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

2020 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	1,898	1,607
EBITDA ¹	89.8	88.3
Profit Attributable to Shareholders	18.2	17.3
Cash and Fixed Deposits Balance	1,502	1,294
Basic Earnings per Share	2.5 HK cents	2.4 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 (collectively referred to as "BOEVx" or the "Group"), I present the Group's results for the period ended 30 June 2020.

During the period under review, revenue of HK\$1,898 million was recorded, an increase of 18.1% when compared with the HK\$1,607 million recorded in the first half of 2019. EBITDA of the Group was HK\$89.8 million, 1.7% higher than the HK\$88.3 million recorded for the same period in the previous year. The profit attributable to shareholders was HK\$18.2 million, an increase of 5%, when compared with the HK\$17.3 million recorded in the first half of 2019.

As at 30 June 2020, the cash and fixed deposits balance of the Group was HK\$1,502 million, compared to HK\$1,546 million at the end of 2019. The Group has no bank loan as at 30 June 2020 and 31 December 2019. The cash position of the Group remains strong during the period.

The COVID-19 pandemic emerged in the period under review has impacted the global economy and caused disruption of business across different geographic regions. The overall business and operation of the Group was inevitably affected in the first quarter of 2020 due to the lockdown in the People's Republic of China (the "PRC"), Europe and other countries. Fortunately, the situation has been improving in the PRC and the Group's production was managed to recover in an efficient manner which minimized the impact to the Group. Under the proactive measures and monitoring of the market situation and supply chain, the Group was able to react quickly to the increase in demand from our PRC customers in the second quarter of 2020. As a result, the Group has recorded a growth of 18.1% in revenue during the period under review.

The increase in revenue in the period under review was mainly contributed by the gradual commencement of mass production of Thin Film Transistor (“TFT”) modules and touch panel display modules products from automotive customers in the PRC, Korea and Japan markets. Through the implementation of the Group’s strategy of expanding the market share of TFT and touch panel display business to our customers, the Group’s TFT module business accounted for around 75% of the Group’s total revenue and become the main engine for continuous growth.

During the period under review, EBITDA has increased slightly by 1.7% from HK\$88.3 million to HK\$89.8 million, which is mainly contributed by the decrease of staff costs and operating expenses, being partly offset by the increase in costs of inventories. The Group has integrated its manufacturing of selected standardized platform TFT modules to BOE Technology Group Co., Ltd (“BOE”) and its subsidiaries (collectively referred to as “BOE Group”) in early 2019 in order to optimize the allocation of internal resources. The integration has significantly reduced our staff costs as well as other manufacturing overheads, while the costs of procurement of TFT modules from the BOE Group had increased accordingly. The integration has brought overall improvement to the Group’s operating efficiency as well as operating profits.

DIVIDENDS

The Board (the “Board”) of Directors (the “Directors”) of the Company resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS REVIEW

Automotive Display Business

For the period under review, the automotive display business generated revenue of HK\$1,386 million, an increase of 13% from the revenue of HK\$1,231 million recorded in the same period of 2019. This business represented approximately 73% of the Group’s overall revenue.

Despite the impact of COVID-19 on the global economy and the tensions between the China-US trade relationship, the Group’s revenue from the automotive display business has achieved double-digit growth during the period. This was mainly contributed by the increase in sales of automotive TFT modules and touch panel modules products to the PRC, Korea and Japan markets. The proportion of sales for monochrome display continued to drop and automotive TFT and touch panel modules accounted for approximately 60% of the Group’s revenue.

The recovery of the PRC automotive market is remarkable during the second quarter of 2020 and the Group has received a surge of orders from our PRC customers. Certain major PRC automobile manufacturers have recorded an increase in automobile sales in the second quarter as compared to the weaker first quarter, which reflected the gradual recovery of market demand. In addition, the gradual commencement of mass production of new won projects in prior year has also contributed to the increase in revenue in the period. Apart from growth in revenue from TFT display modules, revenue from touch panel display modules for new energy electric vehicles (“NEV”) also increased significantly. The Group has managed to cope with the short-term disruption caused by the COVID-19 lockdown and swiftly resumed the production and fulfilled customers delivery during the period.

