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

**2017 FINAL RESULTS ANNOUNCEMENT**

**CHAIRMAN'S STATEMENT**

**Highlights**

<b>HK\$ million</b>	<b>2017</b>	<b>2016</b>
Revenue	2,879	2,247
EBITDA <sup>1</sup>	120	149
Profit Attributable to Shareholders	22	51
Cash and Fixed Deposits Balance	1,203	1,725
Basic Earnings per Share	3.0 HK cents	8.4HK cents
Total Dividend per Share	1.0 HK cent	2.5HK cents

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

On behalf of BOE Varitronix Limited and its subsidiaries (“BOE Varitronix” or the “Group”), I present the results for the full year ended 31 December 2017.

During the year under review, revenue of HK\$2,879 million was recorded, an increase of 28% when compared with the HK\$2,247 million recorded in 2016. EBITDA<sup>1</sup> of the Group was HK\$120 million, 19% lower than the HK\$149 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$22 million was recorded, a decrease of 57%, when compared with the HK\$51 million recorded in 2016.

As at 31 December 2017, the cash and fixed deposits balance of the Group was HK\$1,203 million, compared to HK\$1,725 million at the end of 2016. The gearing ratio, being total bank loans over net assets, was 0% as at 31 December 2017, compared to 0.3% in the previous year.

**Dividends**

The Board of Directors has recommended a final dividend of 1.0 HK cent per share (2016: 2.5 HK cents per share). The annual dividend payout ratio was 33% (2016: 30%).

## **Business Review**

During the year under review, the Group continued to obtain stable supply of TFT panels from its major shareholder, BOE Technology Group Co., Ltd (“BOE”), which facilitated the Group to acquire the orders of automotive displays from customers in Europe and the People’s Republic of China (the “PRC”), and contributed to the rapid growth in the TFT modules sales. Meanwhile, as the average selling price of TFT modules products was higher than those of monochrome displays, and the proportion of medium-to-large-sized TFT modules products increased in the sales orders mix, the average selling price of the Group’s product mix increased accordingly, which in turn contributed to the growth in revenue. However, the selling prices of TFT module products were under pressure inevitably under the intense competition in the TFT modules market. In addition, the Group had strived to become the major TFT supplier of its strategic customers during the year so as to achieve the economies of scale of production in the future. During the initial stage of rapid development of TFT modules business, significant investment costs were incurred which affected the profit margin of the orders. Besides, as the Group was currently undergoing the transformation period of the TFT production model, which shifted from the production of monochrome displays and small-to-medium-sized TFT module products to that of medium-to-large-sized TFT module products, the Group needed to invest more resources in technologies, staff training and equipment allocation, thus posing pressure on the gross profit margin.

In the meantime, the working capital, including inventories and accounts receivables, increased compared to 2017 under the expansion of TFT modules business, as the selling prices of TFT modules were much higher than those of monochrome displays. The net proceeds of approximately HK\$1,392 million from the subscription has been utilized in the manner that is consistent with the intended use of proceeds of the Subscription as disclosed in the circular of the Company dated 22 March 2016.

### Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$2,048 million, an increase of 38% from the revenue of HK\$1,487 million recorded in 2016. This business represented approximately 71% of the Group’s overall revenue.

During the year, TFT modules orders from automobile customers in Europe and the PRC increased significantly. The revenue from Europe increased by approximately 38% as compared to the previous year. The European strategic customers gained confidence of stable TFT panel supply of the Group which placed significant size of TFT modules orders, especially the medium-to-large-sized TFT modules orders. However, during the initial stage, the Group needed to invest more resources to cope the production demand of these orders, thus resulting in the decrease in the gross profit margin. The sales volume of monochrome automotive displays in Europe remained stable while the selling prices were still under pressure. The Group also took various measures to control the materials and operating costs of the monochrome automotive display business in order to stabilize the gross profit margin of this business.

Benefited from the extensive customer network of BOE, the Group seized plenty of orders of middle-to-large-sized TFT module products from the PRC automobile customers during the year, resulting in a significant increase of 30% in revenue from the PRC. Although there is still a certain demand of monochrome automotive display from the PRC automobile customers, both the sales volume and selling prices shown a declining trend. The Group will continue to optimize the costs structure in order to stabilize the margin contribution of these business to the Group.

