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

2021 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	3,200	1,898
EBITDA ¹	174	90
Profit Attributable to Shareholders	95.1	18.2
Cash and Fixed Deposits Balance	1,601	1,502
Basic and Diluted Earnings per Share	12.9 HK cents	2.5 HK cents

¹ EBITDA means profit for the period plus the following to the extent deducted in calculating such profit for the period: 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 period ended 30 June 2021.

During the period under review, revenue of HK\$3,200 million was recorded, an increase of 69% when compared with HK\$1,898 million recorded in the first half of 2020. EBITDA¹ of the Group was HK\$174 million, 93% higher than HK\$90 million recorded for the same period in the previous year. The profit attributable to shareholders was HK\$95.1 million, an increase of 423%, when compared with HK\$18.2 million recorded in the first half of 2020.

As at 30 June 2021, the cash and fixed deposits balance of the Group was HK\$1,601 million, compared to HK\$1,635 million at the end of 2020. The Group has no bank loan as at 30 June 2021 and 31 December 2020. The cash position of the Group remains strong during the period.

The Group has achieved significant growth in revenue and profit attributable to shareholders during the period under review as compared to the first half of 2020. As stated in the Group’s 2020 Annual Report, the Group’s business has recovered from the impact of the COVID-19 pandemic emerged in the first half of 2020 and our automotive display business continued to grow notably from the second half of 2020 and throughout the first half of 2021. The Group’s revenue has increased by 69% comparing with the same period of last year, in which the base of comparison is relatively low as affected by the impact of the COVID-19 pandemic. The major growth engine is from the People’s Republic of China (the “PRC”) in which the automotive market has experienced a fast recovery from the impact of the COVID-19 pandemic. The

growth was mainly derived from the sales of Thin Film Transistor (“TFT”) modules and touch panel display modules products which contributed by commencement of mass production of new projects being awarded in prior years. The revenue from the sales of TFT module and touch panel display modules accounted for 81% of the Group’s total revenue during the period. The Group’s business in Europe, Korea and America has also recorded notable growth during the period as a result of increase in sales in the automotive display business.

During the period under review, EBITDA has increased by 93% to HK\$174 million, represented 5.4% of the Group’s revenue. The increase is mainly due to the increase in gross profit contributed by the increase in revenue. The profit attributable to shareholders has increased by HK\$76.9 million, 423% as compared to the same period of 2020. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group’s revenue, increased to 3% as compared to 1% in the same period of 2020. The Group’s profitability has been improving and achieving economies of scales as our sales increases. The staff costs and other operating expenses have increased comparing with the same period of last year as the base of comparison is low during COVID-19 when the business activities were reduced. Nevertheless, the increase was corresponding to the increase in sales and business activities during the period and the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales.

DIVIDENDS

The board of directors (the “Board”) of the Company resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS REVIEW

Automotive Display Business

For the period under review, the automotive display business generated revenue of HK\$2,578 million, an increase of 86% from the revenue of HK\$1,386 million recorded in the same period of 2020. This business represented 81% of the Group’s overall revenue.

The Group’s automotive display business has recorded a remarkable growth as compared to the same period of last year. The Group’s market share in the global automotive market remained at a leading position. The main growth engine is from the increase in sales in the PRC where the overall market demand has been increasing since the second half of 2020 and throughout the first half of 2021. The market condition and demand in the PRC automotive market have fast recovered from the COVID-19 pandemic and the sales order started to surge in the second half of 2020. The scheduled commencement of mass production of awarded TFT and touch panel module projects has also contributed to the increase in revenue in the period. The overall average selling price of the PRC market has been increasing since the second half of 2020 due to the shift of product mix to more contribution from touch panel module products and large-sized TFT with high selling price. Upward price adjustments on certain products due to the recent global shortage of electronic components has also been partly reflected in later second quarter of 2021.

The revenue from new energy vehicles (“NEV”) display in the PRC has also recorded a significant growth during the period as a result of ramp-up of orders from customers. This is benefited from the increasing acceptance of NEV from end users as evidenced by the increasing number of NEV sales in the PRC.

The revenue from Europe automotive customers during the period has increased as compared to the same period of last year. Our major customers, including sizable global Tier-1 manufacturers, have been recovering from the impact of the pandemic and gradually resumed normal business activities during the period.

For Korea, Japan and America market, the revenue has recorded a considerable growth as compared to the lower base of comparison in the first half of 2020.

Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$622 million, an increase of 21% from the revenue of HK\$512 million recorded in that same period in 2020. This business represented 19% of the Group's overall revenue.

The increase of revenue from this business is mainly due to increase in sales of TFT display modules for education-related application in the PRC and the ramp-up of TFT display modules orders from a world-renowned high-end home appliances brand. The revenue from monochrome display has recorded a mild growth in Europe as the business activities resumed gradually during the first half of 2021.

BUSINESS OUTLOOK

During the period under review, the Group's overall business has been recovering from the pandemic and recorded a significant growth especially in the automotive display business. The Group expects the momentum of growth will continue throughout the second half of 2021 based on our sales order status of mass production projects. The growth engine mainly comes from the TFT and touch panel modules orders of the PRC for both conventional vehicles and NEV. Thus, the Group's revenue and profit are expected to increase further in the second half of 2021 comparing the first half of 2021, as it is expected further economies of scales will be achieved through the sales increases. The global shortage of electronic components during the period will still pose an uncertainty to the Group's business in the remainder of the year or even longer. Nevertheless, the Group has been taking various measures to reduce the impact and ensure smooth production and delivery. And the Group has increased the selling price of our products in response to the increase in material and other costs due to the recent global shortage of electronic components, and the effect will be reflected in the second half of 2021.

Automotive Display Business

During the period under review, the Group has maintained our leading position in the global automotive market in terms of display area and delivery quantities, especially for display sizes larger than 8 inches. Our PRC customers include major local and joint venture brand automobile manufacturers for conventional vehicles as well as major NEV manufacturers. Through the continuous effort of our business development in the PRC in the past years, we have established a close relationship and even strategic partnership with a number of major PRC automobile manufacturers as well as Tier-1 manufacturers which enable us to obtain considerable amount of new TFT and touch panel module projects to support the revenue growth in future years.

The revenue contribution from NEV display sales in the PRC has been increasing since the beginning of 2020, especially in the current period under review. The Group considered that trend of migration from conventional vehicles to NEV is inevitable and the customers' willingness to switch to NEV will be one of the major growing areas in the PRC. In this regard, the Group has been working very closely with NEV manufacturers to promote our TFT and AMOLED display modules, as well as system display products. Our first mass production of large-sized AMOLED display for a renowned PRC NEV manufacturer will commence in 2022. As the trend of display is shifting to large-sized multiple display modules and touch panel modules, as well as higher-end display technologies like BD cell and AMOLED, it is expected that the average selling price of the Group's products will gradually increase. The Group has also been awarded several projects in relation to system display solution in the PRC.

The Europe automotive business has shown sign of rebound during the period under review. The Group continues to win new projects from our long-term Tier-1 customers for passenger cars, commercial vehicles, as well as higher-end luxury cars. As stated above, NEV is an inevitable trend of automobile in the future. The Group has been working on projects on new energy commercial vehicles and has won a large-sized display system project for a new electric van manufacturer in the United Kingdom. Uncertainties for the COVID-19 pandemic in Europe may possibly affect the business in the region but the Group is confident that our sales will gradually increase upon the mass production of new projects in the future.

For Korea, Japan and America market, we expect the revenue will grow in the future as a result of the increase in sales orders for TFT and touch panel display modules following mass production in the latter half of 2020.

Industrial Display Business

Our monochrome display business is a relatively stable business where applications are mainly industrial meters, medical and consumer products. We will continue to increase our resources in expanding our industrial customer base and to promote our TFT display modules to high-end customers, like home appliances products and educational products. The Group's distinctive IBN-TFT hybrid display began to be recognised by customer and successfully applied in a marine application.

Development Strategy

The Group will continue our proven development strategy in the past years, which is to increase market shares through the establishment of close relationship with our customers and provide quality customised products and services. We have been able to establish a strong foothold in the fast-growing PRC automotive market in the past year and will continue to deepen our cooperation with our strategic partners. We will put extra efforts in other geographical regions, especially in Europe, to support the trend towards NEV. In view of the positive outlook of the automotive display business and to capture further market share, the Group is considering to expand our TFT and touch panel display module manufacturing facilities in the PRC through joint venture cooperation with BOE Technology Group Co., Ltd. ("the BOE Group") and may involve the acquisition of land and construction of production plant and facilities. The Group considers it is in the best interest of the Group to strengthen our manufacturing capacities in order to cope with the increasing demand in the automotive market.

