BOE

ANNUAL REPORT 2018

BOE Varitronix Limited

Stock Code 710


BOE

CONTENT

Chairman's Statement

Highlights		
HK$ million	**2018**	2017
Revenue	**3,177**	2,879
EBITDA[1]	**133**	120
Profit Attributable to Shareholders	**17**	22
Cash and Fixed Deposits Balance	**1,340**	1,203
Basic Earnings per Share	**2.3 HK cents**	3.0 HK cents
Total Dividend per Share	**1.0 HK cent**	1.0 HK cent

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

On behalf of BOE Varitronix Limited (the "Company") and its subsidiaries ("BOEVx" or the "Group"), I present the results for the full year ended 31 December 2018.

During the year under review, revenue of HK$3,177 million was recorded, an increase of 10% when compared with the HK$2,879 million recorded in 2017. EBITDA[1] of the Group was HK$133 million, 11% higher than the HK$120 million recorded for the same period in the previous year. The profit attributable to shareholders of HK$17 million was recorded, a decrease of 23%, when compared with the HK$22 million recorded in 2017.

As at 31 December 2018, the cash and fixed deposits balance of the Group was HK$1,340 million, compared to HK$1,203 million at the end of 2017. The Group has no bank loan as at 31 December 2018 and 2017.

DIVIDENDS

The Board of Directors (the "Board") has recommended a final dividend of 1.0 HK cent per share (2017: 1.0 HK cent per share). The annual dividend payout ratio was 43% (2017: 33%).

BUSINESS REVIEW

During the year under review, the Group continued to obtain stable supply of Thin Film Transistor ("TFT") panels from its major shareholder, BOE Technology Group Co., Ltd ("BOE"), which enabled the Group to acquire the orders of automotive displays from customers in Europe, the People's Republic of China (the "PRC") and Japan, and contributed to the rapid growth in the TFT modules sales. The increase in overall revenue was mainly driven by the significant increase in revenue from TFT automotive customers as more projects started mass production in the year under review. Meanwhile, the Group's business from monochrome displays declined as more automotive customers have shifted the demand to TFT module products. The change in the Group's product mix increased the Group's revenue due to the higher average selling price of TFT module products compared to monochrome displays, but at the same time lowered the overall gross profit margin as the price competition in the TFT market is very intense. The Group had exercised stringent cost-control and efficiency improvement measures in all areas and at the same time continued to invest significant effort and resources to further expand our TFT modules business, which put a pressure on the overall profit margin. Through the continuing effort and investment in the TFT modules business, the Group had become an important player in the TFT modules market and obtained significant new projects from major automotive customers in the market, which enables the Group to begin to achieve economic of scales and laid an important foundation for future development.

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK$2,389 million, an increase of 17% from the revenue of HK$2,048 million recorded in 2017. This business represented approximately 75% of the Group's overall revenue.

During the year, the sales from automotive TFT modules business increased significantly, especially for the PRC and Europe market. The revenue from the PRC increased by 27% which is mainly attributable to the significant growth of the TFT modules sales resulted from the gradual start of mass production in the current year for automotive TFT modules projects won in previous years. The Group was able to win significant sales orders from the PRC major automobile manufacturers in the past years benefiting from the support from BOE for its stable panel supply and our active promotion strategy. The growth in the PRC automotive market has slowed down slightly in the second half of 2018 due to the uncertainties of the trade relations between the PRC and the United States.

The revenue from Europe increased by 5% as compared to the previous year. The sales from TFT modules has recorded remarkable growth while the monochrome display business continued to shrink. Our strategy of promoting medium-to-large size standardized platform TFT module products is well received by both our PRC and European customers. The increase in sales volume in TFT module products during the year has increased the overall revenue as the average selling price of these products are higher than those of monochrome products. However, the intense market competition of TFT module products led to a lower gross profit margin and thus the overall profit margin of the Group decreased as compared to the previous year.

The Group's monochrome display business for automotive segment continued to show a decreasing trend in the year under review as more customers have shifted the application from monochrome to TFT for their products. The revenue from the monochrome display business for major markets, including the PRC, Europe and Korea, has recorded notable drop during the year.

Revenue from South Korea market decreased by 17% as compared to 2017, which was mainly attributable to the decline in sales of monochrome display. As automotive customers in South Korea has been shifting the demand from monochrome display to TFT module products, it is expected that the revenue from monochrome display will continue to decline in the coming years. The Group was able to secure sales orders for TFT module products in previous years and will contribute to the increase in revenue starting 2019.

The revenue from Japan market recorded significant growth as more TFT module products has begun mass production in the current year and the sales of monochrome display is able to maintain at a stable condition. The Group has been investing in building strong relationship with our Japanese customers for many years. It enables the Group to grasp the trend of changing from monochrome display to TFT module display and obtain new order for TFT module display, while continue to explore the monochrome display business opportunities.

Mr. Gao Wenbao
Chairman

Chairman's Statement

Industrial Display Business

For the year under review, the industrial display business generated revenue of HK$788 million, a decrease of 5% from the revenue of HK$831 million recorded in 2017. This business represented approximately 25% of the Group's overall revenue. Revenue from the industrial display business was mainly derived from Europe and the United States. During the year, the major portion of industrial display business orders were from monochrome business display and were mainly characterized by large quantity and relatively lower selling prices.

The revenue from Europe industrial display business declined during the year which is mainly attributable to the adjustment of product mix of our industrial monochrome display business to higher margin products. Electricity meters, industrial instruments and white goods application remain the major application of our industrial business in Europe. While high-end white goods manufacturers are now shifting their products from monochrome display to TFT modules display, mainstream meter manufacturers still consider monochrome display a reliable and economical solution.

The Group's revenue from the United States remained similar as compared to the previous year. During the year, monochrome display contributed to majority of the revenue with focus in industrial market. The industrial display business mainly comprises medical and metering sector which we have established a strong customer base over the years. While these sectors are predominantly using monochrome display, we have been investing resources and developing suitable platform TFT modules display to promote to our customers.

BUSINESS OUTLOOK

Automotive Display Business

During the year, the Group has been strengthening our strategic relationship with our long-established automotive customers. At the same time, we have been proactively developing business relationship with new customers with promising results. The Group has a clear strategy to promote our TFT module products to our customers and the development of medium-to-large-sized standardized platform TFT module products are in line with the market demand. We were able to obtain more new TFT module product orders from our strategic customers during the year in both standardized platform products and other customized products. The demand of automotive display business is expected to grow as the number of TFT module display in automobile is increasing as a result of the enhancement of car user experience by automobile manufacturers. We foresee that the TFT modules orders will continue to increase in Europe, the PRC and South Korea market.

As the competitive in the TFT business is very intense and the Group is still in the development stage of its TFT module business, the gross profit margin will still be under pressure in the near future. Nevertheless, the Group's strategy of promoting standardized medium-to-large-sized TFT modules products will enable the Group to achieve further economic of scales. Along with integration of TFT modules production and other efficiency enhancement measures, it is expected that the profit margin of the TFT module business will improve in the future.

With the shift of customer's demand from the monochrome displays to TFT displays, the Group expected that the revenue from monochrome display business will continue to decline in Europe and the PRC. We will maintain our monochrome display business and target market with potential growth, such as Japan and India. The Group will continue to streamline monochrome display manufacturing operation and to allocate resources to areas with potential growth.

Industrial Display Business

Monochrome displays continues to contribute for a majority portion of the Group's industrial display business due to their reliability and lower costs characteristic. The Group has established long-term relationship with our Europe and the United States customers. We anticipated that the monochrome display business of our mainstream sectors like electricity meter, industrial and medical instruments will remain relatively stable in the future. During the year, we have been promoting our TFT module displays and were able to secure sales orders from certain white goods manufacturers in Europe and industrial manufacturers in the United States. We will focus on consolidating our strength in monochrome display while continuing to explore further opportunities in the TFT display market.

Development Strategy

During the year, the Group's TFT modules business has experienced significant growth and is expected to grow further in the future. The Group is developing and promoting standardized platform TFT modules to our customers who gave positive feedback and results. As the TFT business is highly competitive, the Group has been continuously cooperating with BOE by leveraging their various competitive edges, such as panel research and automated manufacturing process, to achieve further economic of scales. In February 2019, the Group has integrated the manufacturing of standardized platform TFT modules to BOE under one integrated manufacturing process and control, i.e. from panel production to TFT modules assembly. The Group believes that the integration can improve production efficiency and profit margin to render the Group higher competitive advantages in the TFT module business market. During the year, a wholly-owned subsidiary, Hefei BOE Vehicle Display Technology Co., Ltd., was incorporated in Hefei, the PRC. The Group will leverage on the competitive advantages of BOE to develop our TFT related business and automotive system business in Hefei, including the development of automotive intelligent interactive research and development platform.

We will continue to develop our TFT module business in all markets, with primary focus in the PRC and Europe, in order to obtain more orders to achieve further economic of scales. The Group will maintain the monochrome display business and seize opportunities in existing markets as well as emerging markets for both automotive and industrial display products. We will also continue to explore ways to streamline operation and production in order to achieve higher efficiency and effectiveness and to leverage the competitive advantages of BOE.

The Group will further develop high-value areas including the automotive intelligent interactive system business, automotive head-up display (HUD), touch panel and display related technology. We are in the process of developing a research and development center to grasp these growing areas to expand our business dimension.

Technology Development

Technologies regarding digital cockpit display module, especially accustomed for electric vehicles and autonomous driving, require bonding of multi-displays under one special and big cover glass. The Group has developed a variety of refined technologies and processes and has the capability to manufacture multi-screen products with free-form cover. The research and development in cold forming technology, which can be adaptably used in higher value-added curved display module, has achieved considerable result. The research and development of the processing technology is expected to be completed at mid of 2019.

Following the success of the pioneering amorphous silicon (a-Si) Gate on Array (GOA) display for vehicles, the Group is moving forward to develop the higher integration, higher transmission and higher technology Low Temperature Poly-silicon (LTPS) technology for automotive. Subsequent to the successful development of the first LTPS HUD products, the Group is developing large-sized (12.3") FHD resolution LTPS display for vehicles in response to the needs of high-end European and American customers.

With the aid of BOE (one of the major suppliers of global OLED), the Group has acquired preliminary achievements in the development of flexible OLED display technology for vehicles. The technology has been revealed to the public in several international exhibitions over the previous year, making a good progress.

In order to better respond to the market demands on High Dynamic Range products, the Group is being devoted to development of various backlight technologies such as Local Dimming and Mini-LED, which were both well received after being exhibited in various international exhibitions in the previous year. The mini-LED backlight technology not only greatly enhances the contrast of display module to a level with contrast ratio of hundreds of thousands to one, but also possesses the features of ultra-thin and better fit into free-form display, in addition to its advantages in yield and cost, making it to be an alternative to flexible OLED for high quality display module.

Chairman's Statement

As to touch displays, the Group has completed the research and development of Multi-Layer On Cell (MLOC) and One Glass Metal-mesh with low tracks visibility, and the products of which are economical. A number of orders have been received from automotive customers of different countries for the products with various sizes.

We have deployed more resources and efforts are put into the development of Full In-cell Touch (FIT) technology. The advantages of this solution lie in narrower border and lower surface reflection. At present, the Group is simultaneously developing two high-tech FIT solutions of 12.3 inches FHD resolution, with a-Si GOA Dual Gate technology as a highly integrated and cost competitive solution for mid-end customers, and additionally with LTPS FIT technology solution for customers with higher requirements on integration, transmittance and quality, so as to meet the various demands from mid-end to high-end automotive markets.

As regards to development of higher level automotive system products, the Group continued to develop enhanced algorithms for Augmented Reality (AR) for Head-up Display (HUD) system, in pursuit of integrated AR HUD. The Group has approached several PRC automotive customers for HUD and AR HUD products.

In addition, we have further strengthened the strategic cooperation with a few famous automotive manufacturers for higher-end integrated display module solution. We have launched the research and development of a Center Information Display (CID) module with a single chip microcontroller unit, newly developed control software, and connection interface with high transmission rate of visual data and embedded two-way control communication data, such as FPD Link III. It is believed that more substantial and higher-valued outcomes are coming in the next year.

ACKNOWLEDGEMENT

The Group continues to expand our TFT modules business during the year and is able to achieve a remarkable growth in market share. Despite various challenges such as intense market competition and higher operating costs in the expansion stage, we keep accumulating valuable experience in markets, customers and technological ends, as well as production management, supply-chain management and quality control. The Group has realized a strategic business relationship with BOE and continue to benefit from the support of TFT panel supply, including the use of high generation TFT panel production facilities which are more economical in price and efficiency, automated manufacturing process, integrated modules assembly arrangement as well as research and development in new technological areas. We are optimistic that through the continuing efforts of our team to carry out our TFT business development strategy, the Group will become a leading market player in the TFT market in both the automotive display and industrial display business segment. On the technology front, we will continue to invest in research and development in new technologies regarding digital cockpit display module, LTPS technology, integrated CID module, touch panel and OLED (Organic Light-Emitting Diode) related products. For system business, we have been developing the AR HUD business to capture this growing market. On behalf of the Board, I would like to sincerely thank our management, employees, shareholders and business partners for your great support in the past year. Let us join hands to progress to a better future for the Group.

Gao Wenbao
Chairman

Hong Kong, 26 March 2019

Management Discussion and Analysis

REVENUE

The Group's revenue for the year ended 31 December 2018 increased by 10% to HK$3,177 million as compared to the previous financial year.

PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2018 was HK$26 million, an increase of HK$5 million or 24% as compared to the previous financial year.

During the financial year 2018, the Group spent HK$225 million on research and development ("R&D") activities, which represented approximately 7% of the Group's revenue.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31 December 2018 was HK$17 million, as compared to a profit of HK$22 million in 2017.

