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

2022 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Revenue	4,831	3,200
EBITDA ¹	359	174
Profit Attributable to Shareholders	250.9	95.1
Basic Earnings per Share	34.5 HK cents	12.9 HK cents
Diluted Earnings per Share	34.2 HK cents	12.9 HK cents
	As of 30 June 2022	As of 31 December 2021
Cash and Fixed Deposits Balance	2,263	2,267

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 six months ended 30 June 2022 (the “period under review”).

During the period under review, the Group achieved revenue of HK\$4,831 million, an increase of 51% when compared with the HK\$3,200 million for the same period of 2021. EBITDA¹ of the Group was HK\$359 million, 106% higher than the HK\$174 million recorded for the same period of 2021. The profit attributable to shareholders was HK\$250.9 million, an increase of 164% compared with HK\$95.1 million recorded for the same period of 2021.

As at 30 June 2022, the cash and fixed deposits balance of the Group was HK\$2,263 million, which is similar to the balance of HK\$2,267 million at the end of 2021. As at 30 June 2022, the bank borrowings was HK\$46.8 million which is repayable within one year, and there was no bank borrowings at the end of 2021. The Group mainly sources its funding from its operation. The cash position of the Group remains strong as at 30 June 2022. The Group is committed to maintain the bank borrowings at an appropriate level.

The Group has achieved remarkable results during the period under review with record-high revenue and profit attributable to shareholders. During the period under review, the Group grasped the market opportunities of the recovery from the impact of COVID-19 pandemic and expands our business in the automotive sector. Our revenue has increased across most of geographical regions as a result of increase in sales of Thin Film Transistor (“TFT”) and touch panel display modules to customers, with exceptional growth in the People’s Republic of China (the “PRC”). Our sales in the PRC has increased by more than 60% during the period under review as compared to that of the same period of last year which is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand and average selling price in the automotive market in the PRC. For other regions like Europe, America, Korea and most of other regions, we have also recorded a notable growth and mainly contributed by the increase in sales of TFT and touch panel display modules in the automotive business. At the same time, the Group had been able to manage the co-effect of global shortage of electronic components, quarantine measures and geopolitical instabilities through various measures to reduce the impact on our supply chain and production. We strived to maintain a stable delivery to our customers and further strengthen the relationship with our customers.

The Group’s TFT module business and touch panel display modules business contributed around 87% of the Group’s revenue while the revenue from monochrome display business increased slightly during the period.

During the period under review, EBITDA has increased by 106% to HK\$359 million, represented around 7.4% of the Group’s revenue. The increase is mainly contributed by the increase in gross profit contributed by the increase in revenue. The profit attributable to shareholders has increased by HK\$155.8 million, approximately 164% as compared to that of 2021. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group’s revenue, increased to approximately 5.2% as compared to approximately 3.0% in 2021. The Group’s overall profitability has been improving through the continuous achievement of economies of scales through our increases in sales. The staff costs and other operating expenses were increased comparing with the same period of last year for our increase in production and expansion of production capacity. Nevertheless, the increase was corresponding to the increase in sales and business activities during the period and the Group has constantly carrying out efficiency management measures with an aim to achieve better profitability.

DIVIDENDS

The Board of directors (the “Board”) of the Company has resolved not to declare an interim dividend for six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Group has no change in its dividend policy.

BUSINESS REVIEW

Automotive Display Business

For the period under review, the revenue for the automotive display business was HK\$4,335 million, an increase of 68% from the revenue of HK\$2,578 million recorded in the same period of 2021. This business represented approximately 90% of the Group’s overall revenue.

During the period, the Group’s automotive display business has recorded a significant growth in sales as compared to the same period of last year. With our continuous effort in developing the TFT display business over the past few years, the Group is now in a global leading position in terms of automotive TFT display products, especially in medium-to-large size display modules. Despite the quarantine measures in the PRC which caused severe strains to the automotive display supply chain, the Group has successfully mitigated the impact on the Group’s business. The sales

growth was mainly contributed by such increase in market demand together with scheduled commencement of mass production of TFT and touch panel display modules projects during the period. In terms of average selling price, in addition to the increase in selling price of certain products due to the increase in material costs, the gradual shift in product mix to higher average selling price products like touch panel display modules and larger-size TFT display modules also contributed to the increase in sales as compare to the same period of 2021.

