half of 2021.

### Technology Development

COVID-19 has had a significant impact on the automotive industry. The Group is concerned any impact on future trends in automotive industry in relation to connectivity, autonomous, shared, and electrified vehicles (commonly referred to as "CASE"), as well as the ultimate impact of the evolution of these trends on the demand in the automotive industry.

Connectivity goes beyond 5G and vehicle data access, it is also about interior design. More connected experiences mean cars need more ways to display infotainment across dashboards and consoles. These display-rich interiors create myriad possibilities for high-resolution large-sized displays, curved display, high dynamic range (HDR), super high contrast (for high-end Graphics), true black, halo free, flexible OLED (f-OLED), etc.

On the other hand, along with the advancement of smart automobile and autonomous driving technology, HMI is becoming more and more important, meanwhile high-sensitivity multiple input interfaces are also a direction of changes. As the development of display solutions become more mature, many automobile manufacturers intend to introduce new products such as AR-HUD and naked-eye 3D display.

The Group is dedicated to the development of a next-generation automotive display technology and contributes to the development of smart automobile. Several new display technologies have been shown in the CES 2022, e.g. large curved cockpit display, BD display, mini-LED, POD, naked-eye 3D display, f-OLED, etc.

POD commonly used on laptops, desktop monitors, ATM, POS and etc. Now automakers also have this request on their Co-Driver Display (CDD). The Group developed POD which makes it possible to switch between Privacy mode and Public mode. Driver would not be distracted from driving by entertainment contents on the CDD. In public mode, navigation and other car relevant information will be visible to driver and co-driver. The Privacy mode will only allow the co-driver to view the entertainment contents. The Group has achieved phased results in POD and has shown our prototype in the CES 2022.

For the monochrome display business, the newly developed color on polarizer process can reduce the cost of our versi-color IBN and versi-color IBN-TFT hybrid display and enhance our market competence. Moreover, under the new environmental target of the PRC Government, we expect the growth of electric-bike application will be boosted up and 2-wheeler market of the PRC will be a growing market in coming years. This huge market will be one of our focus in 2022 and we are moving from module development to 2-wheeler cluster development. The qualification stage is expected to be completed by the second quarter of 2022. This move will bring us to another growing point in monochrome business.

For curved display, we overcome different challenges, such as automobile reliability, mechanical durability, color mixture effect, black mura and etc. Currently, the Group has achieved phased results in automotive curved displays and obtained the first free-form curved display project from a well-known European automaker, which shows the recognition from our customers.

The 3D displays can be used for warnings, augmented reality and even video entertainment in automobile. Currently, the Group is developing naked-eye 3D display with automotive-grade 4.8K ultra-high resolution display panel which offers visually attractive

3D performance, more viewpoints, wide FOV (Field of View) and adjustable depth by algorithm. First prototype was shown at CES 2022 and generated great interest. We are also developing 3D touch technologies, infrared gesture technology together with naked-eye 3D display technology for contactless gesture machine communication and hovering control for user interface control applications.

In 2021, the Group has achieved fruitful results in technology research and product development of smart cockpit display systems. In ADAS product development, we have completed development of AR-HUD based on DLP (Digital Light Processing) Technology, W-HUD (Windshield type HUD) based on TFT-LCD Technology, CMS (Camera Monitoring System) based on image processing technology and Center Console System Product.

In AR-HUD, with the leading optical structure design and AR algorithm, the wide FOV AR-HUD development was completed and mass production is expected in the second quarter of 2022. To achieve the best image quality, the solution effectively overcame the problems of stray light, image distortion, ghosting and dizziness and also effectively reduced solar irradiance problem. Image distortion correction is realized by both software and hardware. The solution ensures the AR-HUD system operate in low latency, high stability and efficiency.

In CMS development, which is a visual communication system based on the high-end computing and imaging processor, an Ambarrella SoC (System on Chip) will be the first supplier which is capable of launching such CMS for mass production. Technically, it innovatively implements camera heat-up demist technology, and has developed a dedicated SoC that integrated an ISP (Image Signal Processor) and supported neural network acceleration processing as well, which can efficiently achieve stable OTA (Over-the-Air) Technology software upgrades and support extended functions like BSD (Blind Spot Detection)/DOW (Door Open Warning). The Group is the first supplier in the industry that can meet 18 regulations and is truly ready for production which brings us the hardware solution superiority advantages.

As regard to smart cockpit development, the Group has established a professional automotive electronic technology research and development team and management team which enabled the Group to enter a period of rapid growth in technical solutions development for different products. Based on the Group's own ability in automotive electronic system solutions, a number of integrated cockpit display projects were awarded from PRC and US/Europe NEV automobile manufacturers. Those projects include cluster display system, multiple-display-in-one display system, rear seat display system, e-Mirror display system and OLED display system with functional safety compliance. Some projects have launched mass production for a leading PRC NEV auto-maker in the fourth quarter of 2021. In the coming year, the Group will continue to increase resource and investment in the field of smart cockpit in order to build further a comprehensive smart cockpit solution and provide a thorough service and support to both domestic and overseas customers to facilitate projects implementation and launch.

## ACKNOWLEDGEMENT

During the year, the Group has achieved record-high revenue and profit through successful implementation of our strategy. Our customer base has broadened and solidified thanks to the trust of our business partners. The Group will continue to grasp the upcoming trend of the automotive industry and to pursuit our strategy to become a leading integrated automotive smart cockpit display system solution provider. 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, 24 March 2022

# Management Discussion and Analysis

## REVENUE

The Group's revenue for the year ended 31 December 2021 increased by 71% to HK\$7,738 million as compared to the previous financial year.

## PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2021 was HK\$350 million, an increase of HK\$280 million or approximately 400% as compared to the previous financial year.

During the financial year 2021, the Group spent HK\$200 million on research and development ("R&D") activities, which represented approximately 3% of the Group's revenue.

## NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31 December 2021 was HK\$327.8 million, as compared to a profit attributable to shareholders of HK\$68.6 million in 2020.

Basic earnings per share for the year ended 31 December 2021 were 45.1 HK cents as compared to basic earnings per share of 9.3 HK cents in the previous financial year. During the year, the Group did not declare an interim dividend. The Board has recommended a final dividend of 15.0 HK cents per share for the year ended 31 December 2021, which will aggregate to HK\$110 million. The total dividend for the year amounted to 15.0 HK cents per share.

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

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

## STRUCTURE OF ASSETS

As at 31 December 2021, the total assets of the Group amounted to HK\$5,543 million (2020: HK\$3,830 million). At the year end, inventories increased by 66% to HK\$833 million (2020: HK\$503 million) while other financial assets amounted to HK\$45 million (2020: HK\$3 million).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the total equity of the Group was HK\$3,346 million (2020: HK\$2,767 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.24 as at 31 December 2021 (2020: 3.19).

At the year end, the Group held a liquid portfolio of HK\$2,271 million (2020: HK\$1,638 million) of which HK\$2,267 million (2020: HK\$1,635 million) was in cash and fixed deposits balance, HK\$4 million (2020: HK\$3 million) was in other financial assets. At the year end, the Group had no borrowings (2020: HK\$Nil). The Group's gearing ratio (borrowings over net assets) was Nil% as at 31 December 2021 (2020: Nil%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 10.2 times (2020: 7.8 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 76 days (2020: 84 days).

## CASH FLOWS

In the year under review, the Group's cash generated from operations amounted to HK\$675 million (2020: HK\$253 million). The increase in trade and other payables increased cash flow by HK\$1,114 million. The increase in inventories and increase in trade and other receivables, deposits and prepayments and other contract costs decreased cash flow by HK\$318 million and HK\$579 million respectively.

Net cash used in investing activities amounted to HK\$254 million (2020: HK\$28 million). There were payments for the purchase of property, plant and equipment of HK\$247 million (2020: HK\$56 million).

## CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt. There was no change as to the capital structure of the Group during the year. The Group has no unsecured interest-bearing bank loans (2020: Nil).

## FOREIGN CURRENCY EXPOSURE

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

The Group 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.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Company had no contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries.

## COMMITMENTS

As at 31 December 2021, the Group had capital commitments of HK\$94 million (2020: HK\$68 million), mainly representing the acquisition cost of plant, machinery, tools and equipment not provided for in the financial statements.

## STAFF

As at 31 December 2021, the Group employed 3,725 staff around the world, of whom 125 were in Hong Kong, 3,548 in the People's Republic of China ("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 and a share award plan, and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

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

## 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.

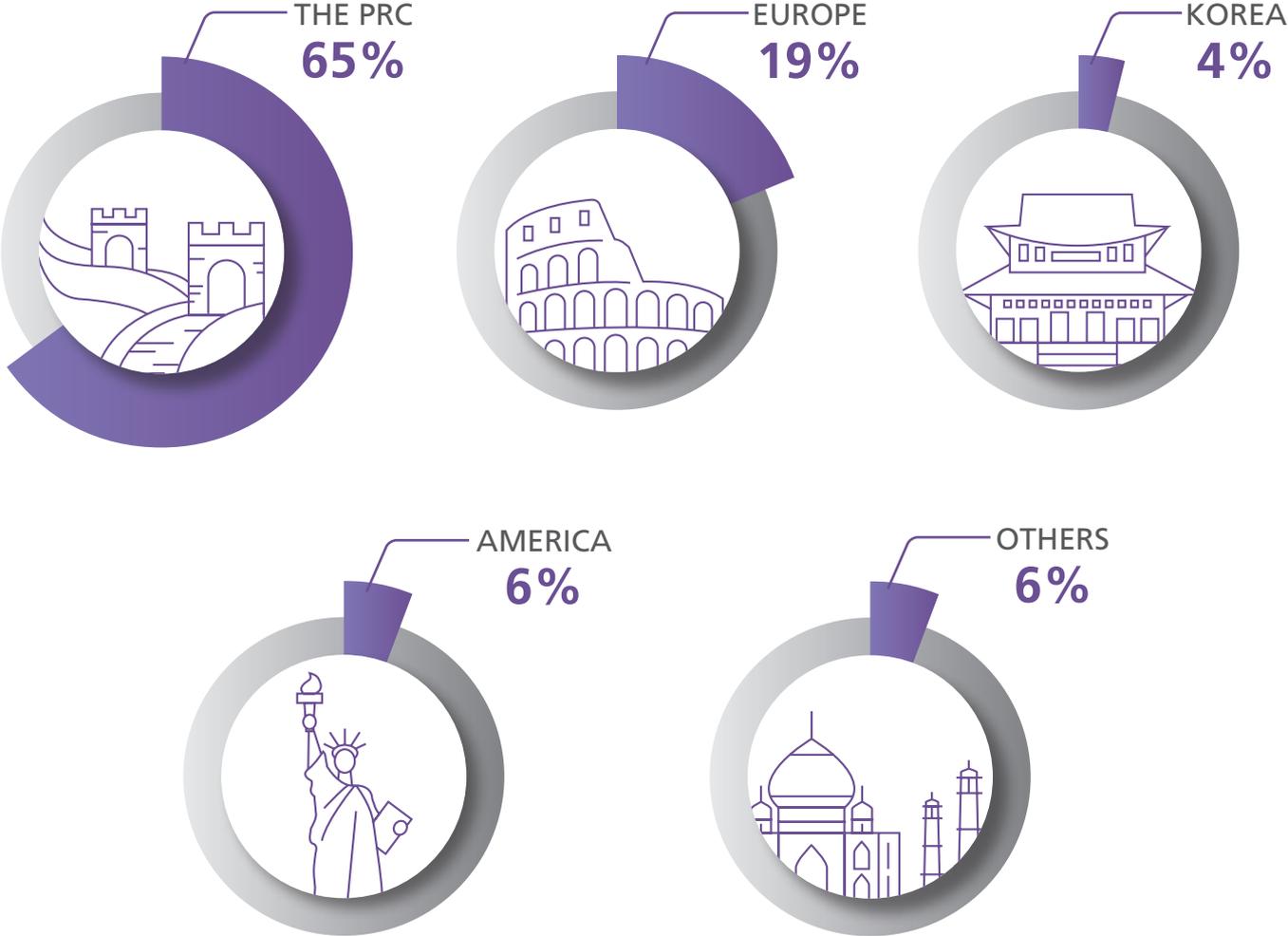
The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are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

During the year, the total retirement scheme cost charged to the Consolidated Statement of Profit or Loss for the year ended 31 December 2021 was HK\$40 million (2020: HK\$26 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 year ended 31 December 2021 was HK\$Nil (2020: HK\$Nil) and at 31 December 2021, the balance available to reduce the level of contributions in future amounted to HK\$Nil (2020: HK\$Nil).



# Review of Operations

## REVENUE BY GEOGRAPHY



## THE PRC

The PRC generated revenue of HK\$5,068 million during the year under review, representing an increase of 98% as compared with that in 2020. This region has accounted for 65% of the Group's total revenue. Revenue from automotive display business remained a major part of and the rest was mainly derived from the education-related sector.

During the year under review, the Group has successfully captured the increasing market demand in the PRC and significantly increased our revenue from the automotive display business. We continues to be one of the leading players in the PRC automotive display industry. The overall PRC market has experienced a rapid growth during the year benefited from the recovery from the impact of the COVID-19 during 2020. As such, the demand in automobile has accelerated especially in the second half of 2021. During the year, the

commencement of mass production of various TFT and touch panel module projects in the year and the ramp-up of demand from our customers has resulted in the surge of our revenue in the PRC. The average selling price has also increased because of change of product mix and price increment in response to the increase in cost of raw materials during the year.

NEV has become an unstoppable trend in the automobile industry. The Group has successfully increased our revenue in various TFT and touch panel display modules and AMOLED display technologies for NEV during the year. 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.



## Review of Operations

### EUROPE

During the year under review, revenue of HK\$1,441 million was generated from the display business in Europe, which represented an increase of 25% as compared to 2020. The European business contributed 19% of the total revenue for the Group in 2021.

### Automotive Display Business

The Europe automotive business has shown rebound in the year under review. The impact of the COVID-19 pandemic has been fading out in 2021 and business activities have revived gradually during the year. The production and demand of our long-term customers has been increasing and the Group has recorded an increase in revenue. Our revenue from both TFT display business and monochrome display business has increased with more revenue derived from TFT related products.

During the year, our sales team in Europe has been working diligently to capture the business opportunities from pandemic recovery. We have successfully won projects from major automobile manufacturers, including large volume platform projects and also projects from high-end luxury cars. For NEV, we have also been promoting our large-sized display products and system solution to traditional automobile brands for passenger cars as well as new emerging commercial NEV. We believe that NEV will be the upcoming trend in Europe.





## Industrial Display Business

During the year, the Group's industrial display business in Europe has increased as compared with that of 2020 which is mainly due to recovery of the general economies and increasing demand from our customers. Both the Group's monochrome display business and TFT display business in the industrial sector have increased during the year. For TFT display business, the revenue from a high-end home appliances brand has increased benefiting from the recovery of the economies. The monochrome display business also showed a mild growth as the demand is relatively stable in the industrial areas.

## KOREA

Revenue generated from Korea was HK\$334 million in 2021, representing an increase of 27% from that of 2020. Korea accounted for 4% of the Group's revenue.

Revenue from Korea was mainly derived from automotive display business. The increase in revenue during the year was mainly contributed by the ramp-up of orders from the mass production of medium-sized automotive TFT display modules.

## AMERICA

America generated revenue of HK\$436 million in 2021, contributing 6% to the total revenue of the Group. The revenue has increased by 110% as compared to that of 2020.

The significant increase was mainly contributed by ramp-up of orders of mass production of TFT display modules to several automotive customers. 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 industry and medical sectors. The Group has also been putting efforts to target the NEV trend to promote our products to this customer group.



# Environmental, Social and Governance Report



The Group began incorporating its Environmental, Social and Governance (ESG) Report into its Annual Report from 2014. The ESG Report was prepared for the period from 1 January 2021 to 31 December 2021 and 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 Rules") the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The covered scopes and contents are in compliance with the disclosure obligations under the "Comply or Explain" provisions in the Guide. Unless otherwise stated, the ESG Report covers operations in the PRC (including Heyuan and Chengdu) and Hong Kong, which together represent the core operations of the Group.

In January 2022, the Group made the investment in the automotive display module manufacturing project in Chengdu (the "Project") through Chengdu BOE Automotive Electronic Limited, a non-wholly owned subsidiary of the Company, by expanding the Group's existing TFT and touch panel display module manufacturing facilities in the PRC. The total land area of the Project is approximately 151,000 square meters. Module assembly and optical bonding lines were constructed in the plant as part of the manufacturing facilities of the Group. Further details are set out in the announcements of the Company dated 20 August and 28 October 2021, and 28 January 2022, and the circular dated 2 December 2021. It will be included in the ESG report in 2023.

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

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

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



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

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

Under the Board's delegation, the functional departments and ESG risk management team oversee the Group's sustainability performance, and ensures that sustainability considerations are incorporated into our decision-making process across all business units.

They regularly report to the Board about their evaluation of the Group's sustainability strategies, targets and performance. They would collect and analyze environmental and social performance indicators to recommend appropriate improvement measures to enhance the Company's sustainability performance. The Board takes ESG issues seriously to ensure the top management of each function monitors its own area of responsibility, always seek improvements and is committed to rolling out development plans with stakeholders' interests a primary concern.

In 2021, the Company continued to standardize its ESG governance and management process, with a specific focus on the process of determining material ESG issues. Based on the external socio-economic environment and the Company's development strategy, we optimize our communication and involved key stakeholders to identify, evaluate and manage important ESG matters. The Company attaches importance to ESG disclosure-related work, and the Board oversees the preparation process of the ESG report and reviews and approves the annual ESG report to ensure the veracity and effectiveness of information disclosure. The Company is in the process of formulating performance targets including environmental and social targets, which will be reviewed and followed up by the Board.



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

## ENGAGING STAKEHOLDERS

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

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

## MATERIALITY MATRIX

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

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

■ Social   ● Environmental   ▲ Operation   ◆ Community

## MATERIALITY ASSESSMENT

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

## ENVIRONMENT

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

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

## Environmental, Social and Governance Report

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

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

Emission and Waste Performance of Heyuan Plant										
Waste	Total tonnes in 2021	Tonnes/Revenue (HKD1,000 million) in 2021	Total tonnes in 2020	Tonnes/Revenue (HKD1,000 million) in 2020	Total tonnes in 2019	Tonnes/Revenue (HKD1,000 million) in 2019	Total tonnes in 2018	Tonnes/Revenue (HKD1,000 million) in 2018	Total tonnes in 2017	Tonnes/Revenue (HKD1,000 million) in 2017
	<b>Air</b>									
HCL	0.70	0.09	0.13	0.029	0.35	0.098	0.31	0.098	2.29	0.795
Particulates	<0.0070	0.0009	<0.0070	0.0015	<0.0015	<0.0004	<0.0015	<0.0005	0.89	0.309
SO <sub>2</sub>	0.050	0.006	0.100	0.022	0.030	0.008	<0.0117	<0.004	0.5	0.174
NO <sub>x</sub>	0.040	0.005	0.100	0.022	0.019	0.005	0.041	0.013	2.54	0.882
Greenhouse Gas <sup>(1)</sup> Total (Direct CO <sub>2</sub> e emissions <sup>(2)</sup> and Indirect CO <sub>2</sub> e emissions <sup>(3)</sup> )	4,308.09 CO <sub>2</sub> e tonnes	556.74	3,863.97 CO <sub>2</sub> e tonnes	853.54	3,860.89 CO <sub>2</sub> e tonnes	1,080.27	-	-	-	-
Direct CO <sub>2</sub> e emissions	0.0001 Mg CO <sub>2</sub> e/ piece	0.00001	0.0001 Mg CO <sub>2</sub> e/ piece	0.00002	0.0001 Mg CO <sub>2</sub> e/ piece	0.00003	-	-	-	-
Indirect CO <sub>2</sub> e emissions	76.67 Mg CO <sub>2</sub> e/ piece	9.91	68.75 Mg CO <sub>2</sub> e/ piece	15.19	56 Mg CO <sub>2</sub> e/ piece	15.67	-	-	-	-
Intensity (Direct CO <sub>2</sub> e emissions and Indirect CO <sub>2</sub> e emissions) per unit of production volume	0.077 Kg CO <sub>2</sub> e/ piece	0.01	0.069 Kg CO <sub>2</sub> e/ piece	0.02	0.056 Kg CO <sub>2</sub> e/ piece	0.02	-	-	-	-
Oil Fumes	0.036	0.0047	0.048	0.011	0.038	0.011	0.006	0.002	0.02	0.007
<b>Water</b>										
Wastewater	583,358	75,389	585,191	129,267	629,953	176,260	702,749	221,199	706,387	245,358
<b>Solid</b>										
Solid Waste Hazardous	99.16	12.81	87.09	19	37.10	10	71.54	23	88.97	31
Solid Waste Non-hazardous	924.22	119.44	686.04	152	713.89	200	696.91	219	978.29	340

### Notes:

1. No data are available as there are no emissions of methane, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.
2. Direct (scope 1) – greenhouse gas (“GHG”) emissions come from sources (physical units or processes that release GHG into the atmosphere that are owned or controlled by the Group.
3. Indirect (scope 2) – GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the Group.

