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

2020 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	2020	2019
Revenue	4,527	3,574
EBITDA ¹	216	166
Profit Attributable to Shareholders	68.6	25.0
Cash and Fixed Deposits Balance	1,635	1,546
Basic Earnings per Share	9.3 HK cents	3.4 HK cents
Total Dividend per Share	5.0 HK cents	26.0 HK cents
- Final Dividend per Share	5.0 HK cents	1.0 HK cent
- Special Dividend per Share	Nil	25.0 HK cents

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 2020.

During the year under review, revenue of HK\$4,527 million was recorded, an increase of 27% when compared with the HK\$3,574 million recorded in 2019. EBITDA¹ of the Group was HK\$216 million, 30% higher than the HK\$166 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$68.6 million was recorded, an increase of 174%, when compared with the HK\$25.0 million recorded in 2019.

As at 31 December 2020, the cash and fixed deposits balance of the Group was HK\$1,635 million, compared to HK\$1,546 million at the end of 2019. The Group has no bank loan as at 31 December 2020 and 2019. The cash position of the Group remains strong during the year.

Year 2020 is both a challenging and exciting year for the Group. The outbreak of the COVID-19 pandemic at the beginning of the year has brought unprecedented challenges to the global economy. The Group's business and operation was being affected in the beginning of 2020 due to lockdown measures imposed by various countries especially in the People's Republic of China (the "PRC") where our factories are located. Production was temporarily suspended and the

supply chain and delivery were also affected. Sales orders delivery and customers sentiment in Europe, America and PRC were negatively affected. The Group has taken decisive measures since the beginning of the pandemic to ensure the health and safety of our employees worldwide and also timely responded to the ever-changing market and supply chain situation. The COVID-19 pandemic condition in the PRC has been improving since the second quarter of 2020. The lockdown in the PRC has been gradually eased and business activities started to resume normal. It stimulated customer sentiments and resulted in a surge in sales orders for the Group's automotive business in the PRC, which the momentum continued throughout the rest of the year. The Group was able to react proactively to cope with the challenges and seize the opportunities in the growing PRC market during the year. For other areas like Europe and America, the pandemic is still hampering business activities and thus the local economies.

The overall turnover in 2020 has increased by 27% comparing with the same period of last year. Our Thin Film Transistor ("TFT") module business and touch panel display modules continued to achieve remarkable growth during the year, which was mainly contributed by the gradual commencement of mass production of new products from automotive customers in the PRC, Korea and Japan. The Group's TFT module business and touch panel display modules business contributed over 75% of the Group's revenue while the revenue from monochrome display business decreased during the year.

During the year under review, EBITDA has increased by 30% from HK\$166 million to HK\$216 million, which is mainly contributed by the increase of gross profit contributed by the increase in turnover, and the decrease in operating expenses as a result of cost-optimizing and efficiency management actions implemented by the Group. As a result, the profit attributable to shareholders recorded a significant increase of approximately 170% from HK\$25.0 million in 2019 to HK\$68.6 million in 2020.

DIVIDENDS

The Board of Directors (the "Board") has recommended a final dividend of 5.0 HK cents (2019: 1.0 HK cent) per share. No special dividend is recommended (2019: 25.0 HK cents per share). The annual dividend payout ratio was 54% (2019: 29%, excluding the special dividend).

BUSINESS REVIEW

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$3,450 million, an increase of 33% from the revenue of HK\$2,589 million recorded in 2019. This business represented approximately 76% of the Group's overall revenue.

During the year, the Group's automotive display business has achieved significant growth in terms of sales revenue and volume. Our overall market share continued to increase and the Group is now ranked as one of the top three automotive display suppliers worldwide according to a leading market research company. This is mainly contributed by the increase in sales orders from automobile customers in the PRC, Korea and Japan and the commencement of mass production of TFT display modules and touch panel modules during the year.