Following the advancement in autonomous driving technologies, the Group considers it is important to enhance in-vehicle immersive experience for car users and continue to invest in related technologies and product development. The Group aims to become an integrated automobile smart cockpit display system solution provider to capture this future trend. In terms of display quality and experience, large-sized display modules, wide-screen display, AMOLED, the BOE Group's self-developed BD cell display and etc, can greatly improve user's visual experience. For interactive experience, Human Machine Interface ("HMI") is an important element. The Group has been developing technologies like gesture control and infra-red emission and sensing, 3D touch, naked eye 3D display and also augmented reality head-up display ("AR-HUD") to enhance HMI experience in the cockpit.

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 AR-HUD and HUD related technologies and products. Mass production of an AR-HUD project for a PRC local brand car is scheduled in year 2022. Regarding the development of display system, the Group has allocated a dedicated team to develop display system solution for both the PRC and overseas market. Also, display system solution projects from a leading PRC NEV manufacturer were awarded and mass production will commence in the second half of the year and year 2022.

Technology Development

Besides changing the way of the car is powered, electric vehicles also promote the development of smart cockpit. The size and number of pixels of automotive displays have increased rapidly over the past few years as the displays almost cover all surfaces inside the vehicles, bringing an immersive experience for users, with a focus on providing drivers key information and providing passengers richer and more diverse entertainment content.

In response to development needs, automakers are no longer satisfied with high-resolution large-sized flat-panel displays. They pursue more visual effect on curved display, high dynamic range (“HDR”), super high contrast (for high-end graphics), true black, halo free and etc. On the other hand, along with the advancement of smart automobile and autonomous driving technology, Human Machine Interface (HMI) is becoming more and more important, and high-sensitivity multiple input interfaces are also the direction of changes. As the development of display solutions become more mature, many automobile manufacturers intend to introduce new products such as AR-HUD and naked eye 3D.

The Group is dedicated to the development of a next-generation automotive display technology and contribute to the evolution of smart automobile.

We are dedicated to developing LED Local Dimming technology, Mini-LED technology, HDR technology and BD cell technology, so as to greatly increase the product contrast, widen the color gamut, show a darker and more true display image. The car cockpit display image has a strong black to white transition and is more susceptible to halo artifacts. The more dimming zones and the better matching of the backlight to display the image, thereby reduce the halo effect. We have achieved phased results and are working to improve the cost competitiveness on this technology. The BD cell technology is the BOE Group’s unique innovation technology through the use of monochrome 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 hundred thousand level by TFT-LCD technology. With the strong technical strength of the BOE Group, we will continue to develop related technologies and apply to automotive and other applications.

We are one of the very few manufacturers with both monochrome display and color TFT manufacturing capabilities. The Group is also committed to inject new impetus into the monochrome display business. The Group’s new versi-colour IBN display screens and IBN-TFT hybrid display screens have been successfully applied to marine and automotive application, and this has successfully promoted our monochrome display business. In 2021, the Group also made a breakthrough in the transmittance of IBN-TFT hybrid display, while maintaining the consistency of appearance and solving the demerit of the technically low transmittance of IBN-TFT hybrid displays. The high transmittance also makes this technology more suitable for outdoor applications, making the market more widely used, and successfully making the Group become one of the market leaders in this technology.

For curved display solutions, curved display devices fail to have a good touch coordination solution is a footing stone on the car HMI. It is more obvious of the limitation on choice of components on consumer products in automotive products. We are committed to the development of automotive curved displays, and overcome different challenges, such as automobile reliability, mechanical durability, cross-color, black level, etc. The Group has achieved phased results in automotive curved displays and obtained the first free-form curved display project from a well-known European automobile manufacturer, which shows the recognition from our customers.

Moving forward, we are actively developing high-definition naked-eye 3D and new HUD products.

Regarding the 3D display, with the continuous development of autonomous driving, the communication between the driver and the car requires a new HMI. Currently, the Group is developing a naked eye 3D display with a 4K ultra-high panel to provide visually attractive 3D performance, such as providing more viewpoints, a wider FOV (Field of View) and adjustable depth by algorithm. First samples had been produced for evaluation and the 3D user interface implementation is undergoing. We are also developing 3D touch technologies, Infra-Red Gesture technology by IR emission and sensing, together with naked eye 3D display, for contactless gesture machine communication and hovering control for user interface control applications.

