BOE VARITRONIX LIMITED

(*Incorporated in Bermuda with limited liability*)

(Stock Code: 710)

2018 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

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

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

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

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

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

DIVIDENDS

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

Business Review

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

<u>Automotive Display Business</u>

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

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

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

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

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

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

Industrial Display Business

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

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

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

BUSINESS OUTLOOK

Automotive Display Business

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

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

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

Industrial Display Business

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

Development Strategy

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

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

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

Technology Development

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

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

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

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

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

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

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

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

ACKNOWLEDGEMENT

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

Gao Wenbao
Chairman

Hong Kong, 26 March 2019

Consolidated statement of profit or loss

For the year ended 31 December 2018

	Note	**2018**	2017
		HK$'000	HK$'000
Revenue	3	**3,177,359**	2,879,159
Other operating income	4	**45,787**	36,620
Change in inventories of finished goods and work in progress		**3,489**	204,121
Raw materials and consumables used		**(2,212,772)**	(2,169,769)
Staff costs		**(550,795)**	(511,855)
Depreciation		**(106,823)**	(99,609)
Other operating expenses		**(330,083)**	(318,039)
Profit from operations		**26,162**	20,628
Finance costs	5(a)	**-**	(50)
Share of losses of an associate		**(606)**	(297)
Profit before taxation	5	**25,556**	20,281
Income tax (expense)/credit	6	**(8,423)**	1,832
Profit for the year attributable to equity shareholders of the Company		**17,133**	22,113
Dividends	7		
Final dividend proposed after the end of the reporting period		**7,352**	7,352
Earnings per share (in HK cents)	8		
Basic		**2.3 cents**	3.0 cents
Diluted		**2.3 cents**	3.0 cents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Profit for the year	**17,133**	22,113
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	**(49,366)**	63,134
- Debt securities: net movement in fair value reserve (recycling)	**(3,496)**	2,224
Other comprehensive income for the year	**(52,798)**	65,358
Total comprehensive income for the year attributable to equity shareholders of the Company	**(35,665)**	87,471

Consolidated statement of financial position
At 31 December 2018

	Note	2018	2017
		HK$'000	HK$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		**530,678**	491,169
— Interest in leasehold land held for own use under operating leases		**8,520**	9,678
		539,198	500,847
Interest in an associate		**3,636**	4,436
Intangible assets		**5,899**	-
Other financial assets		**3,132**	13,069
Non-current deposits		**53,065**	63,010
Deferred tax assets		**10,348**	10,348
		615,278	591,710
Current assets			
Inventories		**730,571**	803,152
Trade and other receivables, deposits and prepayments and other contract costs	9	**786,951**	850,855
Other financial assets		-	20,700
Current tax recoverable		**6,266**	1,013
Fixed deposits with more than three months to maturity when placed		-	222,137
Cash and cash equivalents		**1,340,107**	980,402
		2,863,895	2,878,259
Current liabilities			
Trade and other payables	10	**694,534**	656,784
Current tax payable		**1,083**	32
Deferred income		**5,331**	1,344
		700,948	658,160
Net current assets		**2,162,947**	2,220,099
Total assets less current liabilities		**2,778,225**	2,811,809
Non-current liabilities			
Deferred tax liabilities		**8,195**	8,162
Deferred income		**11,006**	1,606
		19,201	9,768
NET ASSETS		**2,759,024**	2,802,041
CAPITAL AND RESERVES			
Share capital		**183,794**	183,794
Reserves		**2,575,230**	2,618,247
TOTAL EQUITY		**2,759,024**	2,802,041

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 2018 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 2017, except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2018 (see note 2).

2. Changes in accounting policies

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

(i) HKFRS 9, *Financial instruments*

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

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

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

(i) HKFRS 9, *Financial instruments*

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

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

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

a. Classification of financial assets and financial liabilities

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

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

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

Notes:

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

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

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

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

b. Credit losses

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

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

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

- debt securities measured at FVOCI (recycling);

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

c. Transition

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

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

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

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

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

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

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

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

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

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

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

a. Timing of revenue recognition

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

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

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

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

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

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

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

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

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

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

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

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 2018 (2017: two). In 2018, revenues from sales to that customer in terms of sales amount, including sales to entities which are known to the Group to be under common control with that customer, amounted to approximately HK$704,248,000 (revenues from sales to the two customers in 2017: HK$902,327,000).

(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, 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 were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of intangible assets and interest in an associate.

(i) Group's revenue from external customers

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

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

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

(ii) Group's specified non-current assets

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

4. Other operating income

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

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

5. Profit before taxation

Profit before taxation is arrived at after charging:

	2018	2017
		(note)
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	-	50

	2018	2017
	HK$'000	HK$'000
(b) Allowance recognised/(reversed)		
Trade and other receivables in respect of:		
- expected credit loss allowance	**393**	(953)
- allowance for sales returns	**(166)**	1,595

	2018	2017
	HK$'000	HK$'000
(c) Other items		
Cost of inventories	**2,662,427**	2,467,474
Amortisation of intangible assets	**385**	-
Auditors' remuneration:		
- audit services fees	**3,627**	2,878
- non-audit services fees	**1,615**	1,183
Research and development costs	**224,816**	213,147
Operating lease charges: minimum lease payments		
- hire of assets (including property rentals)	**12,281**	7,798
Contributions to defined contribution retirement plans	**43,047**	38,094
Equity settled share-based payment expenses	**-**	653

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method, comparative information is not restated (see note 2(i)).

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

Taxation in the consolidated statement of profit or loss represents:

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

(i) PRC income taxes

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

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

Chengdu BOE Vehicle Display Technology Co., Ltd and Hefei BOE Vehicle Display Technology Co., Ltd, subsidiaries that were incorporated in 2017 and 2018 respectively, are subject to the standard PRC corporate income tax rate of 25%.

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

(ii) Jurisdictions outside Hong Kong and the PRC

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

7. Dividends

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

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

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

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

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

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

Weighted average number of ordinary shares

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

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

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

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

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

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:

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

11. Capital commitments

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

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

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 (2017: 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.

13. Non-adjusting events after the reporting period

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 June 2019 to Friday, 28 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the "2019 AGM"), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 June 2019.

Subject to the shareholders approving the recommended final dividend at the 2019 AGM of the Company, such dividend will be payable on or around Monday, 22 July 2019 to shareholders whose names appear on the register of members of the Company on Friday, 12 July 2019. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 July 2019.

OTHERS

Staff

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

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

Liquidity and Financial Resources

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

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

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

Foreign Currency Exposure

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

The Group 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 2018.

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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 2018 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 2018 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 26 March 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, 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.