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BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2021 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	2021	2020
Revenue	7,738	4,527
EBITDA ¹	513	216
Profit Attributable to Shareholders	327.8	68.6
Cash and Fixed Deposits Balance	2,267	1,635
Basic Earnings per Share	45.1 HK cents	9.3 HK cents
Final Dividend per Share	15.0 HK cents	5.0 HK cents

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

On behalf of BOE Varitronix Limited (the “Company”) and its subsidiaries (“BOEVx” or the “Group”), I present the results for the full year ended 31 December 2021.

During the year under review, revenue of HK\$7,738 million was recorded, an increase of 71% when compared with HK\$4,527 million recorded in 2020. EBITDA¹ of the Group was HK\$513 million, 138% higher than HK\$216 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$327.8 million was recorded, an increase of 378%, when compared with HK\$68.6 million recorded in 2020.

As at 31 December 2021, the cash and fixed deposits balance of the Group was HK\$2,267 million, compared to HK\$1,635 million at the end of 2020. The Group has no bank loan as at 31 December 2021 and 2020. The cash position of the Group remains strong during the year.

The Group has achieved remarkable results in 2021 with record-high revenue and profit attributable to shareholders. During the year under review, the Group has recovered from the impact of COVID-19 pandemic in 2020 and grasped the market opportunities to expand our business in automotive sector. Our revenue has increased across all 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 nearly doubled in the year under review as compared to that of 2020 which is mainly contributed by the commencement of mass production of TFT and touch panel display modules projects and overall increase in market demand in the PRC in the automotive market. For other regions like Europe, America, Korea and Japan, we have also recorded a notable growth 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 global shortage of electronic components through various measures to reduce the impact to our supply chain and production and strived to ensure stable delivery to our customers. During the year, the selling price of certain products has increased in response to the increase in material costs resulted from this global shortage of electronic components.

The Group’s TFT module business and touch panel display modules business contributed around 85% of the Group’s revenue while the revenue from monochrome display business contributed around 15% during the year. The revenue from the former has increased by 86% while the latter has increased by 19%.

During the year under review, EBITDA has increased by 138% to HK\$513 million, around 6.6 % 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\$259.2 million, approximately 378% as compared to that of 2020. And the profit attributable to shareholders ratio, being the profit attributable to shareholders over the Group’s revenue, increased to approximately 4.2% as compared to 1.5% in 2020. The Group’s overall profitability has been improving through the continuous achievement of 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 year and the Group has constantly been carrying out efficiency management measures with an aim to achieve further economies of scales. Furthermore, the Group has recorded approximately HK\$10 million net exchange gain during the year as compared to a net exchange loss of HK\$28 million in year 2020.

DIVIDENDS

The Board (the “Board”) of Directors (the “Director”) has recommended a final dividend of 15.0 HK cents (2020: 5.0 HK cents) per share. The annual dividend payout ratio was 34% (2020: 54%).

BUSINESS REVIEW

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$6,509 million, an increase of 89% from the revenue of HK\$3,450 million recorded in 2020. This business represented approximately 84% of the Group’s overall revenue.

During the year, the Group’s automotive display business has recorded a significant growth in sales as compared to 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. The impact of COVID-19 began to fade out in the second half of 2020 and the overall automotive display demand, in particular the PRC, began to gradually increase in the first half of 2021 and further accelerated in the second half of 2021. 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 year. 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.

The development of our automotive business in the PRC has yielded remarkable results in 2021. The PRC is the largest market of the Group's automotive display business and accounted for over 40% of the Group's revenue in 2021. 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 coverage for top 20 PRC automobile manufacturers has exceeded 30%. During the year, the sales of NEV in the PRC has been increasing and our NEV customers began to ramp-up its production in the second half of 2021. This has increased our sales of TFT related display products in 2021. Our product coverage for NEV customers in the PRC has also exceeded 30% according to our statistics.

Our automotive business in Europe has recorded growth during the year. Our major customers in Europe have gradually recovered from the impact of the pandemic in 2021 and showed increasing demand. The commencement of mass production of new TFT and touch panel display modules projects in the year also contributed to the increase in revenue. Monochrome display modules have also increased slightly as compared to the last year.

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

Industrial Display Business

For the year under review, the industrial display business generated revenue of HK\$1,228 million, an increase of 14% from the revenue of HK\$1,077 million recorded in 2020. This business represented approximately 16% of the Group's overall revenue.

