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BOE VARITRONIX LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 710)

2019 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	2019	2018
Revenue	3,574	3,177
EBITDA ¹	166	133
Profit Attributable to Shareholders	25.0	17.1
Cash and Fixed Deposits Balance	1,546	1,340
Basic Earnings per Share	3.4 HK cents	2.3 HK cents
Total Dividend per Share	26.0 HK cents	1.0 HK cent
- Final Dividend per Share	1.0 HK cent	1.0 HK cent
- Special Dividend per Share	25.0 HK cents	Nil

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. Depreciation in 2019 included the impact of initial adoption of HKFRS 16 as from 1 January 2019. Please refer to note 2 – Changes in accounting policies for details.

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 2019.

During the year under review, revenue of HK\$3,574 million was recorded, an increase of 12.5% when compared with the HK\$3,177 million recorded in 2018. EBITDA¹ of the Group was HK\$166 million, 25% higher than the HK\$133 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$25.0 million was recorded, an increase of 46%, when compared with the HK\$17.1 million recorded in 2018.

As at 31 December 2019, the cash and fixed deposits balance of the Group was HK\$1,546 million, compared to HK\$1,340 million at the end of 2018. The Group has no bank loan as at 31 December 2019 and 2018. The cash position of the Group remains strong during the year.

The Group has recorded a growth of 12.5% in revenue during the year under review. Despite the impact of uncertainties of the macro-economic environment, our Thin Film Transistor (“TFT”) module business and touch panel display modules continued to achieve significant growth, which was mainly contributed by the gradual commencement of mass production of new

products from automotive customers of People's Republic of China (the "PRC"), Europe and Japan. The shift of monochrome displays to TFT module displays continued and the Group's revenue from TFT module business surpassed monochrome displays business during 2019 and accounted for over 60% of the Group's revenue. The average selling prices of TFT modules as well as touch panel display modules are much higher than that of monochrome displays and the change of product mix has increased the overall revenue of the Group.

During the year under review, EBITDA has increased by 25% from HK\$133 million to HK\$166 million, which is mainly contributed by the decrease of staff costs and operating expenses. The Group has integrated its manufacturing of selected standardized platform TFT modules to its major shareholder, BOE Technology Group Co., Ltd ("BOE") in early 2019 in order to optimize the allocation of internal resources. The integration has significantly reduced our staff costs as well as other manufacturing overheads during the year. Together with other cost-optimizing and efficiency management actions, the Group has successfully improved our operating efficiency and operating profits.

DIVIDENDS

The Board of Directors (the "Board") has recommended a final dividend of 1.0 HK cent (2018: 1.0 HK cent) per share. In light of the steady development of the Group's TFT display business in recent years and the gradual improvement of operating results, the Board has also recommended a special dividend of 25.0 HK cents (2018: Nil) per share. The annual dividend payout ratio was 29% (2018: 43%), excluding the special dividend.

BUSINESS REVIEW

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$2,589 million, an increase of 8% from the revenue of HK\$2,389 million recorded in 2018. This business represented approximately 72% of the Group's overall revenue.

Notwithstanding the negative impact of market sentiment under the uncertainties of the China-US trade relationship, the Group's revenue from the automotive display business continued to grow during the year. This was mainly contributed by the increase from sales of automotive TFT modules and touch panel products to the PRC and Europe market. The Group continues to obtain stable supply of panel as well as module production resources from BOE to support our growing automotive display business.

For the PRC automotive market, the Group has experienced a slower growth in the first half of the year due to the impact of China's stage 6 vehicle emission standards, followed by a more rapid growth in the second half. As a whole, the revenue growth in this market is significant as many TFT modules and touch panel projects have started mass production during the year. We have also established strategic partnership with certain sizable PRC domestic Tier-1 customers as well as automobile manufacturers. This is an important milestone for the Group to obtain further market shares and future business opportunities in various automotive-related areas.

The overall revenue from Europe automotive display business remained similar as compared to the previous year. Sales of TFT modules has increased during the year, which was mainly due to mass production of several new projects. Despite market competition and weak economic condition in Europe, revenue from major European customers continued to increase gradually. The monochrome display business from Europe continued to decrease as a result of project end-of-life and change in overall market demand of monochrome display products.