Basic earnings per share for the year ended 31 December 2018 were 2.3 HK cents as compared to basic earnings per share of 3.0 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 1.0 HK cent per share for the year ended 31 December 2018, which will aggregate to HK$7 million. The total dividend for the year amounted to 1.0 HK cent 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 2018, the total assets of the Group amounted to HK$3,479 million (2017: HK$3,470 million). At the year end, inventories decreased by 9% to HK$731 million (2017: HK$803 million) while other financial assets amounted to HK$3 million (2017: HK$13 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the total equity of the Group was HK$2,759 million (2017: HK$2,802 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 4.09 as at 31 December 2018 (2017: 4.37).

At the year end, the Group held a liquid portfolio of HK$1,343 million (2017: HK$1,236 million) of which HK$1,340 million (2017: HK$1,203 million) was in cash and fixed deposits balance, HK$3 million (2017: HK$33 million) in other financial assets. As at 31 December 2018, there were no unsecured interest-bearing bank loans (2017: HK$Nil). The gearing ratio (bank loans over net assets) was Nil% (2017: Nil%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the year was 3.5 times (2017: 3.9 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 80 days (2017: 93 days).

CASH FLOWS

In the year under review, the Group's cash generated from operations amounted to HK$246 million (2017 cash used in operations: HK$343 million). The decrease in inventories and trade and other receivables, deposits and prepayments and other contract costs increased cash flow by HK$71 million and HK$46 million respectively.

Net cash generated from investing activities amounted to HK$150 million (2017: HK$230 million). There were payments for the purchase of fixed assets of HK$155 million (2017: HK$250 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 (2017: Nil).

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and loan receivables 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 2018, 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 2018, the Group had capital commitments of HK$7 million (2017: HK$30 million), mainly representing the cost of enterprise reporting system implementation not provided for in the financial statements. The total future minimum lease payments under non-cancellable operating leases for properties payable within one year amounted to HK$9 million (2017: HK$7 million).

STAFF

As at 31 December 2018, the Group employed 5,243 staff around the world, of whom 149 were in Hong Kong, 5,046 in the People's Republic of China ("PRC") and 48 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme 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

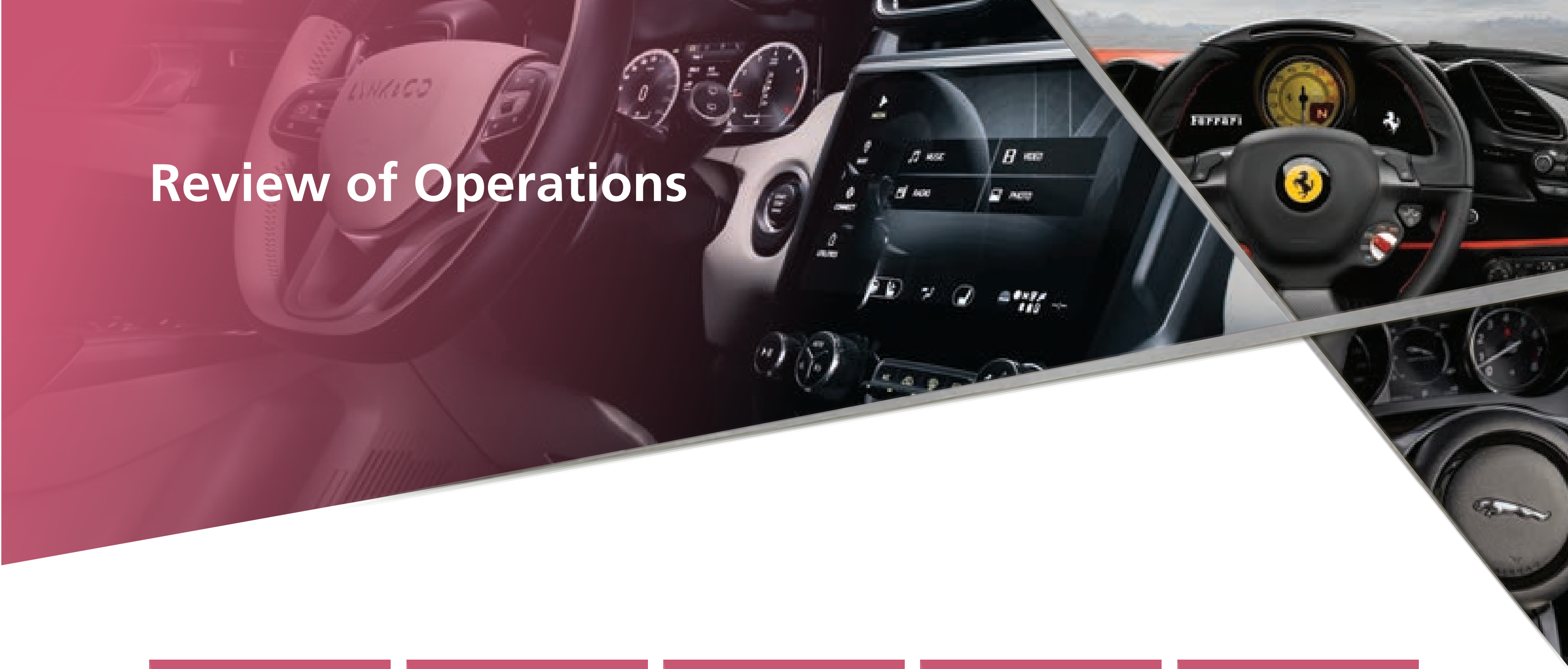
The Group principally participates in defined contribution retirement plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by independent trustees. Contribution at a fixed rate of 5% of the employee's relevant income (the "Relevant Income"), subject to a cap of 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.

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 2018 was HK$43 million (2017: HK$38 million). Charges to administer the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the year ended 31 December 2018 was HK$Nil (2017: HK$Nil) and at 31 December 2018, the balance available to reduce the level of contributions in future amounted to HK$5,000 (2017: HK$5,000).

Review of Operations



EUROPE 41%

THE PRC 37%

AMERICA 8%

KOREA 4%

OTHERS 10%

EUROPE

During the year under review, revenue of HK$1,316 million was generated from the display business in Europe, an increase of 5% as compared with that in 2017. The European business contributed 41% of the total revenue for the Group in 2018.

Automotive Display Business

The Group's revenue from the TFT display business in the Europe market continued to record growth during the year, especially in the Czech Republic and Germany. The monochrome display business continued to decline in the European market as automotive customers shifted their demand to TFT displays.

During the year, TFT projects that the Group had won in previous years had commenced mass production gradually, which contributed to the growth in sales revenue. The Group continued to promote our medium-to-large-sized standardized platform TFT module products to our European customers and received positive results. Automobile manufacturers tends to apply such standardized products across different car models in application of instrument cluster and center-information-display. Also, the future design of new automobiles are generally using more display modules. The increasing demand in standardized products from this trend enable the Group to obtain further economics of scales by manufacturing standardized platform products. The Group has integrated the manufacturing of standardized platform TFT module products to BOE starting February 2019. We anticipated that through this integration of TFT module manufacturing process, the Group can strengthen the strategic relationship with BOE to obtain further competitive advantages in increasing our market share and also profitability of our products.

Review of Operations

The price competition in the TFT market remained intense during the year. The Group has taken measures in all areas to control costs, including cost-down of raw materials, reduction of operating costs and improvement in production efficiency.

The demand of monochrome display business in Europe dropped during the year under review. Customers in Europe have been shifting their demand from monochrome display to TFT displays and the Group expected that the revenue from monochrome display business will continue to decline. Nevertheless, the proactive strategy of promoting TFT module displays to our strategic customers has yielded positive results and the overall revenue of Europe automotive business achieved growth during the year.

In addition to the strategy of promoting standardized medium-to-large-sized TFT products to our strategic customers, the Group has achieved various achievements in research and development in new technologies for automotive business. During the year, the Group has completed the multi-layer on cell (MLOC) research and development for touch displays and was successfully promoted to one of the strategic customers. We are also developing the full in-cell touch (FIT) solution which has the advantages of narrower border and lower surface reflection. Continuous development efforts will be put in curved cockpit display, OLED displays, mini-LED and Head-up Display (HUD) displays which are the trend of development for automotive displays.

Industrial Display Business

During the year under review, the Group's industrial business in Europe has slightly declined as compared with that of 2017. The demand from this sector is relatively stable and the decline in revenue was mainly due to the adjustment of product mix to higher margin products with high average selling price.

Our major industrial products' application like electricity meters and industrial instruments are mainly dominated by monochrome displays. Monochrome displays are still a common choice of display among industrial customers for their reliability and low-costs features. As the average selling prices of industrial monochrome displays are relatively low, the Group has been optimizing the orders mix as well as the cost structure in order to improve the profit margin of this business.

The Group has been promoting our TFT module products to our customers in Europe. High-end white goods manufacturers in Europe beginning to show interests in TFT module products to enhance the user experience of their products. We have obtained orders from our Europe white-goods customers and expected to contribute sales in the coming years.

THE PRC

Revenue contributed by the PRC was HK$1,170 million during the year under review, representing an increase of 27% as compared with that in 2017. This region has accounted for 37% of the Group's total revenue. Majority of the revenue was derived from automotive display business.

The increase in revenue from the PRC mainly contributed by the gradual mass production of TFT module orders the Group obtained from PRC automotive customers in previous years. The growth in TFT module products are strong in the year under review while the revenue from monochrome displays continued to decline resulted from drop of demand from customers. The Group has been actively promoting our medium-to-large-sized platform TFT module products to PRC automotive customers and is able to win sales orders from major automobile manufacturers as well as new energy automobile manufacturers. Our strategic relationship with BOE enables the Group to broaden our customer base through stable and diversified panel supply and technological support. The Group expects that the strategy of promoting platform TFT module products can enable the Group to gradually achieve economy of scales to improve profit contribution to the Group.

The Group has also been investing resources to develop new technologies in the automotive display business. Enhancing car user experience are always a focus for automobile manufacturers. The Group is putting more efforts in new technologies such as digital cockpit display module with multi-screen display and free-form cover, Multi-Layer On Cell (MLOC) and One Glass Metal-mesh touch displays and Augmented Reality (AR) Head-up Display (HUD), etc. It is expected that such technologies can meet the various demands from our customers and bring more revenue to the Group in the future.

AMERICA

America generated revenue of HK$263 million in 2018, contributing 8% to the total revenue of the Group. The revenue decreased by 2% compared to that of 2017.

The majority of revenue from America was contributed by monochrome display. Majority of our customers from the industrial display business are in medical and metering sector which still prefer to use monochrome display. The sales orders from monochrome display business are relatively stable and we have won new TFT module display projects during the year, which is expected to generate revenue in late 2019. For automotive business, the Group recorded a growth in revenue from our TFT module products during the year. We have been expanding our automotive TFT module business in the America market and expected to have new projects kick-off during 2019.

KOREA

Revenue generated from Korea was HK$126 million in 2018, represented a decrease of 17% from that of 2017. Korea accounted for 4% of the Group's revenue.

The change of demand from monochrome display to TFT display products for Korea customers began in previous years continued to result in the decline in revenue from monochrome display in this market. The Group has been working with our automotive customers during the year and was able to win new projects for TFT module displays. Those project will begin to commence mass production starting 2019 and will contribute to the revenue in the Korea market.

Environmental, Social and Governance Report

The Group began incorporating its Environmental, Social and Governance (ESG) Report into its Annual Report from 2014. This ESG Report was prepared for the year ended 31 December 2018 with reference to the ESG Reporting Guide published by The Hong Kong Exchanges and Clearing Limited (the "Stock Exchange"), and based on the material aspects of the Group and stakeholders. Unless otherwise stated, this ESG Report covers operations in the PRC (including Heyuan and Chengdu) and Hong Kong, which together represent the core operations of the Group.

The Board has been closely overseeing the Group's initiative to make continuing ongoing improvements and to formulate an effective reporting mechanism. BOEVx'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.

ESG Risk Management and Reporting Mechanism

Functional Departments

Designing, implementing and monitoring risk management and internal control systems in relation to ESG, taking into account the Board's ESG priority.

ESG Risk Management Team

Monitoring to ensure effective implementation of ESG strategic plan, and regularly reviewing stakeholders' expectation on ESG matters.

Key Stakeholder

Shareholders/Investors,
regulators, customers, suppliers, community, employees

Board of Directors

Recognising and prioritising stakeholders' need and expectations in relation to ESG, and formulating strategic plan accordingly.

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

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.

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	• Annual general meetings and notices • Annual/interim reports, financial statements and announcements • Direct communications • Corporate website • Investor briefings	• Business sustainability • Financial performance • Corporate transparency • Corporate social responsibility
Regulators	• Meetings • Compliance reporting	• Compliance with laws and regulations
Customers	• Direct communication via frontline staff • Customer audits and factory visits • Corporate website	• Quality products and services, and delivery arrangements • Technological developments • Product responsibility • Factory and labour conditions
Suppliers	• Direct communication and meetings • Site visits and reviews • Vendor acceptance and management processes • Questionnaire	• Sustainable procurement • RoHS considerations • Corporate reputation • Industry experience and expertise
Community	• Involvement in and meeting with various communities through social services and sports activities • Cooperation with local universities and NGOs	• Improvement of community environment and culture • Support for public welfare activities
Employees	• Training and development • Regular performance appraisals • Newsletters • Work-life balance activities • Policy communication • Communication with labour union	• Health and safety • Remuneration and welfare • Career development • Integrity and business conduct

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 this 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.

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.