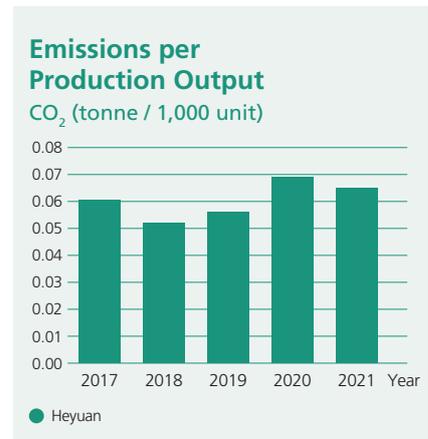
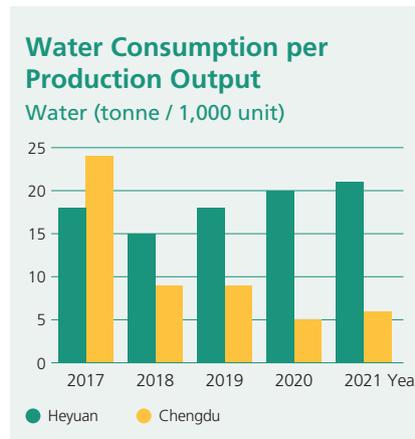
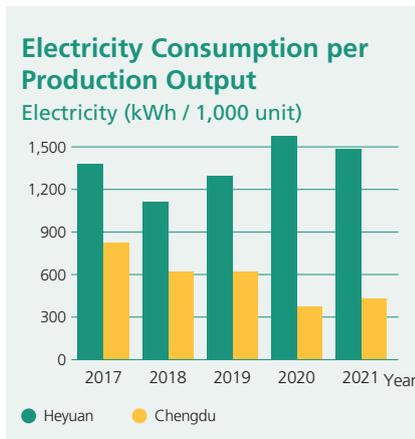
In 2021, the total tonnes and tonnes per revenue (HKD1,000 million) of solid waste non-hazardous of Chengdu plant were 28.58 and 3.71 respectively. The production of the Group in 2021 increased by 18.1% as compared with 2020, resulting in an increase of 6.05 tonnes of non-hazardous solid waste as compared with 2020.

## Greenhouse Gas Emissions

Scope 1 emissions were mainly from burning clean oil at Heyuan factory kitchen. In general, we managed to lower the total Scope 1 emissions by reducing use of burning clean oil at factory kitchen. For Scope 2 energy indirect emissions, the CO<sub>2</sub> equivalent emissions mainly from purchased electricity were approximately

4,299.477 tonnes. The total greenhouse gas emissions (Scope 1 and Scope 2) were approximately 4,299.480 tonnes. We do not report Scope 3 emissions because of the lack of complete and accurate data. We hope to keep the intensity as 0.065 tonnes of CO<sub>2</sub>e per 1,000 units as a target and establish medium to long-term plan in reducing emissions gradually.

## ELECTRICITY AND WATER CONSUMPTION, AND EMISSIONS



## Emissions

### Air

Major emissions in the production plant are primarily collected at the exhaust vents of the production buildings and canteen kitchen of Heyuan plant. Hydrochloric acid is the main emission created by the production process. It is used at the etching stage when producing LCD panels. The volatilised hydrochloric acid is drawn to the ventilation system in the production buildings, then transmitted to the neutralising machines on the rooftop and neutralised with alkali before being released to the air. Since the recent years, due to changes in product structure, orders for monochrome displays decreased and the amount of hydrochloric acid was reduced. Orders for thin-film transistor (TFT) displays increased, but hydrochloric acid was not required for this process, so the amount of air emissions such as hydrochloric acid was reduced.

Emissions such as particulates, sulphur dioxide, nitrogen oxide and oil fumes are collected from the exhaust vent at the canteen kitchen of Heyuan plant. These substances are mainly produced during the process of fuel combustion. In December 2018, the Group purchased a new model of fume purifier for reducing emissions effectively.

During the year, the production of the Company in 2021 increased by 18.1% compared with 2020. The production time was longer which causing the change in emissions and waste performance. Among them, the consumption of hydrochloric acid increased, and the emission increased by 0.57 tonnes as compared with 2020. The quantity of emissions of sulphur dioxide, nitrogen oxide and oil fumes were all within the standards as stipulated by the Environmental Protection Bureau in Heyuan. Environmentally clean fuel has been used consistently since the second half of 2009, to reduce the emission of nitrogen oxide from kitchen ventilation. The air emissions in the production workshop is treated by different methods such as activated carbon, and is not emitted to the air. The Chengdu production plant is mainly engaged in TFT module assembly and thus no notable emission is generated.

## Greenhouse Gas

Our greenhouse gas emissions stem from burning clean oil at factory kitchen, use of purchased electricity and etc. The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in the Group. Direct emissions (Scope 1) only account for 0.00013% of our total carbon emissions in the manufacturing sites while the dominance of electricity (Scope 2) for carbon emission is more noticeable in our operations.

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

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

## Wastewater

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

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

## Solid Waste

Non-hazardous solid waste is usually produced during manufacturing and daily living. Used carton boxes, wooden packing cases and scrap glass are collected by qualified recycling contractors. Production plant staff are also encouraged to put rubbish into designated garbage containers. Such collected garbage is also collected by qualified recycling contractors.

Hazardous waste from the production area consists primarily of materials used in the manufacturing process. Chemicals used during production are collected and treated in full compliance with local environmental regulations.

The production of the Group in 2021 increased by 18.1% as compared with 2020, resulting in an increase of 238.18 tonnes of non-hazardous solid waste as compared with 2020. In order to improve the pollution of organic waste gas to the environment, 4 sets of organic waste gas treatment facilities were built in December 2020. Among them, the activated carbon used as adsorption and the replaced waste activated carbon must be treated as hazardous solid waste, resulting in more 12.07 tonnes of hazardous solid waste in 2021 than that in 2020.



## Measures to Reduce Emissions and Waste

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

The Company's TFT Production was accredited with the "2017 Company Electronic Control – Excellence Team in Energy Saving and Emission Reduction" by the Beijing Electronics Industry Trade Union. The award was recognized for the recycling of dust-free cloth, which has been used for cleaning the patch glass and TP visual inspection cleaning. After unified purification in the recycling, the dust-free cloth can be used for cleaning the glass-hydrogel reinforced process, i.e. the epoxy dispensing process (syringe tip and syringe cleaning), machines, worktop, curing racks, fixtures, ovens, etc. This contributed a saving of approximately RMB1,530,000.

## Use of Resources

As a manufacturing company, electricity and water are the resources most used during the course of operations. Management recognises the significance of energy conservation, and ongoing measures are in place to reduce the use of natural resources. The Group regularly reviews ways for the efficient use of resources and develops improvement plans, with the aim of further reducing consumption of these resources while maintaining effective operation of the production plant. According to the change of production orders, the utilities supply is adjusted for the energy saving. The Group will vigorously promote automation equipment in 2021, reduce labor recruitment, and the production increased by 18.1% as compared with 2020, but the electricity consumption in 2021 will only increase by 11.3% as compared with 2020. In 2022, the use of green energy will be actively promoted.

For Chengdu plant, the electricity consumption per production output is lower than that of Heyuan plant as it only engages in TFT module assembly process. However, due to the increase in production in 2021 as compared to 2020, the electricity consumption was also increased slightly.

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

In 2021, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Heyuan were 1,390 tonnes and 1,223 tonnes respectively. Due to the increase in delivery and size of products, there is an increase of 85.58% and 40.74% respectively as compared with 2020. In 2021, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Chengdu were 25 tonnes and 29 tonnes respectively.

## Environmental, Social and Governance Report

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

Energy Consumption, Water Utilisation and Packaging Material Used									
Total tonnes in 2021	Tonnes/Revenue (HKD1,000 million) in 2021	Total tonnes in 2020	Tonnes/Revenue (HKD1,000 million) in 2020	Total tonnes in 2019	Tonnes/Revenue (HKD1,000 million) in 2019	Total tonnes in 2018	Tonnes/Revenue (HKD1,000 million) in 2018	Total tonnes in 2017	Tonnes/Revenue (HKD1,000 million) in 2017
<b>Heyuan Production Plant</b>									
<b>Electricity (kWh)</b>									
98,453,798	12,723,417	88,481,010	19,545,176	88,410,206	24,737,047	97,128,769	30,572,480	100,992,658	35,079,075
<b>Water (Tonne)</b>									
1,438,820	185,942	1,146,458	253,249	1,279,331	357,955	1,334,650	420,098	1,362,932	473,405
<b>Carton boxes (Tonne)</b>									
1,390	180	749	165	775	217	982	309	1,075	373
<b>Polyfoam trays (Tonne)</b>									
1,223	158	869	192	899	252	1,115	351	1,148	399
<b>Chengdu Production Plant</b>									
<b>Electricity (kWh)</b>									
197,302	25,498	122,461	27,051	157,847	44,165	1,366,150	430,013	1,158,672	402,456
<b>Water (Tonne)</b>									
2,883	373	1,530	338	2,422	678	20,400	6,421	34,054	11,828
<b>Carton boxes (Tonne)</b>									
25	3	14	3	14	4	98	31	39	14
<b>Polyfoam trays (Tonne)</b>									
29	4	21	5	22	6	187	59	74	26
<b>Hong Kong Office</b>									
<b>Electricity (kWh)</b>									
184,838	23,887	190,243	42,024	178,883	50,051	172,171	54,187	168,579	58,555
<b>Water (Tonne)</b>									
152	20	143	32	107	30	106	33	108	38



## Measures to Reduce Energy Consumption and Water Utilisation

The Group has implemented a number of facility enhancements, including but not limited to improve energy efficiency, water conservation and indoor environmental quality of the plant and optimise interaction with the local microclimate. In 2019, the Group invested about HK\$2,650,000 to replace old equipment with large energy consumption into new equipment with variable frequency control and low energy consumption, such as old-fashioned central vacuum pumps and old-fashioned old air-conditioning ice-water mainframes, which can reduce electricity consumption by approximately 1,100,000 kWh each year. In addition, long-term use of wastewater from the production process was collected and reused in the toilet flushing system, thus the amount of tap water is reduced. In 2017, an investment of HK\$936,700 in the transformation of the water loop treatment system at the Heyuan plant which was used to treat the waste water and recycling. It reduced the annual discharge of 8,500 tonnes of water utilisation.

By replacing energy-saving equipment, such as inverter compressors, low-energy-consuming transformers and other measures, the energy consumption in the production process is reduced. It successfully passed the audit and acceptance of cleaning and production of the Heyuan factory by Guangdong Province in 2021.

## Climate Change

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

The main risks of climate change to the development of the business includes the market risk-increase in raw material costs. Our parts suppliers and their upstream suppliers may be subject to more stringent energy

saving and emission reduction requirements, or be exposed to the risk of inclusion in the carbon emission market, carbon tax and other policy developments. If they face higher costs, these costs may be passed on to the Group. In order to manage the risks of climate change, we have carried out a series of actions to support the Group with climate change mitigation and adaptation, and will continue to deepen our innovation and iteration of green products and adhere to any sustainable development strategies in order to adapt to new green development trends within the market.

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

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

## Environmental Education

The Hong Kong headquarters and Heyuan production plant continue to adhere to the concept of “Green Office” as the theme in 2021. In the same year, the Hong Kong office was also accredited with the “Wastewise Certificate”, commending the Group’s efforts in taking measures to reduce waste during operation and manufacturing process.

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



## Recognition

The Group received recognition for its efforts in environmental protection in 2021. BOEVx was accredited with the "Waste Reduction Certificate<sup>1</sup>" by the Hong Kong Green Organisation, in recognition of the Group's efforts in reducing waste.

## SOCIAL

### Employment

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

The Group provides remuneration, welfare and fringe benefits to employees comparable to the market standard. Remuneration, salary and bonus distribution are determined with reference to a performance-linked scale. When it comes to annual reviews, factors such as the Company's financial performance, business

prospects, individual performance, market rates and inflation rate are taken into consideration to decide the rate and scale.

In 2021, the turnover rates for Hong Kong, the PRC and Overseas staff were 15.9%, 34.3% and 5.9% respectively.

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



Note 1: The "Waste Reduction Certificate" is one of the certificates certified by the Hong Kong Green Organization. The purpose of "Hong Kong Green Organization Certification" is to set benchmarks for organizations with outstanding achievements in green management, encourage participating organizations to implement environmental protection measures in different areas and to recognize their contributions and commitments in environmental protection.



## Health and Safety

The Group's policy on health and safety is to comply fully with local government regulations, as stipulated in the law of prevention of occupational disease 《中華人民共和國職業病防治》 and fire prevention in the PRC 《中華人民共和國消防法》, and to maintain a healthy and safe working environment for all employees, including the plant and systems of work, and to provide such information, instruction, training and supervision as they need. The production plant in Heyuan and Chengdu has successfully renewed its OHSAS 18001 with Health and Safety accreditation. The accreditation test includes (but are not limited to) canteens and fire smoke (nitrogen oxides, sulfur dioxide, smoke and etc.), drinking water and workplace air (benzene, toluene, xylene, methylene chloride, dust, formaldehyde, isopropanol, n-hexane and etc.) and noise.

For the past three years, including 2021, there is no work-related fatality in the Group and no injury case was reported among Hong Kong employees. The factory recorded 18 (2020: 20) injury cases with 286 (2020: 222) lost days due to work injuries. Every injury case underwent a detailed review and evaluation, with precautionary measures put in place to avoid a repeat occurrence. Extra training was conducted with the parties involved.

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

# Environmental, Social and Governance Report

In addition to workplace safety, a healthy lifestyle is promoted to all employees. Talks on health & wellness and a variety of activities related to sports are arranged for employees' participation. The aim of these activities is to achieve a sustainable work-life balance.

Workforce and Turnover Rate															
Age	2021			2020			2019			2018			2017		
	Hong Kong	PRC	Overseas												
<b>Male</b>															
18 – 45	48	818	19	55	613	16	63	721	16	68	1,244	14	73	1,200	13
46 – 65	32	84	17	26	74	17	24	65	16	40	57	18	35	43	21
Turnover rate	13.0%	27.0%	2.7%	4.6%	13.1%	2.9%	14.9%	30.8%	9.4%	14.7%	26.7%	6.1%	12.2%	29.5%	0%
<b>Female</b>															
18 – 45	31	2,211	11	26	2,226	11	19	2,424	9	23	3,405	9	27	3,741	8
46 – 65	14	435	5	17	417	5	19	373	6	18	340	7	19	286	7
Turnover rate	15.1%	24.2%	11.1%	0%	14.9%	5.9%	10.5%	26.4%	0%	11.9%	24.7%	12.9%	13.2%	29.5%	0%
<b>Employment Type</b>															
Staff	125	908	52	124	696	49	125	702	47	149	1,034	48	154	948	49
Workers	0	2,640	0	0	2,634	0	0	2,881	0	0	4,012	0	0	4,322	0
Full-time	124	3,548	52	123	3,330	49	124	3,583	47	-	-	-	-	-	-
Part-time	1	0	0	1	0	0	1	0	0	-	-	-	-	-	-



## Development and Training

	2021				2020				2019				2018				2017			
	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member	Total Training Hours	Total Participants	Total Headcounts	Average Training Hours per Staff Member
<b>HK Staff</b>																				
Male	378	63	46	8.2	5	5	1	5	50	20	20	2.5	532	101	53	10.0	238	58	42	5.7
Female	121	31	26	4.7	11	1	1	11	69	24	22	3.1	74	37	21	3.5	206	70	36	5.7
<b>PRC Staff</b>																				
Male	3,396	1,531	269	12.6	0	0	0	0	3,236	1,219	469	6.9	4,166	1,604	626	6.7	7,008	1,398	578	12.1
Female	3,590	1,341	302	11.9	0	0	0	0	2,190	753	322	6.8	2,812	1,009	407	6.9	3,725	914	370	10.1
<b>PRC Workers</b>																				
Male	7,054	1,968	1,170	6.0	850	449	449	1.9	6,510	2,070	434	15.0	10,120	2,936	612	16.5	7,616	1,355	665	11.5
Female	16,650	6,119	3,238	5.1	5,426	2,954	2,954	1.8	16,614	5,827	2,556	6.5	19,017	7,434	3,271	5.8	20,250	5,950	3,657	5.5
<b>Total</b>																				
Male	10,828	3,562	1,485	7.3	855	454	450	1.9	9,796	3,309	923	10.6	14,818	4,641	1,291	11.5	14,862	2,811	1,285	11.6
Female	20,361	7,491	3,566	5.7	5,437	2,955	2,955	1.8	18,873	6,604	2,900	6.5	21,903	8,480	3,699	5.9	24,181	6,934	4,063	6.0

## Development and Training

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

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

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

Training covers a wide range of topics including operational skills, craftsmanship, display technology, quality standards, environmental matters, health and safety and soft management skills. Senior managerial staff members are usually invited to be technical instructors. External coaches are employed for specific trainings on soft management skills. In 2021, external trainers conducted a series of Executive training for senior executives. The training aimed at fostering personal development, teamwork, managerial, problem solving, and interpersonal skills.

In the same year, the Group also provided a training on Fraud and Anti-corruption for directors and employees to discourage any form of corruption. The Group held two 1-hour seminars on fraud education for directors and employees in February and March 2021, organised by the Internal Audit Department. The training content included the impact of fraud on a company, fraud prevention and reporting, and related regulations and case studies. Participants included the directors, 109 Sales & Marketing staff and 37 Purchasing staff, and 126 assistant managers or above grade of other departments (including team and section leaders), approximately 80% of attendance. The remaining 20% participated by reading the training materials to gain knowledge and updates of anti-corruption. The relevant training materials can be found in the Company's public domain.

## Labour Standards

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

- No child labour
- Ensure that wages comply with or exceed the minimum legal requirements of the country where employees are based
- Overtime practice is based on a voluntary pattern, no forced labour is allowed
- Respect for the opinions of general employees and the labour union
- Formal complaint channels are established and are regularly promoted to employees
- Equal employment opportunities – employment of disadvantaged employees and diversity and inclusion are encouraged in the workplace
- Harassment and abuse – these are actively discouraged in any form, to or among all employees
- Protection of privacy and personal data at work



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

## People Caring

The Hong Kong headquarters was awarded the "Happiness-at-work Promotional Scheme" logo sponsored by the Hong Kong Enhancement Happiness Index Fund for 9 consecutive years in 2021. The company has been committed to promoting and creating a pleasant working environment. Building a "Happy Workplace" can help motivate employees' morale. The ultimate goal of achieving people and things.

In addition, the Hong Kong headquarters was also awarded the "Good Employer Charter" organized by the Labour Consultation Promotion Division of the Labour Department in 2021 to commend the group's employment measures that care for employees, promote work-family or personal life balance, employee benefits that are better than the labour law and good communication with employees.

## Supply Chain Management

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

In 2021, the Group took the initiative to evaluate its suppliers' social responsibility performance. Both material suppliers and logistics service vendors were included in an evaluation distribution list. Completed questionnaires helped the Group to understand and evaluate the performance of its suppliers and vendors in the aspects of:

- Work hours
- Child labour

- Forced labour
- Health and safety
- Environmental concerns
- Corporate social responsibility

### Table of Distribution and Response Status

	Number	Percentage (%)
Total No. of major suppliers for manufacturing operations	102	–
Total No. of major suppliers questionnaires sent	102	100
Total No. of completed questionnaires returned	87	85

### Table of Results

Rating	Number	Percentage (%)
Outstanding	58	67
Above Average	22	25
Average	7	8
Need Improvement	0	0
Below Standard	0	0
Total	87	100

## Distribution of Suppliers

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

### Suppliers by Geographical Region

	PRC	Asia	Europe	United States
Material Suppliers	348	57	27	19
Logistics Service Vendors	2	5	5	2

## Selection and Evaluation of Suppliers

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

Criteria for audit include:

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

## Service Vendors

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

- Company background – financial stability, reputation and global network
- Pricing, competitiveness and future new technology development
- Services – performance track record, efficiency and customer service

- Environmental performance – for instance, most of vendors use trucks compliant with Euro IV and V standards

## Machinery Makers

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

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

## Environmental and Social Risks of Supply Chain

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

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

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

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

## Product Responsibility

The Group has no recall on products sold or shipped due to safety and health reasons in 2021. There are average 113 cases and 135 cases per month of automotive quality enquiries in 2020 and 2021 respectively.