Likewise for the Korea and Japan markets, the revenue from monochrome display business continued to drop. The commencement of mass production of platform TFT module displays for Japan customers has boosted the revenue during the year, which outweighed the effect of decline in revenue from monochrome market. For Korea, the revenue from TFT modules business has decreased due to strong market competition and rapid change of display type from monochrome to TFT display during the year.

Industrial Display Business

For the year under review, the industrial display business generated revenue of HK\$985 million, an increase of 25% from the revenue of HK\$788 million recorded in 2018. This business represented approximately 28% of the Group's overall revenue.

The increase of revenue from this business during the year is mainly due to sales of TFT display modules to a newly developed PRC customer engaging in education-related application. The Group has always been expanding our industrial business scope to different application to progressively explore and develop opportunities of potential higher value-added products. We have also started mass production of TFT display modules for a whole-renowned high-end home appliances brand during 2019 which contributed to the increase in revenue. Majority of the remaining industrial display business orders were from monochrome display which focuses on the Europe and United States.

The overall monochrome industrial display business has experienced a contraction during the year. Applications of our product are mainly electric meters, industrial instruments, medical instruments and consumer products. The decrease is mainly caused by decrease in demand from customers in Europe and US markets and also adjustment of product mix to higher margin products during the year.

BUSINESS OUTLOOK

The Group foresees that our business will continue to grow in 2020 in both automotive display business as well as industrial display business, which primarily come from expected increase in revenue from mass production of new TFT and touch panel display module projects. However, the COVID-19 epidemic outbreak in January 2020 has already brought uncertainties to the worldwide macro-economic condition as well as the automotive industry. Car sales of certain major automobile manufacturers has dropped significantly in the first two months of 2020. The magnitude and duration of the impact of the COVID-19 is uncertain and the Group considered that it may negatively affect our business. Nevertheless, we have taken proactive measures to constantly monitor our supply chain and market demand to minimize the impact that may have on our production and delivery.

Automotive Display Business

The Group's strategy in the automotive display business remained unchanged during the year, which is to continue growing our market share on major automotive markets including the PRC, Europe, Korea, Japan and the US. Through the promotion and development of medium-to-large-sized standardized platform TFT module products, the Group has started to realize economic of scales in market development as well as cost-efficiency. During the year, the Group has established strategic partnership with major automotive Tier-1 manufacturers as well as automobile manufacturers in the PRC to further our cooperation and to obtain more market share. Our promotion of new display technologies has also yielded positive results – the project award of the Group's first small size circular flexible Active-matrix Organic LED (“AMOLED”) display for a well-known PRC electric car manufacturer which delivery will start in the second quarter of 2020. We will further strengthen the bonding with these valuable strategic partners to gain stronger foothold in the PRC automotive display business, and also broaden our horizon

to areas other than module displays for instrument cluster display and center information display.

In Europe market, the Group continues to win new TFT module and touch panel display module projects from our major Tier-1 customers in 2019 in which the mass production will gradually start in late 2020 and early 2021 onwards. The uncertainties of the impact of COVID-19 outbreak and the United Kingdom's exit from the European Union may negatively affect the short term performance of the Europe market. The Group will work closely with our customers and response to the market challenges as well as opportunities.

For Japan and Korea markets, the Group has been awarded several platform TFT display module as well as touch panel module projects during the year which are expected to start mass production gradually in 2020 onwards. The Group has also been actively participating in the project bidding of AMOLED business with major Tier-1 customer in Korea. We expected that the revenue from these two markets will increase in the coming years.

During the year, the Group has consolidated our internal resources and established a dedicated team to focus on business development on automotive related products and technologies, and to extend our business scope from TFT/monochrome display modules to integrated display solution provider.

Industrial Display Business

The Group will continue to put effort in expanding the market share of our industrial display business in different areas. For monochrome displays, despite the shrinking demand and change of customers' preference in display type, we will focus again in the electric meters and consumer markets following our product mix adjustment and cost-structure optimisation. We will also promote our medium-to-large size monochrome displays to high-end display markets.

