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## **BOE VARITRONIX LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

### **2019 INTERIM RESULTS ANNOUNCEMENT**

## **Chairman's Statement**

### **Financial Highlights**

<b>HK\$ million</b>	<b>Six months ended 30 June 2019</b>	<b>Six months ended 30 June 2018</b>
Revenue	1,607	1,568
Profit attributable to shareholders	17	20
Basic earnings per share	2.35 HK cents	2.78 HK cents

On behalf of BOE Varitronix Limited (the “Company”) and its subsidiaries (collectively referred to as “BOEVx” or the “Group”), I present the Group’s results for period ended 30 June 2019.

During the period under review, revenue of HK\$1,607 million was recorded, an increase of 2.5% when compared with the HK\$1,568 million recorded in the first half of 2018. Profit from operations of the Group was HK\$21 million, representing a year-on-year decrease of 22%. The Group’s profit attributable to shareholders was HK\$17 million, representing a decrease of 15% as compared to the same period in 2018.

In the first half of the year, the growth of the Group’s revenue was impacted by the macro-economic environment of the increasing uncertainties and the tension between the China-US trade relationships. The impact is particularly notable in the Group’s business in the People’s Republic of China (the “PRC”) where the growth in automotive business has been slowed down. Nevertheless, the Group’s Thin Film Transistor (“TFT”) modules and touch panel display modules business continued to grow in the period under review following the gradual commencement of mass production of new projects won in prior years. Despite the continuing declining demand of the monochrome display business, the demand for TFT modules and touch panel display modules business remains positive in the second half of the year.

The continuing shift in the demand of monochrome display business to TFT modules business has lowered the overall gross profit margin of the Group as the average gross profit margin of TFT display is lower than that of monochrome display. Notwithstanding the intense competition in the TFT display business, the Group will continue to leverage the stable supply of TFT panels and modules from its major shareholder, BOE Technology Group Co., Ltd (“BOE”), as well as its research and

development capability, to further expand into the TFT business in order to increase its revenue and improve its profit margin.

## **DIVIDENDS**

The board (the “Board”) of directors (the “Directors”) of the Company resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## **BUSINESS REVIEW**

### Automotive Display Business

For the six months ended 30 June 2019, the automotive display business generated revenue of HK\$1,231 million, representing an increase of 5% as compared to the same period of 2018. The increase was mainly contributed by combined effect of the growth of the TFT modules business and the decline in monochrome display business. The automotive display business represented approximately 77% of the Group’s overall revenue.

During the period, the sales from automotive TFT modules business increased significantly, which is mainly contributed by the growth from the PRC and Japan market. As discussed in 2018 annual report of the Company, a number of new TFT modules projects has started mass production in 2018 gradually which has attributed to the continually growth of revenue from the PRC and Japan market. For the PRC automotive market, the overall demand has been slowed down due to the impact from the uncertainties of the China-US trade relationship, which has affected the revenue growth in the first half of 2019. Nevertheless, the mass production of medium-to-large-sized platform TFT module products as well as touch panel modules with high average selling prices has boosted the Group’s revenue in the sector. The demand for the monochrome display business continued to shrink in the first half of the year as the shift of monochrome display to TFT display in automobile continues.

The revenue from Europe remains relatively stable in the first half of 2019. Being affected by the global economic uncertainties in the period, the overall demand in the Europe automotive market is not strong and the Group’s TFT modules business has only experienced a mild growth. As expected, revenue from the monochrome display business continued to show a declining trend. In Japan market, the commencement of mass production of our platform TFT display modules products has contributed to a significant increase in revenue as compared to the first half of 2018.

The Group’s automotive display business continued to shift from monochrome display business to TFT modules display and also touch panel display modules. Although the average selling prices of TFT modules products and touch panel products are significantly higher than that of monochrome display products, which causes the increase of the Group’s revenue, the gross profit margin ratio is less than that of monochrome display products. The Group will continue to maintain close partnership with our long-established automobile customers and to seize every opportunities to increase our market share. By obtaining further economies of scales, we expect there will be enhancement to the Group’s profitability.

### Industrial Display Business

For the six months ended 30 June 2019, the industrial display business generated revenue of HK\$376 million, representing a decrease of 4% as compared to the same period of 2018.

The industrial display business represented approximately 23% of the Group's overall revenue.