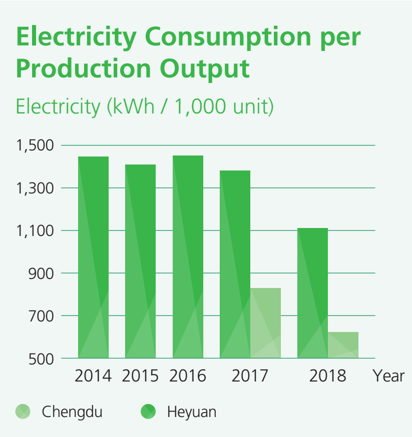
The manufacturing facilities in Heyuan city and Chengdu city are required to undergo stringent environmental audit and continuous monitoring, in order to protect the natural resources in the region and also to comply with all relevant local environmental laws and regulations.

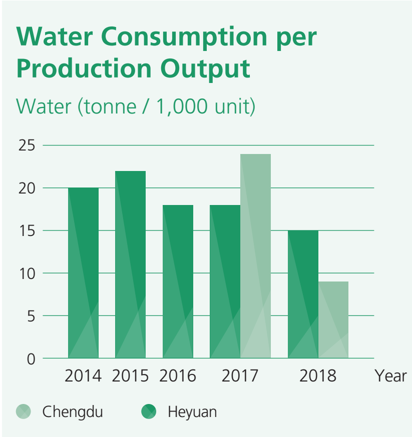
Emission and Waste Performance of Heyuan Plant

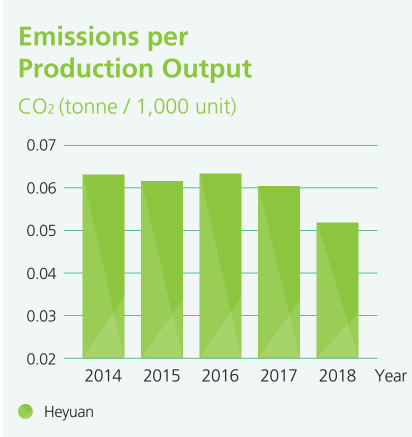
Waste	**Total tonnes in 2018**	**Tonnes/ Revenue (HKD1,000 million) in 2018**	Total tonnes in 2017	Tonnes/ Revenue (HKD1,000 million) in 2017	Total tonnes in 2016	Tonnes/ Revenue (HKD1,000 million) in 2016	Total tonnes in 2015	Tonnes/ Revenue (HKD1,000 million) in 2015	Total tonnes in 2014	Tonnes/ Revenue (HKD1,000 million) in 2014
Air HCL	0.31	0.098	2.29	0.795	3.13	1.39	2.9	1.17	3.8	1.45
Particulates	<0.0015	<0.0005	0.89	0.309	<0.065	<0.0289	<0.050	<0.0201	0.098	0.0375
SO_2	<0.0117	<0.004	0.5	0.174	<0.1630	<0.0725	<0.1544	<0.0621	<0.0737	<0.0282
NOx	0.041	0.013	2.54	0.882	0.182	0.0809	0.175	0.0703	0.172	0.0658
Oil Fumes	0.006	0.002	0.02	0.007	0.01	0.01	0.02	0.01	<0.01	<0.01
Water Wastewater	702,749	221,199	706,387	245,358	662,863	294,999	837,897	336,775	859,906	329,088
Solid Solid Waste Hazardous	71.54	23	88.97	31	82.87	37	70	28	78	30
Solid Waste Non-hazardous	696.91	219	978.29	340	915	407	574	231	685	262

In 2018, the total tonnes and tonnes per revenue (HKD1,000 million) of solid waste non-hazardous of Chengdu plant were 91.15 and 28.69 respectively.

ELECTRICITY AND WATER CONSUMPTION, AND EMISSIONS







Emissions

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. Due to changes in product structure, orders for monochrome displays decreased in 2018 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.

The Company's product structure and sales volume is changing which caused the change in emission and waste performance during the years. The quantity of emissions of hydrochloric acid, particulates, 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 Chengdu production plant is mainly engaged in TFT module assembly and thus no notable emission is generated.

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 3,000 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.

Measures to Reduce Emissions and Waste

Since 2016, the Group mitigated 2.8 tonnes (per annum) of hazardous waste by recycling the used non-dust cloths, classified as hazardous waste after use with alcohol, with special treatment. 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 electricity in 2018 is reduced 3,863,000 kWH as compared with 2017.

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. The water consumption per production output in 2017 is at a higher level than 2018, as it was not reaching full capacity during initial stage of mass production.

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 2018, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Heyuan were 982 tonnes and 1,115 tonnes respectively. This indicates a decrease of 8.65% and 2.87% respectively, as compared with the year 2017. In 2018, the quantities of carton boxes and polyfoam trays used for product storage and transportation in Chengdu were 98 tonnes and 187 tonnes respectively. The increase of 151.28% and 152.70% respectively, as compared with the year 2017, due to increase in production volume and shipments.

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 2018	Tonnes/ Revenue (HKD1,000 million) in 2018	Total tonnes in 2017	Tonnes/ Revenue (HKD1,000 million) in 2017	Total tonnes in 2016	Tonnes/ Revenue (HKD1,000 million) in 2016	Total tonnes in 2015	Tonnes/ Revenue (HKD1,000 million) in 2015	Total tonnes in 2014	Tonnes/ Revenue (HKD1,000 million) in 2014
Heyuan Production Plant										
Electricity (kWh)	97,128,769	30,572,480	100,992,658	35,079,075	91,205,623	40,589,952	90,905,585	36,537,615	89,012,950	34,065,423
Water (Tonne)	1,334,650	420,098	1,362,932	473,405	1,145,386	509,740	1,414,773	568,639	1,251,385	478,907
Carton boxes (Tonne)	982	309	1,075	373	928	413	1,118	449	973	372
Polyfoam trays (Tonne)	1,115	351	1,148	399	907	404	999	402	825	316
Chengdu Production Plant										
Electricity (kWh)	1,366,150	430,013	1,158,672	402,456	–	–	–	–	–	–
Water (Tonne)	20,400	6,421	34,054	11,828	–	–	–	–	–	–
Carton boxes (Tonne)	98	31	39	14	–	–	–	–	–	–
Polyfoam trays (Tonne)	187	59	74	26	–	–	–	–	–	–
Hong Kong Office										
Electricity (kWh)	172,171	54,187	168,579	58,555	117,330	52,216	153,859	61,840	154,891	59,277
Water (Tonne)	106	33	108	38	96	43	88	35	90	34

Measures to Reduce Energy Consumption and Water Utilisation

As at 31 December 2018, 1,700 T8 and T5 light bulbs had been phased-out and replaced with LED lights. 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.

Environmental Education

The Hong Kong headquarters and Heyuan production plant continue to adhere to the concept of "green office" as the theme in 2018. In the same year, the headquarters successfully passed an audit to drive carbon reduction by adopting a series of green office best practice, and the "Green Office Label" was awarded by the World Green Organisation.

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.

The Heyuan plant held the "Green Cycling" activities every year to promote public awareness on the concept of low-carbon transport.

Recognition

The Group received recognition for its efforts in environmental protection in 2018. BOEVx was accredited with the "Green Office Label" by the World Green Organisation.

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 2018, the turnover rates for Hong Kong, the PRC and Overseas staff were 13.9%, 33.0% and 8.2% 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.

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.

In 2018, there is no work-related fatality in the Group and no injury case was reported among Hong Kong employees. The factory recorded 31 (2017: 35) injury cases with 517 (2017: 563) 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 measures.

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 and social service are arranged for employees' participation. The aim of these activities is to achieve a sustainable work-life balance.

Workforce and Turnover Rate

	2018			2017			2016		
Age	Hong Kong	PRC	Overseas	Hong Kong	PRC	Overseas	Hong Kong	PRC	Overseas
Male									
18 – 45	**68**	**1,244**	**14**	73	1,200	13	77	954	14
46 – 65	**40**	**57**	**18**	35	43	21	31	42	10
Turnover rate	**14.7%**	**26.7%**	**6.1%**	12.2%	29.5%	0%	12.7%	27.6%	0%
Female									
18 – 45	**23**	**3,405**	**9**	27	3,741	8	24	3,488	10
46 – 65	**18**	**340**	**7**	19	286	7	17	312	6
Turnover rate	**11.9%**	**24.7%**	**12.9%**	13.2%	29.5%	0%	18.0%	31.8%	11.8%
Employment Type									
Staff	**149**	**1,034**	**48**	154	948	49	149	770	40
Workers	**0**	**4,012**	**0**	0	4,322	0	0	4,026	0

Development and Training

	2018				2017				2016			
	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
HK Staff												
Male	**532**	**101**	**53**	**10.0**	238	58	42	5.7	332	207	149	2.2
Female	**74**	**37**	**21**	**3.5**	206	70	36	5.7				
PRC Staff												
Male	**4,166**	**1,604**	**626**	**6.7**	7,008	1,398	578	12.1	5,274	2,993	770	6.8
Female	**2,812**	**1,009**	**407**	**6.9**	3,725	914	370	10.1				
PRC Workers												
Male	**10,120**	**2,936**	**612**	**16.5**	7,616	1,355	665	11.5	19,312	6,886	4,026	4.8
Female	**19,017**	**7,434**	**3,271**	**5.8**	20,250	5,950	3,657	5.5				
Total												
Male	**14,818**	**4,641**	**1,291**	**11.5**	14,862	2,811	1,285	11.6	24,918	10,086	4,945	5.0
Female	**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. In 2018, the Group conducted a series of training sessions for staff and workers.

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.

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 2018, external coaches were employed to conduct an Outward Bound training for the engineering staff. The training aims at fostering personal development, teamwork, problem solving, and interpersonal skills.

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 or above.

People Caring

The Hong Kong Headquarters was accredited with the Caring Company Award for the 11th consecutive year by The Hong Kong Council of Social Service. The Award recognizes commitment in Caring for the Community, Caring for the Employees and Caring for the Environment. The Group provided all round attention in the above areas, and performed exceptionally well in organizing work life balance activities for staff and showing flexible treatment for staff members who need special care or to cope with family issues.

The Heyuan plant organized a series of fundraising and warming activities in 2018 to provide assistance to the needy staff.

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 2018, 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	92	–
Total No. of major suppliers questionnaires sent	92	100
Total No. of completed questionnaires returned	74	80

Table of Results

Rating	Number	Percentage (%)
Outstanding	49	66
Above Average	20	27
Average	5	7
Need Improvement	0	–
Below Standard	0	–
Total	74	100

Distribution of Suppliers

Suppliers are divided into material suppliers and logistics service vendors. 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	328	70	31	19
Logistics Service Vendors	5	3	7	1

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
- 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

Environmental, Social and Governance Report

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 and competitiveness
- Services – performance track record, efficiency and customer service
- Environmental performance – for instance, most of vendors use trucks compliant with Euro IV and V standards

Product Responsibility

The Group has no recall on products sold or shipped due to safety and health reasons in 2018. There are average 106 cases and 356 cases per month of automotive quality enquiries in 2017 and 2018.

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 2018 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 OHSAS 18001 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.

Policies include:

- Code of conduct, which covers conflict of interests and acceptance of advantages/benefits
- 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. To date, no established case of corrupt practices has been uncovered.

Community Involvement

The Group is committed to encouraging caring for the community and promoting volunteer services. This year is the fifth year of partnership between the BOEVx Social Service Team and ELCHK Sheung Tak Integrated Youth Service Centre ("Sheung Tak") in providing dedicated service to the ethnic minority youth from India and Pakistan.

The project theme in 2018 was "Family Assistance." Volunteers brought the families out of the community, expand the network. Hence, the ethnic families could further understand and make good use of the community resources. The project continued from the previous year. Volunteers guided six South Asian families to cruise around Hong Kong's 18 districts, leading the families to explore and recognize Hong Kong in different districts. At the same time, Sheung Tak organizes family support activities on a regular basis (once every two weeks), to provide personal development, parental communications, community information sharing, and collaboration of mothers of the ethnic minorities.

The project was a success and ended in August 2018. In the coming year, the Group will launch a new project focusing on environmental protection.

Awards and Accolades

It was an honour for the BOEVx Social Service Team to be presented with "The 9th Hong Kong Outstanding Corporate Citizenship Logo – Volunteer Category" by the Hong Kong Productivity Council in 2018.

The Group provided sustainability in the community services. It will continue to encourage employees and their families to take part in the Group's social service activities, and we anticipate the BOEVx Social Service Team will expand on its own strengths and achieve continuous improvement.

Participation in Charity and Work-Life Balance Activities

The Group is involved in a variety of events that combine charity and sports. In 2018, the Group sponsored colleagues to participate in:

- Hong Kong Streetathon
- Standard Chartered Marathon
- Oxfam Trailwalker
- Heyuan International Marathon

In China, we also organized colleagues to visit disabled families and children and donate money on behalf of the Company. The Heyuan production plant also participated in the "Guangdong Poverty Alleviation Day" fundraising event to help the poor.

The Group encourages work-life balance. Yoga classes were organised in the Hong Kong office and Chengdu plant to encourage healthy living, and attracted many colleagues to join, which enhanced the cohesion of the Group.

In order to further enrich employees' spare time, strengthen team spirit and enhance communication between departments, the Group organized the "BOEVx Cup" Sports Competition each quarter, such as table tennis, tug-of-war, marathon relays, basketball and badminton tournaments.

Scholarship

BOEVx has been sponsoring a school-enterprise cooperation with the Heyuan Polytechnic for seven consecutive years to enrol students in "Specialized BOEVx Class". A scholarship is sponsored for outstanding students.