The increase of revenue during the year is mainly contributed by the increase in sales of TFT display modules for a world-renowned high-end home appliance brand based in the United Kingdom. The increase in revenue was also contributed by slight increase of monochrome display orders of industrial and consumer sectors from customers in Europe. Revenue from education-related products remained similar as last year.

BUSINESS OUTLOOK

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

Looking forward to 2022, the Group expects that our revenue will continue to grow based on the order status of mass production projects which mainly drive 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 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 revenue increases.

The recent geopolitical conflict and the global shortage of electronic components may still cast cloud of uncertainty over the global economy and supply and demand condition. The Group will stay vigilant and take necessary measures to minimize the potential impact that may have caused.

Automotive Display Business

During the year 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 automobile manufacturers. The growth is especially remarkable in the PRC for TFT and touch panel display modules for both conventional vehicles and NEV manufacturers.

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 contributed around 15% of the Group's revenue in 2021. Automobile manufacturers, in particular NEV manufacturers, are constantly upgrading user experience through multiple, 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 display system products to our customers. Apart from the upcoming mass production of a large-sized AMOLED display for a renowned PRC NEV manufacturer in the second quarter of 2022, the Group has won large-sized AMOLED display projects for several NEVs. In relation to the development of system business, the Group has won business for display system 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, 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 year. For NEV, the Group has won a large-sized display system solution project for commercial vehicles from a new-emerging NEV manufacturer based in the United Kingdom. The Group is also actively collaborating with our customers in new display technologies, such as high-resolution 3D display.

For Korea, Japan and America 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 has 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 the effort in this area since latter half of 2021 and we expect that the revenue will be reduced in the future. 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 system 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. In view of the positive outlook of the automotive display business, together with the BOE Group, the Group has decided to expand our TFT and touch panel display module manufacturing facilities in Chengdu, 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 early 2023.

The digitalization and upgrading of 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 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 system solution provider. During the year, we have increased our investment in Hefei Jiangcheng Technology Co., Ltd. (formerly known as Shenzhen Jiangcheng Technology Co., Ltd.) to support the development of AR-HUD and HUD related technologies and products. Mass production of a AR-HUD project for a PRC local brand car will commence in first half of 2022. The Group has also established a dedicated subsidiary to consolidate efforts in the development of the system business in the latter half of 2021. We have already been awarded display system solution projects from several major PRC automobile manufacturers and some of them have begun mass production in the latter half of 2021.

Technology Development

COVID-19 has had a significant impact on the automotive industry. The Group is concerned any impact on future trends in automotive industry in relation to connectivity, autonomous, shared, and electrified vehicles (commonly referred to as “CASE”), as well as the ultimate impact of the evolution of these trends on the demand in the automotive industry.

Connectivity goes beyond 5G and vehicle data access, it is also about interior design. More connected experiences mean cars need more ways to display infotainment across dashboards and consoles. These display-rich interiors create myriad possibilities for high-resolution large-sized displays, curved display, high dynamic range (HDR), super high contrast (for high-end Graphics), true black, halo free, flexible OLED (f-OLED), etc.

On the other hand, along with the advancement of smart automobile and autonomous driving technology, HMI is becoming more and more important, meanwhile high-sensitivity multiple input interfaces are also a 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 display.

The Group is dedicated to the development of a next-generation automotive display technology and contributes to the development of smart automobile. Several new display technologies have been shown in the CES 2022, e.g. large curved cockpit display, BD display, mini-LED, POD, naked-eye 3D display, f-OLED, etc.

POD commonly used on laptops, desktop monitors, ATM, POS and etc. Now automakers also have this request on their Co-Driver Display (CDD). The Group developed POD which makes it possible to switch between Privacy mode and Public mode. Driver would not be distracted from driving by entertainment contents on the CDD. In public mode, navigation and other car relevant information will be visible to driver and co-driver. The Privacy mode will only allow the co-driver to view the entertainment contents. The Group has achieved phased results in POD and has shown our prototype in the CES 2022.

For the monochrome display business, the newly developed color on polarizer process can reduce the cost of our versi-color IBN and versi-color IBN-TFT hybrid display and enhance our market competence. Moreover, under the new environmental target of the PRC Government, we expect the growth of electric-bike application will be boosted up and 2-wheeler market of the PRC will be a growing market in coming years. This huge market will be one of our focus in 2022 and we are moving from module development to 2-wheeler cluster development. The qualification stage is expected to be completed by the second quarter of 2022. This move will bring us to another growing point in monochrome business.