At the same time, the Group has been promoting our TFT modules display products to high-end white goods market in Europe and successfully obtained several projects which some of them have already started mass production in 2019. We have also won several projects for home automation applications in the US market. The Group will also continue to explore different markets, like the PRC consumer market, for opportunities in TFT module display or even AMOLED business. It is expected that the revenue from industrial TFT module display business will continue to grow and compensate the decrease in monochrome display business.

Development Strategy

The Group is determined to be the market leader in automotive display and solution provider business. The development strategy of the Group will follow the roadmap from our foundation in automotive display to intelligent automotive display system, and to intelligent automotive internet-of-thing ("AIoT") and solution business. We will improve and strengthen the research and development and manufacturing capabilities in automotive display and system integration to enable us to further increase our global market share in the automotive display industry. At the same time, we will grasp the opportunities of expanding our capability in infrastructure building in the PRC to strengthen the cooperation with eco-system partners and to gradually increase the market share in intelligent AIoT and solution business.

In view of the above strategy, encouraging results are being achieved gradually in 2019. Milestone strategic partnership with key market players has been established to deepen our cooperation, not only in the TFT module display business, but also to explore more high-value business areas like curved cockpit display and AMOLED related products. We will continue to strengthen our relationship and widen our business scope with our customers in 2020.

Enhancing driver and passenger experience has always been one of the keys to the automotive business and there is virtually no limit for the future development of automotive mobility. The concept of intelligent cockpit, intelligent AIoT, sharing economy, electric mobility, etc., has posed great development opportunities for the Group.

During the year, the Group has reallocated our internal resources to focus on planning, developing and implementing our strategies in the automotive business. We aim to become the market leader of automotive display and solution provider, and dedicated internal business units were established to carry out the transformation. In view of this, the Group will progressively develop and strengthen our hardware and software ability in display solution related areas, e.g. Augmented Reality Head-up Display (“AR HUD”), e-mirror and intelligent cockpit development. We will also further develop our optical bonding capabilities and explore system modules manufacturing capabilities. Continuing investment will be made in these areas to enable the Group to lay foundation for future development.

Technology Development

In the area of high-end electric vehicles and autonomous driving, the development of automotive display system has been steered from fully digitalized integrated multi-screen cockpit compartment design to the directions of higher-end integration and smart cockpit compartment as well as immersive experiences for users and prominence of brand personality. Beside continuous development of the processing technologies regarding multi-screen products with free-form cover, the Group has also been investing in the fields of large-sized display, higher-end integrated display module, software development, cluster display system and other automotive components in order to support the demands from customers and the market.

Integrated multi-screen display with aesthetic curved surfaces has been a new trend in the market. Regarding the research and development in cold forming technology for curved cockpit display module, the development process was completed and verified in 2019. In the same year, a demo of integrated three flexible AMOLED curved displays was fabricated and exhibited in the SID (the Society for Information Display) exhibition in the US, which received high appreciation from various parties. The Group will further develop our manufacturing and technical capabilities in this area to respond to the demands for mega-sized displays in the automotive market.

With respect to development of display technologies, the development of high transmissive and highly integrated display products, the first and new model of a 1.8” Low Temperature Poly-silicon (LTPS) Head-up display (HUD) has entered verification phase, while another larger 12.3” Fully High Definition (“FHD”) LTPS automotive display has completed its sample tests. As for touch screen development, we have basically completed the development of both a-Si Gate-on-array (GOA) technology bases and LTPS technology bases for Full In-cell Touch (FIT), which enabled us to win a large size FHD LTPS FIT project from a large Tier-1 customer in China at the end of 2019. Meanwhile, the Group began a tripartite product development project regarding automotive real time 3D display technology, collaboratively with a European technology company and an influential customer from Germany. This technology allows multiple viewpoints and adjustable depth of field, which can be applied to both clusters and Center Information Display (“CID”).

In the development of High Dynamic Range technology, the Group has been proactively developing and promoting the application of novel display technology, the Black Diamond Cell (BD Cell) solely owned by BOE, to automotive displays from 2019. This remarkable technology adopts a double-panel design including a black-and-white TFT panel and a color TFT panel respectively, which through pixel partitioning technology and micro-scale super-fine light control technology, controls images in a sophisticated manner. It can therefore tremendously enhance contrast of display to reach a million levels. In the second half of 2019, some of our

customers have started to review the development of customized BD Cell products.