The PRC is the major growth engine which has experienced a rapid growth during the year, especially in the second half of 2020 when the impact of the COVID-19 pandemic beginning to fade out. The outbreak of the COVID-19 pandemic in the beginning of the 2020 has greatly affected the economic environment and customer sentiments of the PRC market in the first quarter of 2020 due to the lockdown measures implemented by the government. As the lockdown was gradually eased following the containment of the pandemic during the second quarter, customer sentiments in automobile purchasing has been increasing and automobile sales

in the PRC started to rebound throughout the rest of the year. This upward trend has resulted in a surge of orders from our customers in the second half of 2020. Together with the scheduled commencement of mass production of TFT display and touch panel display modules projects for both conventional vehicles and new energy vehicles (“NEV”), the Group’s PRC automotive business has recorded a notable growth in 2020. According to our statistics, we have achieved over 30% of market share in automotive TFT display for top 20 PRC automobile manufacturers.

For Europe automotive market, the overall revenue has recorded a decline as compared to 2019. The COVID-19 pandemic has been affecting majority of European countries throughout 2020 and lockdown measures has been taken in many countries. Automobiles manufactures in the region had faced different level of temporary production stoppage and supplier chain issues. As a result, the Group’s automotive sales in the region is negatively affected.

For Korea and Japan market, despite the relatively low revenue base in last year, the Group has recorded a significant increase in revenue as there are several medium-sized TFT module and touch panel module display projects commenced mass production in the year under review, and the volume has ramped up during the second half of 2020.

Industrial Display Business

For the year under review, the industrial display business generated revenue of HK\$1,077 million, an increase of 9% from the revenue of HK\$985 million recorded in 2019. This business represented approximately 24% of the Group’s overall revenue.

The increase of revenue from this business during the year is mainly contributed by the increase in sales of TFT display modules in education-related application in the PRC market and the ramp-up of demand from a world-renowned high-end home appliances brand based in the United Kingdom. The increase in revenue was partly offset by the decrease of monochrome display orders of industrial and consumer sectors and medical sector from customers in Europe and the US respectively, as a result of the impact of COVID-19.

BUSINESS OUTLOOK

Despite the impact of the COVID-19 pandemic, the Group has achieved a significant growth in terms of sales revenue and sales quantity during the year under review. Looking forward to the future, the Group expected that our overall revenue will continue to increase based on the order status of mass production projects of TFT module and touch panel display modules businesses, in which the growth engine will primarily come from the Group’s PRC automotive business. The Group has been strengthening our internal management efficiency, supply chain management and business partners relationship management to constantly review and adjust our business models in order to cope with the ever-changing business environment and external challenges, like COVID-19 pandemic as well as the recent global shortage of electronic components.

Automotive Display Business

During the year under review, the Group has achieved remarkable results in expanding our global automotive display market share. Looking forward to 2021, we foresee that our market share will be further increased according to our sales order status and new projects awarded. Our products are primarily TFT display modules with increasing portion coming from touch panel display modules. The major growth area will be in the PRC where the local economy has experienced a fast recovery from the impact of COVID-19. The Group has established strategic cooperation with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers in recent years and has been deepening our cooperation through active product and technology promotions. The Group has also been actively cooperating with PRC NEV

manufacturers to increase our market share in this fast-growing market in coming years. On top of the mass production of a small size circular flexible AMOLED display project in 2020, we have been awarded new projects from the same renowned PRC NEV manufacturer to supply large-sized TFT modules as well as AMOLED displays for instrument cluster and center information display (“CID”) respectively, which will commence mass production in 2022.

For Europe market, the pace of recovery of the overall economic and business environment will depend on the effectiveness of the various control measures of the pandemic. Nevertheless, the Group remains cautiously optimistic and envisages that the Europe automotive business will grow slightly in 2021. The Group continues to secure new projects of medium-to-large-sized TFT module and touch panel display modules for conventional vehicle and NEV manufacturers in Europe and this will gradually contribute to the revenue in coming years.

For Korea and Japan market, the commencement of mass production of new TFT and touch panel display modules projects in 2020 will continue to contribute revenue in 2021 and we expect that the overall revenue in these regions will have a slight increase.