For curved display, we overcome different challenges, such as automobile reliability, mechanical durability, color mixture effect, black mura and etc. Currently, the Group has achieved phased results in automotive curved displays and obtained the first free-form curved display project from a well-known European automaker, which shows the recognition from our customers.

The 3D displays can be used for warnings, augmented reality and even video entertainment in automobile. Currently, the Group is developing naked-eye 3D display with automotive-grade 4.8K ultra-high resolution display panel which offers visually attractive 3D performance, more viewpoints, wide FOV (Field of View) and adjustable depth by algorithm. First prototype was shown at CES 2022 and generated great interest. We are also developing 3D touch technologies, infra-red gesture technology together with naked-eye 3D display technology for contactless gesture machine communication and hovering control for user interface control applications.

In 2021, the Group has achieved fruitful results in technology research and product development of smart cockpit display systems. In ADAS product development, we have completed development of AR-HUD based on DLP (Digital Light Processing) Technology, W-HUD (Windshield type HUD) based on TFT-LCD Technology, CMS (Camera Monitoring System) based on image processing technology and Center Console System Product.

In AR-HUD, with the leading optical structure design and AR algorithm, the wide FOV AR-HUD development was completed and mass production is expected in the second quarter of 2022. To achieve the best image quality, the solution effectively overcame the problems of stray light, image distortion, ghosting and dizziness and also effectively reduced solar irradiance problem. Image distortion correction is realized by both software and hardware. The solution ensures the AR-HUD system operate in low latency, high stability and efficiency.

In CMS development, which is a visual communication system based on the high-end computing and imaging processor, an Ambarrella SoC (System on Chip) will be the first supplier which is capable of launching such CMS for mass production. Technically, it innovatively implements camera heat-up demist technology, and has developed a dedicated SoC that integrated an ISP (Image Signal Processor) and supported neural network acceleration processing as well, which can efficiently achieve stable OTA (Over-the-Air) Technology software upgrades and support extended functions like BSD (Blind Spot Detection) / DOW (Door Open Warning). The Group is the first supplier in the industry that can meet 18 regulations and is truly ready for production which brings us the hardware solution superiority advantages.

As regard to smart cockpit development, the Group has established a professional automotive electronic technology research and development team and management team which enabled the Group to enter a period of rapid growth in technical solutions development for different products. Based on the Group's own ability in automotive electronic system solutions, a number of integrated cockpit display projects were awarded from PRC and US/Europe NEV automobile manufacturers. Those projects include cluster display system, multiple-display-in-one display system, rear seat display system, e-Mirror display system and OLED display system with functional safety compliance. Some projects have launched mass production for a leading PRC NEV auto-maker in the fourth quarter of 2021. In the coming year, the Group will continue to increase resource and investment in the field of smart cockpit in order to build further a comprehensive smart cockpit solution and provide a thorough service and support to both domestic and overseas customers to facilitate projects implementation and launch.

ACKNOWLEDGEMENT

During the year, the Group has achieved record-high revenue and profit through successful implementation of our strategy. Our customer base has broadened and solidified thanks to the trust of our business partners. 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 and business partners for your continuing support.

Gao Wenbao
Chairman

Hong Kong, 24 March 2022

Consolidated statement of profit or loss

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	7,737,943	4,526,914
Other operating income	4	62,389	29,058
Change in inventories of finished goods and work in progress		249,937	(52,269)
Raw materials and consumables used		(6,587,154)	(3,634,717)
Staff costs		(593,824)	(423,329)
Depreciation		(159,734)	(146,554)
Other operating expenses	5(c)	(359,473)	(228,660)
Profit from operations		350,084	70,443
Finance costs	5(a)	(915)	(578)
Share of losses of associates		(490)	(1,850)
Profit before taxation	5	348,679	68,015
Income tax	6	(38,960)	(1,077)
Profit for the year		309,719	66,938
Attributable to:			
Equity shareholders of the Company		327,798	68,639
Non-controlling interests		(18,079)	(1,701)
		309,719	66,938
Dividends	7		
Final dividend proposed after the end of the reporting period		110,449	36,771
Earnings per share for profit attributable to the equity shareholders of the Company (in HK cents)	8		
Basic		45.1 cents	9.3 cents
Diluted		44.8 cents	9.3 cents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	309,719	66,938
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
- Foreign currency translation adjustments: net movement in exchange reserve	24,181	99,721
Total comprehensive income for the year	333,900	166,659
Attributable to:		
Equity shareholders of the Company	333,397	165,828
Non-controlling interests	503	831
	333,900	166,659