For Europe market, due to the COVID-19 lockdown in European countries, most of the automobile manufacturers have suffered from temporary production stoppage. Coupled with the already weakened and uncertain economic situation in the European Union zone and the United Kingdom, the overall performance of sales was negatively affected in the period under review.

The revenue from Korea and Japan market has recorded a notable growth in the period which is mainly contributed by the commencement of mass production of several TFT modules projects in late 2019.

Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$512 million, an increase of 36% from the revenue of HK\$376 million recorded in that same period in 2019. This business represented approximately 27% 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 mass production of TFT display modules for a world-renowned high-end home appliances brand. The monochrome display revenue continued to decrease in major markets in Europe and United States as affected by the impact of COVID-19.

BUSINESS OUTLOOK

Although the impact of COVID-19 is expected to linger for the foreseeable future, the Group expects that our TFT and touch panel display modules business will continue to grow in second half of 2020 and onwards, based on the orders from awarded projects from different customers, in particular customers in the PRC. During the period under review, the Group has taken various actions to adapt to the ever-changing situation from the pandemic and ensured our delivery to customers. The Group will continue to remain vigilant under the COVID-19 pandemic uncertainties and take necessary proactive measures to respond to potential challenges.

Automotive Display Business

During the period, the Group's has successfully increased our market share in the global automotive market. We have obtained over 50% orders share for certain major domestic automobile manufacturers in the PRC and we estimate our market share will further increase in the future. Through strategic partnership with major PRC automotive Tier-1 as well as domestic automobile manufacturers, we have deepened our cooperation and successfully obtained projects for medium to large-sized platform display products, including TFT display modules and higher selling price touch panel display modules. Our products are used in both domestic brand cars as well as joint venture brand cars, with increasing portion applies to NEV. The Group will collaborate with our customers and business partners to respond swiftly to the future trend of automobile development, and to develop and promote products relating to integrated smart cockpit display system, like Active-matrix Organic LED ("AMOLED") display, automotive Augmented Reality Head-up Display ("AR-HUD") and integrated display system.

For Europe market, the unprecedented impact brought by the COVID-19 pandemic will continue to affect the business outlook of the remaining period of 2020 and onwards. As a result, it is difficult to have a reliable outlook for the rest of the year or even year 2021. Some major European automobile manufacturers and Tier-1 manufacturers anticipate a fall of over 10% or even 20% of global vehicle production in 2020 versus 2019. The Group will closely communicate with our customers and monitor the market development and take appropriate actions.

For Japan and Korea markets, several projects have already started mass production in the first half of 2020 and thus the overall performance is expected to outperform that of 2019.

Industrial Display Business

The Group will continue to promote our display products to different industrial customers as well as high-end consumer customers. Our target is to increase the sales of TFT display and touch panel modules and to promote AMOLED related products to different applications to expand our business scope, while maintaining our share of monochrome display application. Our traditional customers are mainly located in the Europe and United States which were hard-hit by the impact of the COVID-19 pandemic. We considered that it will take a relatively longer time for full recovery. Nevertheless, our team will remain resilient and monitors the changing market condition.

Development Strategy

Through the continuous efforts in automotive market penetration, we have successfully increased our overall market share in the global automotive display market, especially in the revenue from sales of centre information display. According to an automobile display market research report, our market share in automobile monitor display in the first quarter of 2020 has reached 10%. We have established important strategic partnership with major market players in 2019 and started to yield positive results. The Group will continue to explore market opportunities to further increase our TFT and touch panel modules display market share in both PRC and overseas markets, with particular focus in the PRC to grasp the growing market demand in automobile consumption under the government stimulus policies in both conventional and NEV.