Board of Directors and Senior Management

DIRECTOR'S BIOGRAPHICAL INFORMATION

GAO Wenbao

aged 44, was appointed as an Executive Director and the Chairman in September 2018. Mr. Gao is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Gao graduated from Jilin University with a doctor degree in microelectronics and solid-state electronics. He holds Beijing senior specialized technique qualification in electronic components and materials. From 2003 to 2011, Mr. Gao worked as a section chief of the panel research and development section, a department chief of the product technology department and a vice-general manager and a manager of the production factory of Beijing BOE Optoelectronics Technology Co., Ltd (a subsidiary of BOE Technology Group Co., Ltd ("BOE")). From 2011 to 2015, Mr. Gao worked as a general manager of Chongqing BOE Optoelectronics Technology Co., Ltd (a subsidiary of BOE). From 2015 to 2018, Mr. Gao worked as a co-chief executive officer of Display Business Group of BOE. He is currently the chief executive officer of Display and Sensor Business Group of BOE.

KO Wing Yan, Samantha

aged 39, 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 38, 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. Mr. Su is a member of the Nomination Committee of the Company 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 the general manager of the application business department of Beijing BOE Display Technology Co., Ltd. (a subsidiary of BOE).

YANG Xiaoping

aged 40, was appointed as a Non-executive Director of the Company in April 2016. Ms. Yang graduated from The University of International Business and Economics with a master degree in business administration. She has 15 years of experience in financial management. Since joining BOE Group in 2002, Ms. Yang has acted as the head of financial planning department, the head of accounting and taxation centre and the head of budgeting centre of BOE. She is a vice president and a deputy financial controller of BOE. Ms. Yang is also a director or a supervisor of a number of subsidiaries of BOE.

DONG Xue

aged 39, was appointed as a Non-executive Director of the Company in April 2016. Mr. Dong studied Chemical Engineering (Materials) in Tsinghua University and obtained a master degree in Engineering. Since joining BOE Group in 2003, Mr. Dong had acted as an assistant of department head, the department head of application development department, a deputy director of optoelectronics technology development centre department, the head of the research and development centre for mobile products of Beijing BOE Optoelectronics Technology Co., Ltd. (a subsidiary of BOE). He is a senior vice president and the chief technical officer for display panel business of BOE.

YUAN Feng

aged 41, was appointed as a Non-executive Director of the Company in April 2016. Mr. Yuan graduated from Tsinghua University with a master degree in business administration. Since joining BOE Group in 2003, Mr. Yuan had acted as a deputy head of strategic planning department and the secretary office manager of BOE and the general manager of Beijing BOE Sales Co., Ltd. (a subsidiary of BOE). He is a vice president and the CBMO deputy director of BOE.

FUNG Yuk Kan, Peter

aged 52, 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.

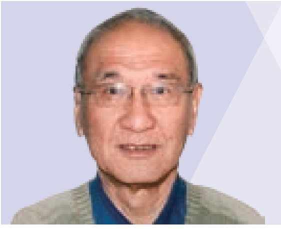
Mr. Fung's last position before retirement is the Global Chair of KPMG Global China Practice ("GCP"). The GCP is a community of professionals in China and across the globe with a total focus on inbound and outbound China businesses and assists Chinese businesses with their globalisation strategy and 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 54, was appointed as an Independent Non-executive Director 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 over 15 years of business experience and over 9 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. From 2012 to 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 81, 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.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

PANG Tien Kin

aged 38, is the Group Financial Controller and Company Secretary of the Group. He holds a Bachelor of Business Administration (Accountancy) from 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.

PARK Soo Bin, James

aged 48, 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.

YOON Dae Keun

aged 45, is the Assistant General Manager, head of Technical Group. He holds a Master's degree of Optics from the Sogang University in South Korea. Before joining the Group, Mr. Yoon served at BOE Group and has more than 16 years of TFT module development experience. He joined the Group in June 2018.

MA Chung Man, Alex

aged 43, 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 October 1998.

CHENG Wei

aged 37, is the Assistant General Manager responsible for TFT Manufacturing of the Chengdu & Hefei plants of the Group, and the Executive Vice General Manager of Chengdu BOE Vehicle Display Technology Co, Ltd. 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 13 years of TFT module production and operational experience. He joined the Group in August 2017.

LO Pak Chi, Patrick

aged 45, is the Assistant General Manager responsible for Passive Manufacturing 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.

NG Ah Loi, Lloyd

aged 51, 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 12 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 2018.

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 2018, 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 *(Co-Chief Executive Officer[1])*
	Mr. Su Ning *(Co-Chief Executive Officer[2])*
Non-executive Directors:	Ms. Yang Xiaoping
	Mr. Dong Xue
	Mr. Yuan Feng
Independent Non-executive Directors:	Mr. Fung, Yuk Kan Peter
	Mr. Chu, Howard Ho Hwa
	Mr. Hou Ziqiang

Notes:

1. With effect from 1 January 2019, Ms. Ko Wing Yan, Samantha was redesignated from a Co-chief Executive Officer of the Company to the Vice Chairlady of the Company.

2. With effect from 1 January 2019, Mr. Su Ning was redesignated from a Co-chief Executive Officer of the Company to the Chief Executive Officer of the Company.

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 2018, a total of 9 Board meetings and 1 annual general meeting ("2018 AGM") were held and the attendance of each Director is set out as follows:

	Number of meetings attended in 2018				
Name	**Board**	**2018 AGM**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**
Executive Directors:					
Mr. Yao Xiangjun[1]	5/5	1/1	1/1	1/1	N/A
Mr. Gao Wenbao[2]	4/4	N/A	2/2	2/2	N/A
Ms. Ko Wing Yan, Samantha	9/9	1/1	3/3	N/A	N/A
Mr. Su Ning	9/9	1/1	N/A	3/3	N/A
Non-executive Directors:					
Ms. Yang Xiaoping	9/9	1/1	N/A	N/A	N/A
Mr. Dong Xue	9/9	1/1	N/A	N/A	N/A
Mr. Yuan Feng	9/9	1/1	N/A	N/A	N/A
Independent Non-executive Directors:					
Mr. Fung, Yuk Kan Peter	9/9	1/1	3/3	3/3	2/2
Mr. Chu, Howard Ho Hwa	9/9	1/1	3/3	3/3	2/2
Mr. Hou Ziqiang	9/9	1/1	3/3	3/3	2/2

Notes:

1. With effect from 4 September 2018, Mr. Yao Xiangjun resigned as an Executive Director and the Chairman of the Board, and ceased as the chairman of the nomination committee (the "NC") and a member of the remuneration committee (the "RC") of the Company.

2. With effect from 4 September 2018, Mr. Gao Wenbao ("Mr. Gao") was appointed as an Executive Director and the Chairman of the Board, the chairman of the NC and a member of the RC.

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

(i) Mr. Gao is the chief executive officer of Display and Sensor Business Group of BOE Technology Group Co., Ltd ("BOE"). Mr. Su Ning is the general manager of the application business department of Beijing BOE Display Technology Co., Ltd., a subsidiary of BOE. Ms. Yang Xiaoping is a vice president and a deputy financial controller of BOE, and a director or supervisor of a number of subsidiaries of BOE. Mr. Dong Xue is a senior vice president and the chief technical officer for display panel business of BOE. Mr. Yuan Feng is a vice president and the CBMO deputy director of BOE.

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 A.6.5 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 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.

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 OFFICERS

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 2019 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 B.1.2(c)(ii) 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.

3 meetings was held in 2018. 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. Su Ning has not received his guaranteed bonus of HK$159,634.00 for the year of 2018.

The remuneration paid to the members of the senior management by bands in 2018 is set out below:

Remuneration Bands	Number of Individuals
HK$100,001 to HK$500,000	2
HK$500,001 to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	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 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.

3 meetings were held in 2018. 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.

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 2018, 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 are 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 49 to 54 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. 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. 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 pro-active 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 of 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.

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 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, 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.

Auditors' Remuneration

Total auditors' remuneration in relation to audit and non-audit services provided to the Group amounted to HK$5.2 million (2017: HK$4.1 million), of which a sum of HK$2.9 million (2017: HK$2.9 million) was paid to KPMG. Details of the external auditor's fees are set out in note 5(c) to the consolidated financial statements of this Annual Report.

Company Secretary

Mr. Lam Cheuk Yin, Kenneth was appointed as the Company Secretary of the Company in March 2017 and resigned in November 2018.

Mr. Pang Tien Kin was appointed as the Company Secretary of the Company in November 2018. 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. Lam has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2018.

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, 35th Floor, 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) concern 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 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 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 2018, there had been no significant change in the Company's constitutional documents.

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 2018.

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 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 6, Management Discussion and Analysis on pages 7 to 8, Review of Operations on pages 9 to 11, Environmental, Social and Governance Report on pages 12 to 25, and Notes 25(e) and 26 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 12 to 25 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 subsidiaries as at 31 December 2018 are set out in Note 14 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 109 of this Annual Report.

DIVIDEND

The Board has recommended declaring a final dividend of 1.0 HK cent (2017: 1.0 HK cent) per share representing a total of 1.0 HK cent (2017: 1.0 HK cent) per share for the year ended 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 June 2019 to Friday, 28 June 2019 (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 "2019 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 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 June 2019.

Subject to the shareholders approving the recommended final dividend at the 2019 AGM of the Company, such dividend will be payable on or around Monday, 22 July 2019 to shareholders whose names appear on the register of members of the Company on Friday, 12 July 2019. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019 (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 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 July 2019.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 25(c) to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$159,000 (2017: HK$259,000).

FIXED ASSETS

Movements in fixed assets 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 25(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. Yao Xiangjun *(Chairman)*
(resigned on 4 September 2018)

Mr. Gao Wenbao *(Chairman)*
(appointed on 4 September 2018)

Ms. Ko Wing Yan, Samantha

Mr. Su Ning

Non-executive Directors:

Ms. Yang Xiaoping

Mr. Dong Xue

Mr. Yuan Feng

Independent Non-executive Directors:

Mr. Fung, Yuk Kan Peter

Mr. Chu, Howard Ho Hwa

Mr. Hou Ziqiang

The term of office of Mr. Gao Wenbao, Mr. Su Ning, Ms. Yang Xiaoping, Mr. Dong Xue and Mr. Yuan Feng will expire on 27 April 2019.

In accordance with Bye-law 99 of the Bye-laws, Ms. Ko Wing Yan, Samantha and Mr. Hou Ziqiang will retire by rotation at the forthcoming annual general meeting (the "AGM"), and in accordance with Bye-law 102(B) of the Bye-laws, the re-appointed and/or newly appointed Directors 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 2018, 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:

(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%

(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
Yao Xiangjun (Note 2)	Personal Interest	100,000	0.0003%
Gao Wenbao (Note 3)	Personal Interest	90,700	0.0003%
Su Ning	Personal Interest	30,000	0.0001%
Yang Xiaoping	Personal Interest	121,200	0.0003%
Dong Xue	Personal Interest	355,400	0.0010%
Yuan Feng	Personal Interest	47,000	0.0001%

Notes:

1. BOE subscribed 400,000,000 shares, representing 54.41% of the issued share capital of the Company.
2. Mr. Yao Xiangjun resigned as an Executive Director and the Chairman of the Board on 4 September 2018.
3. Mr. Gao Wenbao was appointed as an Executive Director and the Chairman of the Board 4 September 2018.
4. All the interests disclosed above represent long positions.

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below, as at 31 December 2018, 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 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 2018, 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. Further details are set out in the Company's announcement dated 24 January 2019.

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 27,761,520 (after deducting the 4,500,000 shares options granted on 24 January 2019), representing 3.78% 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 2018 represents Nil% (2017: 1.07%) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 24 to the financial statements.

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 2018, 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	54.41%
Ko Chun Shun, Johnson	Beneficial owner	56,551,000 (Note 2)	–	56,551,000	7.69%
Rockstead Technology Limited	Interest of controlled corporation	43,951,000 (Note 2)	–	43,951,000	5.98%

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 43,951,000 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 2018, 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 2018.

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 2019 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 90,700 A shares of BOE, Mr. Su Ning ("Mr. Su") held 30,000 A shares of BOE, Ms. Yang Xiaoping ("Ms. Yang") held 121,200 A shares of BOE, Mr. Dong Xue ("Mr. Dong") held 355,400 A shares of BOE, and Mr. Yuan Feng ("Mr. Yuan") held 47,000 A shares of BOE. In addition, Mr. Gao is the chief executive officer of Display and Sensor Business Group of BOE. Mr. Su is the general manager of the application business department of Beijing BOE Display Technology Co., Ltd., a subsidiary of BOE. Ms. Yang is a vice president and a deputy financial controller of BOE, and a director or supervisor of a number of subsidiaries of BOE. Mr. Dong is a senior vice president and the chief technical officer for display panel business of BOE. Mr. Yuan is a vice president and the CBMO deputy director of BOE.

Mr. Gao, Mr. Su, Ms. Yang, Mr. Dong and Mr. Yuan 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 transaction 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 54.41% of the issued share capital of the Company.

(a) Continuing Connected Transactions

(1) Master Purchase Agreement and Master Subcontracting 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 the BOE Group to provide subcontracting services of manufacturing TFT/TP modules and other products on a non-exclusive basis; 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 BOE and its subsidiaries (the "BOE Group") up to 31 December 2018.

Pursuant to the approval obtained at the special general meeting of the Company held on 29 December 2016, 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		
	2016	2017	2018
	HK$ million	HK$ million	HK$ million
Subcontracting Transactions	10	73	138
Purchase Transactions	133	702	1,229

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.

On 22 November 2018, in view of the expiration of the Master Subcontracting Agreement and the Master Purchase Agreement on 31 December 2018, the Company therefore entered into the Renewed Master Subcontracting Agreement and the Renewed Master Purchase Agreement, pursuant to which the Company and BOE have agreed to extend the terms of the agreements to 31 December 2021.