Consolidated statement of financial position

At 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		583,434	467,046
Interest in associates		-	8,806
Intangible assets		38,457	4,565
Goodwill		11,487	-
Other financial assets		40,614	-
Non-current deposits and prepayments		15,332	32,138
Deferred tax assets		654	10,277
		<u>689,978</u>	<u>522,832</u>
Current assets			
Inventories		832,617	503,389
Trade and other receivables, deposits and prepayments and other contract costs	9	1,744,344	1,158,080
Other financial assets		4,367	3,103
Current tax recoverable		4,740	7,150
Fixed deposits with more than three months to maturity when placed		-	7,753
Cash and cash equivalents		2,267,118	1,627,531
		<u>4,853,186</u>	<u>3,307,006</u>
Current liabilities			
Trade and other payables	10	2,135,804	1,023,009
Lease liabilities		11,513	9,495
Current tax payable		17,476	56
Deferred income		3,260	4,672
		<u>2,168,053</u>	<u>1,037,232</u>

Consolidated statement of financial position (continued)

At 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Net current assets	<u>2,685,133</u>	<u>2,269,774</u>
Total assets less current liabilities	<u>3,375,111</u>	<u>2,792,606</u>
Non-current liabilities		
Lease liabilities	11,042	9,934
Deferred tax liabilities	13,165	8,293
Deferred income	5,279	7,225
	<u>29,486</u>	<u>25,452</u>
NET ASSETS	<u>3,345,625</u>	<u>2,767,154</u>
CAPITAL AND RESERVES		
Share capital	184,039	183,794
Reserves	2,848,385	2,526,142
Total equity attributable to equity shareholders of the Company	<u>3,032,424</u>	<u>2,709,936</u>
Non-controlling interests	313,201	57,218
TOTAL EQUITY	<u>3,345,625</u>	<u>2,767,154</u>

Notes:

1. Basis of preparation

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2021 but are extracted therefrom.

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2020, except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2021 (see note 2).

2. Changes in accounting policies

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

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

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

3. Revenue and segment reporting

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays and related products. The Group is principally engaged in the automotive and industrial display business and has monochrome display manufacturing capacity and TFT and touch panel display module assembly capacity.

Revenue represents the invoiced value of goods supplied to customers by the Group less returns and discounts within the scope of HKFRS 15.

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenue in 2021 (2020: two). In 2021 revenues from sales to these two customers amounted to approximately HK\$2,732,252,000 (2020: HK\$1,371,546,000).

(a) Operating segment results

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

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

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

(b) Geographic information

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

(i) Group's revenue from external customers

	2021 HK\$'000	2020 HK\$'000
The People's Republic of China ("PRC") (place of domicile)	5,067,853	2,562,909
Europe	1,440,522	1,152,691
America	435,503	207,215
Korea	334,185	263,079
Others	459,880	341,020
	<u>2,670,090</u>	<u>1,964,005</u>
Consolidated revenue	<u>7,737,943</u>	<u>4,526,914</u>

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

	2021	2020
	HK\$'000	HK\$'000
Czech Republic	466,542	303,454
Germany	291,976	342,693
Romania	168,060	64,018
Portugal	88,793	74,698
Italy	79,923	58,014
France	68,991	65,679
United Kingdom	20,405	27,347
Other European countries	255,832	216,788
	1,440,522	1,152,691

(ii) Group's specified non-current assets

	2021	2020
	HK\$'000	HK\$'000
The PRC (place of domicile)	626,290	470,144
Korea	-	2,852
Others	7,088	7,421
	633,378	480,417

4. Other operating income

	2021	2020
	HK\$'000	HK\$'000
Interest income on financial assets measured at amortised cost	25,403	22,977
Changes in fair value of financial assets	(1,720)	-
Government grants (note)	15,447	19,196
Impairment loss on an associate	(2,421)	-
Loss on deemed disposal of an associate	(2,400)	-
Net exchange gain/(loss)	10,157	(28,472)
Net gain on disposal of property, plant and equipment	912	-
Rental receivable from operating leases	14,594	13,645
Other income	2,417	1,712
	62,389	29,058

Note: The amount represents the incentives granted by the PRC authorities to the Group for engaging in research and development of high technology manufacturing and other subsidies of HK\$6,230,000 (2020: HK\$6,123,000), amortisation of government grants received from the PRC authorities in relation to acquiring machineries of HK\$6,037,000 (2020: HK\$6,563,000) and incentives granted in relation to staff retention of HK\$3,180,000 (2020: HK\$6,510,000). There are no unfulfilled conditions attaching to these government grants.