The usage of LED segment HUD products has been breaking new highs in the past years. Because of the limitation of information provided, it has mainly been using in Taiwan and Southeast Asia markets for motorcycle cluster application. The Group leveraged the advantages of LCD to launch after-market monochrome HUD products to the potential high-volume HUD market during the year. Meanwhile, AR-HUD products for the high-end market are launched in conjunction with AR algorithms, expanding the product category and helping to open up more market opportunities.

In the development of AR-HUD system, by reason of being leading level on both optical structure design and AR algorithm, we were awarded projects from leading PRC automotive customers and development works are in good progress. In WHUD (Windshield type HUD), we won projects from another famous PRC automobile manufacturer for a series of new car models. Furthermore, in the development of CMS (Camera Monitor System), we have completed a technical platform based on a high-end computing and image processor, an Ambarrella SoC (System on Chip), for our proprietary vision communication system. This platform employs a SoC and MCU dual system solution and we were awarded the project for a new breakthrough product with dual rear cameras, dual integrated monitor displays and a control display module again. We expect the products will be well-received by the market.

In addition, the continuous investment in different technology and product development in smart cockpit display system allow the Group to enter the harvest period progressively. In the higher-end fully digital integrated display module solution and realisation, we continue to invest and expand our system development team as well as the project management team. We have won projects from PRC and US/Europe NEV automobile manufacturers. Those projects include cluster display system, big multiple displays in one cockpit display system, e-Mirror display system and OLED display system with functional safety compliance. Some of the projects will go to mass production in the second half of the year. The Group has committed further investment in expanding both the PRC and overseas system development team in order to be ready for project evaluation and award from more new customers over the world.

ACKNOWLEDGEMENT

During the period, the Group has achieved remarkable results in terms of revenue growth as well as improvement in profitability through the great effort of our dedicated team. In the coming years, the Group will pursue our ambition to become a leading integrated automotive smart cockpit display solution provider. 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 August 2021

Consolidated statement of profit or loss

For the six months ended 30 June 2021 – unaudited

	Note	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue	4	3,200,005	1,898,299
Other operating income, net	5	24,975	26,220
Change in inventories of finished goods and work in progress		72,669	(2,843)
Raw materials and consumables used		(2,698,440)	(1,541,961)
Staff costs		(267,729)	(189,928)
Depreciation		(77,939)	(70,432)
Other operating expenses	6(c)	(157,972)	(99,419)
Profit from operations		95,569	19,936
Finance costs	6(a)	(429)	(189)
Share of losses of associates		(278)	(963)
Profit before taxation	6	94,862	18,784
Income tax	7	(5,882)	(602)
Profit for the period		88,980	18,182
Attributable to:			
Equity shareholders of the Company		95,105	18,182
Non-controlling interests		(6,125)	-
		88,980	18,182
Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)	8		
Basic		12.9 cents	2.5 cents
Diluted		12.9 cents	2.5 cents

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2021 - unaudited

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	88,980	18,182
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
- Foreign currency translation adjustments: net movement in exchange reserve	11,648	(21,646)
Total comprehensive income for the period	100,628	(3,464)
Attributable to:		
Equity shareholders of the Company	106,250	(3,464)
Non-controlling interests	(5,622)	-
	100,628	(3,464)

Consolidated statement of financial position

At 30 June 2021 - unaudited

	Note	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Non-current assets			
Property, plant and equipment		476,893	467,046
Interest in associates		1,633	8,806
Intangible assets		31,965	4,565
Other financial assets		41,908	-
Non-current deposits and prepayments		17,267	32,138
Deferred tax assets		9,117	10,277
		<u>578,783</u>	<u>522,832</u>
Current assets			
Inventories		628,179	503,389
Trade and other receivables, deposits and prepayments and other contract costs	10	1,415,575	1,158,080
Other financial assets		-	3,103
Current tax recoverable		12,254	7,150
Fixed deposits with more than three months to maturity when placed		-	7,753
Cash and cash equivalents		1,600,920	1,627,531
		<u>3,656,928</u>	<u>3,307,006</u>
Current liabilities			
Trade and other payables	11	1,333,530	1,023,009
Lease liabilities		7,477	9,495
Current tax payable		3,598	56
Deferred income		3,723	4,672
Dividends payable	9	36,780	-
		<u>1,385,108</u>	<u>1,037,232</u>