Safety is always the core of the Group quality policy. To pursue such policy, the Group is qualified by International Standard: ISO 14001 and QC 080000. With these standards, the Group has developed an intensive system, to ensure no harmful substances (dangerous material lists from RoHS/REACH) going into BOEVx finished goods. As a result, there is no concerned recall in 2021 record.

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

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

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

## Protection of Intellectual Property Rights

Recognizing that intellectual properties are important assets to an enterprise, the Group has always adhered to the concept of respect for intellectual property, being devoted to implementing protection for intellectual properties. The intellectual properties as possessed by the Group include but not limited to patents, trademarks, designs, copyrights and trade secrets, with protection scopes covering products, technologies, designs, processes, commercial information, video/audio/graphic materials, software and etc. These intellectual properties can be maintained and used in various legitimate ways such as application for registration, confidentiality measure, enforcement, litigation and etc. Suitable administration systems for intellectual properties are adopted both internally and externally. The Group respects intellectual property rights of third parties, particularly those of the cooperating parties of the Group, and proactively avoids unauthorized use of relevant intellectual properties. Contracts of cooperation projects will be reviewed by the involved parties before commencement, with security and confidentiality measures taken during the process. During the course of cooperation, confidentiality, licensing, acquisition and other agreements can be signed with mutual respect, for the sake of lawful acquirement and transfer of intellectual properties among the different parties, therefore achieving mutual benefits.

## Data Protection and Privacy Policies

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

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

## Anti-Corruption

The Group places emphasis on ensuring all business is conducted in accordance with relevant local laws and regulations, with policies in place to safeguard against corruption activities. Such measures are preventive, detective and punitive in nature.

To commit a high standard of corporate governance, the Group has also devised a whistleblowing policy for all employees of the Group to report serious concerns about any misconduct, malpractice or irregularities that the Company or any of its subsidiaries has been or may become involved in. Whistleblowing matters may include but are not confined to breach of legal or regulatory requirements (such as corruption or acts of fraud) or, malpractice, impropriety or fraud relating to internal controls, accounting, auditing and financial matters of the Group. An employee of the Group who has a legitimate malpractice concern should report to the audit committee of the Company. The Group assess the efficiency of current whistleblowing measures annually. In case of appropriate necessity, the Group will amend existing policies or develop and introduce additional policies.

The Group will make every effort to treat all disclosures in a confidential and sensitive manner. The identity of the individual employee of the Group making the allegation will not be divulged without the employee's consent, where appropriate. Harassment or victimization of a genuine whistle blower will be treated as gross misconduct, which if proven, may result in dismissal.

Policies include:

- Code of conduct, which covers conflict of interests and acceptance of advantages/benefits
- Anti-corruption policy
- Whistle-blowing policy
- Entertainment policy
- Travel policy

In addition, the Staff Handbook has stipulated rules and regulations for employees. The clear layout of policies can prevent arguments and disputes from employees. During the reporting period, no concluded legal case regarding corruption has been uncovered.

## Community Involvement & Charity

As a responsible enterprise, the Group is committed to encouraging caring for the community and help those in need.

The Group is involved in a variety of events that combine charity and sports. In 2021, the Group sponsored colleagues to participate in:

- Standard Chartered Marathon
- Oxfam Trailwalker

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

## Scholarship

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

## Combat Against Coronavirus

Our employees’ health and safety is always the Group’s top priority. In order to prevent the outbreak of COVID-19 in the workplace, the Group has taken the following precautionary measures to minimize the risk of transmission of COVID-19:

- Travel record declaration and temperature checks are conducted on all employees & visitors when entering the workplace
- Adequate surgical masks and alcohol-based sanitizers are provided to employees
- Staff with fever, or COVID-19 related symptoms are advised to seek medical advice promptly and to rest at home
- Working hours have been changed to avoid the rush hour travelling for our employees

- Non-essential overseas travelling is postponed or banned
- Ventilation systems are checked on a regular basis
- Common areas are disinfected with 1:99 diluted bleaching agents daily
- Employees are reminded regularly to maintain a healthy living habit, reduce social gatherings, and be aware of personal hygiene

The Group will continue to monitor and assess the situation to combat the pandemic. We will ensure our operations are maintained smoothly and efficiently during these exceptionally challenging times.

# Board of Directors and Senior Management

## DIRECTOR'S BIOGRAPHICAL INFORMATION

GAO  
Wenbao



aged 47, was appointed as an Executive Director and the Chairman in September 2018. Due to the term of office of Mr. Gao expired, he was re-appointed as an Executive Director and the Chairman in April 2019. Mr. Gao is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Gao holds a doctor degree in microelectronics and solid-state electronics from Jilin University. Mr. Gao joined BOE since 2003. He worked as a deputy technical director, a production director and an executive deputy general manager of BOE, a local commander and a general manager of the 8.5th generation TFT-LCD production line in Chongqing, a project commander in chief of the 6th generation AMOLED production line in Chengdu, a senior vice president and etc of the BOE Group. Mr. Gao is currently an executive director and the executive vice president of BOE Technology Group, and the chief executive officer of Display Business.

KO Wing Yan,  
Samantha



aged 42, was appointed as an Executive Director of the Company in October 2014. Ms. Ko was also appointed as the Chief Executive Officer of the Company in March 2015 and was redesignated to a Co-chief Executive Officer of the Company in April 2016. Ms. Ko was redesignated from a Co-chief executive officer of the Company to the Vice Chairlady of the Company in January 2019. Ms. Ko is a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Group. Ms. Ko holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, U.S.A., and a Master Degree in Finance from the Imperial College, London. She has over 7 years of experience in banking and has extensive experience in the securities and capital markets, and was a director of global markets – structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served at Morgan Stanley (Hong Kong) and JP Morgan Securities Limited (London).

SU Ning



aged 41, was appointed as an Executive Director and a Co-chief Executive Officer of the Company in April 2016. Mr. Su was redesignated from a Co-chief Executive Officer of the Company to the Chief Executive Officer of the Company in January 2019. Due to the term of office of Mr. Su expired, he was re-appointed as an Executive Director and the Chief Executive Officer of the Company in April 2019. Mr. Su is a member of the Nomination Committee and a director of various subsidiaries of the Group.

Mr. Su graduated from the Graduate School of Chinese Academy of Sciences with a master degree in engineering. Since 2005, Mr. Su has served as a deputy division chief in the module technical department, a deputy department head in the new application business department, the division chief, a deputy general manager in the application business department of Beijing BOE Optoelectronics Technology Co., Ltd. (a subsidiary of BOE). Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE since 25 January 2021 and is promoted to a vice president of BOE with effect from 4 March 2021.

SHAO Xibin



aged 52, was appointed as a Non-executive Director of the Company in April 2019. Mr. Shao graduated from Changchun Institute of Physics, Chinese Academy of Sciences with a doctor degree in condensed matter physics. From 1994 to 2006, Mr. Shao worked at Changchun Institute of Physics, Chinese Academy of Sciences, Tohoku University and Jilin North Color Crystal Display Co., Ltd.. Since 2006, Mr. Shao joined the BOE Group. He worked as a deputy director of strategic planning department, a director of research and development of central research institute, a director of product development of BOE Display, a director of DT development and a department head of TV development, a deputy head of IT/TV product development, head of IT/TV product development, the chief product officer, a co-chief technology officer of Display Business Group of BOE. He is currently the chief new product officer of Display Business Group of BOE.



JIN Hao

aged 48, was appointed as a Non-executive Director of the Company in April 2019. Mr. Jin graduated from Northeast Forestry University with a bachelor's degree in trade economy. From 1997 to 2003, Mr. Jin worked at Beijing Gucheng Tourism Vocational School, K.E.D. Co., Ltd. and BTC Information and Communication Co., Ltd.. Since 2003, Mr. Jin joined the BOE Group. He worked as a department head of sales planning management department of BOE Optoelectronics. He is currently a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE.



ZHANG  
Shujun

aged 55, was appointed as a Non-executive Director of the Company in April 2019 and retired on 20 January 2022. Ms. Zhang graduated from Hunan University with a bachelor's degree in industrial foreign trade. From 1989 to 2004, Ms. Zhang worked at Beijing Greatwall Optical Instrument Factory and Beijing Acorp M&E Co., Ltd.. Ms. Zhang joined the BOE Group in 2004 and retired on 30 September 2021. She worked as a head of accounting department of Beijing BOE Optoelectronics Technology Co. Ltd. (a subsidiary of BOE), a vice financial controller of Hefei BOE Optoelectronics Technology Co., Ltd. (a subsidiary of BOE), a financial controller of Hefei Xinsheng Optoelectronics Technology Co., Ltd. (a subsidiary of BOE), a financial controller of Fuzhou BOE Optoelectronics Technology Co., Ltd. (a subsidiary of BOE), and a head of accounting and tax department of BOE, a vice head of financial operation management of Display Business Group of BOE and a financial controller of Nanjing CEC Panda FPD Technology Co., Ltd. (a subsidiary of BOE).



FUNG, Yuk  
Kan Peter

aged 55, was appointed as an Independent Non-executive Director of the Company in June 2016. Mr. Fung is the Chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Fung was trained and qualified in KPMG London before returning to KPMG Hong Kong in 1993. Since his return Mr. Fung has travelled regularly into China to lead different types of China projects, including Initial Public Offerings and due diligence exercises for merger and acquisitions. Mr. Fung became a partner in October 2000. Later in 2006 he moved to and started stationing in Beijing. In the past two decades, he has been in many positions within KPMG, including the partner in-charge of large accounts, regional head of audit and regional head of business development.

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

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

## Board of Directors and Senior Management



**CHU, Howard  
Ho Hwa**

aged 57, was appointed as an Independent Non-executive Directors of the Company in June 2016. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chu has near 20 years of business experience and near 15 years of experience in corporate governance. Mr. Chu is a partner of Go Capital Limited which is a private equity firm based in Hong Kong and Shanghai. Mr. Chu was appointed as an independent non-executive director of Guolian Securities Co., Ltd. which is listed on the Main Board of the Stock Exchange in June 2019. From 2012 and 28 February 2018, Mr. Chu was the chief executive officer of mReferral Corporation (HK) Limited which is a leading mortgage referral company and is a joint venture of Midland Holdings Limited and Cheung Kong (Holdings) Limited. From March 2012 to June 2012, he was the chief financial officer of China Smart Electric Co. Ltd.. From July 2009 to October 2011, he was the chief financial officer of Trony Solar Holdings Company Limited which is a publicly listed company on the Main Board of the Stock Exchange. From September 2010 to May 2012, he was an independent non-executive Director of China Kingstone Mining Holdings Limited which is a publicly listed company on the Main Board of the Stock Exchange. He has previously worked for Shanghai Century Acquisition Corporation, a company listed on the American Stock Exchange, and United Energy Group Limited, a company listed on the Stock Exchange. He was a director at ABN AMRO Asia Corporate Finance Ltd. and was also a director at the Hong Kong and Shanghai Banking Corporation Ltd.. From June 2012 to June 2015, he was an independent non-executive Director of Weichai Power Co. Ltd. which is a publicly listed company on the Main Board of Stock Exchange. He resigned as an independent non-executive director of Directel Holdings Limited which is listed on the Growth Enterprise Market of the Stock Exchange in June 2016. He obtained a master degree of business administration from the Columbia University and a bachelor degree of science from the University of Rochester in 1990 and 1986 respectively.



**HOU Ziqiang**

aged 84, was appointed as an Independent Non-executive Director of the Company in March 2005. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Hou graduated from Peking University in 1958 with a Bachelor's degree in Physics. From 1993 to 1997, Mr. Hou was a director of the Institute of Acoustics of the Chinese Academy of Sciences. From 1988 to 1993, Mr. Hou was a secretary general of the Chinese Academy of Sciences.

### Subsequent to the Financial Year



**ZHANG Jian-  
qiang**

aged 41, was appointed as a Non-executive Director of the Company in January 2022. Mr. Zhang graduated from Anhui University of Technology with a master's degree in business administration. From 2000 to 2010, Mr. Zhang worked at Baocheng Industrial Group and Kunshan Longteng Optoelectronic Co., Ltd.. Since 2010, Mr. Zhang joined BOE Technology Group Co., Ltd. ("BOE") and worked as a chief of taxation section, a vice head of accounting department and a financial controller of Hefei BOE Optoelectronic Technology Co., Ltd., a chief of taxation section and a financial controller of Hefei Xinsheng Optoelectronic Technology Co., Ltd., and a financial controller of Hefei BOE Display Technology Co., Ltd. and Chongqing BOE Optoelectronic Technology Co., Ltd.. All companies are subsidiaries of BOE. Currently, he is the head of financial operation management of Display Business Group of BOE and the regional financial director of BOE in Hefei.

## SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

### PANG Tien Kin

aged 41, is the Group Financial Controller and Company Secretary of the Group. He holds a Bachelor's degree majoring in Accountancy from the City University of Hong Kong, and is a Member of the HKICPA and a Fellow Member of the ACCA. He joined the Group in September 2017 and resigned in April 2022.

### CHOI Wing

aged 43, is the Chief Operating Officer of the Group. She holds a Bachelor's degree in Chemistry from the Chinese University of Hong Kong. She joined the Group in October 2000.

### PARK Soo Bin, James

aged 51, is the Chief Marketing Officer of the Group. He holds a Bachelor of Physics degree from Sogang University in South Korea. He joined the Group in October 2006.

### LO Pak Chi, Patrick

aged 48, is the General Manager responsible for operation of the Heyuan plant of the Group. He holds a Bachelor's degree in Applied Physics from The Hong Kong Baptist University. He joined the Group in May 1998.

## Subsequent to the Financial Year

### CHUNG Kai Cheong

aged 44, is the Chief Financial Officer and Company Secretary of the Group. He holds a Master's degree in Corporate Governance and Compliance from Hong Kong Baptist University and a Bachelor's degree majoring in Accountancy from The City University of Hong Kong. He is a Fellow Member of each the Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He joined the Group in April 2022.

### CHENG Wei

aged 40, is the General Manager – Smart Vehicle Solutions (China region), is responsible for Systems and Smart Vehicle Solutions of the Group. He holds a degree in Information Engineering from the Beijing Institute of Technology, China and a Master's degree in Software Engineering from the Huazhong University of Science and Technology, China. Before joining the Group, Mr. Cheng served at BOE Group and has more than 15 years of TFT module production and operational experience. He joined the Group in August 2017.

### MA Chung Man, Alex

aged 46, the Assistant General Manager – Purchasing of the Group. He holds a degree in Industrial and Manufacturing Systems Engineering from the University of Hong Kong and a Master's degree in System Engineering and Engineering Management from the Chinese University of Hong Kong. He joined the Group in Oct 1998.

### NG Ah Loi, Lloyd

aged 54, is the Assistant General Manager – Head of Quality of the Group. He holds a Bachelor's degree in Applied Physics from the City University of Hong Kong. Mr. Ng has over 14 years of experience in automotive quality assurance management. He joined the Group in August 2017.

# Corporate Governance Report

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

## CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has adopted and complied with the code provision set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Board has taken actions and measures to ensure that the Company is in all aspects in strict compliance.

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2021.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

## BOARD OF DIRECTORS

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

As at 31 December 2021, the Board comprises three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors.

Executive Directors: Mr. Gao Wenbao  
*(Chairman)*  
Ms. Ko Wing Yan, Samantha  
*(Vice Chairlady)*  
Mr. Su Ning  
*(Chief Executive Officer)*

Non-executive Directors: Mr. Shao Xibin  
Mr. Jin Hao  
Ms. Zhang Shujun  
*(resigned on 20 January 2022)*  
Mr. Zhang Jianqiang  
*(appointed on 20 January 2022)*

Independent Non-executive Directors: Mr. Fung, Yuk Kan Peter  
Mr. Chu, Howard Ho Hwa  
Mr. Hou Ziqiang

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

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

During the financial year ended 31 December 2021, a total of 13 Board meetings and 3 general meetings (the "2021 GM") of which 1 is an annual general meeting, were held and the attendance of each Director is set out as follows:

Name	Number of meetings attended in 2021						
	Physical Meeting	Board Written Resolution	Total	2021 GM	Remuneration Committee	Nomination Committee	Audit Committee
<b>Executive Directors:</b>							
Mr. Gao Wenbao	6/7	6/6	12/13	0/3	4/4	1/1	N/A
Ms. Ko Wing Yan, Samantha	7/7	6/6	13/13	3/3	4/4	N/A	N/A
Mr. Su Ning	7/7	6/6	13/13	2/3	N/A	1/1	N/A
<b>Non-executive Directors:</b>							
Mr. Shao Xibin	7/7	6/6	13/13	1/3	N/A	N/A	N/A
Mr. Jin Hao	7/7	6/6	13/13	2/3	N/A	N/A	N/A
Ms. Zhang Shujun	7/7	6/6	13/13	3/3	N/A	N/A	N/A
<b>Independent Non-executive Directors:</b>							
Mr. Fung, Yuk Kan Peter	6/7	6/6	12/13	3/3	4/4	1/1	2/2
Mr. Chu, Howard Ho Hwa	6/7	6/6	12/13	3/3	4/4	1/1	2/2
Mr. Hou Ziqiang	7/7	6/6	13/13	2/3	4/4	1/1	2/2

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

- (i) Mr. Gao Wenbao is an executive director and the executive vice president of BOE Technology Group, and the chief executive officer of Display Business. Mr. Su Ning is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE since 25 January 2021 and is promoted to a vice president of BOE with effect from 4 March 2021. Mr. Shao Xibin is the chief new product officer of Display Business Group of BOE. Mr. Jin Hao is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE.

Ms. Zhang Shujun has reached the age required for retirement from her current position and has retired as a Non-executive Director of the Company with effect from 20 January 2022. Ms. Zhang joined the BOE Group in 2004 and retired on 30 September 2021.

In the Board's opinion, these relationships do not affect the Directors' independent judgment and integrity in executing their roles and responsibilities.

## Professional Development

Pursuant to C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course and/or referring materials on the topics related to corporate governance and regulations.

## Responsibilities of the Board

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

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

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

### Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

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

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

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

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

### TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All Non-executive Directors have been appointed for a term of three years and all Independent Non-executive Directors have been appointed for a fixed term expiring on 31 December 2022 or such other date as agreed by the Independent Non-executive Directors. All Directors are subject to retirement by rotation at least once every three years under the Company's Bye-laws.

## BOARD COMMITTEES

### Remuneration Committee

The remuneration committee (the “RC”) is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Mr. Fung, Yuk Kan Peter (Chairman of the RC), Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the RC, 3 members are Independent Non-Executive Directors. The terms of reference of the RC are available at the websites of the Company and the Stock Exchange.

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

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

The RC held 4 meetings in 2021. During the meeting, the RC reviewed the Company’s remuneration policy and fixed the remuneration packages for the Executive Directors and senior management of the Group. No change has been proposed to the remuneration policy and the Directors’ remuneration. The number of RC meeting held during the year and record of individual attendance of members, on a named basis, at the meeting held is set out in section headed “BOARD OF DIRECTORS” above in this report.

### Remuneration of Directors and Senior Management

The Directors’ remuneration is set out in Note 7 to the consolidated financial statements of this Annual Report.

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

With effect from 1 April 2021, Mr. Su’s basic salary was increased from HK\$75,000 to HK\$84,000 per month for 12 months per annum for serving as the Chief Executive Officer of the Company (which is determined with reference to his experience, duties and responsibilities) with a discretionary bonus which would be determined by the Board based on the Company’s performance, and Mr. Su’s guaranteed bonus was also increased from HK\$900,000 to HK\$1,008,000 (i.e. equivalent to 12 months of the basic salary) per annum, upon completion of one year of service and the Company had met the performance target set by the Board.

The remuneration paid to the members of the senior management by bands in 2021 is set out below:

Remuneration Bands	Number of Individuals
HK\$1,500,001 to HK\$2,000,000	4
HK\$2,000,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	1

### Nomination Committee

The nomination committee (the “NC”) comprises Mr. Gao Wenbao (Chairman of the NC), Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the NC, 3 members are Independent Non-executive Directors. The terms of reference of the NC are available at the websites of the Company and the Stock Exchange.

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer. New Directors are sought mainly through referrals. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and expertise of the appointee as well as personal ethics, integrity and time commitment of the appointee.