The development of our automotive business in the PRC has yielded remarkable results in the first half of 2022. The PRC is the largest market of the Group's automotive display business and accounted for approximately 71% of the Group's automotive revenue in the first half of 2022. Our customer base has been expanding and covers major car brands for both conventional and new energy vehicle ("NEV") manufacturers. According to our statistics, our TFT display products continues to cover most of the top 20 PRC automobile manufacturers and NEV manufacturers and revenue from them keep increasing. During the period, the sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up its production continuously from the second half of 2021. This has increased our sales of TFT related display products in the period under review.

Our automotive business in Europe has recorded a considerable growth as compare to the same period of 2021. Though our major customers in Europe have gradually recovered from the impact of the pandemic, it was hindered by the geopolitical and inflation issues. The increase in revenue was due to increased average selling price, improved order fulfilment as a result of global electronic component shortage is relaxing and turning to mass production phrase for our certain products.

Other regions like Korea and America have also benefited from the recovery and ramp-up of orders during the period.

Industrial Display Business

For the period under review, the industrial display business generated revenue of HK\$496 million, a decrease of approximately 20% from the revenue of HK\$622 million recorded for the same period of 2021. This business represented approximately 10% of the Group's overall revenue.

The decrease of revenue during the period is mainly attributable to the special need for education product and demand from a world-renowned high-end home appliance brand for the same period of 2021 while there was less such demand in 2022.

BUSINESS OUTLOOK

During the period, the Group has successfully expanded our automotive business and increased our overall revenue and profit. The Group has grasped market opportunities benefited from the further recovery of the economy of the PRC, the strong demand of the automotive market in NEV in the PRC and other regions. The mass production of various TFT and touch panel modules projects during the period has boosted the revenue and brought economies of scales which improved our overall net profit margin.

Looking forward to the second half of 2022, the Group expects that our revenue will continue to grow based on the order status of mass production projects which mainly drives from the increasing demand from TFT and touch panel display modules in the PRC and other regions such as Europe and Korea. The gradual mass production of high-end display products like BD display, AMOLED display, mini-LED and display system solution in coming years will also contribute to the growth. It is expected that the Group will continue to enhance profitability level through further economies of scale as our revenue increases and utilisation of production plants are optimised.

The recent geopolitical conflict, global inflation, interest rate hike of America and supply chain tension may still cast cloud of uncertainty over the global economy, and supply and demand condition of our products while the global shortage of electronic components is ease, customers may demand shifting certain burden to keep them success in the competition. The Group will stay vigilant and take necessary measures to minimize the potential impact that may have caused.

Automotive Display Business

During the period under review, the Group has increased our global automotive display market share and achieved a leading position in terms of delivery quantity, area and especially delivery for display larger than 8 inches. We have established a strong customer network and obtained mass production projects for major automobiles manufacturers. The growth is especially remarkable in the PRC for TFT and touch panel display modules for NEV manufacturers. We expect the recent stimulus policy of the PRC Government shall boost the recovery of automotive sales in the second half of 2022 and shall be beneficial to us in future.

The Group expected that the trend of shifting to NEV in the PRC will continue based on the market trend and the PRC's target to achieve peak carbon emissions and carbon neutrality. The Group has successfully developed close relationship with major NEV manufacturers in the PRC and obtained a number of TFT and touch panel display modules orders over the past years which shall contribute significant amount of the Group's revenue over the order fulfilment period. Automobile manufacturers, in particular NEV manufacturers, are constantly upgrading user experience through multiply, large-sized, and high-quality displays with improving human-machine-interface ("HMI"). In view of this trend, the Group has been promoting different products, like large-sized TFT touch panel display modules, BD display, AMOLED display modules and system display products to our customers. The Group has won large-sized AMOLED display projects for several PRC NEVs. In relation to the development of system business, the Group has won business for system display solution for several PRC automobile manufacturers. It is expected that the revenue from high-end display products will increase in the coming years.