Industrial Display Business

The trend of industrial customers shifting from monochrome display to TFT display in recent years will continue to put a pressure on the Group’s monochrome display business. The Group has been promoting our TFT display modules to our customers in the high-end white-goods consumer sector in Europe and is well received by our customers. The revenue from the sales of TFT display modules in the education-related sector in the PRC has also been increasing. The Group will continue to increase our resources in expanding our industrial customer base and to promote our TFT display modules and our Group’s distinctive Versi-color IBN cell and IBN-TFT hybrid display to grasp the opportunities brought by the change of customers’ preferences.

Development Strategy

The Group has been utilizing our various strength in developing our automotive display business, including but not limited to our long-established customer base, experienced sales and marketing team, innovative and versatile products and cost competitive display and system solution. In the past few years, we have transformed ourselves from a market challenger to one of the major market leaders in the automotive display industry. Through the strategic cooperation with major automobile manufactures in the PRC and Tier-1 manufacturers, we have significantly increased our market share in automotive display. This laid an important foundation for the Group to further expand our business in the area of integrated smart cockpit display system, which is high value-added and with high average selling price. We will continue to expand our sales network in different geographical areas to further expand our market share and capture market opportunities, especially for the growing NEV related business.

With an aim to enhance immersive in-vehicle experience, the Group has been strengthening our abilities through continuing investment in various display technologies and manufacturing processes to pave the way to become an integrated smart cockpit display system solution provider. During the year under review, in order to strengthen our capabilities in large-sized curved display, the Group has invested in optical bonding facilities together with a PRC renowned software group whose businesses cover the field of intelligent vehicle connectivity. New production lines are being constructed and will be put into use in 2021. We have increased our investment in Shenzhen Jiangcheng Technology Co., Ltd in the first quarter of 2021 and reached a capital increase agreement to raise additional funding to support the on-going development in augmented reality head-up display (“AR-HUD”) and HUD related technologies and products.

In addition, the Group has been working with our eco-system partners, customers and also BOE Group to enhance the visual display experience through new technologies application. The use of AMOLED, Black Diamond Cell (“BD cell”), large-sized integrated curve display, high resolution 4K 3D display in automobile display can greatly enhance drivers and passengers immersive experience in car journey. We will continue to focus our efforts to invest in related areas and to closely work with our automotive eco-system partners along the fast-developing track of the automotive value-chain, which will eventually lead us to become one of the leading integrated smart cockpit display system solution providers in the industry.

Technology Development

The expanded growth of NEV and autonomous driving has promoted in-vehicle cockpit display systems undergone revolutionary progress in fully digital and high degree of artificial intelligence development. In-vehicle display systems is indispensable in such high-end smart vehicles revolution process and plays an important role of traditional information presentation, driving assistance display, human-machine interface (“HMI”). The market is pursuing ways of artistic visual effect to enhance perception in video and audio entertainment. In order to maintain our critical role in the evolution, the Group will continue to develop large-sized and ultra-high resolution display solutions, multiple-displays-in-one solutions, and software-hardware integration so that customer requirements are tightly connected and satisfied.

To cater to the high esthetics needs for large and ultra-high resolution in high-end smart cockpits, the Group has been developing optical bonding facilities for large-sized curved displays bonding processes. New fully automated equipment and facilities for the new bonding production lines were installed and are ready for production in the first half of 2021.

In the field of display technology especially in large-sized and high contrast technology, with the support from the BOE Group, we are outstanding in the industry. And with such strong technology base, the Group has carried out further research and development in the latitude of the stereoscopic display and achieved good progress in naked eyes 3D display technology. In active TN (twisted nematic) light grating 3D technology, high resolution TFT panel with high precision optical bonding to the traditional TN panel is one of the solutions available to the market. In parallel, we are working on micro-lens structure precision ultra-high resolution 4K panel alignment to achieve multiple viewpoints 3D display technology and the first samples had been produced for evaluation which lay a strong foundation for the next production realization as well as real scene display quality for cluster display and CID application.