As for the technology development of AMOLED with ultimate display performance, with the full support by BOE (one of the major suppliers of global AMOLED), the Group has achieved substantial outcomes in the development of automotive flexible AMOLED display technologies. Currently, in the aspect of organic material development, pixel driving algorithm and calibration for image consistency, distinctive solutions have been developed which can considerably enhance reliability and lifetime of products in extreme operation environments in automobile. A critical second stage test for lifetime of the products has been passed. Moreover, the Group has developed a uniquely designed circular flexible AMOLED display for a well-known PRC electric automobile manufacturer and small-scale production of this circular AMOLED display will be started in the second quarter of 2020.

The Group will progressive invest in higher-end automotive products and this includes integrated display modules, cluster display systems, smart systems, software development and other components products. As for AR HUD, our optical structural design and AR image fusion algorithm have reached a leading position and we have completed several demo projects for leading automobile manufacturers in PRC. Currently, we have commenced the development of 3D AR HUD with incorporated near-to-eye AR and expected that a demo can be fabricated in this year.

Meanwhile, the Group launched a series of automotive visual products. As for streaming media for interior and exterior rear view mirrors, the Group undergoes joint development with several automotive manufacturers. A transparent A-pillar product based on 12.3” flexible AMOLED was launched, which was debuted jointly with a well-known automotive manufacturer in the PRC.

As regards to the development of higher-end integrated display module and software, while we were strengthening the strategic cooperation with automobile manufacturers last year, we provided the CID module (being the first to carry control software) with a single chip microcontroller unit, and connection interface with high transmission rate of image data and embedded two-way control communication data, such as FPD Link III, along with the demonstration platform of the same, to customer for evaluations. We received positive comments from a number of famous automobile manufacturers in Europe and the US for this integrated display modules. In the coming year, the Group will also boost its investment in more challenging cluster display system with real time operation system. This will prepare ourselves with necessary technology reserves to cater for the future market trend that current mainstream cluster assembly will gradually be substituted by full display cluster system.

Furthermore, in view of the diversity of market demands for automotive products and other technical solutions, the Group has started to develop the technologies and application development in automotive AMOLED lighting with technical support from BOE. The Group has reached strategic cooperation agreements with several well-known Tier-1 customer and PRC automobile manufacturers, module and software algorithm solution providers, so as to initiate relevant strategic development plans of AMOLED tail lights, interior lights, AMOLED lighted automobile logos, to facilitate commercialization of relevant smart products applied to automotive field.

ACKNOWLEDGEMENT

During the year, the Group has consolidated our strength in our current business and starting to achieve positive results. The Group has become a major player in the automotive display market. Our revenue and EBITDA have recorded growth and important strategic partnerships have been established with major market players. We continue to secure stable supply of TFT panels and modules, production support and technological support from the BOE which enable us to have a better competitive advantages to develop our business. The Group will march forward to broaden our business horizon into various high-value areas like automotive display system solution and other automotive related business. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders and business partners for your continuing support.

Gao Wenbao
Chairman

Hong Kong, 30 March 2020

Consolidated statement of profit or loss

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 (Note) HK\$'000
Revenue	3	3,573,978	3,177,359
Other operating income	4	53,918	45,787
Change in inventories of finished goods and work in progress		(111,860)	3,489
Raw materials and consumables used		(2,652,315)	(2,212,772)
Staff costs		(425,936)	(550,795)
Depreciation		(136,707)	(106,823)
Other operating expenses		(271,638)	(330,083)
Profit from operations		29,440	26,162
Finance costs	5(a)	(538)	-
Share of losses of associates		(552)	(606)
Profit before taxation	5	28,350	25,556
Income tax expense	6	(3,330)	(8,423)
Profit for the year attributable to equity shareholders of the Company		25,020	17,133
Dividends	7		
Final dividend proposed after the end of the reporting period		7,352	7,352
Special dividend proposed after the end of the reporting period		183,794	-
		191,146	7,352
Earnings per share (in HK cents)	8		
Basic		3.4 cents	2.3 cents
Diluted		3.4 cents	2.3 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	2019	2018
	HK\$'000	(Note) HK\$'000
Profit for the year	<u>25,020</u>	<u>17,133</u>
Other comprehensive income for the year (after tax and reclassification adjustments):		
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	(26,814)	(49,366)
- Debt securities: net movement in the fair value reserve (recycling)	-	(3,496)
Other comprehensive income for the year	<u>(26,814)</u>	<u>(52,798)</u>
Total comprehensive income for the year attributable to equity shareholders of the Company	<u>(1,794)</u>	<u>(35,665)</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