For Europe and America, the Group continues to win new business from our long-term customers as well as newly developed customers. We work very closely with our customers and continue to secure high-volume platform projects from the Group's long-established Tier-1 customers during the period. The Group won order with display using BD cell technology from a customer. There is also an order received from super cars manufacturers. The Group is also actively collaborating with our customers in new display technologies, such as high-resolution 3D display. For Korea and Japan automotive business, we expect the growth will continue as the mass production of TFT display projects continues to ramp-up since the second half of 2021.

Industrial Display Business

The Group has been introducing TFT display products to our long-term customers and also developed new customers like high-end consumer products in home appliances and education-related products. In respect of the slower market demand of education-related products in the PRC, the Group has been gradually reducing its effort in this area since the latter half of 2021 with its less contribution to our revenue in future years. Our monochrome display products will continue to play a key role in non-automotive business as the demand is relatively stable in the areas of industrial meters, medical and other products.

Development Strategy

Through the relentless effort of the Group, we have achieved staged development to pursuit our vision to become a leading integrated automotive smart cockpit display solution provider. Our market share has been increasing and our products have reached major customers including Tier-1 manufacturers and new energy automobile manufacturers. We have developed our competitive

advantage in providing versatile, state-of-the-art products with stable supply and quality assurance. The Group has also established strong relationship with our strategic partners, including major automobile manufacturers, NEV manufacturers and other eco-system partners, to develop our business in relation to smart cockpit display.

The Group will strive to expand and maintain our leading position of the automotive display business through technical advancement, high quality and reliable products and total customer satisfaction. In view of the positive outlook of the automotive display business, the Group has decided to establish our TFT and touch panel display module manufacturing facilities in Chengdu, the PRC. The Group believes the expansion can allow us to capture upcoming business opportunities and further expand our market share upon its expected completion in late 2022 or early 2023.

The digitalization and upgrading of the HMI experience in smart cockpit is becoming a major trend in the automotive industry. The need for larger-sized displays and more displays in the cockpit has been increasing with more and more advanced display technologies being integrated, like Augmented Reality Heads Up Display (“AR-HUD”), e-mirror, naked-eye 3D display and privacy-on-demand (“POD”).

Riding on this trend, the roadmap for the Group in coming years is to develop and strengthen our business in automotive display system to enable us to become a leading integrated automotive smart cockpit display solution provider. Our subsidiary has commenced mass production of a AR-HUD project for a PRC local brand car in the first half of 2022. The Group will keep its effort in the development of system business, and with our effort, were awarded display system solution projects from several major PRC automobile manufacturers and some of them have begun mass production.

Technology Development

In recent years, as the automotive industry continues to evolve in terms of "CASE", Connectivity, Autonomous, Sharing and Electrification, the industry has reached a consensus that vehicles will no longer be traditional means of transportation, but will gradually become a smart mobile terminal integrating travel, office, entertainment and leisure.

The development of smart vehicles has integrated many advanced technologies. Among them, the automotive display, as the core component of the cockpit, has also become a guarantee in the smart vehicle industry chain. The technical competition between car companies in automotive display is also becoming more and more fierce. Screens in large size screen, free-form, curved and interactive becomes a new trend in smart vehicle cockpit displays. The Group is dedicated to the development of a next-generation automotive display technology and contributes to the evolution of smart automobile.

We are dedicated to develop high dynamic range (“HDR”) technology, LED Local Dimming technology, mini-LED technology and BD Cell technology, so as to greatly increase the dynamic contrast ratio and enhance the color gamut, and show a darker and more natural display image. The automotive cockpit display image has a strong black to white transition and is more susceptible to halo artifacts. The more dimming zones can provide better matching of the backlight to display the image, thereby reduce the halo effect. We have achieved phased results and are working to improve and increase the cost competitiveness on this technology. The Group is focused on BD Cell technology development, which combines monochrome and color high-resolution screens using precise optical bonding technology. By using pixel level local dimming technology, the TFT-LCD display contrast can be greatly improved to a hundred thousand ultra-high level. With the strong technical strength of the BOE Group, we will continue to develop related technologies and apply to automotive and other applications.