During the year under review, the revenue from South Korea market increased by approximately 16% as compared to 2016. As TFT module products were extensively adopted by automobile customers in South Korea and were expected to be adopted by monochrome display customers upon the expiry of their order contracts. There would be minimal orders of the monochrome displays from South Korea. In the first half of 2017, the TFT modules business was affected due to intense relationship between the PRC and South Korea. As the intense relationship has been moderated in the fourth quarter of 2017, the TFT modules business has gradually recovered.

During the year under review, the monochrome automotive displays business of Japan has achieved significant growth. Revenue of monochrome displays from the automobile market in Japan increased by 37% during the year as compared to the previous year. After years of operation, the Group has a solid automobile customer base in Japan which benefit the growth of monochrome displays business. In the meantime, the local sales team in Japan had further strengthened with certain Japanese customers with respect to TFT automotive displays with remarkable growth.

### Industrial Display Business

For the year under review, the industrial display business generated revenue of HK\$831 million an increase of 9% from the revenue of HK\$760 million recorded in 2016. This business represented approximately 29% of the Group's overall revenue. Revenue from the industrial display business was mainly derived from Europe and the United States. During the year, industrial display business orders were mainly characterized by large quantity and relatively lower selling prices.

The Group's industrial display business in Europe has maintained steady development. Industrial customers are still primarily using monochrome displays for electricity meter which accounted for major portion of the Group's industrial sales. The white goods manufacturers in Europe now prefer to install TFT modules on the white goods in order to enhance the image and price of their products. Given that the Group secured a stable supply of TFT panel, white goods manufacturers placed more orders with us for TFT modules during the year, which generated a continued growth of TFT industrial business.

The United States was a major market of industrial displays, and revenue derived from this market increased by approximately 12% as compared with that of the same period in 2016. The fourth quarter of 2017 experienced a gradual recovery of the sales of industrial displays in the United States, in particular sales to the medical sector, due to our efforts of rebalancing the business portfolio, which contributed to an increase in our revenue.

## **BUSINESS OUTLOOK**

### Automotive Display Business

The constructive strategic partnership relationships between automotive customers and modules suppliers are based on the stable product supply, good quality and product design. Currently, the Group has established a good reputation among its targeted automotive customers, who have showed a high level of appreciation of the Group's stable supply of TFT panels. It was evidenced by an increasing inquiry of TFT modules from automobile customers in Europe and the commencement of mass production of certain orders gradually in 2018. Due to the intense competition in the TFT modules market and small scale of production, the gross profit margin of new sales orders is thin during the initial stage of production. The Group has developed a development strategy based on strategic customer based approach, aiming at securing orders of medium-to-large-sized TFT modules with higher selling prices, which enable us to enhance production efficiency and cost control

through the consolidation of processing of similar orders in the production lines and centralized procurement of materials, so as to achieve economies of scale.

It is expected that TFT modules orders from automotive markets in China and South Korea will continue to increase, with medium-to-large-sized TFT modules orders constituting the largest portion of future growth of both markets.

The Group will mainly adopt the TFT module products as the core development sector in the future. Although it is expected that orders for monochrome displays will gradually shrink, the Group will maintain this business segment given that there are still considerable demand of monochrome displays of Japan automotive markets. Also, the Group can adopt monochrome displays to penetrate the automotive emerging markets such as India and South America. The Group will streamline the operation of the monochrome display production lines to meet the production requirements of various monochrome display products and to operate in a flexible manner, in order to further reduce our operating costs.

### Industrial Display Business

The white goods manufacturers of Europe increasingly prefer the use of TFT modules which has a huge growth potentials. The Group will customerize the design of TFT modules which meet the demand of white goods manufacturers in Europe. Monochrome displays still dominate the basic application of electricity meters and industrial instruments of European market. The Group will focus on the development of projects with mass volume and strategic value in order to stabilize the revenue and profitability of this sector by optimizing the cost structure and production process.

The United States market has shown a sign of steady development after certain market adjustment. The customers of this market have also shown a stronger interest in TFT modules products, as evidenced by the increasing inquiry of TFT products, indicate a room of development in the TFT markets.