Pursuant to the approval obtained at the special general meeting of the Company held on 10 January 2019, the annual caps under the Renewed Master Subcontracting Agreement and the Renewed Master Purchase Agreement for the three years are as follows:

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

The total amounts of the Subcontracting Transactions during the years 2017 and 2018 are HK$13,978,000 and HK$632,000 respectively. The total amounts of the Purchase Transactions during the years 2017 and 2018 are HK$442,874,000 and HK$495,735,000 respectively.

(2) Tenancy Agreement, Management Agreement, Utilities Agreement and Computer Integrated Manufacturing (the "CIM") System Management Agreement

On 13 January 2017, the Group entered into the tenancy agreement (the "Tenancy Agreement"), the management agreement, the utilities agreement and the CIM system management agreement (the "Related Agreements") for a term from 15 January 2017 to 31 December 2019 whereby (i) Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly-owned subsidiary of BOE, has agreed to lease the premises to the Group; and (ii) Chengdu BOE has agreed to provide (a) management service, (b) utilities and (c) optional CIM system management service for the Group in connection with the lease of the premises.

Pursuant to the Tenancy Agreement and the Related Agreements on an aggregate basis, the annual caps for the total estimated annual payment (comprising the rental, management fee, utilities fee and optional CIM system management fee) for the relevant periods in 2017, 2018 and 2019 are as follows:

	For the periods from 15 January 2017 to 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)	For the year ending 31 December 2019 (RMB)
Total payment under the Tenancy Agreement	971,494.09	1,009,485.48	1,009,485.48
Total payment under the Management Agreement	1,333,671.95	2,041,383.48	2,041,383.48
Total payment under the CIM System Management Agreement	461,217.50	997,516.92	997,516.92
Sub-total	2,766,383.54	4,048,385.88	4,048,385.88
Estimated total payment under the Utilities Agreement	4,970,000.00	8,320,000.00	8,320,000.00
Total (Annual Caps)	7,736,383.54	12,368,385.88	12,368,385.88

The total annual payment (comprising the rental, management fee, utilities fee and optional CIM system management fee) for the year ended 31 December 2018 is HK$10,063,000 (equivalent to approximately RMB8,827,000).

As a result of integration of the TFT modules manufacturing process, the Tenancy and the Related Agreements were terminated on 14 February 2019 (as set out in below.

(3) The Termination Agreement, The New Tenancy Agreement and The Assets Lease Agreement

On 14 February 2019, Chengdu BOE Vehicle Display Technology Co. Ltd., (the "Chengdu Vx") entered into the termination agreement, new tenancy agreement and 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.

The premises (a total construction floor area of approximately 4,210.40 square metres) has been leased to the Group since 13 January 2017 under the Tenancy Agreement and the Related Agreements for the operation of the lease assets for TFT modules assembly. 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 termination agreement for the premises and the new tenancy agreement for the new premises are beneficial to the Group for cost-saving purpose.

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 to report on the continuing connected transaction in relation to Master Purchase Agreement and Master Subcontracting Agreement, and the Tenancy Agreement and the Related Agreements 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.

(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 29 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 2018.

EQUITY-LINKED AGREEMENTS

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes 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 2018, 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 111 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 110 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 2018, the five largest customers of the Group accounted for 41.2% of the Group's total revenue while the largest customer of the Group accounted for 22.2% of the Group's total revenue. In addition, for the year ended 31 December 2018, the five largest suppliers of the Group accounted for 30.4% of the Group's total purchases while the largest supplier of the Group accounted for 12.8% 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.

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

With effect from 4 September 2018, Mr. Yao Xiangjun resigned as an Executive Director and the Chairman of the Board and ceased as the chairman of the nomination committee (the "NC") and a member of the remuneration committee (the "RC") of the Company.

With effect from 4 September 2018, Mr. Gao Wenbao was appointed as an Executive Director and the Chairman of the Board, the chairman of the NC and a member of the RC.

Ms. Ko Wing Yan, Samantha was redesignated from a Co-chief Executive Officer of the Company to the Vice Chairlady of the Company; and Mr. Su Ning was redesignated from a Co-chief Executive Officer of the Company to the Chief Executive Officer of the Company, both with effect from 1 January 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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, 26 March 2019

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 55 to 109, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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(t).

The Key Audit Matter	How the matter was addressed in our audit
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. 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. 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. 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.	Our audit procedures to assess the timing of revenue recognition included the following: – obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition; – 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; – 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 – inspecting underlying documentation for manual journal entries relating to revenue which were considered to be material or met other specific risk-based criteria.

VALUATION OF INVENTORIES

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

The Key Audit Matter

The Group held significant inventories as at 31 December 2018, 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 inventory items, on a sample basis, at the reporting date and comparing their carrying value with their subsequent selling prices as indicated in sales invoices subsequent to the reporting date; 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.

LOSS ALLOWANCE FOR TRADE RECEIVABLES

Refer to notes 19 and 26(a) to the consolidated financial statements and the accounting policies notes 1(m) and 1(j).

The Key Audit Matter	How the matter was addressed in our audit
The Group held significant trade receivables as at 31 December 2018, which comprised a large number of individual balances. 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. Management has implemented internal controls to monitor credit control, collection of trade receivables and follow up of overdue balances. Management measures the loss allowance required at each reporting date at an amount equal to the life time expected credit losses based on estimated loss rates for each category of receivables. 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 customer-specific conditions. Such assessment involves significant management judgement and estimation. 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 allowances for doubtful debts.	Our audit procedures to assess the loss allowance for trade receivables included the following: – 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, segmentation of trade receivables and estimate of expected credit losses; – 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 credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; – assessing the reasonableness of the Group's loss allowance estimates by examining the information used by management to form such judgements, 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; – assessing whether items were correctly categorised in the trade receivables ageing report by comparing a sample of individual items with the underlying goods delivery notes, sales invoices and other relevant underlying documentation; and – comparing, on a sample basis, cash receipts from debtors subsequent to the financial year relating to trade receivable balances at 31 December 2018 with bank-in slips.

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 HKSAs 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 HKSAs, 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, related safeguards.

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

26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Revenue	3	**3,177,359**	2,879,159
Other operating income	4	**45,787**	36,620
Change in inventories of finished goods and work in progress		**3,489**	204,121
Raw materials and consumables used		**(2,212,772)**	(2,169,769)
Staff costs		**(550,795)**	(511,855)
Depreciation	12	**(106,823)**	(99,609)
Other operating expenses		**(330,083)**	(318,039)
Profit from operations		**26,162**	20,628
Finance costs	5(a)	**–**	(50)
Share of losses of an associate		**(606)**	(297)
Profit before taxation	5	**25,556**	20,281
Income tax (expense)/credit	6(a)	**(8,423)**	1,832
Profit for the year attributable to equity shareholders of the Company		**17,133**	22,113
Earnings per share (in HK cents)	10		
Basic		**2.3 cents**	3.0 cents
Diluted		**2.3 cents**	3.0 cents

The notes on pages 60 to 109 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 25(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Profit for the year		**17,133**	22,113
Other comprehensive income for the year (after tax and reclassification adjustments):	9		
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income: net movement in fair value reserve (non-recycling)		**64**	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments: net movement in the exchange reserve		**(49,366)**	63,134
Debt securities: net movement in the fair value reserve (recycling)		**(3,496)**	2,224
Other comprehensive income for the year		**(52,798)**	65,358
Total comprehensive income for the year attributable to equity shareholders of the Company		**(35,665)**	87,471

The notes on pages 60 to 109 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		**530,678**	491,169
– Interest in leasehold land held for own use under operating leases		**8,520**	9,678
		539,198	500,847
Interest in an associate	15	**3,636**	4,436
Intangible assets	13	**5,899**	–
Other financial assets	17	**3,132**	13,069
Non-current deposits	19	**53,065**	63,010
Deferred tax assets	22(b)	**10,348**	10,348
		615,278	591,710
Current assets			
Inventories	18	**730,571**	803,152
Trade and other receivables, deposits and prepayments and other contract costs	19	**786,951**	850,855
Other financial assets	17	**–**	20,700
Current tax recoverable	22(a)	**6,266**	1,013
Fixed deposits with more than three months to maturity when placed	20	**–**	222,137
Cash and cash equivalents	20	**1,340,107**	980,402
		2,863,895	2,878,259
Current liabilities			
Trade and other payables	21	**694,534**	656,784
Current tax payable	22(a)	**1,083**	32
Deferred income	23	**5,331**	1,344
		700,948	658,160

	Note	2018 $'000	2017 $'000
Net current assets		**2,162,947**	2,220,099
Total assets less current liabilities		**2,778,225**	2,811,809
Non-current liabilities			
Deferred tax liabilities	22(b)	**8,195**	8,162
Deferred income	23	**11,006**	1,606
		19,201	9,768
NET ASSETS		**2,759,024**	2,802,041
CAPITAL AND RESERVES			
Share capital	25(c)	**183,794**	183,794
Reserves		**2,575,230**	2,618,247
TOTAL EQUITY		**2,759,024**	2,802,041

Approved and authorised for issue by the board of directors on 26 March 2019.

Gao Wenbao
Director

Ko Wing Yan, Samantha
Director

The notes on pages 60 to 109 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company								
		Share capital (note 25(c)) $'000	Share premium (note 25(d)(i)) $'000	Exchange reserve (note 25(d)(iii)) $'000	Fair value reserve (recycling) (note 25(d)(iv)) $'000	Capital reserve (note 25(d)(vi)) $'000	Other reserves (note 25(d)(vii)) $'000	Contributed surplus (note 25(d)(ii)) $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2017		183,764	1,306,815	(32,243)	(488)	17,927	21,549	720,191	514,092	2,731,607
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	–	–	22,113	22,113
Other comprehensive income	9	–	–	63,134	2,224	–	–	–	–	65,358
Total comprehensive income		–	–	63,134	2,224	–	–	–	22,113	87,471
Dividends approved in respect of the previous year	25(b)(ii)	–	–	–	–	–	–	–	(18,376)	(18,376)
Issuance of shares upon exercise of share options	25(c)(ii)	30	770	–	–	(114)	–	–	–	686
Equity settled share-based transactions		–	–	–	–	653	–	–	–	653
		30	770	–	–	539	–	–	(18,376)	(17,037)
Balance at 31 December 2017		183,794	1,307,585	30,891	1,736	18,466	21,549	720,191	517,829	2,802,041

	Note	Attributable to shareholders of the Company									
		Share capital (note 25(c)) $'000	Share premium (note 25(d)(i)) $'000	Exchange reserve (note 25(d)(iii)) $'000	Fair value reserve (recycling) (note 25(d)(iv)) $'000	Fair value reserve (non-recycling) (note 25(d)(v)) $'000	Capital reserve (note 25(d)(vi)) $'000	Other reserves (note 25(d)(vii)) $'000	Contributed surplus (note 25(d)(ii)) $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2018		183,794	1,307,585	30,891	1,736	–	18,466	21,549	720,191	517,829	2,802,041
Impact of initial application of HKFRS 9		–	–	–	1,760	(1,760)	–	–	–	–	–
Adjusted balance at 1 January 2018		183,794	1,307,585	30,891	3,496	(1,760)	18,466	21,549	720,191	517,829	2,802,041
Changes in equity for 2018:											
Profit for the year		–	–	–	–	–	–	–	–	17,133	17,133
Other comprehensive income	9	–	–	(49,366)	(3,496)	64	–	–	–	–	(52,798)
Total comprehensive income		–	–	(49,366)	(3,496)	64	–	–	–	17,133	(35,665)
Dividends approved in respect of the previous year	25(b)(ii)	–	–	–	–	–	–	–	–	(7,352)	(7,352)
Disposal of equity securities at fair value through other comprehensive income		–	–	–	–	1,696	–	–	–	(1,696)	–
Release upon lapse of share options	24(b)	–	–	–	–	–	(18,466)	–	–	18,466	–
		–	–	–	–	1,696	(18,466)	–	–	9,418	(7,352)
Balance at 31 December 2018		183,794	1,307,585	(18,475)	–	–	–	21,549	720,191	544,380	2,759,024

The notes on pages 60 to 109 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Operating activities			
Cash generated from/(used in) operations	20(b)	**245,513**	(343,479)
Tax (paid)/refunded			
– Hong Kong Profits Tax refunded		**–**	16,882
– People's Republic of China ("PRC") income taxes paid		**(5,673)**	(1,468)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC		**(6,921)**	(3,865)
Net cash generated from/(used in) operating activities		**232,919**	(331,930)
Investing activities			
Proceeds from disposal of fixed assets		**143**	–
Payment for the purchase of fixed assets		**(154,770)**	(249,777)
Government grants received relating to acquisition of property, plant and equipment		**24,847**	5,049
Payment for the costs of enterprise reporting system implementation		**(8,510)**	(6,731)
Payment for the purchase of certificates of deposits		**(14,907)**	(20,624)
Proceeds from redemption of certificates of deposits		**32,900**	10,260
Placement of fixed deposits with more than three months to maturity when placed		**(515,900)**	(918,337)
Proceeds from redemption of fixed deposits with more than three months to maturity when placed		**737,589**	1,326,931
Proceeds from redemption of held-to-maturity debt securities		**–**	44,405
Proceeds from disposal of non-listed available-for-sale equity securities and associated loans receivable		**15,500**	15,500
Proceeds from disposal of available-for-sale debt securities		**12,042**	–
Proceeds from disposal of equity securities		**359**	–
Interest received		**20,521**	23,335
Net cash generated from investing activities		**149,814**	230,011
Financing activities			
Issuance of shares upon exercise of share options	25(c)(ii)	**–**	686
Repayment of bank loans		**–**	(8,890)
Interest paid		**–**	(50)
Dividends paid		**(7,352)**	(18,376)
Net cash used in financing activities		**(7,352)**	(26,630)
Net increase/(decrease) in cash and cash equivalents		**375,381**	(128,549)
Cash and cash equivalents at 1 January		**980,402**	1,098,672
Effect of foreign exchange rates changes		**(15,676)**	10,279
Cash and cash equivalents at 31 December	20(a)	**1,340,107**	980,402

The notes on pages 60 to 109 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 2018 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as investments in debt and equity securities are stated at their fair value (see note 1(f)).