The Group has fruitful achievements in HMI development as well. The Infra-Red Gesture technology by IR emission and sensing for contactless gesture machine communication and hovering control for user interface control applications. The development of high-tech Full In-cell Touch (“FIT”) technology is the thinness solution to automotive application and has been awarded project for a 13.2” ultra-high resolution low temperature poly-silicon (“LTPS”) FIT display module from a car manufacturer. In addition, the curved touch technical solution has completed evaluation which allows us to cover the complete curve and touch in-vehicle display solution and to satisfy the ultimate artistic technology products needs from customers in the future.

As the trend to pursue enhanced display contrast and enriched true color image, the Group is also devoted to the development of High Dynamic Range technology. In addition to the popular new backlight technologies development on Local Dimming and Mini-LED that we are working, the Group is now evaluating of the adoption of the proprietary BD Cell Technology into our curved display technology for the best visual and immersive experience technology. The distinctive BD Cell technology is the BOE Group’s unique innovation technology through the use of black and white and color double-layer cell design, as well as pixel partitioning technology and micro-scale super-fine light control technology, which boost the display contrast to a million level by TFT-LCD technology.

With the full support of BOE Group (one of the major suppliers of global OLED), the Group has promising achievements in the development of flexible AMOLED display technology for automotive application. We have completed the development of the first generation technology and achieved drastically improvement in the product lifetime and reliability. With this outstanding performance, the Group has been awarded a 12.8” flexible OLED from a famous PRC NEV manufacturer.

In addition, in the area of our strongest traditional automotive passive display technology, we have break-through development to introduce distinctive Versi-Color IBN cell and IBN-TFT hybrid display so that more color display solutions are now available to the market. Our new Versi-Color IBN display is a highly formable and cost effective display solution to the market and is well accepted by global customers. It is going to have the first mass production in the first quarter of 2021.

In addition, the Group has been developing different products and technologies in relation to smart cockpit display system which include integrated display modules, intelligent system, software development and other components products, especially in the development of AR-HUD system which we achieved leading level on both optical structure design and AR algorithm and are well received by customers. Projects awarded from leading PRC automotive customers were received since end of 2020.

In the higher-end integrated display module solution, we have launched and completed the research and development in a high-end full digital display system platform. It’s the Group’s first display system that employs a high rank 64-bit dual-core SoC (System on a Chip) which runs on the real-time OS, QNX RTOS (Real-time Operating System) and adapting compiled 3D UI scenery by the famous Rightware Kanzi® HMI software. As a result, the high performance and premium instrument cluster display system product is realized.

ACKNOWLEDGEMENT

During the year, the Group has achieved remarkable results despite the unprecedented impact brought by the COVID-19 pandemic. We have broadened our customer base and increased overall revenue as well as operating profits. We have also strengthened cooperation with our strategic business partners. Most importantly, we have set sail to pursuit our plan to become a leading automotive smart cockpit display system solution provider. Our team has demonstrated professionalism and resilience in their positions which enabled the continuing success of the Group. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders, investors and business partners for your continuing support.

Gao Wenbao
Chairman

Hong Kong, 26 March 2021

Consolidated statement of profit or loss

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	4,526,914	3,573,978
Other operating income	4	29,058	53,918
Change in inventories of finished goods and work in progress		(52,269)	(111,860)
Raw materials and consumables used		(3,634,717)	(2,652,315)
Staff costs		(423,329)	(425,936)
Depreciation		(146,554)	(136,707)
Other operating expenses	5(c)	(228,660)	(271,638)
Profit from operations		70,443	29,440
Finance costs	5(a)	(578)	(538)
Share of losses of associates		(1,850)	(552)
Profit before taxation	5	68,015	28,350
Income tax	6	(1,077)	(3,330)
Profit for the year		66,938	25,020
Attributable to:			
Equity shareholders of the Company		68,639	25,020
Non-controlling interests		(1,701)	-
		66,938	25,020
Dividends	7		
Final dividend proposed after the end of the reporting period		36,771	7,352
Special dividend proposed after the end of the reporting period		-	183,794
		36,771	191,146
Earnings per share for profit attributable to the equity shareholders of the Company (in HK cents)	8		
Basic		9.3 cents	3.4 cents
Diluted		9.3 cents	3.4 cents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	66,938	25,020
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
- Foreign currency translation adjustments: net movement in exchange reserve	99,721	(26,814)
Total comprehensive income for the year	166,659	(1,794)
Attributable to:		
Equity shareholders of the Company	165,828	(1,794)
Non-controlling interests	831	-
	166,659	(1,794)