The Group has a clear roadmap in developing high-value business areas with focus in integrated smart cockpit display system. In addition to enhance and promote our TFT and AMOLED display-related technologies, the Group has been investing resources in developing various areas to enable us to transform from a display solution provider to automotive integrated display system solution provider. Our investment in AR-HUD has achieved remarkable results and obtained development orders from a famous PRC NEV manufacturer. We have also been awarded a project from another NEV manufacturer for an integrated cluster display. The Group has also invested in optical bonding manufacturing facilities together with a PRC renowned software group to further develop our roadmap for integrated smart cockpit display system.

We will proactively work together with our strategic eco-system partners to enhance automobile user experience. Regarding visual experience and quality, AMOLED and Black Diamond Cell (“BD Cell”) are the preferred choices for future display solution. The Group has successfully commenced mass production for a small-sized AMOLED for a well-known NEV manufacture and will continue to promote small to medium-sized AMOLED display to our customers. Our development team has completed the development of Full In Cell Touch IBN, which is a cost effective, high quality solution. The introduction of this IBN display has been well received by our automotive and white-goods customers. We will also accelerate our development in technologies for integrated smart cockpit display system, including AR-HUD, real time 3D display, 3D gesture control, etc.

Technology Development

In the first half of 2020, a series of timely policies have been launched in the PRC, in which new NEV is the affirmed direction for the future of automotive industry. With the new trend of intellectual connected NEV, automotive displays, being an important carrier of smart cockpit system of NEV, are upgrading and transforming to large screens, higher resolutions, multi-screen, higher degree of intelligence and user interaction as well as personalization.

By virtue of prolonged efforts in the field of automotive display, in addition to technology accumulation of large-sized displays development, and software and hardware developments in integrated display systems, the Group has ensured that it keeps pace with the latest technology trend in the field of next smart cockpit generation, and provides various products of display and technology to fulfil coming customized demands.

In terms of display technology development, the first large-sized (12.3 inch) FHD naked eye 3D cluster display has been preliminarily developed. With the use of lenticular lens 3D technology, it enables multiple viewpoints and wide view angle of up to 120°, together with instant 2D/3D conversion support which brings about excellent rendering effects, perceived depth of field and astounding alarm signals display. This technical solution has been adopted to a tier-1 customer's collaborative development task.

Concerning large-sized screen and integrated multi-screen, we have curved and integrated multi-screen products, which comply with the trends of large-sized and precision display. With the adoption of seamless black technology and cold-forming technology, it brings about a new immersive experience for both drivers and passengers, while comprehensive information is enclosed. The cold-forming technology for curved integrated multi-screen production has been verified and equipment for mass production is under installation.

With regards to demand for user-friendly and powerful human machine interface (“HMI”) design with smart cockpit compartment, the Group's knob-on-display touch technology can provide drivers with fast and responsive physical interactive, precise, efficient and sophisticated operations. Moreover, it requires less visual attention from a driver which allows blind touch as well as a much safer operation. The development of the technology product is completed and on show in the annual Society for Information Display (“SID”) exhibition. It is ready for mass production now. Meanwhile, we have hovering operation system technology and Infrared gesture recognition technology under development, which provides both proximity sensing, 2D and 3D gestures recognition and command control, which comply with the extension demand of HMI as well as hygienic contactless UI solution. In the area of traditional passive display, the Group have completed the development of the Full In-cell Touch (“FIT”) IBN product, which is a light, slim, cost competitive and easy operation solution. The introduction of this new IBN display product has been well received by both automotive and white goods customers.

In term of High Dynamic Range (“HDR”) technology development, with its unique and original BD Cell display technology, the Group has attracted good marketing responses. This remarkable technology employs highly sophisticated pixel-level backlighting control, which achieves ultra-high million-level display contrast, therefore perfectly reproduces natural and genuine images. Another new HDR technology under development is the mini-LED technology. It largely enhances display performance to a contrast level of hundreds of thousands. This technology is now under promotion.