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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, ***Financial instruments***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The Group made an election to designate the investment in equity securities at FVOCI (non-recycling). Debt securities were designated at FVOCI (recycling).

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 $'000	Reclassification $'000	HKFRS 9 carrying amount at 1 January 2018 $'000
Financial assets measured at FVOCI (non-recycling)			
Equity securities (note (i))	–	296	296
Financial assets carried at FVOCI (recycling)			
Debt securities (note (ii))	–	12,773	12,773
Financial assets classified as available-for-sale under HKAS 39 (notes (i), (ii))	13,069	(13,069)	–
Fair value reserve (recycling)	1,736	1,760	3,496
Fair value reserve (non-recycling)	–	(1,760)	(1,760)

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its equity investment at FVOCI (non-recycling), as the investment is held for strategic purposes.

(ii) Under HKAS 39, debt securities were classified as available-for-sale financial assets. These assets continue to be measured at FVOCI (recycling) under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (j)(i) and (m).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– debt securities measured at FVOCI (recycling); and

– financial guarantee contracts issued;

There is no material impact in the amount of ECL recognised as at 1 January 2018 as a result of the adoption of HKFRS 9.

For further details on the Group's accounting policy for accounting for credit losses, see note 1(j)(i) and (ii).

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods. Taking into account the contract terms and the Group's business practice, revenue from the sales of goods continues to be recognised when the goods were delivered to the customers' premises.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(t)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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 (see note 1(l)).

To reflect these changes in presentation, at 1 January 2018, the Group has reclassified advances received amounting to $16,222,000, which were previously included in "accrued charges and other payable" under trade and other payables to "contract liabilities" under trade and other payables (note 21).

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries

Subsidiaries are 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.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associate (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued.

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) 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 26(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– 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(t)(iii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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 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 in accordance with the policy set out in note 1(t)(ii).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in debt and equity securities (continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(j)(i)(B) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(t)(ii) and 1(t)(iii), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(j)(i)(B) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Property, plant and equipment

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

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:

– 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.

(h) Intangible assets (other than goodwill)

Other intangible assets 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(j)).

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. Both the period and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the lease term.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates); and

– debt securities measured at FVOCI (recycling);

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

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).

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

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, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(iii) 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.

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 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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– 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 debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

  Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(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 within "trade and other payables" 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (continued)

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

(A) Policy applicable from 1 January 2018

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 amount carried in "trade and other payables" 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(j)(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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(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 an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (continued)

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

– *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).

– *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(j)(i) and (ii)).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(t)). 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(m)).

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(t)).

Policy prior to 1 January 2018

In the comparative period, amounts received before the related work was performed were presented as "advances received" under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in note 21 (see note 1(c)(ii)).

(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(k)), property, plant and equipment (see note 1(g)) or intangible assets (see note 1(h)).

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 relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. 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(t).

(m) 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(j)(i)).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Loans receivable

Loans receivable are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired (see note 1(j)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(j)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) 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 expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

(q) 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 Black-Scholes 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).

(iii) 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.

(r) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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.

(s) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

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

(i) Sale of goods

Revenue is recognised 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.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' designated location, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership, irrespective of whether the products had been made-to-order or were standardised.

(ii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) 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(j)(i)).

(iv) 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.

(u) Research and development

Research and development expenditure is recognised as an expense in the period in which it is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 asset 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 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.

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.

(w) Borrowing costs

Borrowings costs are expensed in the period in which they are incurred.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 17, 24 and 26(d) contain information about assumptions and their risk factors relating to valuation of other financial assets, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(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(k). 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.

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 one customer with whom transactions have exceeded 10% of the Group's revenues in 2018 (2017: two). In 2018 revenues from sales to that customer in terms of sales amount, including sales to entities which are known to the Group to be under common control with that customer, amounted to approximately $704,248,000 (2017: $902,327,000). Details of concentrations of credit risk are set out in note 26(a).

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

4. OTHER OPERATING INCOME

	2018 **$'000**	2017 $'000
Interest income from listed debt securities	**337**	294
Other interest income	**21,370**	21,390
Net gain on disposal of fixed assets	**31**	–
Gain on disposal of debt securities	**2,718**	–
Net exchange (loss)/gain	**(938)**	1,229
Government grants (note)	**19,581**	10,688
Other income	**2,688**	3,019
	45,787	36,620

Note: The amount mainly represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing of $7,994,000 (2017: $8,490,000) and amortisation of government grant received from the PRC authorities in relation to acquiring machineries of $11,587,000 (2017: $2,198,000). There are no unfulfilled conditions attaching to these government grants.

5. PROFIT BEFORE TAXATION

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

		2018 **$'000**	2017 (Note) $'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	**–**	50
(b)	**Allowance recognised/ (reversed)**		
	Trade and other receivables in respect of:		
	– expected credit loss allowance	**393**	(953)
	– allowance for sales returns	**(166)**	1,595
(c)	**Other items**		
	Cost of inventories (note 18(b))	**2,662,427**	2,467,474
	Amortisation of intangible assets	**385**	–
	Auditors' remuneration:		
	– audit services fees	**3,627**	2,878
	– non-audit services fees	**1,615**	1,183
	Research and development costs	**224,816**	213,147
	Operating lease charges: minimum lease payments – hire of assets (including property rentals)	**12,281**	7,798
	Contributions to defined contribution retirement plans	**43,047**	38,094
	Equity settled share-based payment expenses	**–**	653

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method, comparative information is not restated. See note 1(c).

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

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

	2018 $'000	2017 $'000
Current tax – the PRC income taxes		
Provision for the year	–	12,450
Under/(over)-provision in respect of prior years	1,707	(10,105)
	1,707	2,345
Current tax – Jurisdictions outside Hong Kong and the PRC		
Provision for the year	5,304	3,169
Under-provision in respect of prior years	1,381	5
	6,685	3,174
Deferred tax		
Origination and reversal of temporary differences (note 22(b))	31	(7,351)
	8,423	(1,832)

(i) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 2017 and 2018.

Chengdu BOE Vehicle Display Technology Co., Ltd and Hefei BOE Vehicle Display Technology Co., Ltd, subsidiaries that were incorporated in 2017 and 2018 respectively, 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%.

(ii) 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/(credit) and accounting profit at applicable tax rates:

	2018 $'000	2017 $'000
Profit before taxation	25,556	20,281
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	2,669	(3,925)
Tax effect of non-deductible expenses	9,187	11,658
Tax effect of non-taxable income	(7,994)	(3,809)
Tax effect of unused tax losses not recognised	2,746	3,394
Under/(over)-provisions in respect of prior years	3,088	(10,100)
Others	(1,273)	950
Actual tax expense/(credit)	8,423	(1,832)

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 2018

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive Directors							
Gao Wenbao	–	–	–	–	–	–	–
Ko Wing Yan, Samantha	–	2,400	–	18	2,418	–	2,418
Yao Xiangjun	–	976	–	120	1,096	–	1,096
Su Ning	–	600	440	180	1,220	–	1,220
Non-executive Directors							
Yang Xiaoping	200	–	–	–	200	–	200
Dong Xue	200	–	–	–	200	–	200
Yuan Feng	200	–	–	–	200	–	200
Independent non-executive Directors							
Hou Ziqiang	200	–	–	–	200	–	200
Fung, Yuk Kan Peter	200	–	–	–	200	–	200
Chu, Howard Ho Hwa	200	–	–	–	200	–	200
Total	1,200	3,976	440	318	5,934	–	5,934

Year ended 31 December 2017

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive Directors							
Ko Wing Yan, Samantha	–	2,400	200	18	2,618	159	2,777
Yao Xiangjun	–	2,400	–	81	2,481	–	2,481
Su Ning	–	1,200	54	–	1,254	–	1,254
Non-executive Directors							
Yang Xiaoping	200	–	–	–	200	–	200
Dong Xue	200	–	–	–	200	–	200
Yuan Feng	200	–	–	–	200	–	200
Independent non-executive Directors							
Hou Ziqiang	200	–	–	–	200	24	224
Fung, Yuk Kan Peter	200	–	–	–	200	–	200
Chu, Howard Ho Hwa	200	–	–	–	200	–	200
Total	1,200	6,000	254	99	7,553	183	7,736

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are Directors, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 $'000	2017 $'000
Salaries and allowances	5,483	5,424
Retirement scheme contributions	222	240
	5,705	5,664

The emoluments of the three (2017: three) individuals with the highest emoluments are within the following bands:

	2018 Number of individual	2017 Number of individual
$500,001 – $1,500,000	1	1
$1,500,001 – $2,500,000	1	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:

	2018 $'000	2017 $'000
Foreign currency translation adjustments:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(49,366)	63,134
Debt securities:		
Changes in fair value recognised during the year	(3,496)	2,224
Equity securities:		
Changes in fair value recognised during the year	64	–

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $17,133,000 (2017: $22,113,000) and the weighted average number of shares of 735,175,204 shares (2017: 735,071,943 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	735,175,204	735,055,204
Effect of share options exercised	–	16,739
Weighted average number of ordinary shares at 31 December	735,175,204	735,071,943

(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 $17,133,000 (2017: $22,113,000) and the weighted average number of shares of 735,175,204 shares (2017: 735,071,943 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares (diluted) at 31 December	735,175,204	735,071,943

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

(b) Geographic information

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

(i) Group's revenues from external customers

	2018 $'000	2017 $'000
The PRC (place of domicile)	**1,170,083**	922,977
Europe	**1,316,099**	1,257,312
America	**262,909**	267,634
Korea	**125,618**	152,001
Others	**302,650**	279,235
	2,007,276	1,956,182
Consolidated revenue	**3,177,359**	2,879,159

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

	2018 $'000	2017 $'000
Germany	**365,146**	318,047
Czech Republic	**256,357**	207,106
France	**123,199**	114,835
United Kingdom	**86,089**	126,249
Italy	**69,382**	62,289
Other European countries	**415,926**	428,786
	1,316,099	1,257,312

(ii) Group's specified non-current assets

	2018 $'000	2017 $'000
The PRC (place of domicile)	**541,682**	497,092
Korea	**3,636**	4,436
Others	**3,415**	3,755
	548,733	505,283

12. FIXED ASSETS

	Land and buildings held for own use $'000	Plant, machinery, tools and equipment $'000	Others $'000	Construction in-progress $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost							
At 1 January 2017	176,715	1,153,505	158,417	–	1,488,637	15,456	1,504,093
Exchange adjustments	12,693	62,555	8,677	–	83,925	1,104	85,029
Additions	16,257	145,575	8,165	39,351	209,348	–	209,348
Disposals	–	(1,241)	(710)	–	(1,951)	–	(1,951)
At 31 December 2017	205,665	1,360,394	174,549	39,351	1,779,959	16,560	1,796,519
At 1 January 2018	**205,665**	**1,360,394**	**174,549**	**39,351**	**1,779,959**	**16,560**	**1,796,519**
Exchange adjustments	**(9,599)**	**(45,523)**	**(14,299)**	**(3,173)**	**(72,594)**	**(828)**	**(73,422)**
Additions	**7,780**	**153,610**	**10,461**	**–**	**171,851**	**–**	**171,851**
Disposals	**–**	**(4,168)**	**(914)**	**–**	**(5,082)**	**–**	**(5,082)**
Transfer	**–**	**36,178**	**–**	**(36,178)**	**–**	**–**	**–**
At 31 December 2018	**203,846**	**1,500,491**	**169,797**	**–**	**1,874,134**	**15,732**	**1,889,866**
Accumulated amortisation and depreciation:							
At 1 January 2017	50,734	962,041	123,760	–	1,136,535	5,761	1,142,296
Exchange adjustments	3,476	45,365	6,436	–	55,277	441	55,718
Charge for the year	8,449	82,844	7,636	–	98,929	680	99,609
Written back on disposals	–	(1,241)	(710)	–	(1,951)	–	(1,951)
At 31 December 2017	62,659	1,089,009	137,122	–	1,288,790	6,882	1,295,672
At 1 January 2018	**62,659**	**1,089,009**	**137,122**	**–**	**1,288,790**	**6,882**	**1,295,672**
Exchange adjustments	**(3,139)**	**(38,214)**	**(5,130)**	**–**	**(46,483)**	**(374)**	**(46,857)**
Charge for the year	**9,243**	**86,502**	**10,374**	**–**	**106,119**	**704**	**106,823**
Written back on disposals	**–**	**(4,168)**	**(802)**	**–**	**(4,970)**	**–**	**(4,970)**
At 31 December 2018	**68,763**	**1,133,129**	**141,564**	**–**	**1,343,456**	**7,212**	**1,350,668**
Net book value:							
At 31 December 2018	**135,083**	**367,362**	**28,233**	**–**	**530,678**	**8,520**	**539,198**
At 31 December 2017	143,006	271,385	37,427	39,351	491,169	9,678	500,847

12. FIXED ASSETS (CONTINUED)

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

(b) The analysis of the net book value of properties is as follows:

	2018 $'000	2017 $'000
In Hong Kong		
– medium-term leases	**225**	233
Outside Hong Kong		
– freehold	**5,839**	6,139
– medium-term leases	**137,539**	146,312
	143,378	152,451
	143,603	152,684
Representing:		
Land and buildings held for own use	**135,083**	143,006
Interest in leasehold land held for own use under operating leases	**8,520**	9,678
	143,603	152,684

13. INTANGIBLE ASSETS

	Computer software $'000
Cost:	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Additions	6,284
At 31 December 2018	6,284
Accumulated amortisation:	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Charge for the year	385
At 31 December 2018	385
Net book value:	
At 31 December 2018	5,899
At 31 December 2017	–

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

14. 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: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chengdu BOE Vehicle Display Technology Co., Ltd. #	The People's Republic of China	Paid-up registered capital of RMB305,145,455	100%	–	100%	Manufacture and sales of LCDs and related products
Hefei BOE Vehicle Display Technology Co., Ltd. #	The People's Republic of China	Paid-up registered capital of RMB68,329,246	100%	–	100%	Design, research and develop and 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
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 Finance Limited	British Virgin Islands/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Provision of financial co-ordination services for group companies
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 #	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 (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
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

#	*Name of company*	*Type of legal entity*
	Varitronix (Heyuan) Display Technology Limited	*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*

15. INTEREST IN AN ASSOCIATE

	2018 $'000	2017 $'000
Share of net assets	**2,397**	3,144
Amount due from an associate	**1,239**	1,292
	3,636	4,436

The amount due from an associate is unsecured, interest free and has no fixed repayment terms but the Group will not demand repayment within 12 months from the end of the reporting period.