Consolidated statement of financial position *(continued)*

At 30 June 2021 - unaudited

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Net current assets	<u>2,271,820</u>	<u>2,269,774</u>
Total assets less current liabilities	<u>2,850,603</u>	<u>2,792,606</u>
Non-current liabilities		
Lease liabilities	8,980	9,934
Deferred tax liabilities	8,294	8,293
Deferred income	5,615	7,225
	<u>22,889</u>	<u>25,452</u>
NET ASSETS	<u>2,827,714</u>	<u>2,767,154</u>
CAPITAL AND RESERVES		
Share capital	183,899	183,794
Reserves	2,579,991	2,526,142
Total equity attributable to equity shareholders of the Company	2,763,890	2,709,936
Non-controlling interests	63,824	57,218
TOTAL EQUITY	<u>2,827,714</u>	<u>2,767,154</u>

Notes:

1. Independent review

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2021 but are extracted from that interim financial report.

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

2. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA. It was authorised for issuance on 26 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

3. Changes in accounting policies

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phrase 2*

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

4. Revenue and segment reporting

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

(a) Operating segment results

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

The chief operating decision-maker has been identified as the Board. The Board reviews the Group’s internal reporting in order to assess performance and allocate resources. The Group’s 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 interim financial report. 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>(i) Group's revenue from external customers</i>	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The People's Republic of China ("PRC") (place of domicile)	<u>2,009,215</u>	<u>1,003,751</u>
Europe	669,249	545,956
Korea	168,091	106,985
America	155,309	78,227
Others	198,141	163,380
	<u>1,190,790</u>	<u>894,548</u>
Consolidated revenue	<u><u>3,200,005</u></u>	<u><u>1,898,299</u></u>

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Czech Republic	209,702	114,027
Germany	143,387	171,572
Portugal	49,123	31,125
Italy	41,231	34,085
France	33,210	33,330
United Kingdom	7,110	16,522
Other European countries	185,486	145,295
	<u>669,249</u>	<u>545,956</u>

<i>(ii) Group's specified non-current assets</i>	At 30 June	At 31 December
	2021	2020
	HK\$'000	HK\$'000
The PRC (place of domicile)	500,608	470,144
Korea	1,633	2,852
Others	8,250	7,421
	<u>510,491</u>	<u>480,417</u>

5. Other operating income, net

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income on financial assets measured at amortised cost	11,618	12,761
Government grants (Note)	4,804	2,845
Impairment loss on interest in an associate	(1,000)	-
Loss on deemed disposal of an associate	(1,786)	-
Net exchange gain	2,020	2,773
Net loss on disposal of property, plant and equipment	(2)	-
Rental receivable from operating leases	7,267	6,681
Others	2,054	1,160
	<u>24,975</u>	<u>26,220</u>

Note: The amount mainly represents the incentives granted in relation to staff retention of HK\$2,131,000 (2020: HK\$Nil) and amortisation of government grants received in relation to acquiring machineries of HK\$2,656,000 (2020: HK\$2,758,000) for engaging in research and development activities. There are no unfulfilled conditions attaching to these government grants.

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on lease liabilities	<u>429</u>	<u>189</u>
(b) Other items		
Expected credit loss allowance recognised on trade receivables	2,565	114
Cost of inventories	<u>2,844,896</u>	<u>1,715,956</u>

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
(c) Other operating expenses		
Amortisation of intangible assets	488	352
Auditors' remuneration	1,850	1,818
Bank charges	717	613
Building management fees	1,992	1,672
Factory consumables, cleaning and security service expenses	6,261	7,825
Freight charges	26,981	15,615
Insurance and quality assurance expenses	2,220	1,829
Legal and professional fees	4,914	2,193
Office expenses	2,469	2,349
Other taxes, surcharge and duties	10,718	5,844
Repair and maintenance	9,118	5,859
Sales, marketing and commission expenses	19,778	10,277
Subcontracting fees	33,918	15,663
Travelling and entertainment expenses	6,388	4,498
Utilities expenses	26,257	21,391
Miscellaneous expenses	3,903	1,621
	<u>157,972</u>	<u>99,419</u>

7. Income tax

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax – the PRC income taxes	3,226	-
Current tax – Jurisdictions outside Hong Kong and the PRC	1,496	602
Deferred taxation	1,160	-
	<u>5,882</u>	<u>602</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 period ended 30 June 2021 and 2020. According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Varitronix Heyuan was entitled to the bonus deduction of its certain research and development costs

incurred as tax deductible expenses when determining their assessable profits for the six months ended 30 June 2021 and 2020. The Group made their best estimate for the bonus deduction to be claimed for Varitronix Heyuan in ascertaining its assessable profits for the six months ended 30 June 2021 and 2020.