Consolidated statement of financial position

At 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		467,046	504,215
Interest in associates		8,806	10,447
Intangible assets		4,565	5,269
Non-current deposits and prepayments		32,138	29,339
Deferred tax assets		10,277	10,277
		<u>522,832</u>	<u>559,547</u>
Current assets			
Inventories		503,389	533,204
Trade and other receivables, deposits and prepayments and other contract costs	9	1,158,080	883,367
Other financial assets		3,103	3,118
Current tax recoverable		7,150	7,825
Fixed deposits with more than three months to maturity when placed		7,753	7,780
Cash and cash equivalents		1,627,531	1,538,328
		<u>3,307,006</u>	<u>2,973,622</u>
Current liabilities			
Trade and other payables	10	1,023,009	748,674
Lease liabilities		9,495	6,740
Current tax payable		56	524
Deferred income		4,672	5,564
		<u>1,037,232</u>	<u>761,502</u>

Consolidated statement of financial position (continued)

At 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Net current assets	<u>2,269,774</u>	<u>2,212,120</u>
Total assets less current liabilities	<u>2,792,606</u>	<u>2,771,667</u>
Non-current liabilities		
Lease liabilities	9,934	3,143
Deferred tax liabilities	8,293	8,182
Deferred income	7,225	8,907
	<u>25,452</u>	<u>20,232</u>
NET ASSETS	<u>2,767,154</u>	<u>2,751,435</u>
CAPITAL AND RESERVES		
Share capital	183,794	183,794
Reserves	2,526,142	2,567,641
Total equity attributable to equity shareholders of the Company	2,709,936	2,751,435
Non-controlling interests	57,218	-
TOTAL EQUITY	<u>2,767,154</u>	<u>2,751,435</u>

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 2020 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 2019, except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2020 (see note 2).

2. Changes in accounting policies

The HKICPA has issued the following amendment to HKFRS that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 16, *Covid-19 – Related Rent Concessions*

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

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 two customers with whom transactions have exceeded 10% of the Group's revenues in 2020 (2019: one). In 2020, 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 those customers, amounted to approximately HK\$1,371,546,000 (2019: HK\$713,713,000).

(a) Operating segment results

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

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

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

(b) Geographic information

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

(i) Group's revenue from external customers

	2020	2019
	HK\$'000	HK\$'000
The People's Republic of China ("PRC") (place of domicile)	2,562,909	1,600,216
Europe	1,152,691	1,306,273
Korea	263,079	127,850
America	207,215	204,561
Others	341,020	335,078
	1,964,005	1,973,762
Consolidated revenue	4,526,914	3,573,978

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

	2020	2019
	HK\$'000	HK\$'000
Germany	342,693	316,077
Czech Republic	303,454	302,282
Portugal	74,698	109,222
France	65,679	97,678
Italy	58,014	64,475
United Kingdom	27,347	60,410
Other European countries	280,806	356,129
	1,152,691	1,306,273

(ii) Group's specified non-current assets

	2020	2019
	HK\$'000	HK\$'000
The PRC (place of domicile)	470,144	510,826
Korea	2,852	3,055
Others	7,421	6,050
	480,417	519,931

4. Other operating income

	2020	2019
	HK\$'000	HK\$'000
Interest income on financial assets measured at amortised cost	22,977	30,626
Net loss on disposal of property, plant and equipment	-	(321)
Net exchange loss	(28,472)	(2,540)
Government grants (note)	19,196	12,880
Rental receivable from operating leases	13,645	11,985
Other income	1,712	1,288
	29,058	53,918

Note: The amount represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$6,123,000 (2019: HK\$5,901,000), amortisation of government grants received from the PRC authorities in relation to acquiring machineries of HK\$6,563,000 (2019: HK\$6,979,000) and subsidies of HK\$6,510,000 (2019: HK\$Nil) under the Employment Support Scheme of Hong Kong Government. There are no unfulfilled conditions attaching to these government grants.