The NC held 1 meeting in 2021. Issues concerning the structure, size and composition of the Board were discussed and reviewed. The number of NC meeting held during the year and record of individual attendance of members, on a named basis, at the meeting held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

### Board Diversity Policy

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

#### – Summary

The Company recognized and embraced the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the board. In

designing the board's composition, board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

#### – Measurable objectives

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

#### – Implementation and Monitoring

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

#### – Reviewing

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

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

## Audit Committee

The audit committee (the "AC") comprises 3 Independent Non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's internal and external auditors. The terms of reference of the AC are available at the websites of the Company and the Stock Exchange.

The AC held 2 meetings in 2021 in which the Committee reviewed with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained. The number of AC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

The AC also made its recommendation to the Board that the external auditors should be reappointed and approved the remuneration and the terms of engagements of the external auditors.

The internal and external auditors have unrestricted access to the AC, which ensures that their independence remains unimpaired.

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

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

## Accountability and Audit

### Financial Reporting

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

The Directors acknowledge their responsibilities (as set out in the Report of the Independent Auditor) for preparing the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The reporting responsibilities of KPMG are set out in the Report of the Independent Auditor on pages 62 to 67 of this Annual Report.

### Internal Control and Risk Management

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

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

During the year, the AC has reviewed the effectiveness of the risk management and internal control systems of the Group and considered the systems are effective and adequate.

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

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

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

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

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

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

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

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

With the assistance of Internal Audit, the Chief Executive Officers and the Executive Directors review, among other things, the profile of the significant risks (including ESG risks) and how these risks have been identified, evaluated and managed, the changes since the last semi-annual assessment in the nature and extent of significant risks (including ESG risks), and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit department and other assurance providers, the extent and frequency of communication of monitoring results to the AC

which enables it to assess control of the Group and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

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

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

## Auditor's Remuneration and Auditor Related Matters

Total auditors' remuneration in relation to audit and non-audit services provided to the Group amounted to HK\$4.5 million (2020: HK\$3.3 million), of which a sum of HK\$3.5 million (2020: HK\$2.8 million) was paid to KPMG. The external auditor's fees are set out in Note 5 to the consolidated financial statements of this Annual Report.

## Investment Committee

The investment committee is established in November 2019 which mission is to source, review and select appropriate investment projects to achieve the Group's advancement and transformation strategy. Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are the member of the investment committee.

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

## Company Secretary

Mr. Pang Tien Kin was appointed as the Company Secretary of the Company in November 2018 and resigned on 19 April 2022. The biographical details of Mr. Pang are set out under the section head “Board of Directors and Senior Management” in this Annual Report.

According to the Rule 3.29 of the Listing Rules, Mr. Pang has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2021.

Mr. Chung Kai Cheong was appointed as the Company Secretary of the Company on 19 April 2022.

## Shareholders’ Rights

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

### – Right to convene EGM

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

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

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

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

- At least 21 clear days’ and not less than 10 clear business days’ notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and
- At least 14 clear days’ and not less than 10 clear business days’ notice in writing if the proposal constitutes an ordinary resolution of the Company.

### – Right to put enquiries to the Board

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

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

## – Right to put forward proposals at shareholders' meetings

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

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

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

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

## INVESTOR RELATIONS

The Company has adopted a shareholders' communication policy with the objective of ensuring that the shareholders of the Company and stakeholders will have equal and timely access to information about the Company.

The Company has reviewed the implementation and effectiveness of the shareholders' communication policy conducted during the year. The Company attaches great importance to communicate with shareholders of the Company and a number of means, including regular group meetings and plant tours, are used to promote greater understanding and dialogue with investment community. This also includes the annual general meeting, the annual and interim reports, notices, announcements and circulars. Key executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

The Group's website [www.boevx.com](http://www.boevx.com) contains an "Investor & Media Relations" section which offers timely access to the Company's press releases, financial reports and announcements.

The AGM is an important opportunity for communicating with shareholders. The Company's Chairman and Directors are available at the AGM to answer questions from shareholders of the Company.

During the year ended 31 December 2021, there had been no significant change in the Company's constitutional documents. Subsequent to the financial year, we propose to amend the existing bye-laws of the Company to permit the Company to (i) bring the existing bye-laws in line with amendments made to the applicable laws of Bermuda and the Listing Rules; and (ii) incorporate certain housekeeping amendments (collectively the "Proposed Amendments"). Details of the Proposed Amendments will be stated in a circular published on the websites of the Company and the Stock Exchange.

# Report of the Directors

The Directors have pleasure in submitting herewith their report together with the audited financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT module assembly capacity. Since its incorporation, the Company has been combining scientific and technological research, innovative product design, flexible product specifications and efficient manufacturing for many applications, including automotive components, industrial and consumer products, also providing complete display solutions for its customers. In addition to supplying standard products, the Group also provides tailor-made LCDs (liquid crystal display) and modules for the specific needs of its customers. The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of LCDs and TFT and their related products is the only reporting segment and virtually all of the revenue and operating profits is derived from this business segment. Particulars of the Company's principal subsidiaries set out in Note 14(a) to the financial statements of this Annual Report. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of The Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, can be found in Chairman's Statement on pages 2 to 7, Management Discussion and Analysis on pages 8 to 9, Review of Operations on pages 10 to 13, Environmental, Social and Governance Report on pages 14 to 33, and Notes 27(e) and 28 to the financial statements of this Annual Report.

A discussion on the Group's key relationships with its stakeholders, environmental policies and performance, and its compliance with the relevant laws and regulations that have a significant impact on the Group is contained in Environmental, Social and Governance Report on pages 14 to 33 of this Annual Report. These discussions form part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Notes 3 and 11(b) to the financial statements of this Annual Report.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in Note 14(a) to the financial statements.

## FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 68 to 117 of this Annual Report.

## DIVIDEND

The Board has recommended declaring a final dividend of 15.0 HK cents (2020: 5.0 HK cents) per share, representing a total of 15.0 HK cents (2020: 5.0 HK cents) per share for the year ended 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 June 2022 to Thursday, 30 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the "2022 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 Thursday, 23 June 2022.

Subject to the shareholders approving the recommended final dividend at the 2022 AGM of the Company, such dividend will be payable on or around Tuesday, 19 July 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 12 July 2022. To determine eligibility for the final dividend, the register of members of the Company will be closed from Thursday, 7 July 2022 to Tuesday,

12 July 2022 (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 Wednesday, 6 July 2022.

## SHARE CAPITAL, SHARE OPTION AND SHARE AWARD

Details of the movements in the share capital, share option and share award of the Company during the year are set out in Note 27(c), 25(a) and 25(b) respectively to the financial statements.

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$128,532 (2020: HK\$89,000).

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 12 to the financial statements.

## RESERVES

Details of movements in reserves of the Company during the year are set out in Note 27(a) to the financial statements. Details of movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

## DIRECTORS

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

### Executive Directors:

Mr. Gao Wenbao (*Chairman*)

Ms. Ko Wing Yan, Samantha

Mr. Su Ning

### Non-executive Directors:

Mr. Shao Xibin

Mr. Jin Hao

Ms. Zhang Shujun (*resigned on 20 January 2022*)

Mr. Zhang Jianqiang (*appointed on 20 January 2022*)

### Independent Non-executive Directors:

Mr. Fung, Yuk Kan Peter

Mr. Chu, Howard Ho Hwa

Mr. Hou Ziqiang

In accordance with Bye-law 99 of the Company, Mr. Fung, Yuk Kan Peter and Mr. Chu, Howard Ho Hwa will retire by rotation at the forthcoming annual general meeting (the "AGM"), and in accordance with Bye-law 102(B) of the Company, Mr. Gao Wenbao, Mr. Su Ning, Mr. Shao Xibin, Mr. Jin Hao and Mr. Zhang Jianqiang will retire. All the above-mentioned retiring Directors, being eligible, will offer themselves for re-election at the AGM.

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

As at 31 December 2021, the interests of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company
Ko Wing Yan, Samantha	Personal Interest	247,000	0.03%
Su Ning	Personal Interest	250,000	0.03%
Chu, Howard Ho Hwa	Personal Interest	70,000 (Note)	0.01%

Note: 70,000 shares were disposed on 18 January 2022.

## (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
Gao Wenbao	Personal Interest	1,860,700 (Note 2)	0.0048%
Su Ning	Personal Interest	150,000	0.0004%
Shao Xibin	Personal Interest	787,600 (Note 3)	0.0020%
Jin Hao	Personal Interest	628,800 (Note 4)	0.0016%
Zhang Shujun	Personal Interest	153,700 (Note 5)	0.0004%
Zhang Jianqiang	Personal Interest	641,500 (Note 6)	0.0017%

Notes:

- BOE subscribed 400,000,000 shares, representing 54.34% of the issued share capital of the Company.
- On 21 December 2020, BOE granted 1,500,000 shares to Mr. Gao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 634,000 shares to Mr. Shao under the 2020 share option and restricted share incentive scheme.
- On 21 December 2020, BOE granted 575,000 shares to Mr. Jin under the 2020 share option and restricted share incentive scheme.
- Ms. Zhang has reached the age required for retirement from her current position and has retired as a Non-executive Director of the Company with effect from 20 January 2022.
- Mr. Zhang was appointed as a Non-executive Director of the Company with effect from 20 January 2022. On 21 December 2020, BOE granted 588,700 shares to Mr. Zhang under the 2020 share option and restricted share incentive scheme.
- All the interests disclosed above represent long positions.

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes, Share Award Plan and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below, as at 31 December 2021, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES, SHARE AWARD PLAN AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

A third share option scheme of the Company was adopted on 12 May 2003 as an incentive to the Participants. The third share option scheme limit was subsequently refreshed by a resolution passed at the annual general meeting held on 2 June 2010. The maximum number of share options that 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 as at 31 December 2021, the fourth share option has a remaining life of up to 2 June 2023. On 24 January 2019, 4,500,000 share options were granted under the fourth share option scheme and a consideration of HK\$41.00 was received. Other than the aforesaid, during the year, no share option was granted under the fourth share option scheme.

The Company can grant share options to the Participants for a consideration of HK\$1.00 for each grant payable by the Participants. The maximum number of shares in respect of which share options may be granted under the fourth share option scheme and any other schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the fourth share option scheme. The maximum entitlement of each Participant in the total number of shares issued and to be issued upon exercise of share options granted under the fourth share option scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

Subscription price of the shares in relation to a share option shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share

option is offered to the Participants, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares. There shall be no minimum period for which the share options must be held before they are exercised but the Board may determine.

As at the date of this Annual Report, the total number of share options that can be granted was 28,391,520 (after deducting the 4,500,000 shares options granted on 24 January 2019), representing 3.86% of the issued share capital of the Company. The total number of shares available for issue under the share option schemes as at 31 December 2021 represents 0.39% (2020: 0.54%) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 25(a) to the financial statements.

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

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

Category	Date of grant	Number of share options at 1 January 2021	Number of share options granted during the year	Number of share options cancelled/lapsed during the year	Number of share options exercised during the year	Number of share options at 31 December 2021	Exercisable period	Price per share to be paid on exercise of share options	Market value per share at date of grant of share options	Weighted average closing price of share options immediately before the dates on which the share options were exercised
<b>Directors</b>										
Ko Wing Yan, Samantha	24 January 2019	500,000	–	–	–	500,000	(Note 1)	HK\$2.00	HK\$2.00	N/A
Su Ning	24 January 2019	500,000	–	–	–	500,000	(Note 1)	HK\$2.00	HK\$2.00	N/A
Fung, Yuk Kan Peter	24 January 2019	100,000	–	–	–	100,000	(Note 1)	HK\$2.00	HK\$2.00	N/A
Chu, Howard Ho Hwa	24 January 2019	100,000	–	–	70,000	30,000	(Note 1)	HK\$2.00	HK\$2.00	HK\$11.52
Hou Ziqiang	24 January 2019	100,000	–	–	–	100,000	(Note 1)	HK\$2.00	HK\$2.00	N/A
<b>Employees</b>	24 January 2019	2,700,000	–	130,000 (Note 2)	910,000	1,660,000	(Note 1)	HK\$2.00	HK\$2.00	HK\$6.36
		4,000,000	–	130,000 (Note 2)	980,000	2,890,000				

Notes:

(1) Exercisable period:

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

(2) The share options are lapsed.

(3) All the interests disclosed above represent long positions.

The value per share option granted was HK\$0.59 and the fair value was measured based on the market price of the Company's shares at the respective grant date. No expected dividends were incorporated into the measurement of fair value. Information on the accounting policy for the grant of share options is provided in the accounting policy note 1(r) on page 82 of this Annual Report.

### **(b)(ii) Share Award Plan**

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

The Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date and as at 31 December 2021, the Plan has a remaining life of up to 27 August 2030, but may be terminated earlier as determined by the Board. The maximum number of shares to be subscribed for and/or purchased for the purpose of the Plan shall not exceed 10% 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% of the total number of issued shares of the Company as at the Adoption Date.

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

During the year, 5,856,000 shares (representing 0.80% of the issued shares capital of the Company) are purchased. Total number of shares of the Company purchased is 12,373,000 (representing 1.68% of the issued shares capital of the Company) under the Plan.

On 29 March 2021, the Board has granted a total of 6,310,000 awarded shares (representing 0.86% of the issued shares capital of the Company) to 72 selected participants, comprising 5 Directors and 67 employees of the Group, pursuant to the Plan.

As at the date of this Annual Report, the total number of awarded shares that can be granted was 6,113,000 (after deducting the 6,310,000 awarded shares granted on 29 March 2021), representing 0.83% of the issued share capital of the Company.

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

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

Category	Date of grant	Number of awarded shares at 1 January 2021	Number of awarded shares granted during the year	Number of awarded shares cancelled/lapsed during the year	Number of awarded shares vested during the year	Number of awarded shares at 31 December 2021	Vesting date
<b>Directors</b>							
Ko Wing Yan, Samantha	29 Mar 2021	–	500,000	–	200,000	300,000	(Note 1)
Su Ning	29 Mar 2021	–	500,000	–	200,000	300,000	(Note 1)
Fung, Yuk Kan Peter	29 Mar 2021	–	100,000	–	40,000	60,000	(Note 1)
Chu, Howard Ho Hwa	29 Mar 2021	–	100,000	–	40,000	60,000	(Note 1)
Hou Ziqiang	29 Mar 2021	–	100,000	–	40,000	60,000	(Note 1)
<b>Employees</b>	29 Mar 2021	–	5,010,000	50,000 (Note 2)	1,984,000	2,976,000	(Note 1)
		–	6,310,000	50,000 (Note 2)	2,504,000	3,756,000	

Notes:

(1) Vesting date:

- (i) the first 40% of the awarded shares shall be vested on 28 April 2021;
- (ii) the second 30% of the awarded shares shall be vested on 28 April 2022; and
- (iii) the remaining 30% of the awarded shares shall be vested on 28 April 2023.

(2) The awarded shares are cancelled.

(3) Closing price of the awarded shares on the date of grant is HK\$3.23 per share.

(4) All the interests disclosed above represent long positions.

The value per awarded share granted during the year was HK\$3.23 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 awarded shares is provided in the accounting policy note 1(r) on page 82 of this Annual Report.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2021, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, the following companies and person had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Number of shares in the Company held	Number of underlying shares in the Company held	Total	Approximate percentage of the total issued share capital of the Company
BOE Technology Group Co., Ltd.	Interest of controlled corporation	400,000,000 (Note 1)	–	400,000,000	54.34%
Ko Chun Shun, Johnson	Beneficial owner	50,551,000 (Note 2)	–	50,551,000	6.87%
Rockstead Technology Limited	Interest of controlled corporation	37,951,000 (Note 2)	–	37,951,000	5.16%

Notes:

- (1) The subscription (the "Subscription") of the 400,000,000 shares of the Company by BOE Technology Group Co., Ltd., a joint stock company established in the PRC and the issued shares of which are listed on the Shenzhen Stock Exchange with stock code 000725 for its A shares and stock code 200725 for its B shares.
- (2) Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson (a former Executive Director of the Company and the former Chairman of the Board), held 37,951,000 shares and 10,700,000 shares of the Company respectively.
- (3) All the interests disclosed above represent long positions.

Saved as disclosed above, as at 31 December 2021, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

### DEBENTURE ISSUE

The Group has not issued any debenture during the year ended 31 December 2021.

### DIRECTORS' SERVICE CONTRACTS

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

Non-executive Directors are appointed for a term of three years. Independent Non-executive Directors are appointed for a period up to 31 December 2022 or such other date as agreed by the Independent Non-executive Directors and the Company.

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

## **DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT**

Referring the section headed "Continuing Connected Transactions, Connected Transactions and Other Related Party Transactions" as disclosed, Mr. Gao Wenbao ("Mr. Gao") held 1,860,700 A shares of BOE, Mr. Su Ning ("Mr. Su") held 150,000 A shares of BOE, Mr. Shao Xibin ("Mr. Shao") held 787,600 A shares of BOE and Mr. Jin Hao ("Mr. Jin") held 628,800 A shares of BOE. In addition, Mr. Gao is an executive director and the executive vice president of BOE Technology Group, and the chief executive officer of Display Business. Mr. Su is a general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE). Mr. Su has concurrently served as a general manager of the automotive SBU of BOE since 25 January 2021 and is promoted to a vice president of BOE with effect from 4 March 2021. Mr. Shao is the chief new product officer of Display Business Group of BOE. Mr. Jin is a head of the production and sales management centre of Display Business Group of BOE and Display Device of BOE.

Ms. Zhang Shujun ("Ms. Zhang") has reached the age required for retirement from her current position and has retired as a Non-executive Director of the Company with effect from 20 January 2022. Ms. Zhang joined the BOE Group in 2004 and retired on 30 September 2021. Ms. Zhang held 153,700 A shares of BOE.

Mr. Zhang Jianqiang ("Mr. Zhang") was appointed as a Non-executive Director of the Company with effect from 20 January 2022. Mr. Zhang is the head of financial operation management of Display Business Group of BOE and the regional financial director of BOE in Hefei. He held 641,500 A shares of BOE.

Mr. Gao, Mr. Su, Mr. Shao, Mr. Jin and Ms. Zhang may be considered having interests in the above-mentioned transactions.

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

## **CONTINUING CONNECTED TRANSACTIONS, CONNECTED TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS**

A number of connected transactions and continuing connected transactions are entered into and between the Group and members of BOE. BOE Technology (HK) Limited ("BOE(HK)"), a wholly-owned subsidiary of BOE, is the controlling shareholder of the Company holding approximately 54.34% of the issued share capital of the Company as at 31 December 2021.

### **(a) Continuing Connected Transactions**

#### **(1) Master Purchase Agreement, Master Subcontracting Agreement and Renewed Master Purchase Agreement**

On 27 October 2016, the Company and BOE entered into (i) the master subcontracting agreement (the "Master Subcontracting Agreement"), pursuant to which the Company has agreed the Group to engage BOE and its subsidiaries (the "BOE Group") to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis (as renewed by the agreements dated 22 November 2018, effective up to 31 December 2021); and (ii) the master purchase agreement (the "Master Purchase Agreement"), pursuant to which the Group agreed to purchase TFT panels and other products including, but not limited to, raw materials for manufacturing TFT/TP modules from the BOE Group up to 31 December 2018 (as renewed by the agreements dated 22 November 2018, effective up to 31 December 2021).

## Report of the Directors

The Master Subcontracting Agreement and the Master Purchase Agreement were approved at the special general meeting of the Company held on 29 December 2016, and were approved for renewal at the special general meeting of the Company held on 10 January 2018, pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2021.

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

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

Pursuant to the approval obtained at the special general meeting of the Company held on 10 January 2019, the annual caps under the Master Subcontracting

Agreement and the Master Purchase Agreement for the three years are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021
	HK\$ million	HK\$ million	HK\$ million
Subcontracting Transactions	53	67	72
Purchase Transactions	1,621	2,431	3,362

On 6 September 2021, in view of the expected transaction amount under the Master Purchase Agreement for the year ended 31 December 2021 will be higher than the Existing Annual Cap, and the expiration of the Master Purchase Agreement on 31 December 2021, the Company therefore revised the Existing Annual Cap for the year ended 31 December 2021 and entered into the Renewed Master Purchase Agreement (the "Renewed Master Purchase Agreement"), pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2024.

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

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

The total amounts of the Subcontracting Transactions during the years 2020 and 2021 are both HK\$Nil. The total amounts of the Purchase Transactions during the years 2020 and 2021 are HK\$2,346,637,000 and HK\$4,635,780,000 respectively.

## (2) The Trademark Licence Agreement

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

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

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

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

The total amounts of the Trademark Licence Fee during the years 2020 and 2021 are HK\$Nil and HK\$1,622,000 respectively.