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

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

(iii) Jurisdictions outside Hong Kong and the PRC

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

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\$95,105,000 (six months ended 30 June 2020: HK\$18,182,000) and the weighted average of 735,298,971 ordinary shares (2020: 735,175,204 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$95,105,000 (six months ended 30 June 2020: HK\$18,182,000) and the weighted average of 737,066,421 ordinary shares (2020: 735,420,108 shares).

9. Dividends

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

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 5.0 HK cents (2020: 1.0 HK cent) per share	36,780	7,352
Special dividend in respect of the previous financial year, approved during the following interim period, of HK\$Nil (2020: 25.0 HK cents) per share	-	183,794
	36,780	191,146

10. 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 receivable (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$6,125,000 (31 December 2020: HK\$3,560,000) is as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 60 days of the invoice issue date	884,417	775,588
61 to 90 days after the invoice issue date	257,523	181,062
91 to 120 days after the invoice issue date	118,216	64,516
More than 120 days but less than 12 months after the invoice issue date	19,300	12,698
	<u>1,279,456</u>	<u>1,033,864</u>

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

11. Trade and other payables

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 60 days of supplier invoice date	910,177	729,479
61 to 120 days after supplier invoice date	74,107	47,522
More than 120 days but within 12 months after supplier invoice date	7,700	15,865
More than 12 months after supplier invoice date	6,773	6,335
	<u>998,757</u>	<u>799,201</u>

12. Commitments

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Contracted for	<u>74,429</u>	<u>68,326</u>

13. Non-adjusting events after the reporting period

Pursuant to the announcement of the Company dated 3 March 2021, the Group entered into a capital increase agreement with various parties in relation to the share capital increase in a consolidated subsidiary, Hefei Jiangcheng Technology Co., Ltd (“Hefei Jiangcheng”) (previously known as Shenzhen Jiangcheng Technology Co., Ltd.). In accordance with the capital increase agreement, RMB30,000,000 capital injection was contributed by various parties after fulfillment of certain conditions stated in the announcement of the Company dated 3 March 2021 (“Capital Injection”).

The Capital Injection was completed on 6 July 2021 and the Group is holding 50.47% equity interest in Hefei Jiangcheng since then and Hefei Jiangcheng continues to be accounted for as a subsidiary of the Group.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

OTHERS

Staff

As at 30 June 2021, the Group employed 3,733 staff around the world, of whom 124 were in Hong Kong, 3,557 in the People’s Republic of China (the “PRC”) and 52 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 30 June 2021, the total equity of the Group was HK\$2,828 million (31 December 2020: HK\$2,767 million). The Group’s current ratio, being the proportion of total current assets against total current liabilities, was 2.64 as at 30 June 2021 (31 December 2020: 3.19).

At the period end, the Group held a liquid portfolio of HK\$1,601 million (31 December 2020: HK\$1,638 million) of which HK\$1,601 million (31 December 2020: HK\$1,635 million) was cash and fixed deposits balance, HK\$Nil (31 December 2020: HK\$3 million) was other financial assets. At the period end, the Group had no borrowings (31 December 2020: HK\$Nil). The Group’s gearing ratio (borrowings over net assets) was Nil% as at 30 June 2021 (31 December 2020: Nil%).

The Group’s inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2021 was 10.1 times (31 December 2020: 7.8 times). Debtor turnover days (trade receivables over annualised revenue times 365) for the six months ended 30 June 2021 was 72 days (31 December 2020: 84 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 States 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 period ended 30 June 2021, 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 Stock Exchange of Hong Kong Limited a total of 5,856,000 shares of the Company at a total consideration of approximately HK\$23,183,000 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 of the Company (the "Directors"), the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2021.

All other information on the CG Code has been disclosed in the corporate governance report contained in the 2020 annual report of the Company issued in March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee of the Company (the "AC") comprises 3 Independent Non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to both the Company's internal and external auditors. The AC has reviewed the interim results for the six months ended 30 June 2021 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.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 26 August 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.