Consolidated statement of financial position

At 31 December 2019

	<i>Note</i>	2019	2018
		HK\$'000	(Note) HK\$'000
Non-current assets			
Property, plant and equipment		504,215	539,198
Interest in associates		10,447	3,636
Intangible assets		5,269	5,899
Other financial assets		-	3,132
Non-current deposits		29,339	53,065
Deferred tax assets		10,277	10,348
		<u>559,547</u>	<u>615,278</u>
Current assets			
Inventories		533,204	730,571
Trade and other receivables, deposits and prepayments and other contract costs	9	883,367	786,951
Other financial assets		3,118	-
Current tax recoverable		7,825	6,266
Fixed deposits with more than three months to maturity when placed		7,780	-
Cash and cash equivalents		1,538,328	1,340,107
		<u>2,973,622</u>	<u>2,863,895</u>
Current liabilities			
Trade and other payables	10	748,674	694,534
Lease liabilities		6,740	-
Current tax payable		524	1,083
Deferred income		5,564	5,331
		<u>761,502</u>	<u>700,948</u>

Consolidated statement of financial position *(continued)*

At 31 December 2019

	2019	2018
	HK\$'000	(Note) HK\$'000
Net current assets	<u>2,212,120</u>	<u>2,162,947</u>
Total assets less current liabilities	<u>2,771,667</u>	<u>2,778,225</u>
Non-current liabilities		
Lease liabilities	3,143	-
Deferred tax liabilities	8,182	8,195
Deferred income	8,907	11,006
	<u>20,232</u>	<u>19,201</u>
NET ASSETS	<u>2,751,435</u>	<u>2,759,024</u>
CAPITAL AND RESERVES		
Share capital	183,794	183,794
Reserves	2,567,641	2,575,230
TOTAL EQUITY	<u>2,751,435</u>	<u>2,759,024</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

Notes:

1. Basis of preparation

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2019 but are extracted therefrom.

The Group's 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. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2018, except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2019 (see note 2).

2. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment at 1 January 2019. The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised to the remaining lease liabilities. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.49%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16 when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 11(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<i>1 January 2019</i> HK\$'000
Operating lease commitments at 31 December 2018	18,787
Less: total future interest expenses	<u>(889)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	<u><u>17,898</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	<i>Carrying amount at 31 December 2018</i> HK\$'000	<i>Capitalisation of operating lease contracts</i> HK\$'000	<i>Carrying amount at 1 January 2019</i> HK\$'000
Property, plant and equipment	539,198	17,898	557,096
Total non-current assets	615,278	17,898	633,176
Lease liabilities (current)	-	8,325	8,325
Current liabilities	700,948	8,325	709,273
Net current assets	2,162,947	(8,325)	2,154,622
Total assets less current liabilities	2,778,225	9,573	2,787,798
Lease liabilities (non-current)	-	9,573	9,573
Total non-current liabilities	19,201	9,573	28,774
Net assets	2,759,024	-	2,759,024

(iii) Impact on the financial result of the Group

The following table give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
	<i>Amounts reported under HKFRS 16</i>	<i>Add back: HKFRS 16 depreciation and interest expense</i>	<i>Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1)</i>	<i>Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)</i>	<i>Compared to amounts reported for 2018 under HKAS 17</i>
	(A)	(B)	(C)	(D=A+B-C)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	29,440	7,856	(8,212)	29,084	26,162
Finance costs	(538)	538	-	-	-
Profit before taxation	28,350	8,394	(8,212)	28,532	25,556
Profit for the year	25,020	8,394	(8,212)	25,202	17,133

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

3. Revenue and segment reporting

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays (“LCDs”) and related products.