### Production Strategy

Our TFT modules assembly plant in Chengdu has been put into mass production in the fourth quarter of 2017, and its production model and operation flow are further strengthened and optimized so as to improve production efficiency. The plant is located close to the TFT panel production facilities of BOE, which facilitates the communication to resolve any technical and logistics issues of TFT panels, thus creating a synergy for the production of our TFT modules. To meet the requirements of products specifications and orders quantity of TFT modules, the Group will further increase the production capacity of the TFT modules assembly plants in order to accommodate the growth of future TFT modules orders.

### Technology Development

The Group has developed and manufactured cockpit display modules designated to be used in electric cars and autonomous vehicles. In terms of cockpit display modules, the multi-layer display is embedded under the windscreen. The Group has commenced several relevant research projects in 2017, involving cockpit display modules, anti-reflective windscreens and three-layer displays bonded with optical adhesives. These research projects will be gradually completed in 2018.

Research on True Colour Display for the exclusive use on automobiles has achieved solid progress, which showed that its colour gamut is comparable with that of OLED displays with cost effectiveness. The Group has also developed the Gate on Array (“GOA”) technology applicable to automobiles. Display products adopted the GOA technology only have an

extremely narrow boarder, and have a stronger competitive edge than LTPS displays due to the lower production costs as a result of less application of masks.

The Group's research and development of touch panel products include One Glass Metal-mesh automotive displays, whereby the ITO is replaced with the metal-mesh, which makes the display thinner, improves transmitting accuracy and reduces conductive traces and reflections. In addition, several large-sized touch panel research projects such as Multi-layers on Cell screens, Full In-cell Touch screens and High Dynamic Range screens will be gradually finished in the fourth quarter of 2018.

Under the rapid development of New Energy and Smart Internet of Vehicles ("Smart IoV"), the development trends of common adoption of internet, automation, integration and electrification have become a consensus of the automotive industry, following with the changes in the core technology, business operation and supply chain system. The Group strives to expand the automotive intelligent interactive system business with our technical expertise in automotive displays and interactive technologies, together with the supports from our major shareholder, BOE. Last year, the Group gained achievements in developing Dual Optical HUD, Smart Rear Mirror etc., and would continue to put efforts in the related research areas in the coming year.

## **ACKNOWLEDGEMENT**

The Group acted as the late market player of automotive markets of TFT modules, the gross margin was decreased under the intense market competition, the increase in manufacturing overheads and operating costs resulted from the development of the TFT business. Under the increasing competition of the TFT modules market, the Group is essential to take proactive approach to increase market share to secure mass production in order to achieve economies of scale and improve gross profit margin gradually. In order to gain more market share of strategic customers, the Group will further invest the TFT modules assembly lines in 2018 and strengthen its capability of materials procurement, product design, production technology and quality control to create a strong base for the development. In the meantime, investment in production facilities also acted as a solid foundation of the Group's future development of automobiles system business.

In short term, the Group's profitability will still be affected under the intense competition of market price and development stage of TFT business. Nevertheless, the Group is determined to develop its TFT business as its business strategy with specific goals. The Group remains optimistic about its TFT business. The Group will forge ahead along its formulated strategic roadmap in 2018. With strong support from BOE in TFT panels, the Group will expand its market share in the TFT market with a primary focus on the automotive and industrial segment. We believe that we can certainly further develop the TFT business with our strong foundation in the two business segments. For the Smart IoV, the Group will continue to invest in and develop smart interactive systems, and strengthen the cooperation with BOE in artificial intelligence, big data and other Internet of Things technologies, aiming to create sustainable value for the customers in the automotive and industrial sectors. I would like to take this opportunity to sincerely thank the Board, the management, the employees, the shareholders and business partners for their support over the past year. The Group will continue to work hard and strive to deliver a better performance.