Europe and United States continue to be the main revenue contributor to the Group's industrial display business. Monochrome display products remained the mainstream display choice of our customers to be used in applications like electricity meters, industrial instruments and medical instruments. During the period under review, the revenue has decreased slightly as the demand for monochrome display products in Europe and United States has dropped. Since the monochrome display products are generally lower in average selling price and gross profit margin, the Group has been optimizing our product mix to higher selling price products. Fortunately, the Group has started the mass production of a TFT modules display project in the current period which contributed to the overall revenue.

At the same time, we have exercised stringent cost control and production process control in order to maintain our overall profit margin.

## **PROSPECTS**

### Automotive Display Business

The Group has experienced significant growth in the automotive TFT modules display business during the period under review and this part of business is accounted for more than half of the Group's overall turnover. The Group's strategy of promoting medium-to-large-sized standardized TFT platform products enabled the Group to achieve economies of scales in terms of procurement and production efficiency, which will bring improvement to the gross profit margin. Nevertheless, the market competition remains intense and it causes pressure in the overall profit margin. The Group will keep enhancing its competitiveness in the market through continuing dedication to customer services and product quality, while maintaining a competitive product pricing to obtain more orders.

The Group will continue to focus on the PRC automotive market as it still has ample room for expansion. Through our dedicated PRC sales forces, we have established a strong relationship and strategic partnership with our PRC customers and automobile manufacturers that will certainly bring long-term benefits to the Group's automotive business in the PRC market. We expect that the PRC automotive market will recover gradually in the second half of 2019 which will lead to an increase in the Group's revenue in this market.

For the Europe market, our long-established strategic relationship with European-based global automotive customers enabled us to further promote our TFT display platform products as well as grasp the future trend of the automotive display business. The Group is committed to further develop our bonding with these valued customers.

We have also been investing in various new technologies through our research and development team for automotive applications. For example, in the area of Augmented Reality Head-up display (AR HUD), we have obtained demo projects from leading PRC automobile manufacturers. The Group will continue to invest in higher value areas like AR HUD, Organic Light-Emitting Diode (OLED) related applications and integrated display module solution to further expand our automotive business spectrum.

## Industrial Display Business

The Group expects that the industrial display business will remain relatively stable in the near term. While monochrome display business may show a mild declining trend, the Group has been promoting our TFT modules display products to our customers. We have successfully started the mass production of a TFT module display product for high-end home appliance in the first half of 2019 and are developing several new TFT modules display projects. The Group will strive to maintain our competitiveness in the monochrome display business and to expand TFT display business in different applications with our devoted sales team.

## **DEVELOPMENT STRATEGY**

The Group has a clear strategy to further increase our market share in the automotive display business, including TFT modules display, touch panel modules display as well as OLED related display products. We believe that through our relentless efforts in promoting our TFT and OLED related products to our existing and new customers, the Group can obtain more orders and achieve further economies of scales in the future.

We continue to improve our operation efficiency and streamline our business and production processes to optimize our internal resources. In early 2019, the Group has integrated its manufacturing of standardized platform TFT modules to BOE and its subsidiaries (collectively the “BOE Group”) under one integrated manufacturing process and control, i.e. from panel production to TFT modules assembly. Through the integration, the Group has begun to realize an improvement in overall efficiency and profit margin. The Group will continue to leverage on our strategic relationship with the BOE Group in different areas, including but not limited to stable TFT panel supply, integrated manufacturing capability as well as research and development abilities in display related areas, to further enhance our own competitive advantages.

The Group has allocated dedicated resources in developing display related technologies and new applications with focus on high-end optical bonding and automotive system business. We expect that through our continuing investment in these high-value areas, our business can expand further in the future.

## **TECHNOLOGY DEVELOPMENT**

In-vehicle display systems in electric vehicles and self-driving cars are evolving from a multi-display cockpit to a highly integrated and smarter vehicle cockpit. Besides our continuous development in manufacturing processes for multi-screen products with free-form cover, the Group is investing more in advanced integrated module, embedded Microcontroller Unit (MCU) software development, and other automotive components development.

Our research and development in cold forming technology in curved display module is at the final stages of qualification, and is expected to be completed in the mid to late of 2019. In addition, to meet the market demands of large size curved display module, we have started development of hot form bending curved optical bonding at the beginning of this year and is expected to finish by the end of this year. In parallel, curved touch panel development was started to meet the trend of curve cockpit displays.