Due to the development of various smart functions and the full presentation of these functions and massive information, the display area continues to increase and NEV companies are more aggressive in this regard. To avoid information being forced to be divided into different display areas due to the physical distance between the screens, which resulting in information fragmentation, 27.0 inches 4K LTPS Full In-Cell Touch display has been launched. For cost reasons, it can be used as Pillar to Pillar Display by combining conventional instrument cluster display (e.g. 12.3 inches) under one cover glass as central information display and co-pilot display (when used together). It can also be used as panoramic unbounded sliding screen.

With the advantages of cost and sunlight readability, we continue to improve the existing passive display effect for the increasing demand for motorcycles. The new development of color polarizer technology has already phased in mass production stage in the second quarter of 2022. It can provide multi-color and customized color pattern display effect to which fit user's requirement, and act as an alternative cost-effective color solution to customer. The colored hybrid VCI-TFT and Versi-colour (VCI) technology have been widely used in both automotive and motorcycle application. The first VCI motorcycle display project has been launched in the PRC market in the middle of 2022. This is a start to enter the PRC motorcycle market. The verification process of VCI motorcycle cluster will be completed in the third quarter of 2022. The focus change from display panel production to system production will make a growing point in monochrome display business.

For curved display solutions, the failure of having a good touch coordination solution of curved display devices is a footing stone to the development of HMI on vehicles. The restriction on components used in consumer's products are more obvious 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 and etc. The Group has achieved phased results in automotive curved displays and obtained the first free-form curved display project from a well-known 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. 3D space image and HMI input will be the focus of future development. 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 3D depth by algorithm.

Currently, first samples had been produced and the 3D user interface implementation is undergoing. We are also developing 3D touch technologies, Infra-Red ("IR") 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. To the best of our knowledge, 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 period. Meanwhile, in conjunction with AR algorithms, AR-HUD products for the high-end market are launched for expanding the product category and benefiting to develop more market opportunities.

Besides, we have completed a number of products and technology development related to the smart cockpit display system. In addition to the traditional W-HUD (Windshield type HUD) products development, we focused more on the development of AR-HUD system and have already launched the first product for mass production. At the time being, we are proactively planning for the next HUD technology generation like 3D and lightguide technology to enhance the visual effect as well

as to effectively reduce the volume of the optical box to enable us to be more competitive in technology and capability.

In the development of Camera Monitor System (“CMS”), we have completed our proprietary vision communication system platform based on well-known image/video processing System on Chip (“SOC”) and will have a project expected start mass production in the second half of the year. A related industry standard is to be in force in the PRC by this year, it is anticipated that the CMS products shall well exhibit its market value.

In the smart cockpit display system, the Group has entered the harvest stage of the product development. We have launched production for a leading NEV automobile manufacturer and have been continuously winning projects from several new automobile manufacturers. We have also been awarded projects from 2 overseas NEV manufacturers and have established a development center in UK as well for corresponding Europe and America NEV. The Group will continue to invest and expand both the PRC and overseas system development teams in order to prepare for the opportunities that coming.

IMPORTANT EVENTS AFTER THE PERIOD ENDED 30 JUNE 2022

Please refer to note 13 to the unaudited financial statements for the period under review.

ACKNOWLEDGEMENT

During the period, the Group has achieved record-high revenue and profit through successful implementation of our strategy. Thanks to the trust of our business partners, our customer base has broadened and solidified. The Group will continue to grasp the upcoming trend of the automotive industry and to pursuit our strategy to become a leading integrated automotive smart cockpit display system solution provider. On behalf of the Board, I would like to express my sincere gratitude to our management, employees, shareholders, investors, customers, suppliers and other business partners for your continuing support.