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

On 14 February 2019, Chengdu BOE Vehicle Display Technology Co. Ltd., (the “Chengdu Vx”) entered into the new tenancy agreement (the “New Tenancy Agreement”) and assets lease agreement (the “Assets Lease Agreement”) with Chengdu BOE.

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

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

## Report of the Directors

Pursuant to the New Tenancy Agreement and the Assets Lease Agreement on an aggregate basis, the annual caps (including VAT) for the total annual payment (comprising the rental, management fee and utilities fee) and total annual payment received under Assets Lease Agreement for the relevant periods in 2019, 2020 and 2021 are as follows:

	For the period from 15 February 2019 to 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021
	(RMB)	(RMB)	(RMB)
Total Rental	28,067	32,076	32,076
Total Management Fee	25,997	29,711	29,711
Total Utilities Fee	26,796	30,624	30,624
Total payment under the New Tenancy Agreement	80,860	92,411	92,411
Total payment received under the Assets Lease Agreement	12,292,825	14,048,943	14,048,943
Total (Annual Caps)	12,373,685	14,141,354	14,141,354

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

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

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

The total annual payment (comprising the rental, management fee and utilities fee) for the year 2020 and 2021 are HK\$109,000 (equivalent to approximately RMB91,000) and HK\$111,000 (equivalent to approximately RMB91,000) respectively. The total annual payment received under Assets Lease Agreement for the year 2020 and 2021 are HK\$16,286,000 (equivalent to approximately RMB13,686,000) and HK\$16,696,000 (equivalent to approximately RMB13,686,000) respectively.

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions were entered into:

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

The Company's auditor was engaged by the Board of Directors to report on the continuing connected transactions in relation to the Master Purchase Agreement and the Master Subcontracting Agreement, the Trademark Licence Agreement, the New Tenancy Agreement and the Assets Lease Agreement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing the findings and conclusions in respect of this continuing connected transaction disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Company for submission to the Stock Exchange.

The auditors of the Company have advised nothing has come to their attention that causes them to believe that above continuing connected transactions:

- i. have not been approved by the Company's Board of Directors;
- ii. were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing the Transactions; and
- iii. the relevant cap amounts have been exceeded during the financial year ended 31 December 2021.

## **(b) Other Related Party Transactions**

Except as disclosed above, related party transactions entered into by the Group during the year which do not constitute connected transactions or continuing connected transactions under the Listing Rules are disclosed in Note 32 to the financial statements.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2021.

## **EQUITY-LINKED AGREEMENTS**

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

## **MANAGEMENT CONTRACTS**

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

## **PERMITTED INDEMNITY PROVISION**

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

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

### PRE-EMPTIVE RIGHTS

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

### BANK LOANS

As at 31 December 2021, there were no bank loans of the Group.

### CAPITALISATION OF INTEREST

No interest was capitalised by the Group during the year.

### PROPERTIES

Particulars of the properties held by the Group are shown on page 119 of this Annual Report.

### FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 118 of this Annual Report.

### SUFFICIENCY OF PUBLIC FLOAT

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

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the five largest customers of the Group accounted for 53.3% of the Group's total revenue while the largest customer of the Group accounted for 17.1% of the Group's total revenue. In addition, for the year ended 31 December 2021, the five largest suppliers of the Group accounted for 67.2% of the Group's total purchases while the largest supplier of the Group accounted for 38.3% of the Group's total purchases. The largest supplier of the Group is the associate of BOE which is the substantial shareholder of the Company.

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

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

During the year ended 31 December 2021, the trustee of the Company's share award plan (adopted on 28 August 2020) (the "Share Award Plan") purchased on the Stock Exchange of Hong Kong Limited a total of 5,856,000 shares of the Company (representing 0.80% of the issued shares capital of the Company) at a total consideration of approximately HK\$23,183,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the share award plan. Total number of shares of the Company purchased is 12,373,000 (representing 1.68% of the issued shares capital of the Company) under the Share Award Plan.

On 29 March 2021, the Board has granted a total of 6,310,000 awarded shares (representing 0.86% of the issued shares capital of the Company) to 72 selected participants, comprising 5 Directors and 67 employees of the Group, pursuant to the Share Award Plan.

As at the date of this Annual Report, the total number of awarded shares that can be granted was 6,113,000 (after deducting the 6,310,000 awarded shares granted on 29 March 2021), representing 0.83% of the issued share capital of the Company.

Other than the aforesaid, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CONFIRMATION OF INDEPENDENCE**

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

## **AUDITORS**

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

**By order of the Board**

**Gao Wenbao**

*Chairman*

Hong Kong, 24 March 2022

# Report of the Independent Auditor



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

(Incorporated in Bermuda with limited liability)

### OPINION

We have audited the consolidated financial statements of BOE Varitronix Limited ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 117, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

## TIMING OF REVENUE RECOGNITION

Refer to note 3 to the consolidated financial statements and the accounting policy note 1(u).

The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from sales of the Group's liquid crystal display ("LCD") products is recognised when the products are delivered to the customer's designated location which is considered to be the point in time when the Group transfers the control of the goods to the customer.</p> <p>The Group's sales contracts with customers, which principally comprise automotive manufacturers, have a variety of trade terms relating to goods acceptance. Such terms may affect the timing of the recognition of sales to those customers. The Group evaluates the shipping terms of each sales contract in order to determine the appropriate timing for revenue recognition.</p> <p>There is a risk that revenue transactions may not be recognised in the appropriate financial period due to lead times for sales made around the year end and the variety of trade terms offered to the customers.</p> <p>We identified the timing of revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and could be subject to manipulation to meet targets or expectations and because of the variety of trade terms offered to customers which increases the risk of error in the recognition of revenue.</p>	<p>Our audit procedures to assess the timing of revenue recognition included the following:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition;</li><li>• inspecting key customer contracts to identify terms and conditions relating to goods acceptance and assessing the Group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards;</li><li>• comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying sales invoices and delivery documents with the customers' acknowledgement of goods acceptance to determine whether the related revenue had been recognised in the appropriate financial period; and</li><li>• inspecting underlying documentation for journal entries relating to revenue selected based on specific risk-based criteria.</li></ul>

## VALUATION OF INVENTORIES

Refer to note 18 to the consolidated financial statements and the accounting policy note 1(m).

### The Key Audit Matter

The Group held significant inventories as at 31 December 2021, which comprised raw materials, work-in-progress and finished goods in respect of LCD and related products.

Inventories are stated at the lower of cost and net realisable value.

The Group maintains its inventory levels based on customer orders and forecast demand. There is a risk that the net realisable value of inventories may fall below their cost due to changes in customer demand and the consequent overstocking of inventories at the end of the reporting period. In addition, a significant proportion of the Group's products are manufactured to meet specific customer requirements. There is a risk that if a customer experiences financial difficulty or there is a demand issue with a customer's product that includes a part manufactured by the Group that the related inventories held by the Group may not be sold or may be sold at a price below their cost.

Management assesses the level of write-downs of inventories required at each reporting date after considering inventory ageing and other relevant factors. Such assessment involves significant management judgement and estimation in determining the value of inventories which will not be recoverable at each reporting date.

We identified the valuation of inventories as a key audit matter because inventories are significant to the consolidated financial statements and because of the significant degree of management judgement involved in determining the write-down of inventories.

### How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over the inventory write-down assessment process, including the Group's monitoring controls over slow-moving inventories;
- comparing the cost of raw materials with third party supplier invoices, on a sample basis;
- obtaining an understanding of the key assumptions in management's overhead absorption policy for work-in-progress and finished goods and assessing whether the actual costs included in the calculations were determined in accordance with management's overhead absorption policy by performing re-calculations of the absorbed overhead costs, on a sample basis;
- updating our understanding of the Group's inventory write-down policy and assessing whether this policy remained appropriate with reference to the Group's current circumstances and the requirements of the prevailing accounting standards;
- assessing the classification of inventory items in the inventory ageing report by comparison with purchase invoices and other relevant underlying documentation, on a sample basis;
- selecting raw materials and work-in-progress items, on a sample basis, at the reporting date and comparing their usage subsequent to the reporting date;
- selecting inventory items, on a sample basis, at the reporting date and comparing their carrying value with their net realisable value; and
- assessing the historical accuracy of management's calculation of write-downs of inventories by examining the utilisation or release of write-downs and provisions recorded at the end of the previous financial year during the current financial year.

## EXPECTED CREDIT LOSS ALLOWANCE FOR TRADE RECEIVABLES

Refer to notes 19 and 28(a) to the consolidated financial statements and the accounting policies notes 1(l) and 1(o).

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group held significant trade receivables as at 31 December 2021, which comprised a large number of individual balances.</p>	<p>Our audit procedures to assess the expected credit loss allowance for trade receivables included the following:</p>
<p>The Group has a wide range of customers with different individual characteristics which are exposed to their own risks. Therefore, there is a risk that certain of the Group's trade receivables may not be recoverable.</p>	<ul style="list-style-type: none"><li>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over the processes of credit control, and estimate of expected credit losses;</li></ul>
<p>Management has implemented internal controls to monitor credit control, collection of trade receivables and follow up of overdue balances.</p>	<ul style="list-style-type: none"><li>• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;</li></ul>
<p>Management measures the expected credit loss allowance required at each reporting date at an amount equal to the lifetime expected credit losses based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions and forward-looking information. Such assessment involves significant management judgement and estimation.</p>	<ul style="list-style-type: none"><li>• obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the Group, including the basis of the segmentation of trade receivables based on shared credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;</li></ul>
<p>We identified the loss allowance for trade receivables as a key audit matter because of the significance of trade receivables to the consolidated financial statements and because of the significant degree of management judgement involved in determining the expected credit losses.</p>	<ul style="list-style-type: none"><li>• assessing the appropriateness of the Group's estimates of expected loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;</li></ul>
	<ul style="list-style-type: none"><li>• re-performing the calculation of the loss allowance as at 31 December 2021 based on the Group's credit loss allowance policies; and</li></ul>
	<ul style="list-style-type: none"><li>• assessing whether items in the trade receivables ageing report were categorised in the appropriate ageing bracket by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation.</li></ul>

# Report of the Independent Auditor

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

24 March 2022

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2021  
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	3	<b>7,737,943</b>	4,526,914
Other operating income	4	<b>62,389</b>	29,058
Change in inventories of finished goods and work in progress		<b>249,937</b>	(52,269)
Raw materials and consumables used		<b>(6,587,154)</b>	(3,634,717)
Staff costs		<b>(593,824)</b>	(423,329)
Depreciation	12	<b>(159,734)</b>	(146,554)
Other operating expenses	5(c)	<b>(359,473)</b>	(228,660)
<b>Profit from operations</b>		<b>350,084</b>	70,443
Finance costs	5(a)	<b>(915)</b>	(578)
Share of losses of associates		<b>(490)</b>	(1,850)
<b>Profit before taxation</b>	5	<b>348,679</b>	68,015
Income tax	6(a)	<b>(38,960)</b>	(1,077)
<b>Profit for the year</b>		<b>309,719</b>	66,938
<b>Profit/(loss) attributable to:</b>			
Equity shareholders of the Company		<b>327,798</b>	68,639
Non-controlling interests		<b>(18,079)</b>	(1,701)
		<b>309,719</b>	66,938
<b>Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)</b>	10		
Basic		<b>45.1 cents</b>	9.3 cents
Diluted		<b>44.8 cents</b>	9.3 cents

The notes on pages 74 to 117 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021  
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Profit for the year</b>		<b>309,719</b>	66,938
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>	9		
<b>Item that may be reclassified subsequently to profit or loss:</b>			
– Foreign currency translation adjustments: net movement in exchange reserve		<b>24,181</b>	99,721
<b>Total comprehensive income for the year</b>		<b>333,900</b>	166,659
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>333,397</b>	165,828
Non-controlling interests		<b>503</b>	831
		<b>333,900</b>	166,659

The notes on pages 74 to 117 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2021  
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	583,434	467,046
Interest in associates	15	–	8,806
Intangible assets	13	38,457	4,565
Goodwill	16	11,487	–
Other financial assets	17	40,614	–
Non-current deposits and prepayments	19	15,332	32,138
Deferred tax assets	23(b)	654	10,277
		<b>689,978</b>	522,832
<b>Current assets</b>			
Inventories	18	832,617	503,389
Trade and other receivables, deposits and prepayments and other contract costs	19	1,744,344	1,158,080
Other financial assets	17	4,367	3,103
Current tax recoverable	23(a)	4,740	7,150
Fixed deposits with more than three months to maturity when placed	20	–	7,753
Cash and cash equivalents	20	2,267,118	1,627,531
		<b>4,853,186</b>	3,307,006
<b>Current liabilities</b>			
Trade and other payables	21	2,135,804	1,023,009
Lease liabilities	22	11,513	9,495
Current tax payable	23(a)	17,476	56
Deferred income	24	3,260	4,672
		<b>2,168,053</b>	1,037,232

	Note	2021 \$'000	2020 \$'000
<b>Net current assets</b>		<b>2,685,133</b>	2,269,774
<b>Total assets less current liabilities</b>		<b>3,375,111</b>	2,792,606
<b>Non-current liabilities</b>			
Lease liabilities	22	11,042	9,934
Deferred tax liabilities	23(b)	13,165	8,293
Deferred income	24	5,279	7,225
		<b>29,486</b>	25,452
<b>NET ASSETS</b>		<b>3,345,625</b>	2,767,154
<b>CAPITAL AND RESERVES</b>			
Share capital	27(c)	184,039	183,794
Reserves		2,848,385	2,526,142
Total equity attributable to equity shareholders of the Company		<b>3,032,424</b>	2,709,936
Non-controlling interests		313,201	57,218
<b>TOTAL EQUITY</b>		<b>3,345,625</b>	2,767,154

Approved and authorised for issue by the board of directors on 24 March 2022.

**Gao Wenbao**  
Director

**Ko Wing Yan, Samantha**  
Director

The notes on pages 74 to 117 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021  
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company												
Note	Share capital (note 27(c)) \$'000	Share premium (note 27(d)(i)) \$'000	Awarded shares held under the Share Award Plan (note 27(d)(v)) \$'000	Exchange reserve (note 27(d)(iii)) \$'000	Capital reserve (note 27(d)(iv)) \$'000	Other reserves (note 27(d)(vi)) \$'000	Contributed surplus (note 27(d)(ii)) \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000	
<b>Balance at 1 January 2020</b>	183,794	1,307,585	–	(45,289)	1,557	21,549	720,191	562,048	2,751,435	–	2,751,435	
<b>Changes in equity for 2020:</b>												
Profit/(loss) for the year	–	–	–	–	–	–	–	68,639	68,639	(1,701)	66,938	
Other comprehensive income	9	–	–	97,189	–	–	–	–	97,189	2,532	99,721	
<b>Total comprehensive income</b>	–	–	–	97,189	–	–	–	68,639	165,828	831	166,659	
Dividends approved in respect of the previous year	27(b)(ii)	–	–	–	–	–	–	(191,146)	(191,146)	–	(191,146)	
Shares purchased by the trustee under the Share Award Plan	–	–	(16,932)	–	–	–	–	–	(16,932)	–	(16,932)	
Equity settled share-based transactions	5(b)	–	–	–	799	–	–	–	799	–	799	
Release upon cancellation of share options	–	–	–	–	(296)	–	–	296	–	–	–	
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	56,387	56,387	
Release upon disposal of a subsidiary	–	–	–	–	–	(48)	–	–	(48)	–	(48)	
	–	–	(16,932)	–	503	(48)	–	(190,850)	(207,327)	56,387	(150,940)	
<b>Balance at 31 December 2020</b>	183,794	1,307,585	(16,932)	51,900	2,060	21,501	720,191	439,837	2,709,936	57,218	2,767,154	

The notes on pages 74 to 117 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021  
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Awarded shares held under the Share Award Plan	Exchange reserve	Capital reserve	Other reserves	Contributed surplus	Retained profits	Total	Non-controlling interests	Total equity	
	(note 27(c)) \$'000	(note 27(d)(i)) \$'000	(note 27(d)(v)) \$'000	(note 27(d)(iii)) \$'000	(note 27(d)(iv)) \$'000	(note 27(d)(vi)) \$'000	(note 27(d)(ii)) \$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 January 2021</b>	183,794	1,307,585	(16,932)	51,900	2,060	21,501	720,191	439,837	2,709,936	57,218	2,767,154	
<b>Changes in equity for 2021:</b>												
Profit/(loss) for the year	-	-	-	-	-	-	-	327,798	327,798	(18,079)	309,719	
Other comprehensive income	9	-	-	5,599	-	-	-	-	5,599	18,582	24,181	
<b>Total comprehensive income</b>		-	-	5,599	-	-	-	327,798	333,397	503	333,900	
Transfer to surplus reserve		-	-	-	-	52,593	-	(52,593)	-	-	-	
Dividends approved in respect of the previous year	27(b)(ii)	-	-	-	-	-	-	(36,302)	(36,302)	-	(36,302)	
Shares purchased by the trustee under the Share Award Plan		-	-	(23,183)	-	-	-	-	(23,183)	-	(23,183)	
Issuance of shares upon exercise of share options	27(c)(ii)	245	2,261	-	-	(546)	-	-	1,960	-	1,960	
Vesting of shares under the Share Award Plan		-	-	6,506	-	(8,088)	-	1,582	-	-	-	
Equity settled share-based transactions	5(b)	-	-	-	-	14,789	-	-	14,789	-	14,789	
Equity contribution from non-controlling interests		-	-	-	-	-	35,377	-	35,377	244,623	280,000	
Acquisition of a subsidiary with non-controlling interests		-	-	-	-	-	-	-	-	7,307	7,307	
Acquisition of non-controlling interests without change in control		-	-	-	-	-	(3,550)	-	(3,550)	3,550	-	
		245	2,261	(16,677)	-	6,155	84,420	-	(87,313)	(10,909)	244,571	
<b>Balance at 31 December 2021</b>		184,039	1,309,846	(33,609)	57,499	8,215	105,921	720,191	680,322	3,032,424	313,201	3,345,625

The notes on pages 74 to 117 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2021  
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
<b>Cash generated from operations</b>	20(b)	<b>674,934</b>	253,794
Tax (paid)/recovered			
– People's Republic of China ("PRC") income taxes (paid)/recovered		<b>(10,378)</b>	1,793
– Tax recovered/(paid) in respect of in jurisdictions outside Hong Kong and the PRC		<b>206</b>	(2,546)
<b>Net cash generated from operating activities</b>		<b>664,762</b>	253,041
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		<b>946</b>	–
Proceeds from redemption of certificates of deposits		<b>3,106</b>	–
Decrease in fixed deposits with more than three months to maturity when placed		<b>7,753</b>	–
Payment for the purchase of property, plant and equipment		<b>(246,759)</b>	(56,249)
Payment for the purchase of intangible assets		<b>(7,039)</b>	–
Payment for purchase of other financial assets		<b>(44,364)</b>	–
Net cash inflow from acquisition of a subsidiary under business combination	26	<b>3,722</b>	–
Government grants received relating to acquisition of property, plant and equipment		<b>2,495</b>	3,437
Interest received		<b>25,668</b>	24,731

	Note	2021 \$'000	2020 \$'000
<b>Net cash used in investing activities</b>		<b>(254,472)</b>	(28,081)
<b>Financing activities</b>			
Capital element of lease rentals paid	20(c)	<b>(11,425)</b>	(7,269)
Interest element of lease rentals paid	20(c)	<b>(915)</b>	(578)
Shares purchased under the Share Award Plan		<b>(23,183)</b>	(16,932)
Equity contribution from non-controlling interest		<b>280,000</b>	42,375
Issuance of shares upon exercise of share options	27(c)(ii)	<b>1,960</b>	–
Dividends paid		<b>(36,302)</b>	(191,146)
<b>Net cash generated from/(used in) financing activities</b>		<b>210,135</b>	(173,550)
Net increase in cash and cash equivalents		<b>620,425</b>	51,410
Cash and cash equivalents at 1 January		<b>1,627,531</b>	1,538,328
Effect of foreign exchange rates changes		<b>19,162</b>	37,793
Cash and cash equivalents at 31 December	20(a)	<b>2,267,118</b>	1,627,531

The notes on pages 74 to 117 form part of these financial statements.

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

### (c) Changes in accounting policies

The HKICPA has issued the following amendment to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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.

### (d) Subsidiaries, controlled structured entities and non-controlling interests

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

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

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

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (d) Subsidiaries, controlled structured entities and non-controlling interests

(continued)

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

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 1(l)(iii)).

### (e) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identified net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(l)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of associates and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of associates' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i))).

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

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

### (f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 1(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 1(l)(iii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see note 1(h)).