In order to remain ahead of the competition in the automotive display industry, the Group is still aggressively investing in new display technology development. For high integration, high transmittance Low Temperature Poly-silicon (LTPS) technology development, the

first new 1.8" LTPS HUD product development has proceeded to qualification stage while the larger size Full High Definition (FHD) 12.3" LTPS panel product development, which in response to the needs of high-end European and American customers, is now at sample testing stage.

In the development of High Dynamic Range technology, in addition to the new backlight technologies development on Local Dimming and Mini-LED that we are working, the Group is now evaluating of the adoption of the Black Diamond Cell (BD Cell) Technology which is the BOE Group's unique innovation technology. Through the use of black and white and color double-layer cell design, as well as pixel partitioning technology and micro-scale super-fine light control technology, BD Cell display contrast reaches a million levels, dark color performance and image details are much more profound. In June 2019, we have fabricated the first 10.25" FHD BD cell sample and showed to high-end European and American customers and received great appreciation on the outstanding performance.

With the full support of BOE (one of the major suppliers of global OLED), the Group has promising achievements in the development of flexible OLED display technology for automotive. We have developed advanced organic materials, unique pixel driving and calibration algorithm which will drastically improve the product lifetime and reliability. The technology development is expected to complete in the coming half-year.

As for touch displays, the development work is mainly on Full In-cell Touch (FIT) technology for automotive. 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" FHD resolution, with amorphous silicon (a-Si) Gate On Array (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. The former a-Si FIT development has passed the second verification test and completed the preliminary release phrase while the latter LTPS FIT is now at the first sample evaluation phrase.

The Group continued to increase investment in higher level automotive products which include integrated display modules, intelligent system, software development and components products. For the development of AR for HUD system, we achieved leading level on both optical structure design and AR algorithm, and obtained demo projects from leading PRC automotive customers for our AR HUD products.

In addition, we have further strengthened the strategic cooperation with a few famous automobile 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. The first demo was sent to the customer for evaluation. Positive feedback was received from customer and it marks a promising step to the higher technology products and high-valued products and success.

In view of the automotive market trend for the demand of diversified products and technology solutions, the Group started the new automotive OLED lighting product and transparent window technology development at the beginning of this year. The first OLED lighting sample was built and showed to different international and China customers. In respect of transparent window, we are going to work with certain strategic customers to co-develop for customized product solution in the second half of the year.

## **ACKNOWLEDGEMENT**

We believe the future is bright for the automotive industry and great opportunities lie ahead despite the short-term ups and downs in the market. The Group will further consolidate our strength in our core automotive display business and to explore areas of high potentials. On behalf of the Board, I would like to sincerely thank our management, employees, shareholders and business partners for your continuing support. With your great support, we are confident we can achieve our goals together.

**Gao Wenbao**  
Chairman

Hong Kong, 26 August 2019

**Consolidated statement of profit or loss**  
**For the six months ended 30 June 2019 – unaudited**

		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
			(Note)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	4	<b>1,607,173</b>	1,568,096
Other operating income	5	<b>22,462</b>	25,218
Change in inventories of finished goods and work in progress		<b>(80,147)</b>	(96,943)
Raw materials and consumables used		<b>(1,109,435)</b>	(996,803)
Staff costs		<b>(214,951)</b>	(262,590)
Depreciation		<b>(67,561)</b>	(50,946)
Other operating expenses		<b>(137,004)</b>	(158,784)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>20,537</b>	27,248
Finance costs	6(a)	<b>(298)</b>	-
Share of losses of an associate		<b>(165)</b>	-
		<hr/>	<hr/>
<b>Profit before taxation</b>	6	<b>20,074</b>	27,248
Income tax	7	<b>(2,824)</b>	(6,778)
		<hr/>	<hr/>
<b>Profit for the period attributable to the equity shareholders of the Company</b>		<b><u>17,250</u></b>	<u>20,470</u>
<b>Earnings per share (in HK cents)</b>	8		
Basic		<b><u>2.35 cents</u></b>	<u>2.78 cents</u>
Diluted		<b><u>2.35 cents</u></b>	<u>2.78 cents</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 3.