Gao Wenbao
Chairman

Hong Kong, 15 August 2022

Consolidated statement of profit or loss

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Revenue	4	4,830,849	3,200,005
Other operating income	5	62,383	24,975
Change in inventories of finished goods and work in progress		260,354	72,669
Raw materials and consumables used		(4,232,678)	(2,698,440)
Staff costs		(354,927)	(267,729)
Depreciation		(81,835)	(77,939)
Other operating expenses	6(c)	(209,118)	(157,972)
Profit from operations		275,028	95,569
Finance costs	6(a)	(662)	(429)
Share of losses of associates		-	(278)
Profit before taxation	6	274,366	94,862
Income tax	7	(40,523)	(5,882)
Profit for the period		233,843	88,980
Profit/(loss) attributable to:			
Equity shareholders of the Company		250,876	95,105
Non-controlling interests		(17,033)	(6,125)
		233,843	88,980
Earnings per share for profit attributable to equity shareholders of the Company (in HK cents)	8		
Basic		34.5 cents	12.9 cents
Diluted		34.2 cents	12.9 cents

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2022 - unaudited

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	233,843	88,980
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	(121,948)	11,648
Total comprehensive income for the period	111,895	100,628
Profit/(loss) attributable to:		
Equity shareholders of the Company	130,750	106,250
Non-controlling interests	(18,855)	(5,622)
	111,895	100,628

Consolidated statement of financial position

At 30 June 2022 - unaudited

	Note	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Non-current assets			
Property, plant and equipment		768,363	583,434
Intangible assets		39,822	38,457
Goodwill		11,487	11,487
Other financial assets		40,539	40,614
Non-current deposits and prepayments		78,232	15,332
Deferred tax assets		654	654
		<u>939,097</u>	<u>689,978</u>
Current assets			
Inventories		1,273,542	832,617
Trade and other receivables, deposits and prepayments and other contract costs	10	1,932,090	1,744,344
Other financial assets		3,758	4,367
Current tax recoverable		3,232	4,740
Cash and cash equivalents		2,262,545	2,267,118
		<u>5,475,167</u>	<u>4,853,186</u>
Current liabilities			
Trade and other payables	11	2,844,944	2,135,804
Lease liabilities		10,185	11,513
Current tax payable		18,110	17,476
Deferred income		5,577	3,260
Bank borrowings		46,800	-
Dividends payable	9	109,284	-
		<u>3,034,900</u>	<u>2,168,053</u>

Consolidated statement of financial position *(continued)*

At 30 June 2022 - unaudited

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Net current assets	<u>2,440,267</u>	<u>2,685,133</u>
Total assets less current liabilities	<u>3,379,364</u>	<u>3,375,111</u>
Non-current liabilities		
Lease liabilities	6,185	11,042
Deferred tax liabilities	12,641	13,165
Deferred income	4,826	5,279
	<u>23,652</u>	<u>29,486</u>
NET ASSETS	<u>3,355,712</u>	<u>3,345,625</u>
CAPITAL AND RESERVES		
Share capital	184,142	184,039
Reserves	2,877,224	2,848,385
Total equity attributable to equity shareholders of the Company	3,061,366	3,032,424
Non-controlling interests	294,346	313,201
TOTAL EQUITY	<u>3,355,712</u>	<u>3,345,625</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 2022 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 15 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 goodwill (“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 to which they are allocated, in the case of intangible assets and goodwill.

<i>(i) Group's revenue from external customers</i>	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
The People's Republic of China ("PRC") (place of domicile)	3,285,902	2,009,215
Europe	784,435	669,249
America	302,987	155,309
Korea	194,142	168,091
Others	263,383	198,141
	1,544,947	1,190,790
Consolidated revenue	4,830,849	3,200,005

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Czech Republic	226,738	209,702
Germany	126,436	143,387
Romania	109,195	72,047
Italy	50,665	41,231
France	40,042	33,210
Portugal	30,848	49,123
United Kingdom	4,029	7,110
Other European countries	196,482	113,439
	784,435	669,249