5. Profit before taxation

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

	2020 HK\$'000	2019 HK\$'000
(a) <i>Finance costs</i>		
Interest on lease liabilities	578	538
(b) <i>Other items</i>		
Trade and other receivables in respect of:		
- expected credit loss allowance	1,572	(227)
- (reversal of)/provision for allowance for sales returns	(3,442)	7,517
Cost of inventories	4,059,618	3,162,280
Research and development costs	181,042	220,560
Contributions to defined contribution retirement plans	26,403	33,585
Equity settled share-based payment expenses	799	1,557
(c) <i>Other operating expenses</i>		
Amortisation of intangible assets	704	702
Auditors' remuneration	3,278	3,635
Bank charges	1,188	1,343
Building management fees	4,303	5,671
Factory consumables, cleaning and security service expenses	14,047	13,046
Freight charges	36,532	40,439
Insurance and quality assurance expenses	4,550	4,502
Legal and professional fees	7,510	10,230
Office expenses	4,628	4,867
Other taxes, surcharge & duties	13,583	15,957
Repair and maintenance	15,309	15,120
Sales, marketing and commission expenses	24,978	22,421
Subcontracting fees	38,111	64,621
Travelling and entertainment expenses	9,872	13,521
Utilities expenses	45,913	48,914
Miscellaneous expenses	4,154	6,649
	228,660	271,638

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

Taxation in the consolidated statement of profit or loss represents:

	2020 HK\$'000	2019 HK\$'000
Current tax – the PRC income taxes		
Provision for the year	1,174	-
Under-provision in respect of prior years	5	3
	<u>1,179</u>	<u>3</u>
Current tax – Jurisdictions outside Hong Kong and the PRC		
(Reversal of)/provision for the year	(213)	3,193
(Over)/under-provision in respect of prior years	(6)	63
	<u>(219)</u>	<u>3,256</u>
Deferred tax		
Origination and reversal of temporary differences	<u>117</u>	<u>71</u>
	<u>1,077</u>	<u>3,330</u>

(i) Hong Kong Profits Tax

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

(ii) PRC income taxes

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

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 2020 and 2019.

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

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

(iii) Jurisdictions outside Hong Kong and the PRC

Taxation for subsidiaries of the Group operation 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>2020</i> HK\$'000	<i>2019</i> HK\$'000
Final dividend proposed after the end of reporting period of 5.0 HK cents (2019: 1.0 HK cent) per share	36,771	7,352
Special dividend proposed after the end of reporting period of HK\$Nil (2019: 25.0 HK cents) per share	<u>-</u>	<u>183,794</u>
	<u>36,771</u>	<u>191,146</u>

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

The proposed final dividend for the year ended 2020 is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

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

	<i>2020</i> HK\$'000	<i>2019</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent (2019: 1.0 HK cent) per share	7,352	7,352
Special dividend in respect of the previous financial year, approved and paid during the year, of 25.0 HK cents (2019: HK\$Nil) per share	<u>183,794</u>	<u>-</u>
	<u>191,146</u>	<u>7,352</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 ordinary equity shareholders of the Company of HK\$68,639,000 (2019: HK\$25,020,000) and the weighted average of 735,175,204 ordinary shares (2019: 735,175,204 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<i>2020</i>	<i>2019</i>
Issued ordinary shares at 31 December	<u>735,175,204</u>	<u>735,175,204</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$68,639,000 (2019: HK\$25,020,000) and the weighted average of 735,829,755 ordinary shares (2019: 735,315,591 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<i>2020</i>	<i>2019</i>
Weighted average number of ordinary shares at 31 December	735,175,204	735,175,204
Effect of deemed issue of share under Company's share option scheme for nil consideration	654,551	140,387
Weighted average number of ordinary shares (diluted) at 31 December	<u>735,829,755</u>	<u>735,315,591</u>