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

### (g) Goodwill

Goodwill represents the excess of

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)(iii)).

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

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (h) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(d). These investments are subsequently accounted for as follows, depending on their classification.

#### (i) Investments other than equity investments

Non-equity investments held by the Group are classified as amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(ii)).

#### (ii) Equity investments

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

#### (i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(iii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

– Right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest are depreciated over the unexpired term of lease	
– Interests in land and buildings	40 years
– Plant and machinery	2 to 8 years
– Tools and equipment	2 to 5 years
– Others	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

#### (j) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Technology knowhow	7 years
– Computer software	5 – 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(h) and 1(l)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### (l) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, other financial assets and amounts due from associates, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (I) Credit losses and impairment of assets

(continued)

#### (i) Credit losses from financial instruments

(continued)

*Measurement of ECLs (continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 12 months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognised in accordance with note 1(u) (ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (l) Credit losses and impairment of assets

(continued)

#### (i) Credit losses from financial instruments

(continued)

*Basis of calculation of interest income (continued)*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 365 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (l) Credit losses and impairment of assets

(continued)

#### (iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position and interest in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

#### – Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to

reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

#### – Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i),(ii) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

#### (m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (n) Contract assets, contract liabilities and other contract costs

#### (i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(u)).

#### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)), property, plant and equipment (see note 1(i)) or intangible assets (see note 1(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the performance obligations relate to the contract are satisfied. The accounting policy for revenue recognition is set out in note 1(u).

#### (o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

#### (p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

#### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(l)(i).

#### (r) Employee benefits

##### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### (ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (r) Employee benefits (continued)

#### (iii) Share award plan

For the Share award plan, the Group may purchase its own shares through the trustee of the Share award plan from the open market for the shares to be granted under the Share award plan. Shares held by a controlled structured entity of the Group (see note 1(d)) to meet obligations under Share award plan (see note 25(b)) are accounted for as treasury shares in the consolidated financial statements.

#### (iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the

recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods. Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

#### (i) Sale of goods

Revenue is recognised at point in time when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

#### (ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

#### (iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income which is recognised in profit or loss on a systematic basis over the useful life of the asset.

#### (iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

#### (v) Research and development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

#### (w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

# Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (w) Translation of foreign currencies *(continued)*

On disposal of an operation with functional currency other than Hong Kong dollars, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

### (x) Related parties

#### (1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

#### (2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2. ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 25 and 28 contains information about assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

### (a) Valuation of trade receivables

The Group maintains a loss allowance account measured at an amount equal to lifetime ECL of receivables stated at amortised cost. The loss allowance is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factor that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If there is a change in the financial condition of the debtors, actual write-offs would be higher or lower than estimated.

### (b) Write-down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 1(m). Management estimates net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversal of write-down made in prior years and affect the Group's net asset value and profit or loss.

### 3. REVENUE

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays ("LCDs") and related products. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and touch panel display module assembly capacity.

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

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues in 2021 (2020: two). In 2021 revenues from sales to these two customers amounted to approximately HK\$2,732,252,000 (2020: HK\$1,371,546,000). Details of concentrations of credit risk are set out in note 28(a).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the above information does not include revenue that the Group will be entitled to when it satisfies the remaining performance obligations under contracts with customers that had an original expected duration of one year or less.

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 11.

### 4. OTHER OPERATING INCOME

	2021 \$'000	2020 \$'000
Interest income on financial assets measured at amortised cost	25,403	22,977
Changes in fair value of equity securities	(1,720)	–
Government grants (note)	15,447	19,196
Impairment loss on an associate	(2,421)	–
Loss on deemed disposal of an associate	(2,400)	–
Net exchange gain/(loss)	10,157	(28,472)
Net gain on disposal of property, plant and equipment	912	–
Rental receivable from operating leases	14,594	13,645
Other income	2,417	1,712
	<b>62,389</b>	29,058

Note: 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\$6,230,000 (2020: HK\$6,123,000), amortisation of government grants received from the PRC authorities in relation to acquisitions of machineries of HK\$6,037,000 (2020: HK\$6,563,000) and incentives granted in relation to staff retention of HK\$3,180,000 (2020: HK\$6,510,000). There are no unfulfilled conditions attaching to these government grants.

### 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2021 \$'000	2020 \$'000
<b>(a) Finance costs</b>		
Interest on lease liabilities (note 20(c))	915	578
<b>(b) Other items</b>		
Trade receivables in respect of:		
– expected credit loss allowance	16,379	1,572
– reversal of allowance for sales returns	(935)	(3,442)
Cost of inventories (note 18(b))	6,795,531	4,059,618
Research and development costs	199,705	181,042
Contributions to defined contribution retirement plans	40,080	26,403
Equity settled share-based payment expenses	14,789	799
<b>(c) Other operating expenses</b>		
Amortisation of intangible assets	3,757	704
Auditors' remuneration	3,947	3,278
Bank charges	1,439	1,188
Building management fee	4,046	4,303
Factory consumables, cleaning and security service expenses	12,283	14,047
Freight charges	52,456	36,532
Insurance and quality assurance expenses	6,088	4,550
Legal and professional fees	14,858	7,510
Office expenses	5,691	4,628
Other taxes, surcharge & duties	27,347	13,583
Repair and maintenance	21,907	15,309
Sales, marketing and commission expenses	42,126	24,978
Subcontracting fees	68,893	38,111
Travelling and entertainment expenses	15,739	9,872
Utilities expenses	56,053	45,913
Expected credit loss allowance on trade receivables	16,379	1,572
Miscellaneous expenses	6,464	2,582
	<b>359,473</b>	228,660

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

#### (a) Taxation in the consolidated statement of profit or loss represents:

	2021 \$'000	2020 \$'000
<b>Current tax – Hong Kong profits tax</b>		
Provision for the year	4,379	–
<b>Current tax – the PRC income taxes</b>		
Provision for the year	20,597	1,174
(Over)/under-provision in respect of prior years	(1,204)	5
	19,393	1,179
<b>Current tax – Jurisdictions outside Hong Kong and the PRC</b>		
Provision for/(reversal of) the year	6,136	(213)
Under/(over)-provision in respect of prior years	94	(6)
	6,230	(219)
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 23(b))	8,958	117
	38,960	1,077

#### (i) Hong Kong Profits Tax

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

#### (ii) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as a high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 2021 and 2020. According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Varitronix Heyuan was entitled to the bonus deduction of its certain research and development costs incurred as tax deductible expenses when determining its assessable profits for the years ended 31 December 2021 and 2020. The Group made their best estimate for the bonus deduction to be claimed for Varitronix Heyuan in ascertaining its assessable profits for the years ended 31 December 2021 and 2020.

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.

#### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 \$'000	2020 \$'000
Profit before taxation	348,679	68,015
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	52,057	10,999
Tax effect of non-deductible expenses	8,085	3,753
Tax effect of non-taxable income	(6,031)	(3,251)
Effect on research and development bonus deduction	(23,816)	(11,052)
Tax effect of unused tax losses not recognised	16,781	1,824
Tax effect of other temporary difference not recognised	951	679
Utilisation of unused tax losses previously not recognised	(9,719)	(2,932)
Over-provisions in prior years	(1,110)	(1)
Others	1,762	1,058
Actual tax expense	38,960	1,077

## 7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

### Year ended 31 December 2021

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Sub-total \$'000	Share-based payments \$'000	Total \$'000
<b>Executive Directors</b>							
Gao Wenbao	–	–	–	–	–	–	–
Ko Wing Yan, Samantha	–	2,400	1,000	18	3,418	1,190	4,608
Su Ning	–	1,304	2,471	190	3,965	1,190	5,155
<b>Non-executive Directors</b>							
Shao Xibin	200	–	–	–	200	–	200
Jin Hao	200	–	–	–	200	–	200
Zhang Shujun	200	–	–	–	200	–	200
<b>Independent non-executive Directors</b>							
Hou Ziqiang	200	–	–	–	200	238	438
Fung, Yuk Kan Peter	200	–	–	–	200	238	438
Chu, Howard Ho Hwa	200	–	–	–	200	238	438
<b>Total</b>	<b>1,200</b>	<b>3,704</b>	<b>3,471</b>	<b>208</b>	<b>8,583</b>	<b>3,094</b>	<b>11,677</b>

### Year ended 31 December 2020

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Retirement scheme contributions \$'000	Sub-total \$'000	Share-based payments \$'000	Total \$'000
<b>Executive Directors</b>							
Gao Wenbao (note)	–	–	–	–	–	72	72
Ko Wing Yan, Samantha	–	2,360	300	18	2,678	85	2,763
Su Ning	–	1,023	683	146	1,852	85	1,937
<b>Non-executive Directors</b>							
Shao Xibin	200	–	–	–	200	–	200
Jin Hao	200	–	–	–	200	–	200
Zhang Shujun	200	–	–	–	200	–	200
<b>Independent non-executive Directors</b>							
Hou Ziqiang	200	–	–	–	200	17	217
Fung, Yuk Kan Peter	200	–	–	–	200	17	217
Chu, Howard Ho Hwa	200	–	–	–	200	17	217
<b>Total</b>	<b>1,200</b>	<b>3,383</b>	<b>983</b>	<b>164</b>	<b>5,730</b>	<b>293</b>	<b>6,023</b>

Note: On 2 November 2020, Mr. Gao Wenbao and the Company agreed to cancel the share options (the "Options") granted to Mr. Gao Wenbao on 24 January 2019. All of the Options had not been exercised or lapsed up on 2 November 2020.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two) are Directors, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2020: three) individuals are as follows:

	2021 \$'000	2020 \$'000
Salaries and allowances	5,851	5,505
Share-based payments	1,506	34
Retirement scheme contributions	85	228
	<b>7,442</b>	5,767

The emoluments of the three (2020: three) individuals with the highest emoluments are within the following band:

	2021 Number of individual	2020 Number of individual
\$500,001 – \$1,500,000	–	1
\$1,500,001 – \$2,500,000	2	2
\$2,500,001 – \$3,000,000	1	–

### 9. OTHER COMPREHENSIVE INCOME

There are no tax effects in respect of the components of other comprehensive income.

Components of other comprehensive income are as follows:

	2021 \$'000	2020 \$'000
<b>Foreign currency translation adjustments:</b>		
Exchange differences on translation of financial statements of operations outside Hong Kong	24,181	99,721

### 10. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$327,798,000 (2020: HK\$68,639,000) and the weighted average of 727,080,789 ordinary shares (2020: 735,175,204 ordinary shares) in issue during the year, calculated as follows:

#### Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 31 December	727,080,789	735,175,204

#### (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\$327,798,000 (2020: HK\$68,639,000) and the weighted average of 732,457,164 ordinary shares (2020: 735,829,755 ordinary shares), calculated as follows:

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

	2021	2020
Weighted average number of ordinary shares at 31 December	727,080,789	735,175,204
Effect of deemed issue of share under Company's share option scheme for nil consideration	2,320,123	654,551
Effect of Share Award Plan	3,056,252	–
Weighted average number of ordinary shares (diluted) at 31 December	<b>732,457,164</b>	735,829,755

## 11. SEGMENT REPORTING

### (a) Operating segment results

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

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

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

### (b) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill 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 goodwill, and the location of operation, in the case of interest in associate.

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

	2021 \$'000	2020 \$'000
The PRC (place of domicile)	5,067,853	2,562,909
Europe	1,440,522	1,152,691
America	435,503	207,215
Korea	334,185	263,079
Others	459,880	341,020
	2,670,090	1,964,005
Consolidated revenue	7,737,943	4,526,914

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

	2021 \$'000	2020 \$'000
Czech Republic	466,542	303,454
Germany	291,976	342,693
Romania	168,060	64,018
Portugal	88,793	74,698
Italy	79,923	58,014
France	68,991	65,679
United Kingdom	20,405	27,347
Other European countries	255,832	216,788
	1,440,522	1,152,691

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

	2021 \$'000	2020 \$'000
The PRC (place of domicile)	626,290	470,144
Korea	–	2,852
Others	7,088	7,421
	633,378	480,417

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use carried at cost \$'000	Plant, machinery, tools and equipment \$'000	Others \$'000	Sub-total \$'000	Interest in leasehold land held for own use \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2020	200,626	16,484	1,528,318	175,718	1,921,146	15,456	1,936,602
Exchange adjustments	11,584	411	59,855	8,657	80,507	966	81,473
Additions	–	16,271	66,446	8,728	91,445	–	91,445
Disposals	–	(3,448)	(3,684)	(235)	(7,367)	–	(7,367)
At 31 December 2020	212,210	29,718	1,650,935	192,868	2,085,731	16,422	2,102,153
At 1 January 2021	<b>212,210</b>	<b>29,718</b>	<b>1,650,935</b>	<b>192,868</b>	<b>2,085,731</b>	<b>16,422</b>	<b>2,102,153</b>
Exchange adjustments	<b>4,919</b>	<b>97</b>	<b>18,559</b>	<b>2,898</b>	<b>26,473</b>	<b>414</b>	<b>26,887</b>
Additions	<b>6,380</b>	<b>14,866</b>	<b>172,633</b>	<b>24,275</b>	<b>218,154</b>	<b>51,429</b>	<b>269,583</b>
Acquisition of a subsidiary through business combination (note 26)	–	–	–	<b>698</b>	<b>698</b>	–	<b>698</b>
Disposals	–	<b>(13,110)</b>	<b>(109,269)</b>	<b>(14,113)</b>	<b>(136,492)</b>	–	<b>(136,492)</b>
At 31 December 2021	<b>223,509</b>	<b>31,571</b>	<b>1,732,858</b>	<b>206,626</b>	<b>2,194,564</b>	<b>68,265</b>	<b>2,262,829</b>
<b>Accumulated amortisation and depreciation:</b>							
At 1 January 2020	76,517	6,919	1,191,736	149,467	1,424,639	7,748	1,432,387
Exchange adjustments	4,731	163	50,876	7,238	63,008	525	63,533
Charge for the year	8,744	8,552	118,367	10,228	145,891	663	146,554
Written back on disposals	–	(3,448)	(3,684)	(235)	(7,367)	–	(7,367)
At 31 December 2020	89,992	12,186	1,357,295	166,698	1,626,171	8,936	1,635,107
At 1 January 2021	<b>89,992</b>	<b>12,186</b>	<b>1,357,295</b>	<b>166,698</b>	<b>1,626,171</b>	<b>8,936</b>	<b>1,635,107</b>
Exchange adjustments	<b>2,128</b>	<b>66</b>	<b>15,394</b>	<b>3,188</b>	<b>20,776</b>	<b>236</b>	<b>21,012</b>
Charge for the year	<b>9,312</b>	<b>10,878</b>	<b>124,777</b>	<b>13,627</b>	<b>158,594</b>	<b>1,140</b>	<b>159,734</b>
Written back on disposals	–	<b>(13,079)</b>	<b>(109,269)</b>	<b>(14,110)</b>	<b>(136,458)</b>	–	<b>(136,458)</b>
At 31 December 2021	<b>101,432</b>	<b>10,051</b>	<b>1,388,197</b>	<b>169,403</b>	<b>1,669,083</b>	<b>10,312</b>	<b>1,679,395</b>
<b>Net book value:</b>							
At 31 December 2021	<b>122,077</b>	<b>21,520</b>	<b>344,661</b>	<b>37,223</b>	<b>525,481</b>	<b>57,953</b>	<b>583,434</b>
At 31 December 2020	122,218	17,532	293,640	26,170	459,560	7,486	467,046

## 12. PROPERTY, PLANT AND EQUIPMENT

(CONTINUED)

(a) Other property, plant and equipment comprise mainly leasehold improvements, furniture, fixtures, office equipment and motor vehicles.

### (b) Right-of-use assets:

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2021 \$'000	2020 \$'000
Ownership interests in leasehold land and buildings held for own use	(i)		
– in Hong Kong		200	208
– outside Hong Kong		116,863	116,771
		117,063	116,979
Interest in leasehold land held for own use outside Hong Kong	(i)	57,953	7,486
Other properties leased for own use, carried at depreciated cost	(ii)	21,520	17,532
Motor vehicles carried at depreciated cost	(iii)	509	226
		197,045	142,223

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings held for own use	8,444	8,444
Interest in leasehold land held for own use	1,139	663
Other properties leased for own use	10,878	8,552
Motor vehicles	302	158
	20,763	17,817
Interest on lease liabilities (note 5(a))	915	578
Expense relating to leases of low-value assets	245	143

During the year, additions to right-of-use assets were HK\$73,337,000 (2020: HK\$16,677,000). This amount included the purchase of a leasehold land of HK\$51,429,000 (2020: HK\$Nil), and remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of the maturity analysis of lease liabilities are set out in note 22.

### (i) Ownership interests in leasehold land and buildings held for own use

The Group holds several buildings for its manufacturing plants and property as staff quarter. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

### (ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

One of the leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Office – Hong Kong	–	–	–	14,731

### (iii) Other leases

The Group leases motor vehicles under leases expiring within two year. None of the leases includes variable lease payments.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### (c) Machinery and equipment leased out under operating leases

During the year, the Group leases out a number of items of machinery under operating leases which is presented under "Plant, machinery, tools and other equipment". The net book value of these machinery and equipment leased out under operating leases is HK\$47,703,000 as of 31 December 2021 (2020: HK\$61,854,000). There is no addition being made during the years ended 31 December 2021 and 2020. Depreciation of HK\$15,581,000 has been charged to profit or loss for the year ended 31 December 2021 (2020: HK\$16,252,000). The leases typically run for an initial period of 3 years. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are HK\$16,833,000 per annum in the next three years (2020: HK\$14,412,000).

### 13. INTANGIBLE ASSETS

	Technology know-how \$'000	Computer software \$'000	Total \$'000
<b>Cost:</b>			
At 1 January 2020	–	6,356	6,356
Additions	–	–	–
At 31 December 2020 and 1 January 2021	–	6,356	6,356
Additions	–	17,205	17,205
Acquisition of a subsidiary through business combination (note 26)	20,016	128	20,144
Exchange adjustments	334	2	336
At 31 December 2021	20,350	23,691	44,041
<b>Accumulated amortisation:</b>			
At 1 January 2020	–	1,087	1,087
Charge for the year	–	704	704
At 31 December 2020 and 1 January 2021	–	1,791	1,791
Charge for the year	2,661	1,096	3,757
Exchange adjustments	35	1	36
At 31 December 2021	2,696	2,888	5,584
<b>Net book value:</b>			
At 31 December 2021	17,654	20,803	38,457
At 31 December 2020	–	4,565	4,565

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

## 14. INVESTMENTS IN SUBSIDIARIES AND A CONTROLLED STRUCTURED ENTITY

### (a) Investments in subsidiaries

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/operation	Particulars of issued share capital/registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Chengdu BOE Automotive Electronic Limited <sup>#</sup>	The People's Republic of China	Registered capital of RMB150,000,000 (note)	60%	–	60%	Manufacture and sales of LCDs and related products
Chengdu BOE Vehicle Display Technology Co., Ltd. <sup>#</sup>	The People's Republic of China	Paid-up registered capital of RMB305,145,455	100%	–	100%	Sales of LCDs and related products
Hefei BOE Vehicle Display Technology Co., Ltd. <sup>#</sup>	The People's Republic of China	Paid-up registered capital of RMB102,714,246	100%	–	100%	Sales of LCDs and related products
Link Score Investment Limited	Hong Kong	100 ordinary shares	100%	–	100%	Investment holding
Polysources Properties Limited	Hong Kong	2 ordinary shares 154 non-voting deferred ordinary shares	100%	–	100%	Property holding
Hefei Jiangcheng Technology Co., Ltd. ("Hefei Jiangcheng" formerly known as Shenzhen Jiangcheng Technology Co. Ltd) <sup>#</sup>	The People's Republic of China	Registered capital of RMB2,633,311	50.5%	–	50.5%	Design and sale of display products
Starel Trading Limited	Republic of Cyprus/ United Kingdom	1,000 shares of €1.71 each	100%	–	100%	Property holding
Varitronix Limited	Hong Kong	2 ordinary shares 1,848 non-voting deferred ordinary shares	100%	–	100%	Design and sale of LCDs and related products
Varitronix (B.V.I.) Limited	British Virgin Islands/ Hong Kong	18,480 ordinary shares of US\$1 each	100%	100%	–	Investment holding
Varitronix France SAS	France	2,500 ordinary shares of €15.25 each	100%	–	100%	Marketing and sales consultants
Varitronix GmbH	Germany	100,000 shares of €0.51 each	100%	–	100%	Marketing and sales consultants
Varitronix (Heyuan) Display Technology Limited <sup>#</sup>	The People's Republic of China	Paid-up registered capital RMB809,337,825	100%	–	100%	Manufacture and sales of LCDs and related products
Varitronix Investment Limited	British Virgin Islands/ Hong Kong	5,000 ordinary shares of US\$1 each	100%	–	100%	Investment holding
Varitronix Italy s.r.l.	Italy	12,000 ordinary shares of €1 each	100%	–	100%	Marketing and sales consultants
Varitronix (Shenzhen) Automobile Technology Co., Ltd. <sup>#</sup>	The People's Republic of China	Registered capital of RMB10,000,000	100%	–	100%	Design and sale of LCDs and related products
Varitronix (Switzerland) GmbH	Switzerland	Registered capital CHF30,000	100%	–	100%	Marketing and sales consultants
Varitronix (U.K.) Limited	United Kingdom	100 ordinary shares of GBP10 each	100%	–	100%	Marketing and sales consultants

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14. INVESTMENTS IN SUBSIDIARIES AND A CONTROLLED STRUCTURED ENTITY (CONTINUED)

#### (a) Investments in subsidiaries (continued)

Name of company	Place of incorporation/operation	Particulars of issued share capital/registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
VL Electronics, Inc.	United States	5,000 common stock of US\$10 each	100%	–	100%	Marketing and sales consultants
Varitronix (Japan) Limited	Japan	1,000 ordinary stock of JPY10,000 each	100%	–	100%	Marketing and sales consultants
睿合科技有限公司#	The People's Republic of China	Registered capital of RMB100,000,000 (note)	50.1%	–	50.1%	Manufacture and sales of LCDs and related products
Varitronix Automobile Electronics (huizhou) Co., Ltd.	The People's Republic of China	Registered capital of RMB17,000,000 (note)	65.0%	–	65.0%	Design and sale of LCDs and related products

#	Name of company	Type of legal entity
–	Chengdu BOE Automotive Electronic Limited*	Non-wholly-owned foreign enterprise
–	Chengdu BOE Vehicle Display Technology Co., Ltd.	Wholly-owned foreign enterprise
–	Hefei BOE Vehicle Display Technology Co., Ltd.	Wholly-owned foreign enterprise
–	Hefei Jiangcheng Technology Co., Ltd.	Non-wholly-owned foreign enterprise
–	Varitronix (Heyuan) Display Technology Limited	Wholly-owned foreign enterprise
–	Varitronix (Shenzhen) Automobile Technology Co., Ltd.	Wholly-owned foreign enterprise
–	睿合科技有限公司	Non-wholly-owned foreign enterprise

Note: The amount represented the registered capital which is not fully paid up yet.