As for technology development of AMOLED with ultimate display performance, the Group has preliminarily completed the development of automotive flexible AMOLED display technologies. In the aspect of automotive supremely high standard for lifetime, currently, with new materials released and advanced pixel driving algorithm and calibration technology, the high resolution 12.3 inch FHD flexible AMOLED development has reached the general automotive manufacturer's reliability and mass production requirements. The Group will continuously commit to materials and driving algorithm improvement in order to attain leading standards of such products.

To comply with the strategy of products upgrade and transformation, the Group is progressively investing in higher-end automotive cockpit and system products and this includes visual and smart systems products, software development (with OS, AI for image processing algorithm, etc), integrated display modules for cluster and center information display (“CID”) systems.

As for HUD system products and development, we are in the top position in the field. In the first half of 2020, we were awarded a number of HUD product development projects for a well-known NEV manufacturer's new model cars. In the next generation for 3D AR-HUD development, we have achieved breakthroughs in 3D images rendering as well as depth of field effect, this allows the navigation image and the road conditions seamlessly fused for the best augmented reality display. Demo samples are now available and development is about to finished by end of the year. For another series of visual products development, the transparent A-pillar product is in good progress and has installed our flexible AMOLED display to a demo car for a famous automotive manufacturer in the PRC.

As regards to development of higher-end integrated display systems and software development, we completed the development of a CID module with controlling software running on a single chip MCU and connection interface with high transmission rate of visual data and bidirectional control communication, with which we received the first order of integrated cluster display project from an NEV manufacturer. In this year, a more challenging cluster display system platform development with dual computing chips and real-time operating systems was commenced and now in good progress. Tuned demos of this system platform are now available for promotion. These important technology reserves have built the foundation for the future mainstream of full display type integrated cluster display systems.

ACKNOWLEDGEMENT

During the period, the Group has faced unprecedented challenges caused by the COVID-19 pandemic. Thanks to the relentless efforts of our collaborative team, we have managed to minimize the disruption and achieved satisfactory results under uncertain times. The Group is now a major market player in the automotive display market with increasing market shares. We will pursuit our ambition to become a leading integrated smart cockpit display system solution provider. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders and business partners for your great support.

Gao Wenbao
Chairman

Hong Kong, 28 August 2020

Consolidated statement of profit or loss
For the six months ended 30 June 2020 - unaudited

		Six months ended 30 June	
	Note	2020	2019
		HK\$'000	HK\$'000
Revenue	4	1,898,299	1,607,173
Other operating income	5	26,220	22,462
Change in inventories of finished goods and work in progress		(2,843)	(80,147)
Raw materials and consumables used		(1,541,961)	(1,109,435)
Staff costs		(189,928)	(214,951)
Depreciation		(70,432)	(67,561)
Other operating expenses	6(c)	(99,419)	(137,004)
Profit from operations		19,936	20,537
Finance costs	6(a)	(189)	(298)
Share of losses of associates		(963)	(165)
Profit before taxation	6	18,784	20,074
Income tax	7	(602)	(2,824)
Profit for the period attributable to equity shareholders of the Company		18,182	17,250
Earnings per share (in HK cents)	8		
Basic		2.5 cents	2.4 cents
Diluted		2.5 cents	2.4 cents

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2020 - unaudited

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Profit for the period	18,182	17,250
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments: net movement in exchange reserve	(21,646)	(607)
Total comprehensive income for the period attributable to equity shareholders of the Company	(3,464)	(16,643)