<i>(ii) Group's specified non-current assets</i>	At 30 June	At 31 December
	2022	2021
	HK\$'000	HK\$'000
The PRC (place of domicile)	814,500	626,290
Others	5,172	7,088
	819,672	633,378

5. Other operating income

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income on financial assets measured at amortised cost	20,085	11,618
Government grants (note)	13,210	4,804
Net exchange gain	17,937	2,020
Net loss on disposal of property, plant and equipment	-	(2)
Impairment loss on interest in an associate	-	(1,000)
Loss on deemed disposal of an associate	-	(1,786)
Rental receivable from operating leases	7,287	7,267
Others	3,864	2,054
	<u>62,383</u>	<u>24,975</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\$6,777,000 (2021: HK\$Nil), amortisation of government grants received from the PRC authorities in relation to acquisitions of machineries of HK\$5,330,000 (2021: HK\$2,656,000) and incentives granted in relation to staff retention of HK\$1,103,000 (2021: HK\$2,131,000). 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	
	2022	2021
	HK\$'000	HK\$'000
<i>(a) Finance costs</i>		
Interest on lease liabilities	369	429
Interest on bank borrowings	293	-
	<u>662</u>	<u>429</u>
<i>(b) Other items</i>		
Cost of inventories	<u>4,217,354</u>	<u>2,844,896</u>

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
(c) Other operating expenses		
Amortisation of intangible assets	2,488	488
Auditors' remuneration	1,884	1,850
Bank charges	668	717
Building management fees	2,560	1,992
Expected credit loss allowance on trade receivables	4,807	2,565
Factory consumables, cleaning and security service expenses	7,535	6,261
Freight charges	31,409	26,981
Insurance and quality assurance expenses	3,728	2,220
Legal and professional fees	5,753	4,914
Office expenses	7,252	2,469
Other taxes, surcharge & duties	9,179	10,718
Repair and maintenance	10,696	9,118
Sales, marketing and commission expenses	33,171	19,778
Subcontracting fees	34,417	33,918
Trademark licence fee	11,493	-
Travelling and entertainment expenses	6,470	6,388
Utilities expenses	33,732	26,257
Miscellaneous expenses	1,876	1,338
	209,118	157,972
	209,118	157,972

7. Income tax

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	11,627	-
Current tax – the PRC income taxes	21,796	3,226
Current tax – Jurisdictions outside Hong Kong and the PRC	7,636	1,496
Deferred taxation	(536)	1,160
	40,523	5,882
	40,523	5,882

(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 2022 and 2021.

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\$250,876,000 (six months ended 30 June 2021: HK\$95,105,000) and the weighted average of 727,148,038 ordinary shares (2021: 735,298,971 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\$250,876,000 (six months ended 30 June 2021: HK\$95,105,000) and the weighted average of 732,873,839 ordinary shares (2021: 737,066,421 ordinary shares).

9. Dividends

(a) 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 2022 (six months ended 30 June 2021: Nil).

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

	Six months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
Final dividend in respect of the previous financial year, approved during the following interim period, of 15.0 HK cents (2021: 5.0 HK cents) per share	109,284	36,780

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\$24,730,000 (31 December 2021: HK\$19,923,000) is as follows:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 60 days of the invoice issue date	1,415,000	1,083,109
61 to 90 days after the invoice issue date	92,234	270,250
91 to 120 days after the invoice issue date	80,042	124,294
More than 120 days but less than 12 months after the invoice issue date	79,380	138,580
	<u>1,666,656</u>	<u>1,616,233</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 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 60 days of supplier invoice date	2,032,036	1,170,681
61 to 120 days after supplier invoice date	121,598	454,423
More than 120 days but within 12 months after supplier invoice date	22,891	16,822
More than 12 months after supplier invoice date	7,116	9,933
	<u>2,183,641</u>	<u>1,651,859</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 2022 HK\$'000	At 31 December 2021 HK\$'000
Contracted for construction and acquisition of plant and equipment	<u>635,666</u>	<u>93,518</u>

13. Non-adjusting events after reporting period

On 12 August 2022, the Group entered into an equity transfer agreement with BOE Technology Group Co., Ltd., the parent of the company, in relation to the acquisition of the 40% equity interest in Chengdu BOE Automotive Electronic Limited* (成都京東方汽車電子有限公司) (“Chengdu BOE Automotive”), which is a non-wholly owned subsidiary of the Group. Pursuant to the equity transfer agreement, the Group has agreed to acquire, and BOE Technology Group Co., Ltd. has agreed to sell the 40% equity interest of Chengdu BOE Automotive at the cash consideration of RMB230 million.