Revenue represents the invoiced value of goods supplied to customers 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 2019 (2018: one). In 2019, 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 HK\$713,713,000 (2018: HK\$704,248,000).

(a) Operating segment results

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

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

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

(b) Geographic information

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

(i) Group's revenue from external customers

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
The people's Republic of China ("PRC") (place of domicile)	1,600,216	1,170,083
Europe	1,306,273	1,316,099
America	204,561	262,909
Korea	127,850	125,618
Others	335,078	302,650
	1,973,762	2,007,276
Consolidated revenue	3,573,978	3,177,359

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

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Germany	316,077	365,146
Czech Republic	302,282	256,357
Portugal	109,222	97,323
France	97,678	123,199
Italy	64,475	69,382
United Kingdom	60,410	86,089
Other European countries	356,129	318,603
	1,306,273	1,316,099

(ii) Group's specified non-current assets

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
The PRC (place of domicile)	510,826	541,682
Korea	3,055	3,636
Others	6,050	3,415
	519,931	548,733

4. Other operating income

	2019 HK\$'000	2018 HK\$'000
Interest income from listed debt securities	-	337
Interest income on financial assets measured at amortised cost	30,626	21,370
Net (loss)/gain on disposal of property, plant and equipment	(321)	31
Gain on disposal of debt securities	-	2,718
Net exchange loss	(2,540)	(938)
Government grants (note)	12,880	19,581
Rental receivable from operating leases	11,985	-
Other income	1,288	2,688
	<u>53,918</u>	<u>45,787</u>

Note: The amount mainly represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$5,901,000 (2018: HK\$7,994,000) and amortisation of government grant received from the PRC authorities in relation to acquiring machineries of HK\$6,979,000 (2018: HK\$11,587,000). There are no unfulfilled conditions attaching to these government grants.

5. Profit before taxation

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

	2019 HK\$'000	2018 (Note) HK\$'000
(a) <i>Finance costs</i>		
Interest on lease liabilities	<u>538</u>	<u>-</u>
(b) <i>Allowance recognised/(reversed)</i>		
Trade and other receivables in respect of:		
- expected credit loss allowance	(227)	393
- allowance for sales returns	<u>7,517</u>	<u>(166)</u>
(c) <i>Other items</i>		
Cost of inventories	3,162,280	2,662,427
Amortisation of intangible assets	702	385
Auditors' remuneration	3,635	3,684
Research and development costs	220,560	224,816
Total minimum lease payments previously classified as operating leases under HKAS 17	-	12,281
Contributions to defined contribution retirement plans	33,585	43,047
Equity settled share-based payment expenses	<u>1,557</u>	<u>-</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6. Income tax in the consolidated statement of profit or loss

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK\$'000	HK\$'000
Current tax – the PRC income taxes		
Provision for the year	-	-
Under-provision in respect of prior years	<u>3</u>	<u>1,707</u>
	3	1,707
Current tax – Jurisdictions outside Hong Kong and the PRC		
Provision for the year	3,193	5,304
Under-provision in respect of prior years	<u>63</u>	<u>1,381</u>
	3,256	6,685
Deferred tax		
Origination and reversal of temporary differences	<u>71</u>	<u>31</u>
	3,330	8,423

(i) Hong Kong Profits Tax

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

(ii) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as 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 2019 and 2018.

Other subsidiaries of the Group incorporated in the PRC are subject to the standard PRC corporate income tax rate of 25%.