**Consolidated statement of profit or loss and other comprehensive income**  
*For the six months ended 30 June 2019 – unaudited*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
		(Note)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<u><b>17,250</b></u>	<u>20,470</u>
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments):</b>		
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 exchange reserve	<b>(607)</b>	(10,376)
- Debt securities: net movement in fair value reserve (recycling)	<u>-</u>	<u>(3,496)</u>
<b>Other comprehensive income for the period</b>	<u><b>(607)</b></u>	<u>(13,808)</u>
<b>Total comprehensive income for the period attributable to the equity shareholders of the Company</b>	<u><b>16,643</b></u>	<u>6,662</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 3.



**Consolidated statement of financial position**  
**At 30 June 2019 – unaudited**

		At 30 June 2019	At 31 December 2018 (Note)
	Note	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		511,742	539,198
Interest in an associate		3,358	3,636
Intangible assets		5,585	5,899
Other financial assets		-	3,132
Non-current deposits		53,638	53,065
Deferred tax assets		9,792	10,348
		<u>584,115</u>	<u>615,278</u>
<b>Current assets</b>			
Inventories		568,185	730,571
Trade and other receivables, deposits and prepayments and other contract costs	10	830,970	786,951
Other financial assets		3,124	-
Current tax recoverable		11,099	6,266
Fixed deposits with more than three months to maturity when placed		39,050	-
Cash and cash equivalents		1,255,437	1,340,107
		<u>2,707,865</u>	<u>2,863,895</u>
<b>Current liabilities</b>			
Trade and other payables	11	478,365	694,534
Lease liabilities		6,958	-
Current tax payable		2,238	1,083
Deferred income		4,885	5,331
Dividends payable		7,352	-
		<u>499,798</u>	<u>700,948</u>
<b>Net current assets</b>		<u>2,208,067</u>	<u>2,162,947</u>
<b>Total assets less current liabilities</b>		<u>2,792,182</u>	<u>2,778,225</u>
<b>Non-current liabilities</b>			
Lease liabilities		6,187	-
Deferred tax liabilities		8,192	8,195
Deferred income		8,769	11,006
		<u>23,148</u>	<u>19,201</u>
<b>NET ASSETS</b>		<u>2,769,034</u>	<u>2,759,024</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	9	183,794	183,794
Reserves		2,585,240	2,575,230
<b>TOTAL EQUITY</b>		<u>2,769,034</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, comparative information is not restated. See note 3.

*Notes:*

## **1. Independent review**

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2019 but are extracted from that interim financial report.

The interim financial report is unaudited, but has been reviewed by the auditor of the Company, KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the Board is included in the interim financial report to be sent to the shareholders of the Company. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

## **2. Basis of preparation**

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA. It was authorised for issuance on 26 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements.

## **3. Changes in accounting policies**

The HKICPA has issued a new Hong Kong Financial Reporting Standard (“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 in the interim financial report. 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.

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 to the opening balance of equity

at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

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

#### 4. Revenue and segment reporting

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

##### (a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the revenue and operating profits are derived from this business segment. The interim financial report has already 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. The management of the Company has determined that a single operating segment exists based on this internal reporting.

The Board assesses the performance of the operating segments based on revenue which is consistent with that in the interim financial report. Other information, being the total assets excluding deferred tax assets, other financial assets, current tax recoverable and interest in an associate, 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 an associate ("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 an associate.

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
The People's Republic of China (“PRC”) (place of domicile)	<u><b>591,037</b></u>	<u>537,869</u>
Europe	<b>685,365</b>	679,429
America	<b>113,136</b>	144,502
Korea	<b>63,146</b>	67,080
Others	<u><b>154,489</b></u>	<u>139,216</u>
	<u><b>1,016,136</b></u>	<u>1,030,227</u>
Consolidated revenue	<u><b>1,607,173</b></u>	<u>1,568,096</u>

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Germany	<b>172,438</b>	185,611
Czech Republic	<b>140,502</b>	134,303
France	<b>51,670</b>	62,343
United Kingdom	<b>32,065</b>	46,094
Italy	<b>33,018</b>	42,629
Other European countries	<u><b>255,672</b></u>	<u>208,449</u>
	<u><b>685,365</b></u>	<u>679,429</u>

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

	At 30 June 2019	At 31 December 2018 (Note)
	HK\$'000	HK\$'000
The PRC (place of domicile)	509,754	541,682
Korea	3,358	3,636
Others	7,573	3,415
	<u>520,685</u>	<u>548,733</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 3.