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

As at the end of the reporting period, the aging analysis of trade debtors and bills receivables (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$3,560,000 (2019: HK\$4,478,000) is as follows:

	<i>2020</i> HK\$'000	<i>2019</i> HK\$'000
Within 60 days of the invoice issue date	775,588	582,263
61 to 90 days after the invoice issue date	181,062	137,038
91 to 120 days after the invoice issue date	64,516	56,407
More than 120 days but less than 12 months after the invoice issue date	12,698	30,438
	<u>1,033,864</u>	<u>806,146</u>

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

10. Trade and other payables

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

	2020 HK\$'000	2019 HK\$'000
Within 60 days of supplier invoice date	729,479	509,384
61 to 120 days after supplier invoice date	47,522	52,667
More than 120 days but within 12 months after supplier invoice date	15,865	19,476
More than 12 months after supplier invoice date	6,335	3,684
	<u>799,201</u>	<u>585,211</u>

11. Commitments

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

	2020 HK\$'000	2019 HK\$'000
Contracted for	<u>68,326</u>	<u>27,003</u>

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 (2019: 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 reporting period

On 3 March 2021, the Group entered into a capital increase agreement with various parties in relation to the share capital increase of an aggregate of RMB38,000,000 to Shenzhen Jiangcheng Technology Co., Ltd (“Shenzhen Jiangcheng”). Pursuant to the capital increase agreement, the Group will make a capital injection of RMB8,000,000 into the Shenzhen Jiangcheng (the “First Capital Increase”). The other RMB30,000,000 capital injection will be contributed by various parties after the completion of the First Capital Increase (the “Second Capital Increase”). Upon completion of the Second Capital Increase, the Group will hold approximately 50.47% equity interest in Shenzhen Jiangcheng. Further details are set out in the announcement of the Company dated 3 March 2021.

DIVIDEND

The Board has recommended declaring a final dividend of 5.0 HK cents (2019: 1.0 HK cent) per share and a special dividend of HK\$Nil (2019: 25.0 HK cents) per share, representing a total of 5.0 HK cents (2019: 26.0 HK cents) per share for the year ended 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 June 2021 to Wednesday, 30 June 2021 (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 “2021 AGM”), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“Computershare”), of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 23 June 2021.

Subject to the shareholders approving the recommended final dividend at the 2021 AGM of the Company, such dividend will be payable on or around Monday, 19 July 2021 to shareholders whose names appear on the register of members of the Company on Friday, 9 July 2021. To determine eligibility for the final dividend, the register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 6 July 2021.

OTHERS

Staff

As at 31 December 2020, the Group employed 3,503 staff around the world, of whom 124 were in Hong Kong, 3,330 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 a share award plan, 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 2020, the total equity of the Group was HK\$2,767 million (2019: HK\$2,751 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 3.19 as at 31 December 2020 (2019: 3.90).

At the year end, the Group held a liquid portfolio of HK\$1,638 million (2019: HK\$1,549 million) of which HK\$1,635 million (2019: HK\$1,546 million) was in cash and fixed deposits balance, HK\$3 million (2019: HK\$3 million) was in other financial assets. At the year end, the Group had no borrowings (2019: HK\$Nil). The Group's gearing ratio (borrowings over net assets) was Nil% as at 31 December 2020 (2019: Nil%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 7.8 times (2019: 5.0 times). Debtor turnover days (trade receivables over revenue times 366) for the year was 84 days (2019: 82 days).

Foreign Currency Exposure

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

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

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the company's listed securities, except that the trustee of the Company's share award plan (adopted on 28 August 2020) purchased on the The Stock Exchange of Hong Kong Limited a total of 6,517,000 shares of the Company at a total consideration of approximately HK\$16,932,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the share award plan.

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 2020.

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 2020 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 2020 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 2021

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