Consolidated statement of financial position

At 30 June 2020 - unaudited

	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Non-current assets			
Property, plant and equipment		467,486	504,215
Interest in associates		9,339	10,447
Intangible assets		4,917	5,269
Non-current deposits		27,441	29,339
Deferred tax assets		10,277	10,277
		<u>519,460</u>	<u>559,547</u>
Current assets			
Inventories		515,273	533,204
Trade and other receivables, deposits and prepayments and other contract costs	10	906,769	883,367
Other financial assets		3,102	3,118
Current tax recoverable		9,787	7,825
Fixed deposits with more than three months to maturity when placed		7,826	7,780
Cash and cash equivalents		1,493,954	1,538,328
		<u>2,936,711</u>	<u>2,973,622</u>
Current liabilities			
Trade and other payables	11	680,348	748,674
Lease liabilities		5,849	6,740
Current tax payable		475	524
Deferred income		4,761	5,564
Dividends payable	9	191,146	-
		<u>882,579</u>	<u>761,502</u>

Consolidated statement of financial position *(continued)*

At 30 June 2020 - unaudited

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Net current assets	<u>2,054,132</u>	<u>2,212,120</u>
Total assets less current liabilities	<u>2,573,592</u>	<u>2,771,667</u>
Non-current liabilities		
Lease liabilities	1,463	3,143
Deferred tax liabilities	8,176	8,182
Deferred income	6,707	8,907
	<u>16,346</u>	<u>20,232</u>
NET ASSETS	<u>2,557,246</u>	<u>2,751,435</u>
CAPITAL AND RESERVES		
Share capital	183,794	183,794
Reserves	2,373,452	2,567,641
TOTAL EQUITY	<u>2,557,246</u>	<u>2,751,435</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 2020 but are extracted from that interim financial report.

The interim financial report is unaudited, 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 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

Other than the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, the Group has not applied any new standard or interpretation that is not yet effective for current accounting period. 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.

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	
	2020	2019
	HK\$'000	HK\$'000
The People's Republic of China ("PRC") (place of domicile)	1,003,751	591,037
Europe	545,956	685,365
America	78,227	113,136
Korea	106,985	63,146
Others	163,380	154,489
	894,548	1,016,136
Consolidated revenue	1,898,299	1,607,173

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Germany	171,572	172,438
Czech Republic	114,027	140,502
Italy	34,085	33,018
France	33,330	51,670
Portugal	31,125	60,513
United Kingdom	16,522	32,065
Other European countries	145,295	195,159
	545,956	685,365

<i>(ii) Group's specified non-current assets</i>	At 30 June	At 31 December
	2020	2019
	HK\$'000	HK\$'000
The PRC (place of domicile)	473,757	510,826
Korea	2,634	3,055
Others	5,351	6,050
	481,742	519,931

5. Other operating income

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income on financial assets measured at amortised cost	12,761	14,816
Government grants (note)	2,845	6,919
Net exchange gain/(loss)	2,773	(5,849)
Net loss on disposal of property, plant and equipment	-	(321)
Rental receivable from operating leases	6,681	5,256
Other income	1,160	1,641
	<u>26,220</u>	<u>22,462</u>

Note: The amount mainly represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$87,000 (2019: HK\$4,178,000) and amortisation of government grant received from the PRC authorities in relation to acquiring machineries of HK\$2,758,000 (2019: HK\$2,741,000). There are no unfulfilled conditions attaching to these government grants.

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on lease liabilities	<u>189</u>	<u>298</u>
(b) Other items		
Expected credit loss allowance recognised on trade receivables	114	57
Cost of inventories	<u>1,715,956</u>	<u>1,394,343</u>

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(c) Other operating expenses		
Amortisation of intangible assets	352	349
Auditors' remuneration	1,818	1,975
Bank charges	613	794
Building management fees	1,672	2,777
Factory consumables, cleaning and security service expenses	7,825	4,844
Freight charges	15,615	23,098
Insurance and quality assurance expenses	1,829	2,817
Legal and professional fees	2,193	4,383
Office expenses	2,349	2,558
Other taxes, surcharge & duties	5,844	7,474
Repair and maintenance	5,859	7,304
Sales, marketing and commission expenses	10,277	8,089
Subcontracting fees	15,663	36,073
Travelling and entertainment expenses	4,498	6,632
Utilities expenses	21,391	24,060
Miscellaneous expenses	1,621	3,777
	<u>99,419</u>	<u>137,004</u>