**Yao Xiangjun**  
Chairman

Hong Kong, 27 March 2018

**Consolidated statement of profit or loss**  
*For the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Revenue</b>	3	<b>2,879,159</b>	2,247,470
Other operating income/(loss)	4	<b>36,620</b>	(24,462)
Change in inventories of finished goods and work in progress		<b>204,121</b>	(68,959)
Raw materials and consumables used		<b>(2,169,769)</b>	(1,332,032)
Staff costs		<b>(511,855)</b>	(423,530)
Depreciation		<b>(99,609)</b>	(90,029)
Other operating expenses		<b>(318,039)</b>	(248,759)
<b>Profit from operations</b>		<b>20,628</b>	59,699
Finance costs	5(a)	<b>(50)</b>	(1,197)
Share of losses of an associate		<b>(297)</b>	(453)
<b>Profit before taxation</b>	5	<b>20,281</b>	58,049
Income tax credit/(charge)	6	<b>1,832</b>	(7,526)
<b>Profit for the year attributable to equity shareholders of the company</b>		<b>22,113</b>	50,523
<b>Dividends</b>	7		
Special dividend declared during the year		-	451,298
Final dividend proposed after the end of the reporting period		<b>7,352</b>	18,376
		<b>7,352</b>	469,674
<b>Earnings per share (in HK cents)</b>	8		
Basic		<b>3.0 cents</b>	8.4 cents
Diluted		<b>3.0 cents</b>	8.4 cents

**Consolidated statement of profit or loss and other comprehensive income**  
*For the year ended 31 December 2017*

	<i>2017</i> <b>HK\$'000</b>	<i>2016</i> HK\$'000
<b>Profit for the year</b>	<b>22,113</b>	50,523
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments: net movement in the exchange reserve	<b>63,134</b>	(65,900)
Available-for-sale securities: net movement in the fair value reserve	<b>2,224</b>	(11,696)
<b>Other comprehensive income for the year</b>	<b>65,358</b>	(77,596)
<b>Total comprehensive income for the year attributable to equity shareholders of the company</b>	<b>87,471</b>	(27,073)

## Consolidated statement of financial position

At 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
— Property, plant and equipment		491,169	352,102
— Interest in leasehold land held for own use under operating leases		<u>9,678</u>	<u>9,695</u>
		<b>500,847</b>	361,797
Interest in an associate		4,436	4,150
Loans receivable		-	15,500
Other financial assets		13,069	10,783
Non-current deposits		63,010	18,336
Deferred tax assets		<u>10,348</u>	<u>2,731</u>
		<b>591,710</b>	413,297
<b>Current assets</b>			
Inventories		803,152	450,993
Trade and other receivables	9	850,855	510,992
Other financial assets		20,700	54,211
Current tax recoverable		1,013	19,466
Fixed deposits with more than three months to maturity when placed		132,137	626,231
Cash and cash equivalents		<u>1,070,402</u>	<u>1,098,672</u>
		<b>2,878,259</b>	2,760,565
<b>Current liabilities</b>			
Trade and other payables	10	656,784	424,060
Bank loans		-	8,890
Current tax payable		32	1,417
Deferred income		<u>1,344</u>	<u>-</u>
		<b>658,160</b>	434,367
<b>Net current assets</b>		<b>2,220,099</b>	2,326,198
<b>Total assets less current liabilities</b>		<b>2,811,809</b>	2,739,495
<b>Non-current liabilities</b>			
Deferred tax liabilities		8,162	7,888
Deferred income		<u>1,606</u>	<u>-</u>
		<b>9,768</b>	7,888
<b>NET ASSETS</b>		<b>2,802,041</b>	2,731,607
<b>CAPITAL AND RESERVES</b>			
Share capital		183,794	183,764
Reserves		<u>2,618,247</u>	<u>2,547,843</u>
<b>TOTAL EQUITY</b>		<b>2,802,041</b>	2,731,607



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 2017 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 2016.

## 2. Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the Group's financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

## 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.

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues in 2017 (2016: one). In 2017 revenues from sales to the two customers in terms of sales amount, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately HK\$902,327,000 (revenues from sales to the customer in 2016: HK\$224,752,000)..

### (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 is 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, loans receivable, other financial assets, trading securities, current tax recoverable and the interest in associates, all of which are managed on a central basis, are provided to the Board to assess the performance of the operating segment.

## **(b) Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's fixed assets 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 interest in an associate.