\* On 23 December 2021, an ordinary resolution of the Company has been passed at the special general meeting for the entering of the Capital Increase Agreement by the Group, its ultimate parent, BOE Technology Group Ltd., and Chengdu BOE Automotive Electronic Limited, pursuant to which each of the Group and BOE Technology Group Ltd. has conditionally agreed to make the Capital Increase in cash to the Chengdu BOE Automotive Electronic Limited of RMB810 million and RMB540 million respectively. As of 31 December 2021, Capital Increase of RMB246 million and RMB164 million has been made by the Group and BOE Technology Group Ltd. respectively.

## 14. INVESTMENTS IN SUBSIDIARIES AND A CONTROLLED STRUCTURED ENTITY (CONTINUED)

### (b) Non-controlling interests

The following table lists out the information in respect of each of the Group's subsidiaries which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Chengdu BOE Automotive Electronic Limited 2021 \$'000	睿合科技 有限公司 2021 \$'000	睿合科技 有限公司 2020 \$'000
NCI percentage	40.0%	49.9%	49.9%
Non-current assets	51,001	58,146	30,782
Current assets	563,661	143,018	95,764
Current liabilities	(7,085)	(109,711)	(4,253)
Non-current liabilities	–	–	(7,627)
Net assets	607,577	91,453	114,666
Carrying amount of NCI	243,031	45,635	57,218
Revenue	–	210,673	14,762
Loss for the year	(2,423)	(11,529)	(3,411)
Total comprehensive income	(2,423)	(11,529)	1,666
Loss allocated to NCI	(969)	(5,753)	(1,701)
Cash outflows from operating activities	(4,706)	(36,872)	(20,626)
Cash outflows from investing activities	(51,001)	(33,389)	(20,394)
Cash inflows from financing activities	609,400	70,294	104,244

### (c) Investment in a controlled structured entity

The Company directly controlled a trust (the "Share Award Plan Trust") that was set up in relation to the Group's Share Award Plan adopted on 28 August 2020 (the "Share Award Plan"). The sole purpose of the Share Award Plan Trust is the purchasing, administering and holding the Company's shares under the Share Award Plan for the benefit of eligible employees (see note 25(b)). The Company has the power to direct the relevant activities of the Share Award Plan Trust and it has the ability to use its power over the trust to affect its exposure to returns. Therefore, the Share Award Plan Trust is considered as a controlled structured entity of the Group.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15. INTEREST IN ASSOCIATES

	2021 \$'000	2020 \$'000
Share of net assets	–	7,540
Amounts due from associates	–	1,266
	–	8,806

The amounts due from associates were unsecured, interest-free and had no fixed repayment terms.

#### Particulars of the associates

Set out below are the particulars of the associates of the Group:

Name of associate	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Attributable indirect equity interest % held	Principal activity
New On Technology Company Limited	Korea	40,000 ordinary shares of KRW5,000 each	50%	Trading of electronic components

Full impairment loss of HK\$2,421,000 had been made on the carrying amount of and amount due from the associate, New On Technology Company Limited as of 31 December 2021.

During the year ended 31 December 2021, Hefei Jiangcheng has been re-designated as a subsidiary upon a step acquisition (see note 26).

Aggregate information of associates that are not individually material:

	2021 \$'000	2020 \$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	7,540
Aggregate amounts of the Group's share of those associates' loss and total comprehensive income	(490)	(1,850)

## 16. GOODWILL

	\$'000
Cost and net book value:	
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Acquisition of a subsidiary through business combination (note 26)	11,299
Exchange adjustments	188
At 31 December 2021	11,487

Goodwill arose from the step acquisition of Hefei Jiangcheng during the year ended 31 December 2021 (see note 26).

The carrying value of goodwill has been allocated to the cash generating units (“CGUs”) of the design and sales of display products operated by Hefei Jiangcheng, at the amount of HK\$11,487,000, for impairment testing purpose.

The recoverable amount of the group of CGUs of Hefei Jiangcheng have been determined on the basis of value in use calculation by management. The value in use calculation uses future cash flows prepared by management of the Group which are based on financial budgets covering a 5-year period and a pre-tax discount rate of 20.5%. Cash flows beyond the 5-year period have been extrapolated using 2.5% growth rate. The key assumptions are budgeted gross margin based on the past performance and the Group’s expectation for the market development. Management of the Group believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of CGUs to exceed its recoverable amount.

## 17. OTHER FINANCIAL ASSETS

	2021 \$'000	2020 \$'000
<b>Non-current portion</b>		
Financial assets measured at fair value through profit or loss		
– Unlisted equity securities outside Hong Kong	40,614	–
<b>Current portion</b>		
Financial assets measured at fair value through profit or loss		
– Listed equity securities outside Hong Kong	1,243	–
Financial assets measured at amortised cost		
– Issued by financial institutions outside Hong Kong	3,124	3,103
	4,367	3,103

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 \$'000	2020 \$'000
Raw materials	287,760	208,469
Work in progress	128,402	78,973
Finished goods	416,455	215,947
	<b>832,617</b>	503,389

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2021 \$'000	2020 \$'000
Carrying amount of inventories sold	6,752,435	4,030,675
Write-down of inventories	47,887	43,816
Reversal of write-down of inventories	(4,791)	(14,873)
	<b>6,795,531</b>	4,059,618

The reversal of write-down of inventories made in prior years arose due to subsequent utilisation of certain inventories as a result of a change in customers' specifications on the products.

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

	2021 \$'000	2020 \$'000
Trade debtors and bills receivable, net of expected credit loss allowance	1,626,875	1,045,441
Less: Allowance for sales returns	(10,642)	(11,577)
	<b>1,616,233</b>	1,033,864
Other receivables	12,595	19,915
Amount due from non-controlling interest	14,012	14,012
Deposits and prepayments	66,656	76,885
Other contract costs	50,180	45,542
	<b>1,759,676</b>	1,190,218
Non-current deposits and prepayments	(15,332)	(32,138)
	<b>1,744,344</b>	1,158,080

Non-current deposits and prepayments were paid for the TFT panels toolings for manufacturing TFT modules and acquisition of plant and equipment. Except for the rental deposit of HK\$1,116,000 (2020: HK\$1,116,000), all of the current portion of trade and other receivables are expected to be recovered on demand or recognised as expense within 12 months from the end of the reporting period.

## 19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND OTHER CONTRACT COSTS (CONTINUED)

### (a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of expected credit loss allowance and allowance for sales return, is as follows:

	2021 \$'000	2020 \$'000
Within 60 days of the invoice issue date	1,083,109	775,588
61 to 90 days after the invoice issue date	270,250	181,062
91 to 120 days after the invoice issue date	124,294	64,516
More than 120 days but less than 12 months after the invoice issue date	138,580	12,698
	<b>1,616,233</b>	1,033,864

Trade debtors and bills receivable are generally due within 60 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

The movement in the allowance for sales returns during the year, including both specific and collective estimation of sales returns, is as follows:

	2021 \$'000	2020 \$'000
At 1 January	11,577	15,019
Reversal of allowance for sales returns	(935)	(3,442)
At 31 December	<b>10,642</b>	11,577

### (b) Contract costs

Contract costs capitalised relate to the incremental costs of obtaining contracts relating to the sale of goods. Contract costs are recognised in the statement of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was HK\$10,307,000 (2020: HK\$3,855,000). There was no impairment in relation to the capitalised contract costs during the year (2020: HK\$Nil).

The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of goods as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recognised after more than one year is HK\$37,247,000 (2020: HK\$34,210,000).

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

### (a) Cash and cash equivalents and fixed deposits with banks comprise:

	2021 \$'000	2020 \$'000
Fixed deposits with banks with more than three months to maturity when placed	–	7,753
Fixed deposits with banks with three months or less to maturity when placed	–	11,923
Cash at banks and on hand	<b>2,267,118</b>	1,615,608
Cash and cash equivalents	<b>2,267,118</b>	1,627,531

At 31 December 2021, included in cash and cash equivalents were amounts of HK\$6,362,000 (2020: HK\$3,068,000) placed at the Share Award Plan Trust for purchasing its own shares through the trustee from the open market for the shares to be granted under the Share Award Plan.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(CONTINUED)

#### (b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2021 \$'000	2020 \$'000
Profit before taxation		348,679	68,015
Adjustments for:			
Depreciation	12	159,734	146,554
Amortisation	13	3,757	704
Finance costs	5(a)	915	578
Interest income	4	(25,403)	(22,977)
Share of losses of associates		490	1,850
Net gain on disposal of property, plant and equipment	4	(912)	–
Equity settled share-based payment expenses	5(b)	14,789	799
Impairment loss on an associate	4	2,421	–
Loss on deemed disposal of an associate	4	2,400	–
Amortisation of government grants	4	(6,037)	(6,563)
Changes in fair value on equity securities investments	4	1,720	–
Foreign exchange gain		(44,486)	(39,097)
		<b>458,067</b>	149,863
Changes in working capital:			
(Increase)/decrease in inventories		(318,210)	57,402
Increase in trade and other receivables, deposits and prepayments and other contract costs		(578,513)	(254,933)
Increase in trade and other payables		1,113,590	301,462
Cash generated from operations		<b>674,934</b>	253,794

#### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities \$'000
At 1 January 2020	9,883
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(7,269)
Interest element of lease rentals paid	(578)
Total changes from financing cash flows	(7,847)
Exchange Adjustment:	138
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the period	16,677
Finance costs (note 5(a))	578
Total other changes	17,255
<b>At 31 December 2020 and 1 January 2021</b>	<b>19,429</b>
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(11,425)
Interest element of lease rentals paid	(915)
Total changes from financing cash flows	(12,340)
Exchange Adjustment:	(977)
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the period	15,528
Finance costs (note 5(a))	915
Total other changes	16,443
<b>At 31 December 2021</b>	<b>22,555</b>

#### (d) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2021 \$'000	2020 \$'000
Within operating cash flows	245	143
Within financing cash flows	12,340	7,847
	<b>12,585</b>	7,990

## 21. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
Trade creditors	1,651,859	799,201
Accrued charges and other payables	276,789	101,100
Tooling fees received in advance	126,375	70,222
Contract liabilities	80,781	52,486
	<b>2,135,804</b>	1,023,009

All creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand. During the year ended 31 December 2021, HK\$16,346,000 of tooling fees received in advance has been recognised as revenue in the profit or loss (2020: HK\$Nil) and advanced payments of HK\$65,088,000 has been received from customers (2020: HK\$33,466,000). As of 31 December 2021, the amount of tooling fees received in advance which are expected to be recognised as income after more than one year is HK\$118,123,000 (2020: HK\$61,287,000).

### (a) Ageing analysis:

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

	2021 \$'000	2020 \$'000
Within 60 days of supplier invoice date	1,170,681	729,479
61 to 120 days after supplier invoice date	454,423	47,522
More than 120 days but within 12 months after supplier invoice date	16,822	15,865
More than 12 months after supplier invoice date	9,933	6,335
	<b>1,651,859</b>	799,201

### (b) Movements in contract liabilities

	2021 \$'000	2020 \$'000
Balance at 1 January	52,486	29,312
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(52,486)	(29,312)
Increase in contract liabilities as a result of receiving advances from customers during the year	80,781	52,486
Balance at 31 December	<b>80,781</b>	52,486

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of deposit is negotiated on a case by case basis with customers. All contract liabilities are expected to be recognised as income within one year.

## 22. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	2021 \$'000	2020 \$'000
Within 1 year	11,513	9,495
After 1 year but within 2 years	7,203	6,598
After 2 years but within 5 years	3,839	3,336
	<b>11,042</b>	9,934
	<b>22,555</b>	19,429

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 \$'000	2020 \$'000
Provision for Hong Kong Profits Tax for the year	4,379	–
Tax payable/(recoverable) in respect of PRC income taxes	4,817	(4,198)
Tax payable/(recoverable) in respect of jurisdictions outside Hong Kong and the PRC	3,540	(2,896)
	<b>12,736</b>	(7,094)
Representing:		
Current tax recoverable	(4,740)	(7,150)
Current tax payable	17,476	56
	<b>12,736</b>	(7,094)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation \$'000	Intangible assets \$'000	Provisions \$'000	Unremitted earnings \$'000	Future benefits of tax losses \$'000	Total \$'000
Deferred tax arising from:						
At 1 January 2020	748	–	(220)	7,000	(9,623)	(2,095)
Charged to profit or loss (note 6(a))	117	–	–	–	–	117
Exchange difference	(6)	–	–	–	–	(6)
At 31 December 2020	859	–	(220)	7,000	(9,623)	(1,984)
At 1 January 2021	<b>859</b>	–	<b>(220)</b>	<b>7,000</b>	<b>(9,623)</b>	<b>(1,984)</b>
Acquisition of a subsidiary through business combination (note 26)	–	<b>5,004</b>	–	–	–	<b>5,004</b>
(Credited)/charged to profit or loss (note 6(a))	–	<b>(665)</b>	–	–	<b>9,623</b>	<b>8,958</b>
Exchange difference	<b>459</b>	<b>74</b>	–	–	–	<b>533</b>
At 31 December 2021	<b>1,318</b>	<b>4,413</b>	<b>(220)</b>	<b>7,000</b>	–	<b>12,511</b>

The reconciliation to the consolidated statement of financial position is as follows:

	2021 \$'000	2020 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(654)	(10,277)
Net deferred tax liabilities recognised in the consolidated statement of financial position	13,165	8,293
	<b>12,511</b>	(1,984)

## 23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$153,130,000 (2020: HK\$98,813,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities for the foreseeable future. The Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	2021 \$'000	2020 \$'000
In December 2022	–	757
In December 2023	7,415	9,250
In December 2024	7,018	11,020
In December 2025	16,360	5,684
In December 2026	62,652	–
Do not expire under current tax legislation	59,685	72,102
	<b>153,130</b>	<b>98,813</b>

## 24. DEFERRED INCOME

	2021 \$'000	2020 \$'000
Current portion	3,260	4,672
Non-current portion	5,279	7,225
	<b>8,539</b>	<b>11,897</b>

During the year ended 31 December 2021, the Group received government grants of HK\$2,495,000 (2020: HK\$3,437,000) from the PRC authorities as incentives for acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year ended 31 December 2021, HK\$6,037,000 (2020: HK\$6,563,000) of the grants are credited to profit or loss.

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

### (a) Share option scheme

The share option scheme of the Company was adopted on 3 June 2013 (the "Scheme") as an incentive for the Group's employees and business associates. The Directors are authorised, at their discretion, to invite any employee, director, including executive and non-executive directors or business associate of any company in the Group (the "Participants") to take up options to subscribe for shares in the Company at a price determined by the Board and notified to each grantee and which will not be less than the closing price of the shares on the Stock Exchange of Hong Kong (the "Stock Exchange") on the date of offer of the option granted to such grantee or the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option granted to such grantee or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company may not exceed 10 percent of the issued share capital of the Company at the date of approval of the share option scheme. The options under the share option schemes are exercisable for a period of ten years from the date of grant.

On 24 January 2019, the Company granted 4,500,000 share options to the Participants under the Scheme. Each share option entitles the holder to subscribe for one share of \$0.25 of the Company at an exercise price of HK\$2.00. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 31 January 2023. Among the 4,500,000 share options granted, 1,800,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 24 January 2019.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

#### (a) Share option scheme (continued)

- (i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
<b>Options granted to directors:</b>			
24 January 2019	1,800,000	Exercisable in three tranches immediately from 1 February of each year from 2020 to 2023	Expire at the close of business on 31 January 2023
<b>Options granted to employees:</b>			
24 January 2019	2,700,000	Exercisable in three tranches immediately from 1 February of each year from 2020 to 2023	Expire at the close of business on 31 January 2023

- (ii) The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	\$2.00	4,000,000	\$2.00	4,500,000
Exercised during the year	\$2.00	(980,000)	\$N/A	–
Forfeited during the year	\$2.00	(130,000)	\$N/A	–
Cancelled during the year	\$N/A	–	\$2.00	(500,000)
Outstanding at the end of the year	\$2.00	2,890,000	\$2.00	4,000,000
Exercisable at the end of the year		1,755,000		1,600,000

The options outstanding at 31 December 2021 had an exercise price of HK\$2.00 (2020: HK\$2.00) and a weighted average remaining contractual life of 1.08 years (2020: 2.08 years).

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (a) Share option scheme (continued)

#### (iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on the Binomial Option pricing model. The contractual life of the share option and expectations of early exercise were incorporated into the Binomial Option pricing model.

	Granted on 24 January 2019
<b>Fair value of and assumptions for share options</b>	
Fair value at measurement date	\$0.59
Share price	\$2.00
Exercise price	\$2.00
Weighted average volatility	38.81%
Weighted average share option life	4.02 years
Expected dividends	0.50%
Risk-free interest rate (based on Exchange Fund Notes)	1.83%

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### (b) Share Award Plan

The Company has adopted the Share Award Plan on 28 August 2020 (the "Adoption Date") for the purpose of retaining participants for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the rules of the Share Award Plan, the Directors may grant an award to anyone (other than any excluded participant) who is an employee, director, or consultant of any member of the Group for participation in the Share Award Plan and determine the terms of the award.

The Share Award Plan is subject to the administration of the Board and the trustee in accordance with the rules of the Share Award Plan and the terms of the trust deed which entered between the Company and the trustee on 28 August 2020. The Share Award Plan will be terminated on the tenth anniversary of the Adoption Date or such earlier date as the Board may determine.

The Trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange. The maximum number of Shares to be subscribed for and/or purchased by the trustee for the purpose of the share award plan shall not exceed 10% of the total number of issued shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the share award plan when such subscription and/or purchase will result in such threshold being exceeded.

During the year ended 31 December 2021, the Company remitted in total of HK\$26,000,000 (2020:HK\$20,000,000) to the trustee for the purchase of Shares of the Company pursuant to the share award plan. During the year ended 31 December 2021, the trustee purchased a total number of 5,856,000 (2020:6,517,000) shares on the market at a total consideration of approximately HK\$23,183,000 (2020: HK\$16,932,000) for the purpose of the Share Award Plan. During the year ended 31 December 2021, the trustee transferred 2,504,000 (2020: Nil) ordinary shares of the Company to the share awardees upon vesting of the awards.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 26. ACQUISITION OF A SUBSIDIARY

#### Step acquisition of Hefei Jiangcheng

On 9 February 2021, the Group acquired an additional 34.9% equity interest in Hefei Jiangcheng at a total consideration of HK\$7,100,000. The principal activity of Hefei Jiangcheng is to design and sales of display products. Upon the completion of the step acquisition, Hefei Jiangcheng became a 57.4% owned subsidiary of the Group.