## 5. Other operating income

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest income from listed debt securities	-	390
Interest income on financial assets measured at amortised cost	14,816	7,637
Gain on disposal of debt securities	-	2,718
Government grants (note(i))	6,919	10,906
Net exchange (loss)/gain	(5,849)	3,203
Net (loss)/gain on disposal of property, plant and equipment	(321)	37
Rental receivable from operating leases	5,256	-
Other income	1,641	327
	<u>22,462</u>	<u>25,218</u>

Note:

- (i) 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 HK\$4,178,000 (2018: HK\$4,550,000) and amortisation of government grants received from the PRC authorities in relation to acquiring machineries of HK\$2,741,000 (2018: HK\$6,356,000). There are no unfulfilled conditions attaching to these government grants.

## 6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018 (Note)
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest on lease liabilities	<u>298</u>	<u>-</u>
<b>(b) Other items</b>		
Expected credit loss allowance recognised on trade receivables	57	-
Cost of inventories	<u>1,394,343</u>	<u>1,315,590</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 3.

## 7. Income tax

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax - The PRC income taxes	-	1,207
Current tax - Jurisdictions outside Hong Kong and the PRC	2,268	1,909
Deferred taxation	<u>556</u>	<u>3,662</u>
	<u>2,824</u>	<u>6,778</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) for the six months ended 30 June 2019.

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 periods ended 30 June 2018 and 2019. 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 of 5%.

Taxation for subsidiaries operating outside Hong Kong and the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

## 8. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$17,250,000 (six months ended 30 June 2018: HK\$20,470,000) and the weighted average number of shares of 735,175,204 shares (six months ended 30 June 2018: 735,175,204 shares) in issue during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$17,250,000 (six months ended 30 June 2018: HK\$20,470,000) and the weighted average number of shares of 735,175,204 shares (six months ended 30 June 2018: 735,175,204 shares).

## 9. Capital, reserves and dividends

### (a) Dividends

#### (i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

#### (ii) *Dividends payable to equity shareholders of the Company attributable to previous year, approved and paid during the interim period*

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 1.0 HK cent (2018: 1.0 HK cent) per share	<u>7,352</u>	<u>7,352</u>

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

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$4,762,000 (31 December 2018: HK\$4,705,000) is as follows:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 60 days of the invoice issue date	482,891	524,581
61 to 90 days after the invoice issue date	118,974	101,495
91 to 120 days after the invoice issue date	65,676	38,586
More than 120 days but less than 12 months after the invoice issue date	52,965	35,132
	<u>720,506</u>	<u>699,794</u>

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

## 11. Trade and other payables

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:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 60 days of supplier invoice date	322,734	475,836
61 to 120 days after supplier invoice date	39,899	72,250
More than 120 days but within 12 months after supplier invoice date	16,685	7,275
More than 12 months after supplier invoice date	488	1,070
	<u>379,806</u>	<u>556,431</u>

## 12. Commitments

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Contracted for	<u>7,130</u>	<u>6,672</u>



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

	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 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 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## **OTHERS**

### **Staff**

As at 30 June 2019, the Group employed 4,097 staff around the world, of whom 124 were in Hong Kong, 3,927 in the People's Republic of China (the "PRC") and 46 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 30 June 2019, the total equity of the Group was HK\$2,769 million (31 December 2018: HK\$2,759 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 5.42 as at 30 June 2019 (31 December 2018: 4.09).

At the period end, the Group held a liquid portfolio of HK\$1,298 million (31 December 2018: HK\$1,343 million) of which HK\$1,295 million (31 December 2018: HK\$1,340 million) was in cash and fixed deposits balance, HK\$3 million (31 December 2018: HK\$3 million) was in other financial assets. At the period end, the Group had no bank borrowing (31 December 2018: Nil).

The Group's inventory turnover ratio (annualized cost of inventories over average

inventories balance) for the six months ended 30 June 2019 was 4.3 times (31 December 2018: 3.5 times). Debtor turnover days (trade receivables over annualized revenue times 365) for the six months ended 30 June 2019 was 81 days (31 December 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 period ended 30 June 2019.

### **CORPORATE GOVERNANCE**

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2019.

All other information on the Code has been disclosed in the corporate governance report contained in the 2018 annual report of the Company issued in March 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 period 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. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's internal and external auditors.

The AC has reviewed the interim results for the six months ended 30 June 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 Board and the Chief Executive Officer.

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

Hong Kong, 26 August 2019

*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.*