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

(iii) Jurisdictions outside Hong Kong and the PRC

Taxation for subsidiaries of the Group operating outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Dividends

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

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Final dividend proposed after the end of reporting period of 1.0 HK cent (2018: 1.0 HK cent) per share	7,352	7,352
Special dividend proposed after the end of reporting period of 25.0 HK cents (2018: Nil) per share	183,794	-
	191,146	7,352

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

The proposed final dividend and special dividend for the year are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent (2018: 1.0 HK cent) per share	7,352	7,352

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$25,020,000 (2018: HK\$17,133,000) and the weighted average of 735,175,204 ordinary shares (2018: 735,175,204 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<i>2019</i>	<i>2018</i>
Issued ordinary shares at 31 December	735,175,204	735,175,204

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$25,020,000 (2018: HK\$17,133,000) and the weighted average of 735,315,591 ordinary shares (2018: 735,175,204 shares), calculated as follows:

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

	<i>2019</i>	<i>2018</i>
Weighted average number of ordinary shares at 31 December	735,175,204	735,175,204
Effect of deemed issue of share under Company's share option scheme for nil consideration	140,387	-
Weighted average number of ordinary shares (diluted) at 31 December	<u>735,315,591</u>	<u>735,175,204</u>

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

As at the end of the reporting year, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$4,478,000 (2018: HK\$4,705,000) is as follows:

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Within 60 days of the invoice issue date	582,263	524,581
61 to 90 days after the invoice issue date	137,038	101,495
91 to 120 days after the invoice issue date	56,407	38,586
More than 120 days but less than 12 months after the invoice issue date	30,438	35,132
	<u>806,146</u>	<u>699,794</u>

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

10. Trade and other payables

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

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Within 60 days of supplier invoice date	509,384	475,836
61 to 120 days after supplier invoice date	52,667	72,250
More than 120 days but within 12 months after supplier invoice date	19,476	7,275
More than 12 months after supplier invoice date	3,684	1,070
	<u>585,211</u>	<u>556,431</u>

11. Commitments

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

	<i>2019</i> HK\$'000	<i>2018</i> HK\$'000
Contracted for	<u>27,003</u>	<u>6,672</u>

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

	<i>2018</i> HK\$'000
Within 1 year	8,874
After 1 year but within 5 years	9,913
	<u>18,787</u>

The Group is the lessee in respect of a number of properties and motor vehicles held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

12. 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 (2018: HK\$ Nil).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

DIVIDEND

The Board has recommended declaring a final dividend of 1.0 HK cent (2018: 1.0 HK cent) per share and a special dividend of 25.0 HK cents (2018: Nil) per share, representing a total of 26.0 HK cents (2018: 1.0 HK cent) per share for the year ended 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 June 2020 to Tuesday, 30 June 2020 (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 “2020 AGM”), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“Computershare”), of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 22 June 2020.

Subject to the shareholders approving the recommended final dividend and special dividend at the 2020 AGM of the Company, such dividends will be payable on or around Monday, 20 July 2020 to shareholders whose names appear on the register of members of the Company on Friday, 10 July 2020. To determine eligibility for the final dividend and the special dividend, the register of members of the Company will be closed from Tuesday, 7 July 2020 to Friday, 10 July 2020 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend and special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 6 July 2020.

OTHERS

Staff

As at 31 December 2019, the Group employed 3,755 staff around the world, of whom 125 were in Hong Kong, 3,583 in the People’s Republic of China (“PRC”) and 47 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.

Liquidity and Financial Resources

As at 31 December 2019, the total equity of the Group was HK\$2,751 million (2018: HK\$2,759 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 3.90 as at 31 December 2019 (2018: 4.09).

At the year end, the Group held a liquid portfolio of HK\$1,549 million (2018: HK\$1,343 million) of which HK\$1,546 million (2018: HK\$1,340 million) was in cash and fixed deposits balance, HK\$3 million (2018: HK\$3 million) was in other financial assets. At the year end, the Group had no borrowings (2018: HK\$Nil). The Group's gearing ratio (borrowings over net assets) was Nil% as at 31 December 2019 (2018: Nil%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the year was 5.0 times (2018: 3.5 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 82 days (2018: 80 days).

Foreign Currency Exposure

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

The Group is not engaged in the use of any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.

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 2019.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019.

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.

AUDIT COMMITTEE

The Audit Committee of the Company (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.

The AC has reviewed with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including the review of the final results for the year ended 31 December 2019 of the Company now reported on.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Nomination Committee of the Company (the “NC”) comprises Mr. Gao Wenbao (Chairman of the NC), Mr. Su Ning, Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. Among the 5 members of the NC, 3 members are Independent Non-executive Directors.

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2019 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, dated 30 March 2020

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