5. Profit before taxation

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

	2021 HK\$'000	2020 HK\$'000
(a) Finance costs		
Interest on lease liabilities	<u>915</u>	<u>578</u>
(b) Other items		
Trade and other receivables in respect of:		
- expected credit loss allowance	16,379	1,572
- reversal of allowance for sales returns	(935)	(3,442)
Cost of inventories	6,795,531	4,059,618
Research and development costs	199,705	181,042
Contributions to defined contribution retirement plans	40,080	26,403
Equity settled share-based payment expenses	<u>14,789</u>	<u>799</u>
(c) Other operating expenses		
Amortisation of intangible assets	3,757	704
Auditors' remuneration	3,947	3,278
Bank charges	1,439	1,188
Building management fees	4,046	4,303
Factory consumables, cleaning and security service expenses	12,283	14,047
Freight charges	52,456	36,532
Insurance and quality assurance expenses	6,088	4,550
Legal and professional fees	14,858	7,510
Office expenses	5,691	4,628
Other taxes, surcharge & duties	27,347	13,583
Repair and maintenance	21,907	15,309
Sales, marketing and commission expenses	42,126	24,978
Subcontracting fees	68,893	38,111
Travelling and entertainment expenses	15,739	9,872
Utilities expenses	56,053	45,913
Expected credit losses on trade and other receivables	16,379	1,572
Miscellaneous expenses	<u>6,464</u>	<u>2,582</u>
	<u>359,473</u>	<u>228,660</u>

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

Taxation in the consolidated statement of profit or loss represents:

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Current tax – Hong Kong profits tax		
Provision for the year	4,379	-
Current tax – the PRC income taxes		
Provision for the year	20,597	1,174
(Over)/under-provision in respect of prior years	(1,204)	5
	19,393	1,179
Current tax – Jurisdictions outside Hong Kong and the PRC		
Provision for/(reversal of) the year	6,136	(213)
Under/(over)-provision in respect of prior years	94	(6)
	6,230	(219)
Deferred tax		
Origination and reversal of temporary differences	8,958	117
	38,960	1,077

(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%.

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

(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 a high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 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 its assessable profits for the years ended 31 December 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 years ended 31 December 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 operation outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Dividends

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

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Final dividend proposed after the end of reporting period of 15.0 HK cents (2020: 5.0 HK cents) per share	<u>110,449</u>	<u>36,771</u>

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

The proposed final dividend for the year ended 2021 is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

7. Dividends (continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 HK cents (2020: 1.0 HK cent) per share	36,302	7,352
Special dividend in respect of the previous financial year, approved and paid during the year, of Nil HK cent (2020: 25.0 HK cents) per share	-	183,794
	<u>36,302</u>	<u>191,146</u>

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$327,798,000 (2020: HK\$68,639,000) and the weighted average of 727,080,789 ordinary shares (2020: 735,175,204 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<i>2021</i>	<i>2020</i>
Issued ordinary shares at 31 December	<u>727,080,789</u>	<u>735,175,204</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$327,798,000 (2020: HK\$68,639,000) and the weighted average of 732,457,164 ordinary shares (2020: 735,829,755 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<i>2021</i>	<i>2020</i>
Weighted average number of ordinary shares at 31 December	727,080,789	735,175,204
Effect of deemed issue of share under Company's share option scheme for nil consideration	2,320,123	654,551
Effect of Share Award Plan	3,056,252	-
	<u>732,457,164</u>	<u>735,829,755</u>

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

As at the end of the reporting period, the aging analysis of trade debtors and bills receivables (which are included in trade and other receivables, deposits and prepayments and other contract costs), based on the invoice date and net of loss allowance of HK\$19,923,000 (2020: HK\$3,560,000), is as follows:

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Within 60 days of the invoice issue date	1,083,109	775,588
61 to 90 days after the invoice issue date	270,250	181,062
91 to 120 days after the invoice issue date	124,294	64,516
More than 120 days but less than 12 months after the invoice issue date	138,580	12,698
	1,616,233	1,033,864

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

10. Trade and other payables

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

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Within 60 days of supplier invoice date	1,170,681	729,479
61 to 120 days after supplier invoice date	454,423	47,522
More than 120 days but within 12 months after supplier invoice date	16,822	15,865
More than 12 months after supplier invoice date	9,933	6,335
	1,651,859	799,201

11. Commitments

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

	<i>2021</i> HK\$'000	<i>2020</i> HK\$'000
Contracted for	93,518	68,326

12. Contingent liabilities

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. No liability of the Company at the end of the reporting period under the guarantees issued and the facilities was drawn down by the subsidiaries (2020: HK\$Nil).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

13. Non-adjusting events after reporting period

On 28 January 2022, Chengdu BOE Automotive Electronic Limited (“Chengdu BOE Automotive”) (a non-wholly owned subsidiary of the Group) entered into the construction agreement with the contractor, pursuant to which the contractor will provide the construction works at the construction area to Chengdu BOE Automotive at the consideration of RMB515,793,000, subject to adjustments (if any). Chengdu BOE Automotive also entered into the pre-construction Agreement in respect with the pre-construction works at the construction area with the contractor at the pre-consideration of RMB9,740,000. Further details are set out in the announcement of the Company dated 28 January 2022.

DIVIDEND

The Board has recommended declaring a final dividend of 15.0 HK cents (2020: 5.0 HK cents) per share, representing a total of 15.0 HK cents (2020: 5.0 HK cents) per share for the year ended 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 June 2022 to Thursday, 30 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the “2022 AGM”), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“Computershare”), of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 23 June 2022.

Subject to the shareholders approving the recommended final dividend at the 2022 AGM of the Company, such dividend will be payable on or around Tuesday, 19 July 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 12 July 2022. To determine eligibility for the final dividend, the register of members of the Company will be closed from Thursday, 7 July 2022 to Tuesday, 12 July 2022 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 July 2022.

OTHERS

Staff

As at 31 December 2021, the Group employed 3,725 staff around the world, of whom 125 were in Hong Kong, 3,548 in the People's Republic of China ("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 31 December 2021, the total equity of the Group was HK\$3,346 million (2020: HK\$2,767 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.24 as at 31 December 2021 (2020: 3.19).

At the year end, the Group held a liquid portfolio of HK\$2,271 million (2020: HK\$1,638 million) of which HK\$2,267 million (2020: HK\$1,635 million) was in cash and fixed deposits balance, HK\$4 million (2020: HK\$3 million) was in other financial assets. At the year end, the Group had no borrowings (2020: HK\$Nil). The Group's gearing ratio (borrowings over net assets) was Nil% as at 31 December 2021 (2020: Nil%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 10.2 times (2020: 7.8 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 76 days (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 State dollars, Euros, Japanese Yen and Renminbi.

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

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

During the year ended 31 December 2021, the trustee of the Company's share award plan (adopted on 28 August 2020) (the "Share Award Plan") purchased on the Stock Exchange of Hong Kong Limited a total of 5,856,000 shares of the Company (representing 0.80% of the issued shares capital 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. Total number of shares of the Company purchased is 12,373,000 (representing 1.68% of the issued shares capital of the Company) under the Share Award Plan.

On 29 March 2021, the Board has granted a total of 6,310,000 awarded shares (representing 0.86% of the issued shares capital of the Company) to 72 selected participants, comprising 5 Directors and 67 employees of the Group, pursuant to the Share Award Plan.

As at 31 December 2021, the total number of awarded shares that can be granted was 6,113,000 (after deducting the 6,310,000 awarded shares granted on 29 March 2021), representing 0.83% of the issued share capital of the Company.

Other than the aforesaid, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 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 year under review.

AUDIT COMMITTEE

The Audit Committee of the Company (the "AC") comprises 3 independent non-executive Directors: Mr. Fung, Yuk Kan Peter (Chairman of the AC), Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang. The AC is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval.

The AC has reviewed with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including the review of the final results for the year ended 31 December 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.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2021 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

By Order of the Board
BOE Varitronix Limited
Gao Wenbao
Chairman

Hong Kong, dated 24 March 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.