Particulars of the associate

Set out below are the particulars of the associate 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

16. LOANS RECEIVABLE

Loans receivable are unsecured, interest free but guaranteed by the ultimate holding company of the debtor.

The loans receivable are repayable as follows:

	2018 $'000	2017 $'000
Within 1 year*	**–**	15,500

* The current portion of loans receivable has been included in trade and other receivables (note 19).

17. OTHER FINANCIAL ASSETS

	Note	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Non-current portion				
Financial assets measured at amortised cost				
– Issued by financial institutions outside Hong Kong		**3,132**	–	–
Financial assets measured at FVOCI (recycling)				
– Debt securities listed outside Hong Kong	(ii)	–	12,773	–
Equity Securities designated at FVOCI (non-recycling)				
– Listed in Hong Kong	(i), (ii)	–	296	–
Available-for-sale debt securities				
– Listed outside Hong Kong, carried at fair value	(ii)	–	–	12,773
Available-for-sale equity securities				
– Listed in Hong Kong, carried at fair value	(ii)	–	–	296
Total other non-current financial assets		**3,132**	13,069	13,069
Current portion				
Financial assets measured at amortised cost				
– Issued by financial institutions in Hong Kong		–	20,700	–
Held-to-maturity certificate of deposits				
– Issued by financial institutions in Hong Kong		–	–	20,700
Total current financial assets		–	20,700	20,700

Notes:

(i) The equity securities are shares in a company listed in Hong Kong. The Group designated its investment at FVOCI (non-recycling) as the investment was held for strategic purposes. No dividends were received on this investment during the year (2017: nil). The investment was disposed during the year.

(ii) Available-for-sale financial assets were reclassified to financial assets measured at FVOCI (recycling) and equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

18. INVENTORIES

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

	2018 $'000	2017 $'000
Raw materials	271,522	347,592
Work in progress	149,271	139,983
Finished goods	309,778	315,577
	730,571	803,152

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

	2018 $'000	2017 $'000
Carrying amount of inventories sold	2,652,055	2,464,321
Write-down of inventories	17,409	6,413
Reversal of write-down of inventories	(7,037)	(3,260)
	2,662,427	2,467,474

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

	2018 $'000	2017 $'000
Trade debtors and bills receivable, net of loss allowance	707,296	739,510
Less: Allowance for sales returns	(7,502)	(7,668)
Financial assets measured at amortised cost	699,794	731,842
Other receivables	37,747	112,332
Deposits and prepayments	67,163	69,691
Other contract costs	35,312	–
	840,016	913,865
Non-current deposits	(53,065)	(63,010)
	786,951	850,855

Non-current deposits were mainly paid for the TFT panels toolings for manufacturing TFT modules, plant and equipment and the cost of enterprise reporting system implementation. Except for the rental deposit of $1,116,000 (2017: $1,355,000), all of the current portion of trade and other receivables are expected to be recovered or recognised as expense within 12 months from the end of the reporting period.

(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, based on the invoice date and net of loss allowance and allowance for sales return, is as follows:

	2018 $'000	2017 $'000
Within 60 days of the invoice issue date	524,581	458,085
61 to 90 days after the invoice issue date	101,495	131,329
91 to 120 days after the invoice issue date	38,586	65,810
More than 120 days but less than 12 months after the invoice issue date	35,132	76,618
	699,794	731,842

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

(CONTINUED)

(a) Ageing analysis (continued)

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 26(a).

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

	2018 $'000	2017 $'000
At 1 January	**7,668**	6,073
Allowance for sales returns (reversed)/recognised	**(166)**	1,595
At 31 December	**7,502**	7,668

(b) Contract costs

Contract costs capitalised as at 31 December 2018 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. Nil amount of capitalised costs was recognised in profit or loss during the year ended 31 December 2018.

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 recovered after more than one year is $32,608,000.

20. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

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

	2018 $'000	2017 $'000
Fixed deposits with banks and other financial institutions with more than three months to maturity when placed	**–**	222,137
Fixed deposits with banks and other financial institutions with three months or less to maturity when placed	**317,139**	424,265
Cash at banks and on hand	**1,022,968**	556,137
Cash and cash equivalents	**1,340,107**	980,402

(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/(used in) operations:

	Note	2018 $'000	2017 $'000
Profit before taxation		**25,556**	20,281
Adjustments for:			
Depreciation	12	**106,823**	99,609
Amortisation	13	**385**	–
Finance costs	5(a)	**–**	50
Interest income		**(21,370)**	(21,684)
Share of losses of an associate		**606**	297
Net gain on disposal of fixed assets	4	**(31)**	–
Gain on disposal of debt securities	4	**(2,718)**	–
Equity settled share-based payment expenses	5(c)	**–**	653
Amortisation of government grants	4	**(11,587)**	(2,198)
Foreign exchange (gain)/loss		**(9,072)**	3,960
		88,592	100,968
Changes in working capital:			
Decrease/(increase) in inventories		**70,889**	(348,239)
Decrease/(increase) in trade and other receivables, deposits and prepayments and other contract costs		**46,152**	(335,620)
Increase in trade and other payables		**39,880**	239,412
Cash generated from/(used in) operations		**245,513**	(343,479)

(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.

	Bank loans $'000
At 1 January 2017	8,890
Changes from financing cash flows:	
Repayment of bank loans	(8,890)
Interest paid	(50)
Total changes from financing cash flows	(8,940)
Other change:	
Finance costs (note 5(a))	50
Total other change	50
At 31 December 2017, 1 January 2018 and 31 December 2018	–

21. TRADE AND OTHER PAYABLES

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Trade creditors	**556,431**	571,219	571,219
Accrued charges and other payables (note)	**119,673**	69,343	85,565
Contract liabilities (note)	**18,430**	16,222	–
	694,534	656,784	656,784

All creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand.

Note: As a result of the adoption of HKFRS 15, advances received are included in contract liabilities (see note 1(c)(ii)).

21. TRADE AND OTHER PAYABLES (CONTINUED)

(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:

	2018 $'000	2017 $'000
Within 60 days of supplier invoice date	**475,836**	522,201
61 to 120 days after supplier invoice date	**72,250**	45,995
More than 120 days but within 12 months after supplier invoice date	**7,275**	2,707
More than 12 months after supplier invoice date	**1,070**	316
	556,431	571,219

(b) Movements in contract liabilities

	2018 $'000
Balance at 1 January	**16,222**
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	**(16,222)**
Increase in contract liabilities as a result of receiving advances from customers during the year	**18,430**
Balance at 31 December	**18,430**

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. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 $'000	2017 $'000
Taxation in respect of PRC income taxes	**(4,975)**	(1,009)
Taxation in respect of jurisdictions outside Hong Kong and the PRC	**(208)**	28
	(5,183)	(981)
Representing:		
Current tax recoverable	**(6,266)**	(1,013)
Current tax payable	**1,083**	32
	(5,183)	(981)

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(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	Provisions $'000	Unremitted earnings $'000	Future benefits of tax losses $'000	Total $'000
Deferred tax arising from:					
At 1 January 2017	383	(220)	7,000	(2,006)	5,157
Charged/(credited) to profit or loss (note 6(a))	266	–	–	(7,617)	(7,351)
Exchange difference	8	–	–	–	8
At 31 December 2017	657	(220)	7,000	(9,623)	(2,186)
At 1 January 2018	**657**	**(220)**	**7,000**	**(9,623)**	**(2,186)**
Charged to profit or loss (note 6(a))	**31**	**–**	**–**	**–**	**31**
Exchange difference	**2**	**–**	**–**	**–**	**2**
At 31 December 2018	**690**	**(220)**	**7,000**	**(9,623)**	**(2,153)**

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

	2018 $'000	2017 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(10,348)**	(10,348)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**8,195**	8,162
	(2,153)	(2,186)

22. 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(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $61,888,000 (2017: $50,583,000) 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. None of the tax losses expire under the current tax legislation.

23. DEFERRED INCOME

	2018 $'000	2017 $'000
Current portion	5,331	1,344
Non-current portion	11,006	1,606
	16,337	2,950

During the year ended 31 December 2018, the Group received government grants of RMB21,881,000 (approximately HK$24,847,000) (2017: RMB4,353,000 (approximately HK$5,049,000)) 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 2018, RMB10,014,000 (approximately HK$11,587,000) (2017: RMB1,894,000 (approximately HK$2,198,000)) of the grants were released to profit or loss.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Two share option schemes of the Company were adopted on 12 May 2003 (the "old Scheme") and 3 June 2013 (the "existing Scheme") respectively 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 each 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 each of the two share option schemes. The options under these two share option schemes are exercisable for a period of ten years from the date of grant.

On 9 July 2015, the Company granted 8,600,000 share options to the Participants under the existing Scheme. Each share option entitles the holder to subscribe for one share of $0.25 of the Company at an exercise price of $5.72. 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 August 2018. Among the 8,600,000 share options granted, 5,900,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 9 July 2015.

(expressed in Hong Kong dollars unless otherwise indicated)

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) 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
Options granted to directors:			
– 9 July 2015	5,900,000	Exercisable in three tranches immediately from 1 September of each year from 2015 to 2017	Expire at the close of business on 31 August 2018
Options granted to employees:			
– 9 July 2015	2,700,000	Exercisable in three tranches immediately from 1 September of each year from 2015 to 2017	Expire at the close of business on 31 August 2018

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

	2018		2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$5.72**	**7,850,000**	$5.72	7,970,000
Exercised during the year	**N/A**	**–**	$5.72	(120,000)
Lapsed during the year	**$5.72**	**(7,850,000)**	N/A	–
Outstanding at the end of the year	**N/A**	**–**	$5.72	7,850,000
Exercisable at the end of the year		**–**		7,850,000

The weighted average share price at the date of exercise for share options exercised during the year was ended 31 December 2017 was $6.73.

The options outstanding at 31 December 2017 had an exercise price of $5.72 and a weighted average remaining contractual life of 0.67 years.

During the year ended 31 December 2018, 7,850,000 share options have lapsed. The value of vested options which lapsed during the current year was amounting to $18,466,000 and was released directly to retained profits.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is 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.

Fair value of and assumptions for share options granted on 9 July 2015	
Fair value at measurement date	\$0.91
Share price	\$5.65
Exercise price	\$5.72
Weighted average volatility	35.71%
Weighted average share option life	3.14 years
Expected dividends	7.17%
Risk-free interest rate (based on Exchange Fund Notes)	0.65%

The expected volatility is 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.

25. 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	Share premium (Note 25(d)(i))	Contributed surplus (Note 25(d)(ii))	Capital reserve (Note 25(d)(vi))	Retained profits	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017		183,764	1,306,815	771,827	17,927	256,850	2,537,183
Changes in equity for 2017:							
Final dividends approved in respect of the previous year	25(b)(ii)	–	–	–	–	(18,376)	(18,376)
Profit and total comprehensive income for the year		–	–	–	–	852	852
Issuance of shares under share option scheme	25(c)(ii)	30	770	–	(114)	–	686
Equity settled share-based transactions		–	–	–	653	–	653
Balance at 31 December 2017		183,794	1,307,585	771,827	18,466	239,326	2,520,998
Balance at 1 January 2018		**183,794**	**1,307,585**	**771,827**	**18,466**	**239,326**	**2,520,998**
Changes in equity for 2018:							
Final dividends approved in respect of the previous year	25(b)(ii)	**–**	**–**	**–**	**–**	**(7,352)**	**(7,352)**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**92**	**92**
Release upon lapse of share options	24(b)	**–**	**–**	**–**	**(18,466)**	**18,466**	**–**
Balance at 31 December 2018		**183,794**	**1,307,585**	**771,827**	**–**	**250,532**	**2,513,738**

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2018 $'000	2017 $'000
Final dividend proposed after the end of reporting period of 1.0 HK cent (2017: 1.0 HK cent) per share	**7,352**	7,352

The final dividend proposed after the end of the reporting period has not been recognised as a liability 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

	2018 $'000	2017 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent (2017: 2.5 HK cents) per share	**7,352**	18,376

(c) Share capital

(i) Authorised and issued share capital

	2018		2017	
	No. of shares '000	Amount $'000	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.25 each	**800,000**	**200,000**	800,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January	**735,175**	**183,794**	735,055	183,764
Issuance of shares under share option scheme	**–**	**–**	120	30
At 31 December	**735,175**	**183,794**	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 2018, no options have been exercised (2017: options have been exercised to subscribe for 120,000 ordinary shares in the Company at a consideration of $686,000 of which $30,000 was credited to share capital and the balance of $656,000 was credited to the share premium account. $114,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(q)(ii)).