7. Income tax

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Jurisdictions outside Hong Kong and the PRC	602	2,268
Deferred taxation	-	556
	<u>602</u>	<u>2,824</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 periods ended 30 June 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 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\$18,182,000 (six months ended 30 June 2019: HK\$17,250,000) and the weighted average of 735,175,204 ordinary shares (2019: 735,175,204 ordinary 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\$18,182,000 (six months ended 30 June 2019: HK\$17,250,000) and the weighted average of 735,420,108 ordinary shares (2019: 735,175,204 ordinary 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 2020 (six months ended 30 June 2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, 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 during the following interim period, of 25.0 HK cents (2019: Nil) per share	183,794	-
	191,146	7,352

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\$2,100,000 (31 December 2019: HK\$4,478,000) is as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 60 days of the invoice issue date	514,284	582,263
61 to 90 days after the invoice issue date	118,940	137,038
91 to 120 days after the invoice issue date	75,964	56,407
More than 120 days but less than 12 months after the invoice issue date	54,963	30,438
	<u>764,151</u>	<u>806,146</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 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 60 days of supplier invoice date	468,885	509,384
61 to 120 days after supplier invoice date	26,473	52,667
More than 120 days but within 12 months after supplier invoice date	7,940	19,476
More than 12 months after supplier invoice date	2,904	3,684
	<u>506,202</u>	<u>585,211</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 2020 HK\$'000	At 31 December 2019 HK\$'000
Contracted for	<u>10,788</u>	<u>27,003</u>

13. Non-adjusting events after the reporting period

On 17 July 2020, Ample Bonus Limited (“Ample Bonus”), a wholly owned subsidiary of the Company, entered into an investment agreement with various independent third parties. Pursuant to the investment agreement, Ample Bonus has agreed to make an investment of RMB 50,100,000 to a newly incorporated entity, namely 睿合科技有限公司 (“睿合”), in the PRC which will be principally engaged in manufacturing and sales of LCDs and related products. Upon the completion of incorporation, the Group will hold 50.1% equity interest in 睿合 which will be accounted for as a subsidiary of the Group. 睿合 was subsequently incorporated on 20 July 2020.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

OTHERS

Staff

As at 30 June 2020, the Group employed 3,543 staff around the world, of whom 127 were in Hong Kong, 3,367 in the People’s Republic of China (“the PRC”) and 49 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

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

Liquidity and Financial Resources

As at 30 June 2020, the total equity of the Group was HK\$2,557 million (31 December 2019: HK\$2,751 million). The Group’s current ratio, being the proportion of total current assets against total current liabilities, was 3.3 as at 30 June 2020 (31 December 2019: 3.9).

At the period end, the Group held a liquid portfolio of HK\$1,505 million (31 December 2019: HK\$1,549 million) of which HK\$1,502 million (31 December 2019: HK\$1,546 million) was cash and fixed deposits balance, HK\$3 million (31 December 2019: HK\$3 million) was other financial assets. At the period end, the Group had no borrowings (31 December 2019: HK\$Nil).

The Group’s inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2020 was 6.6 times (31 December 2019: 5.0 times). Debtor turnover days (trade receivables over annualised revenue times 366) for the six months ended 30 June 2020 was 73 days (31 December 2019: 82 days).

Foreign Currency Exposure

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group is also exposed to currency risk through other financial assets acquired which are denominated in a foreign currency. The currencies giving rise to these risks 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the company's listed securities during the period ended 30 June 2020.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2020.

All other information on the Code has been disclosed in the corporate governance report contained in the 2019 annual report of the Company issued in March 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 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 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.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 28 August 2020

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.