The fair value of the Group's then 22.5% equity holding in Hefei Jiangcheng previously held as an associate was determined at HK\$3,857,000 which formed part of the total consideration of the step acquisition. As a result of the Step Acquisition, a loss on deemed disposal, being the deficits between the fair value and carrying amounts of the interest in Hefei Jiangcheng previously held as an associate, of HK\$2,400,000 was recognised.

The fair values of assets acquired and liabilities assumed at the acquisition date were as follows:

Fair value of and assumptions of Hefei Jiangcheng	Acquired on 9 February 2021 \$'000
Property, plant and equipment	698
Intangibles assets	20,144
Cash and cash equivalents	3,722
Inventories	29
Trade and other receivables	1,232
Trade and other payables	(13,856)
Deferred tax liabilities	(5,004)
Fair value of net assets acquired	6,965
Less: fair value of previously held equity interests	(3,857)
Less: non-controlling interests	(7,307)
Goodwill	11,299
Total consideration, satisfied by waiver of receivables	7,100
Net cash inflow, cash and cash equivalents acquired	3,722

Goodwill arising from the acquisition of the Hefei Jiangcheng represents the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing businesses and future market development. None of the goodwill recognised is expected to be deductible for tax purposes. The transaction costs of HK\$82,000 incurred for the Step Acquisition were expensed and included in "Other operating expenses" in the consolidated statement of profit or loss during the year ended 31 December 2021.

Hefei Jiangcheng contributed revenue of HK\$27,531,000 and loss of HK\$20,861,000 to the Group for the period from 9 February 2021 to 31 December 2021. If the Step Acquisition had occurred on 1 January 2021, the Group's revenue and loss for the year ended 31 December 2021 would have increased by HK\$Nil and HK\$775,000 (after deduction of share of loss from 1 January 2021 to 8 February 2021) respectively.

#### Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Intangible assets	Excess earnings method: The method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of cash flows that are attributable to contributory assets.

## 27. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity of the Company

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital (Note 27(c)) \$'000	Share premium (Note 27(d)(i)) \$'000	Shares held under share award plan (Note 27(d)(v)) \$'000	Contributed surplus (Note 27(d)(ii)) \$'000	Capital reserve (Note 27(d)(iv)) \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 January 2020</b>		183,794	1,307,585	–	771,827	1,557	239,665	2,504,428
<b>Changes in equity for 2020:</b>								
Final dividends approved in respect of the previous year	27(b)(ii)	–	–	–	–	–	(191,146)	(191,146)
Share purchased under the Share Award Plan		–	–	(16,932)	–	–	–	(16,932)
Loss and total comprehensive income for the year		–	–	–	–	–	(2,989)	(2,989)
Equity settled share-based transaction		–	–	–	–	799	–	799
Release upon cancellation of share options		–	–	–	–	(296)	296	–
<b>Balance at 31 December 2020</b>		183,794	1,307,585	(16,932)	771,827	2,060	45,826	2,294,160
<b>Balance at 1 January 2021</b>		<b>183,794</b>	<b>1,307,585</b>	<b>(16,932)</b>	<b>771,827</b>	<b>2,060</b>	<b>45,826</b>	<b>2,294,160</b>
<b>Changes in equity for 2021:</b>								
Final dividends approved in respect of the previous year	27(b)(ii)	–	–	–	–	–	(36,302)	(36,302)
Share purchased under the Share Award Plan		–	–	(23,183)	–	–	–	(23,183)
Shares issued under the Share Award Plan		245	2,261	–	–	(546)	–	1,960
Vesting of shares under the Share Award Plan		–	–	6,506	–	(8,088)	1,582	–
Loss and total comprehensive income for the year		–	–	–	–	–	(8,788)	(8,788)
Equity settled share-based transaction		–	–	–	–	14,789	–	14,789
<b>Balance at 31 December 2021</b>		<b>184,039</b>	<b>1,309,846</b>	<b>(33,609)</b>	<b>771,827</b>	<b>8,215</b>	<b>2,318</b>	<b>2,242,636</b>

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (b) Dividends

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

	2021 \$'000	2020 \$'000
Final dividend proposed after the end of reporting period of 15.0 HK cent (2020: 5.0 HK cent) per share	110,449	36,771

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

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

	2021 \$'000	2020 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 HK cent (2020: 1.0 HK cent) per share	36,302	7,352
Special dividend in respect of the previous financial year, approved and paid during the year, of Nil HK cent (2020: 25.0 HK cent) per share	–	183,794
	36,302	191,146

#### (c) Share capital

##### (i) Authorised and issued share capital

	2021		2020	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.25 each	800,000	200,000	800,000	200,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	735,175	183,794	735,175	183,794
Issuance of shares under share option scheme	980	245	–	–
At 31 December	736,155	184,039	735,175	183,794

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets

##### (ii) Issuance of shares under share option scheme

During the year ended 31 December 2021, options have been exercised to subscribe for 980,000 ordinary shares (2020: Nil ordinary shares) in the Company at a consideration of \$1,960,000 (2020: \$Nil) of which \$245,000 (2020: \$Nil) was credited to share capital and the balance of \$1,715,000 (2020: \$Nil) was credited to the share premium account. \$546,000 (2020: \$Nil) has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(r)(ii).

## 27. CAPITAL, RESERVES AND DIVIDENDS

(CONTINUED)

### (d) Nature and purpose of reserves

#### (i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

#### (ii) Contributed surplus

Contributed surplus comprises the capital reduction transferred from the share premium account and the excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1991 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to shareholders.

#### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

#### (iv) Capital reserve

The capital reserve comprises of the Company's equity settled share-based payments recognised in accordance with the accounting policy adopted for share-based payments in notes 1(r)(ii) and 1(r)(iii).

#### (v) Awarded shares held under the Share Award Plan

Treasury shares held under the Share Award Plan represents the shares purchased by the Group that are not yet granted to directors and employees of the Company under the Share Award Plan (see note 25 (b)). The consideration paid for the purchase of the Company's shares is reflected as a decrease in the equity of the Company.

#### (vi) Other reserves

Other reserves comprise statutory reserves required in respect of a subsidiary in accordance with the relevant rules and regulations in the PRC and the premium paid for the acquisition of non-controlling interests.

#### (vii) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$774,145,000 (2020: HK\$817,653,000).

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (e) Capital management (continued)

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes lease liabilities and trade and other payables) plus unaccrued proposed dividends, less fixed deposits with banks and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2021 and 2020 was as follow:

	Note	2021 \$'000	2020 \$'000
<b>Current liabilities</b>			
Trade and other payables	21	2,135,804	1,023,009
Lease liabilities	22	11,513	9,495
		<b>2,147,317</b>	1,032,504
<b>Non-current liabilities</b>			
Lease liabilities	22	11,042	9,934
Total debt		<b>2,158,359</b>	1,042,438
Add: Proposed dividends		–	36,759
Fixed deposits with banks with more than three months to maturity when placed	20	–	(7,753)
Cash and cash equivalents	20	<b>(2,267,118)</b>	(1,627,531)
<b>Net cash</b>		<b>(108,759)</b>	(556,087)
Total equity		<b>3,345,625</b>	2,767,154
Less: Proposed dividends		–	(36,759)
<b>Adjusted capital</b>		<b>3,345,625</b>	2,730,395
<b>Adjusted net debt-to-capital ratio</b>		<b>N/A</b>	N/A

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions for which the Group consider the credit risk is low.

Except for the financial guarantees given by the Group as set out in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 30.

#### Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24% (2020: 22%) and 52% (2020: 42%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns based on individual characteristics of customers, the loss allowance based on past due status is further distinguished between the Group's individual credit evaluations of customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.1%	1,095,790	554
Less than 1 month past due	1.0%	270,990	2,778
1 to 12 months past due	3.7%	273,650	10,223
More than 12 months past due	100%	6,368	6,368
		<b>1,646,798</b>	<b>19,923</b>

	2020		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	0.1%	783,283	442
Less than 1 month past due	0.6%	181,124	1,117
1 to 12 months past due	2.3%	84,594	2,001
More than 12 months past due	N/A	–	–
		<b>1,049,001</b>	<b>3,560</b>

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (a) Credit risk (continued)

##### Trade receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 \$'000	2020 \$'000
Balance at 1 January	3,560	4,478
Amounts written off during the year	(16)	(2,490)
Impairment losses recognised during the year	16,379	1,572
Balance at 31 December	19,923	3,560

#### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates currently applicable at the end of reporting period) and the earliest date that the Group can be required to pay:

	2021 Contractual undiscounted cash outflow					2020 Contractual undiscounted cash outflow				
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 year but less than 5 years \$'000	Total \$'000	Carrying amount at 31 December \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 year but less than 5 years \$'000	Total \$'000	Carrying amount at 31 December \$'000
Trade creditors, accrued charges and other payables	1,928,648	-	-	1,928,648	1,928,648	900,301	-	-	900,301	900,301
Lease liabilities	12,152	7,455	3,863	23,470	22,555	10,187	6,899	3,389	20,475	19,429
	1,940,800	7,455	3,863	1,952,118	1,951,203	910,488	6,899	3,389	920,776	919,730

#### (c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group is also exposed to currency risk through other financial assets acquired which are denominated in a foreign currency. The currencies giving rise to these risks are primarily United States dollars, Euros, Japanese Yen and Renminbi.

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. Most of the sales and purchases are made in the respective functional currency of each group entity, except for group entities whose functional currency is Hong Kong dollars, certain transactions are denominated in United States dollars, Euros and Japanese Yen. Given the Hong Kong dollar is pegged to the United States dollar, the Group does not expect that there will be any significant currency risk associated with such United States dollars denominated transactions. In respect of balances denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Currency risk (continued)

#### (i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	2021 Exposure to foreign currencies (expressed in Hong Kong dollars)				2020 Exposure to foreign currencies (expressed in Hong Kong dollars)			
	United States Dollars \$'000	Euros \$'000	Japanese Yen \$'000	Renminbi \$'000	United States Dollars \$'000	Euros \$'000	Japanese Yen \$'000	Renminbi \$'000
Trade and other receivables	602,246	987	–	–	453,474	1,637	–	–
Cash and cash equivalents	494,845	18,658	–	482	733,663	3,252	–	13,121
Trade and other payables	(485,842)	(5,914)	(12,156)	(1,743)	(250,801)	(4,590)	(23,566)	–
	611,249	13,731	(12,156)	(1,261)	936,336	299	(23,566)	13,121

In addition, the Group exposed to currency risk arising from inter-company receivables and payables denominated in currency other than the functional currency of either the lender or the borrower. The net inter-company receivables amounted to United States dollars 14,710,000 and payable to Renminbi 636,358,000 (2020: receivables amount to United States dollars 3,314,000 and Renminbi 816,382,000).

#### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies for group entities whose functional currency is Hong Kong dollars.

	2021		2020	
	Increase/(decrease) in foreign exchange rates	Increase/(decrease) in profit after taxation and retained profits \$'000	Increase/(decrease) in foreign exchange rates	Increase/(decrease) in profit after taxation and retained profits \$'000
United States dollars	10%	59,288	10%	24,856
	(10)%	(59,288)	(10)%	(24,856)
Euros	10%	1,454	10%	79
	(10)%	(1,454)	(10)%	(79)
Japanese Yen	10%	(1,015)	10%	(1,968)
	(10)%	1,015	(10)%	1,968
Renminbi	10%	(97)	10%	1,312
	(10)%	97	(10)%	(1,312)

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (c) Currency risk (continued)

##### (ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2020.

#### (d) Fair values

##### (i) Financial assets measured at fair value

###### Fair value hierarchy

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

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

	Fair value at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	31 December 2021	31 December 2021 categorised into			31 December 2020	31 December 2020 categorised into		
	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	\$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
Trading securities	1,243	1,243	-	-	-	-	-	-
Unlisted equity securities	40,614	-	-	40,614	-	-	-	-
	41,857	1,243	-	40,614	-	-	-	-

During the years ended 31 December 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Fair values (continued)

#### (i) Financial assets measured at fair value

(continued)

*Valuation techniques and inputs used in 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).

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2021.

#### (iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

## 29. COMMITMENTS

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

	2021 \$'000	2020 \$'000
Contracted for	93,518	68,326

## 30. CONTINGENT LIABILITIES

### Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. No liability of the Company at the end of the reporting period under the guarantees issued and the facilities was drawn down by the subsidiaries (2020: HK\$Nil).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's statement of financial position ratios which are commonly found in lending arrangements with financial institutions. In the event that the Group breaches the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Such banking facilities amounted to HK\$356,000,000 (2020: HK\$355,021,000) as at 31 December 2021. No facilities were utilised as at 31 December 2021 and 2020. Further details of the Group's management of liquidity risk are set out in note 28(b). As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities has been breached.

## 31. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

On 28 January 2022, Chengdu BOE Automotive Electronic Limited (a non-wholly owned subsidiary of the Group) entered into the construction agreement with the contractor, pursuant to which the contractor will provide the construction works at the construction area to Chengdu BOE Automotive Electronic Limited at the consideration of RMB515,793,000, subject to adjustment (if any). Chengdu BOE Automotive Electronic Limited also entered into the pre-construction Agreement in respect with the pre-construction works at the construction area with the same contractor at a pre-consideration of RMB9,740,000. Further details are set out in the announcement of the Company dated 28 January 2022.

## Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 32. MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors is disclosed in note 7 and certain of the highest paid employees is disclosed in note 8.

#### (b) Recurring transactions

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

	2021 \$'000	2020 \$'000
<i>BOE Group:</i>		
Purchase of goods from BOE Group (note 1)	4,635,780	2,346,637
Lease of property, plant and equipment to BOE Group (note 2)	14,594	13,645
Rental, management fee, utilities service fees and computer integrated manufacturing system fee charged by BOE Group (note 3)		
– Tenancy Agreements	101	94
Trademark licence fee paid to BOE Group (note 4)	1,622	–

Notes:

- (1) The transactions were conducted based on the terms as governed by the renewed master purchase agreement and renewed master subcontracting agreement entered into between the Company and BOE on 22 November 2018. Further details are set out in the Company's announcement dated 22 November 2018. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.
- (2) The transactions were conducted based on the terms as governed by the assets lease agreement entered into between Chengdu BOE Vehicle Display Technology Co., Ltd. ("Chengdu Vx"), a wholly-owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly-owned subsidiary of BOE on 14 February 2019. Further details are set out in the Company's announcement dated 14 February 2019. The related party transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.
- (3) The transactions were conducted based on the terms as governed by the tenancy agreement ("Tenancy Agreement") for a term commencing from 15 February 2019 to 31 December 2021. The transactions as contemplated under the Tenancy Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of HK\$90,000.
- (4) The transactions were conducted based on the terms as governed by the trademark licence agreement ("Trademark Licence Agreement") for a term commencing from 1 December 2021 to 31 December 2022. The transactions as contemplated under the Trademark Licence Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The above transactions are presented net of value-added tax.

#### (c) Balances with related parties

At 31 December 2021, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of HK\$1,066,636,000 (2020: HK\$367,301,000). Non-current deposits of HK\$14,940,000 (2020: HK\$12,079,000) were paid to BOE Group for the purchase of TFT panels toolings for manufacturing TFT modules. Prepayment of HK\$16,444,000 (2020: HK\$28,068,000) made to BOE Group were included in trade and other receivables, deposits and prepayments and other contract costs in the consolidated statement of financial position.

Other than non-current deposits, balances with related parties are unsecured, interest-free and are repayable/recoverable within one year.

### 33. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries	14	2,241,537	2,294,960
<b>Current assets</b>			
Other receivables		6,730	3,576
Cash and cash equivalents		1,829	450
		8,559	4,026
<b>Current liabilities</b>			
Other payables		7,460	4,821
Current tax payable		–	5
		7,460	4,826
<b>Net current liabilities</b>		1,099	(800)
<b>NET ASSETS</b>		2,242,636	2,294,160
<b>CAPITAL AND RESERVES</b>			
Share capital	27(c)	184,039	183,794
Reserves	27(a)	2,058,597	2,110,366
<b>TOTAL EQUITY</b>		2,242,636	2,294,160

Approved and authorised for issue by the board of directors on 24 March 2022.

**Gao Wenbao**  
Director

**Ko Wing Yan, Samantha**  
Director

### 34. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and the ultimate controlling party of the Group to be BOE Technology (HK) Limited, which is incorporated in Hong Kong, and BOE Technology Group Co., Ltd, which is incorporated in the PRC, respectively. BOE Technology Group Co., Ltd produces financial statements available for public use.

### 35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous contracts – cost of fulfilling a contract</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# Five Year Summary

(Expressed in Hong Kong dollars)

	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000
<b>Results:</b>					
Revenue	2,879,159	3,177,359	3,573,978	4,526,914	7,737,943
Profit from operations	20,628	26,162	29,440	70,443	350,084
Finance costs	(50)	–	(538)	(578)	(915)
Share of losses of associate	(297)	(606)	(552)	(1,850)	(490)
Profit before taxation	20,281	25,556	28,350	68,015	348,679
Income tax credit/(expense)	1,832	(8,423)	(3,330)	(1,077)	(38,960)
Profit for the year	22,113	17,133	25,020	66,938	309,719
Attributable to:					
Equity shareholders of the Company	22,113	17,133	25,020	68,639	327,798
Non-controlling interests	–	–	–	(1,701)	(18,079)
Profit for the year	22,113	17,133	25,020	66,938	309,719
<b>Assets and liabilities:</b>					
Property, plant and equipment	500,847	539,198	504,215	467,046	583,434
Interest in associates	4,436	3,636	10,447	8,806	–
Intangible assets	–	5,899	5,269	4,565	38,457
Goodwill	–	–	–	–	11,487
Other financial assets	13,069	3,132	–	–	40,614
Non-current deposits	63,010	53,065	29,339	32,138	15,332
Deferred tax assets	10,348	10,348	10,277	10,277	654
Net current assets	2,220,099	2,162,947	2,212,120	2,269,774	2,685,133
Total assets less current liabilities	2,811,809	2,778,225	2,771,667	2,792,606	3,375,111
Lease liabilities	–	–	(3,143)	(9,934)	(11,042)
Deferred tax liabilities	(8,162)	(8,195)	(8,182)	(8,293)	(13,165)
Deferred Income	(1,606)	(11,006)	(8,907)	(7,225)	(5,279)
<b>Net assets</b>	<b>2,802,041</b>	<b>2,759,024</b>	<b>2,751,435</b>	<b>2,767,154</b>	<b>3,345,625</b>
<b>Capital and reserves</b>					
Share capital	183,794	183,794	183,794	183,794	184,039
Reserves	2,618,247	2,575,230	2,567,641	2,526,142	2,848,385
Total equity attributable to equity shareholders of the Company	2,802,041	2,759,024	2,751,435	2,709,936	3,032,424
Non-controlling interests	–	–	–	57,218	313,201
<b>Total equity</b>	<b>2,802,041</b>	<b>2,759,024</b>	<b>2,751,435</b>	<b>2,767,154</b>	<b>3,345,625</b>
<b>Earnings per share (in HK cents)</b>					
Basic	3.0	2.3	3.4	9.3	45.1
Diluted	3.0	2.3	3.4	9.3	44.8

## Properties Held by the Group

	Location	Existing use	Percentage holding
1.	Flat G, 22nd Floor, Tower 1, Yue Man Centre, Nos. 300 and 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	Staff quarters	100%
2.	128 Heyuan Road, Yuancheng District Heyuan City, Guangdong, The People's Republic of China	Industrial	100%
3.	Unit 3 Milbanke Court, Milbanke Way, Bracknell, Berkshire, United Kingdom	Office	100%
4.	Group 1, Anbu Village, Group 9 and 10, Qingshui Village, Xiyuan Street, Gaoxin West District, Chengdu, The People's Republic of China	Industrial	60%

Note: The above properties are either freehold, held on long or medium-term leases or have no specified lease term.

# Corporate Information

## 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  
Ms. Zhang Shujun (*resigned on 20 January 2022*)  
Mr. Zhang Jianqiang (*appointed on 20 January 2022*)

### Independent Non-executive Directors:

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

## COMPANY SECRETARY

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## INDEPENDENT AUDITORS

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

## PRINCIPAL BANKERS

MUFG Bank, Ltd.  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

710

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