25. 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. However, the Directors have no current intention to distribute this surplus.

(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(v).

(iv) Fair value reserve (recycling)

Prior to 1 January 2018, the fair value reserve (recycling) included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. From 1 January 2018, the amount comprises the cumulative net change in the fair value of debt securities designated at FVOCI. The amount related to equity securities designated at FVOCI has been reclassified to fair value reserve (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity securities designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(c)(i)).

(vi) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(q)(ii).

(vii) 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.

(viii) Distributability of reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to shareholders of the Company was $1,022,359,000 (2017: $1,011,153,000).

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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 the light of changes in economic conditions.

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 interest-bearing loans and borrowings and trade and other payables) plus unaccrued proposed dividends, less trading securities, fixed deposits with banks and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a stable net debt-to-adjusted capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratios at 31 December 2018 and 2017 are as follows:

	Note	2018 $'000	2017 $'000
Current liabilities			
Trade and other payables	21	**694,534**	656,784
Total debt		**694,534**	656,784
Add: Proposed dividends		**7,352**	7,352
Fixed deposits with banks and other financial institutions with more than three months to maturity when placed	20	**–**	(222,137)
Cash and cash equivalents	20	**(1,340,107)**	(980,402)
Net cash		**(638,221)**	(538,403)
Total equity		**2,759,024**	2,802,041
Less: Proposed dividends		**(7,352)**	(7,352)
Adjusted capital		**2,751,672**	2,794,689
Adjusted net debt-to-capital ratio		**N/A**	N/A

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

26. 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 considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 28, 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 28.

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% (2017: 28%) and 29% (2017: 33%) 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 as at 31 December 2018:

	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.3%	534,319	1,363
Less than 1 month past due	0.7%	100,638	689
1 to 12 months past due	0.2%	74,554	163
More than 12 months past due	100%	2,490	2,490
		712,001	4,705

Expected loss rates are based on actual loss experience over the past 3 years. 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.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(j)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of $5,172,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 $'000
Neither past due nor impaired	516,321
Less than 1 month past due	114,570
1 to 2 months past due	83,172
More than 2 months but less than 12 months past due	25,447
	739,510

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 **$'000**	2017 $'000
Balance at 1 January 2018 under HKFRS 9 and 1 January 2017 under HKAS 39	**5,172**	6,125
Amounts written off during the year	**(860)**	–
Impairment losses recognised/(reversed) during the year	**393**	(953)
Balance at 31 December	**4,705**	5,172

(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.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following table shows 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 being 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:

	2018 Contractual undiscounted cash outflow			2017 Contractual undiscounted cash outflow		
	Within 1 year or on demand $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	Total $'000	Carrying amount at 31 December $'000
Non-derivative liabilities:						
– Trade creditors, accrued charges and other payables	676,104	676,104	676,104	656,784	656,784	656,784

(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 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 there is necessary to address short-term imbalances.

26. 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 rates 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.

	2018 Exposure to foreign currencies (expressed in Hong Kong dollars)				2017 Exposure to foreign currencies (expressed in Hong Kong dollars)			
	United States Dollars	**Euros**	**Japanese Yen**	**Renminbi**	United States Dollars	Euros	Japanese Yen	Renminbi
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Trade and other receivables	**412,221**	**1,366**	**–**	**–**	533,623	–	–	–
Other financial assets	**–**	**–**	**–**	**–**	21,374	–	–	–
Loans receivable	**–**	**–**	**–**	**–**	15,500	–	–	–
Cash and cash equivalents	**892,433**	**815**	**10**	**12,051**	709,981	643	29,698	212
Fixed deposits with more than three months to maturity when placed	**–**	**–**	**–**	**–**	–	–	–	12,137
Trade and other payables	**(113,299)**	**(842)**	**(28,665)**	**–**	(106,915)	(2,131)	(26,450)	–
	1,191,355	**1,339**	**(28,655)**	**12,051**	1,173,563	(1,488)	3,248	12,349

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 5,637,000 and Renminbi 243,896,000 (2017: United States dollars 5,115,000 and Renminbi 293,242,000).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk (continued)

(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.

	2018		2017	
	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%**	**28,857**	10%	60,581
	(10)%	**(28,857)**	(10)%	(60,581)
Euros	**10%**	**125**	10%	(114)
	(10)%	**(125)**	(10)%	114
Japanese Yen	**10%**	**(2,393)**	10%	761
	(10)%	**2,393**	(10)%	(761)
Renminbi	**10%**	**1,205**	10%	1,235
	(10)%	**(1,205)**	(10)%	(1,235)

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 2017.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Fair values

Financial instruments carried at fair value

The following table represents the carrying value of the financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	2018 $'000	2017 $'000
Level 1		
Assets:		
Listed debt securities	–	12,773
Listed equity securities	–	296
	–	13,069

During the year there were no significant transfers between instruments in Level 1 and Level 2.

Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 2017.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) 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.

27. COMMITMENTS

(a) Capital commitments

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

	2018 $'000	2017 $'000
Contracted for	**6,672**	30,353

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 $'000	2017 $'000
Within 1 year	**8,874**	6,761
After 1 year but within 5 years	**9,913**	4,341
	18,787	11,102

All operating leases are for properties. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

28. 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 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 (2017: $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 $478,250,000 (2017: $478,250,000) as at 31 December 2018. Nil amount of the facilities were utilised as at 31 December 2018 and 2017. Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2018 and 2017, none of the covenants relating to drawn down facilities has been breached.

29. 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 and its subsidiaries other than the Group ("BOE Group"), except for disclosed elsewhere in the annual financial report.

	2018 $'000	2017 $'000
BOE Group:		
Purchase of goods from BOE Group (Note 1)	**495,735**	442,874
Subcontracting fee charged by BOE Group (Note 1)	**632**	13,978
Rental expense, management fee, utilities service fees and computer integrated manufacturing ("CIM") system fee charged by BOE Group (Note 2)	**10,063**	8,125
Purchase of fixed assets from BOE Group (Note 3)	**–**	67,962

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Recurring transactions (continued)

Notes:

(1) The transactions were conducted based on the terms as governed by the renewed master purchase agreement and master subcontracting agreement entered into between the Company and BOE on 27 October 2016. Further details are set out in the Company's announcement dated 27 October 2016. 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 tenancy agreement and the related agreements entered into between Link Score Investment Limited, a wholly owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly owned subsidiary of BOE, on 13 January 2017. Further details are set out in the Company's announcement dated 13 January 2017. The related party transactions constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(3) The transaction was conducted based on the terms as governed by the acquisition agreement entered into between Chengdu BOE Vehicle Display Technology Co., Ltd. ("Chengdu Vx"), a wholly owned subsidiary of the Company, and Chengdu BOE on 20 February 2017. Further details are set out in the Company's announcement dated 20 February 2017. The related party transaction constitutes connected transaction as defined in Chapter 14A of the Listing Rules.

(c) Balance with related parties

At 31 December 2018, included in trade and other payables were amounts due to BOE Group for the purchase cost and other expenses payable of $61,252,000 (2017: $81,560,000). Non-current deposits of $36,785,000 (2017: $38,902,000) were paid to BOE Group for the purchase of the TFT panels toolings for manufacturing TFT modules. Prepayment and rental deposits of $5,283,000 (2017: $714,000) due from BOE Group were included in trade and other receivables.

30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Investments in subsidiaries	14	**2,515,135**	2,200,046
Current assets			
Other receivables		**442**	16,232
Cash and cash equivalents		**1,561**	311,119
		2,003	327,351
Current liabilities			
Other payables		**3,390**	6,397
Current tax payable		**10**	2
		3,400	6,399
Net current (liabilities)/ assets		**(1,397)**	320,952
NET ASSETS		**2,513,738**	2,520,998
CAPITAL AND RESERVES			
Share capital	25(c)	**183,794**	183,794
Reserves	25(a)	**2,329,944**	2,337,204
TOTAL EQUITY		**2,513,738**	2,520,998

Approved and authorised for issue by the board of directors on 26 March 2019.

Gao Wenbao
Director

Ko Wing Yan, Samantha
Director

(expressed in Hong Kong dollars unless otherwise indicated)

31. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 24 January 2019, the Company has granted a total of 4,500,000 share options (the "Options") to the eligible persons including its directors and employees, to subscribe for a total of 4,500,000 ordinary shares of $0.25 each (the "Shares") of the Company at an exercise price of $2 per share. Among the 4,500,000 Options, the first 40% of the options shall be exercisable from 1 February 2020 to 31 January 2023, the second 30% of the options exercisable from 1 February 2021 to 31 January 2023, and the remaining 30% of the options exercisable from 1 February 2022 to 31 January 2023. Further details are set out in the Company's announcement dated 24 January 2019.

On 14 February 2019, Chengdu Vx, a wholly owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly-owned subsidiary of BOE, entered into a termination agreement ("Termination Agreement"), pursuant to which the Tenancy Agreement and the Related Agreements dated 13 January 2017 will be terminated with effect from 15 February 2019. Meanwhile, the two contractual parties also formed a new tenancy agreement ("New Tenancy Agreement") for a term commencing from 15 February 2019 to 31 December 2021. On the same date, Chengdu Vx and Chengdu BOE entered into an assets lease agreement ("Assets Lease Agreement") for the leasing of certain plant and equipment to Chengdu BOE for a term commencing from 15 February 2019 to 31 December 2021. The transaction contemplated under the Termination Agreement constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. Each of the transactions as contemplated under the New Tenancy Agreement and the Assets Lease Agreement constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Further details are set out in the Company's announcement dated 14 February 2019.

32. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

33. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, 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.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 16, *Leases*

As disclosed in note 1(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 27(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $18,787,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to $17,898,000 and $17,898,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Five Year Summary

(Expressed in Hong Kong dollars)

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	**2018 $'000**
Results:					
Revenue	2,613,058	2,487,820	2,247,470	2,879,159	**3,177,359**
Profit from operations	272,649	324,810	59,699	20,628	**26,162**
Finance costs	(4,858)	(3,472)	(1,197)	(50)	**–**
Share of profits/(losses) of associate	14,422	4,020	(453)	(297)	**(606)**
Profit before taxation	282,213	325,358	58,049	20,281	**25,556**
Income tax (expense)/credit	(31,771)	(24,997)	(7,526)	1,832	**(8,423)**
Profit for the year	250,442	300,361	50,523	22,113	**17,133**
Attributable to:					
Equity shareholders of the Company	250,442	300,605	50,523	22,113	**17,133**
Non-controlling interests	–	(244)	–	–	**–**
Profit for the year	250,442	300,361	50,523	22,113	**17,133**
Assets and liabilities:					
Fixed assets	498,655	412,608	361,797	500,847	**539,198**
Interest in associates	124,627	4,747	4,150	4,436	**3,636**
Intangible assets	–	–	–	–	**5,899**
Loans receivable	46,500	31,000	15,500	–	**–**
Other financial assets	29,569	57,353	10,783	13,069	**3,132**
Non-current deposits	–	–	18,336	63,010	**53,065**
Deferred tax assets	725	725	2,731	10,348	**10,348**
Net current assets	1,141,881	1,415,545	2,326,198	2,220,099	**2,162,947**
Total assets less current liabilities	1,841,957	1,921,978	2,739,495	2,811,809	**2,778,225**
Non-current bank loans	(44,395)	(8,879)	–	–	**–**
Deferred tax liabilities	(5,461)	(7,663)	(7,888)	(8,162)	**(8,195)**
Deferred Income	–	–	–	(1,606)	**(11,006)**
Net assets	1,792,101	1,905,436	2,731,607	2,802,041	**2,759,024**
Capital and reserves					
Share capital	81,979	82,782	183,764	183,794	**183,794**
Reserves	1,709,878	1,822,654	2,547,843	2,618,247	**2,575,230**
Total equity attributable to equity shareholders of the Company	1,791,857	1,905,436	2,731,607	2,802,041	**2,759,024**
Non-controlling interests	244	–	–	–	**–**
Total equity	1,792,101	1,905,436	2,731,607	2,802,041	**2,759,024**
Earnings per share (in HK cents)					
Basic	76.5	91.2	8.4	3.0	**2.3**
Diluted	74.8	90.4	8.4	3.0	**2.3**

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%

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. Yao Xiangjun *(Chairman)*
(resigned on 4 September 2018)
Mr. Gao Wenbao *(Chairman)*
(appointed on 4 September 2018)
Ms. Ko Wing Yan, Samantha
Mr. Su Ning

Non-executive Directors:

Ms. Yang Xiaoping
Mr. Dong Xue
Mr. Yuan Feng

Independent Non-executive Directors:

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

COMPANY SECRETARY

Mr. Lam Cheuk Yin, Kenneth
(resigned on 5 November 2018)
Mr. Pang Tien Kin
(appointed on 5 November 2018)

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. Yao Xiangjun
(ceased on 4 September 2018)
Mr. Gao Wenbao
(appointed on 4 September 2018)
Ms. Ko Wing Yan, Samantha
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang

NOMINATION COMMITTEE

Mr. Yao Xiangjun *(Chairman)*
(ceased on 4 September 2018)
Mr. Gao Wenbao *(Chairman)*
(appointed on 4 September 2018)
Mr. Su Ning
Mr. Fung, Yuk Kan Peter
Mr. Chu, Howard Ho Hwa
Mr. Hou Ziqiang

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York
American Depositary Receipts
101 Barclay Street, 22W
New York, NY 10286
U.S.A.

STOCK CODE

710

WEBSITE

http://www.boevx.com

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