Upon the completion of equity transfer, the Group will hold 100% equity interest in Chengdu BOE Automotive which will be accounted for as a wholly-owned subsidiary of the Group. Further details are set out in the announcement of the Company dated 12 August 2022.

* *For identification purposes only*

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Group has no change in its dividend policy.

OTHER INFORMATION

Staff

As at 30 June 2022, the Group employed 4,063 staff around the world, of whom 123 were in Hong Kong, 3,887 were in the People’s Republic of China (the “PRC”) and 53 were in overseas. The Group remunerates its employees (including directors) based on their performance, experience and prevailing industry practice. The Group operates a 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 overall employees to improve and excel.

The Group always keep pace with the times and strive to improve human resources efficiency and corporate governance capabilities, provide different training and development programmes to attract, motivate and retain talented staff.

Liquidity and Financial Resources

As at 30 June 2022, the total equity of the Group was HK\$3,356 million (31 December 2021: HK\$3,346 million). The Group’s current ratio, being the proportion of total current assets against total current liabilities, was 1.80 as at 30 June 2022 (31 December 2021: 2.24).

At the period end, the Group held a liquid portfolio of HK\$2,267 million (31 December 2021: HK\$2,271 million) of which HK\$2,263 million (31 December 2021: HK\$2,267 million) was cash and fixed deposits balance, HK\$4 million (31 December 2021: HK\$4 million) was other financial assets. At the period end, the Group had the bank borrowings balance of HK\$47 million (31 December 2021: HK\$Nil). The Group’s gearing ratio (bank borrowings over net assets) was approximately 1.4% as at 30 June 2022 (31 December 2021: Nil%).

The Group's inventory turnover ratio (annualised cost of inventories over average inventories balance) for the six months ended 30 June 2022 was 8.1 times (31 December 2021: 10.2 times). Debtor turnover days (trade receivables over annualised revenue times 365) for the six months ended 30 June 2022 was 62 days (31 December 2021: 76 days).

Foreign Currency and Interest Rate 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.

As of 30 June 2022, the bank borrowings of the Group are with fixed interest rate (as of 31 December 2021: nil bank borrowings). The Group will monitor interest rate movements and consider appropriate measures when arrange bank borrowings with floating rates.

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

During the period ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. On 15 June 2022, the Board has granted a total of 2,500,000 awarded shares (representing 0.34% of the issued shares capital of the Company as at 30 June 2022) to selected participants, comprising 5 Directors and certain employees of the Group, pursuant to the share award plan of the Company adopted on 28 August 2020.

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 2022.

All other information on the CG Code has been disclosed in the corporate governance report contained in the 2021 annual report of the Company issued in April 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on securities transactions by directors (the "Code of Conduct") on terms no less exacting than those required standards set out in 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 and the Code of Conduct throughout the period under review.

The Company has also adopted a code of conduct on securities transactions by employees on terms no less exacting than those required standards set out in the Model Code.

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 2022 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.

INVESTMENT COMMITTEE

The Investment Committee of the Company (the “IC”) is established to source, review and select appropriate investment projects to achieve the Group’s advancement and transformation strategy. The IC comprises 9 members, including Mr. Gao Wenbao, Ms. Ko Wing Yan, Samantha and Mr. Su Ning.

The Board has approved and authorized the IC to make decisions on investment projects with the authorisation limits and the authorisation period.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, 15 August 2022

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 Mr. Zhang Jianqiang are non-executive Directors, and Mr. Fung, Yuk Kan Peter; Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are independent non-executive Directors.