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The People's Republic of China ("PRC") (place of domicile)	<b>922,977</b>	709,946
Europe	<b>1,257,312</b>	907,790
America	<b>267,634</b>	239,942
Korea	<b>152,001</b>	130,627
Others	<b>279,235</b>	259,165
	<b>1,956,182</b>	1,537,524
<b>Consolidated revenue</b>	<b>2,879,159</b>	2,247,470

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Germany	<b>318,047</b>	139,832
Czech Republic	<b>207,106</b>	18,542
United Kingdom	<b>126,249</b>	132,219
France	<b>114,835</b>	124,116
Italy	<b>62,289</b>	61,885
Other European countries	<b>428,786</b>	431,196
	<b>1,257,312</b>	907,790

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC (place of domicile)	<b>497,092</b>	358,644
Korea	<b>4,436</b>	4,150
Others	<b>3,755</b>	3,153
	<b>505,283</b>	365,947

**4. Other operating income/(loss)**

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from listed debt securities	<b>294</b>	1,626
Other interest income	<b>21,390</b>	12,302
Net gain on disposal of fixed assets	-	25
Gain on disposal of available-for-sale mutual funds	-	4,334
Gain on disposal of available-for-sale equity securities	-	9,475
Loss on trading securities	-	(51,179)
Net exchange gain/(loss)	<b>1,229</b>	(8,269)
Government grants (note)	<b>10,688</b>	3,414
Other income	<b>3,019</b>	3,810
	<b>36,620</b>	(24,462)

Note: The amount mainly represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing of HK\$8,490,000 (2016: HK\$3,414,000) and amortisation of government grant received from the PRC authorities in relation to acquiring machineries of HK\$2,198,000 (2016: HK\$nil). There is no unfulfilled conditions attaching to these government grants.

**5. Profit before taxation**

**Profit before taxation is arrived at after charging:**

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(a) <b>Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	<b>50</b>	1,197

	2017 HK\$'000	2016 HK\$'000
<b>(b) Allowance (reversed)/ recognised</b>		
Trade and other receivables in respect of:		
– allowance for doubtful debts	(953)	2,782
– allowance for sales returns	1,595	723
	<u>1,595</u>	<u>723</u>
	2017 HK\$'000	2016 HK\$'000
<b>(c) Other items</b>		
Cost of inventories	2,467,474	1,802,342
Auditors' remuneration:		
– audit services fees	2,878	3,431
– non-audit services fees	1,183	898
Research and development costs	213,147	133,246
Operating lease charges: minimum lease payments		
– hire of assets (including property rentals)	7,798	6,948
Contributions to defined contribution retirement plans	38,094	31,716
Equity settled share-based payment expenses	653	2,150
	<u>653</u>	<u>2,150</u>

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

Taxation in the consolidated statement of profit or loss represents:

	2017 HK\$'000	2016 HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Under-provision in respect of prior years	-	666
<b>Current tax - the PRC income taxes</b>		
Provision for the year	12,450	7,918
Over-provision in respect of prior years	(10,105)	(5,816)
	<u>2,345</u>	<u>2,102</u>
<b>Current tax - Jurisdictions outside Hong Kong and the PRC</b>		
Provision for the year	3,169	6,321
Under-provision in respect of prior years	5	218
	<u>3,174</u>	<u>6,539</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(7,351)	(1,781)
	<u>(7,351)</u>	<u>(1,781)</u>
	<u>(1,832)</u>	<u>7,526</u>

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. According to the Corporate Income Tax Law of the PRC with effect from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC 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 2016 and 2017. Taxation for subsidiaries with operations outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 7. Dividends

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Special dividend declared during the year of HK\$ nil (2016: HK\$ 1.35) per share (Note)	-	451,298
Final dividend proposed after the end of reporting period of 1.0 HK cent (2016: 2.5 HK cents) per share	<u>7,352</u>	<u>18,376</u>
	<u><b>7,352</b></u>	<u><b>469,674</b></u>

Note: Pursuant to the subscription agreement (“the Subscription”) that was entered into by the Company and BOE Technology Group Co., Ltd (“the Subscriber” or “BOE”) on 3 February 2016, upon completion of the Subscription on 28 April 2016, a special dividend of HK\$1.35 per share to ordinary shareholders of the Company totalling HK\$451,298,000 was declared and paid during the year ended 31 December 2016. No special dividend was paid to the Subscriber whom has agreed to waive its entitlement.

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

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the year, of 2.5 HK cents (2016: 30.5 HK cents) per share	<u><b>18,376</b></u>	<u><b>101,960</b></u>

## 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\$22,113,000 (2016: HK\$50,523,000) and the weighted average number of shares of 735,071,943 shares (2016: 604,378,565 shares) in issue during the year, calculated as follows:

#### *Weighted average number of ordinary shares*

	<i>2017</i>	<i>2016</i>
	<b>Number of shares</b>	Number of shares
Issued ordinary shares at 1 January	<b>735,055,204</b>	331,125,204
Effect of issuance of new shares	-	271,038,251
Effect of share options exercised	<b>16,739</b>	2,215,110
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b>735,071,943</b>	604,378,565
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### (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\$22,113,000 (2016: HK\$50,523,000) and the weighted average number of shares of 735,071,943 shares (2016: 605,091,117 shares), calculated as follows:

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

	<i>2017</i>	<i>2016</i>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares at 31 December	<b>735,071,943</b>	604,378,565
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	-	712,552
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<b>735,071,943</b>	605,091,117
	<hr/> <hr/>	<hr/> <hr/>

## 9. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts and sales return) with the following ageing analysis as of the end of the reporting period:

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	HK\$'000
Within 60 days of the invoice issue date	<b>458,085</b>	313,165
61 to 90 days after the invoice issue date	<b>131,329</b>	89,484
91 to 120 days after the invoice issue date	<b>65,810</b>	30,627
More than 120 days but less than 12 months after the invoice issue date	<b>76,618</b>	30,205
	<b><u>731,842</u></b>	<b><u>463,481</u></b>

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

## 10. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	HK\$'000
Within 60 days of supplier invoice date	<b>522,201</b>	262,538
61 to 120 days after supplier invoice date	<b>45,995</b>	77,029
More than 120 days but within 12 months after supplier invoice date	<b>2,707</b>	8,635
More than 12 months after supplier invoice date	<b>316</b>	518
	<b><u>571,219</u></b>	<b><u>348,720</u></b>

## 11. Capital commitments

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

	<i>2017</i>	<i>2016</i>
	<b>HK\$'000</b>	HK\$'000
Contracted for	<b>30,353</b>	33,003
Authorised but not contracted for	<b>400,509</b>	51,317
	<b><u>430,862</u></b>	<b><u>84,320</u></b>

## 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. The maximum liability of the Company at the end of the reporting period under the guarantees issued and the facilities drawn down by the subsidiaries is HK\$nil (2016: HK\$8,890,000).

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 (2016: 2.5 HK cents) per share and special dividend of Nil (2016: HK\$1.35) per share representing a total of 1.0 HK cent (2016: HK\$1.375) per share for the year ended 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 25 June 2018 to Friday, 29 June 2018 (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 “2018 AGM”), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“Computershare”), of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 June 2018.

Subject to the shareholders approving the recommended final dividend at the 2018 AGM of the Company, such dividend will be payable on or around Monday, 23 July 2018 to shareholders whose names appear on the register of members of the Company on Friday, 13 July 2018. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 10 July 2018 to Friday, 13 July 2018 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 9 July 2018.

## **OTHERS**

### **Staff**

As at 31 December 2017, the Group employed 5,473 staff around the world, of whom 154 were in Hong Kong, 5,270 in the People’s Republic of China (“PRC”) and 49 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 2017, the total equity of the Group was HK\$2,802 million (2016: HK\$2,732 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 4.37 as at 31 December 2017 (2016: 6.36).

At the year end, the Group held a liquid portfolio of HK\$1,236 million (2016: HK\$1,790 million) of which HK\$1,203 million (2016: HK\$1,725 million) was in cash and fixed deposits balance, HK\$33 million (2016: HK\$65 million) in other financial assets. The unsecured interest-bearing bank loans amounted to Nil (2016: HK\$9 million). The gearing ratio (bank loans over net assets) was Nil (2016: 0.3%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the year was 3.9 times (2016: 3.9 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 93 days (2016: 75 days).

## **Foreign Currency Exposure**

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans 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 does not engage 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 2017.

## **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 2017.

## **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 2017 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. Yao Xiangjun, 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. Yao Xiangjun (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 2017 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**  
**Yao Xiangjun**  
Chairman

Hong Kong, 27 March 2018

*As at the date of this announcement, the Board comprises nine Directors, of whom Mr. Yao Xiangjun, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are executive Directors, Ms. Yang Xiaoping, Mr. Dong Xue and Mr. Yuan Feng are non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.*