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BOE VARITRONIX LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2017 INTERIM RESULTS ANNOUNCEMENT

Chairman's Statement

Financial Highlights

HK\$ million	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue	1,297	1,119
Profit attributable to shareholders	23	4
Basic earnings per share	3.07 HK cents	0.90 HK cents

On behalf of BOE Varitronix Limited (the "Company") and its subsidiaries (collectively referred to as "BOE Varitronix" or the "Group"), I present the Group's results for the period ended 30 June 2017.

During the period under review, the Group recorded a revenue of HK\$1,297 million, representing an increase of 16% from the HK\$1,119 million reported for the first half of 2016. Profit from operations of the Group was HK\$28 million, a year-on-year increase of 115%. The Group's profit attributable to shareholders was HK\$23 million, an increase of 429 % compared to the same period in 2016. The net proceeds of approximately HK\$1,392 million from the subscription of the Company's shares by BOE Technology Group Co., Ltd ("BOE") in 2016 (the "Subscription") has been utilised in accordance with the intended use of proceeds of the Subscription as disclosed in the circular of the Company dated 22 March 2016. The working capital, including inventories and accounts receivables, increased compared to 2016 under the expansion of Thin Film Transistors ("TFT") modules business.

The Group acquired a stable supply of TFT panels from its major shareholder BOE during the period under review, and its TFT modules business expanded rapidly. As the selling prices of TFT modules products were higher than those of monochrome displays, and the Group has been shifting to the production of medium-to-large-sized TFT modules, its average selling price of products increased. As a result, the revenue of the Group grew. However, the profitability of the Group was reduced due to the low gross profit margin of TFT modules products resulting from the intense competition in the TFT market and the consolidation of the Group's TFT business for development.

The Group considers that it is now under a period of transition for the TFT business development. The Group needs to adapt to the TFT products specifications in terms of design and production technology while facing the competition of market prices, so its profitability will be affected in the short term. Nevertheless, the Group is determined to develop its TFT business as its business strategy with specific goals. The Group remains optimistic about its TFT business.

Dividends

The Board of Directors (the “Board”) resolved not to declare an interim dividend for the period ended 30 June 2017 (1H 2016: Nil).

GROUP

Business Review

Automotive Display Business

For the six months ended 30 June 2017, the revenue generated by the automotive display business was HK\$906 million, representing an increase of 24% compared to the first half of 2016. This business accounted for 70% of the Group’s total revenue.

In the first half of the year, automotive TFT modules products recorded rapid revenue growth and had a tendency to the development of medium-to-large-sized products, which were mainly used on the automobile dashboard and for multimedia information display. As the automotive TFT modules market in Europe was very mature, European customers had high requirements for TFT technology. As the competition became more intense, the mid-to-low end automobiles were also equipped with TFT displays. On the one hand, the Group secured stable supply and improved product quality by leveraging the diversified TFT panels and technology resources of BOE. On the other hand, the Group also improved its production capacity and yield by strengthening its investment in production lines for TFT modules and team expansion. Therefore, European customers became more confident in the Group’s TFT business, and the number of orders from some of the Group’s strategic customers increased, resulting in an increase in revenue of the TFT business. The Group had won more TFT projects during the period under review and commenced mass production for some of the projects. The Group strived to develop medium-to-large-sized products and seize more orders in the TFT modules market but the gross profit margin was under huge pressure due to the extremely intense competition faced by the TFT business.

The sales volume of monochrome automotive displays in Europe remained stable while the selling prices were still under pressure despite a slowdown in the magnitude of decline. The Group also took various measures to control the material and operating costs of the monochrome automotive display business in order to stabilise the gross profit margin of this business.

For the People's Republic of China ("PRC") market, the Group acquired a number of TFT medium-to-large-sized projects during the period. Those projects will gradually commence mass production in 2017 and 2018 and will act as a driver of the Group's revenue. In South Korea, the customers almost had no new demand for monochrome displays. The Group acquired some orders of TFT modules being exported to the PRC from its Korean customers in the first half of the year. However, the relationship between the PRC and Korea had become intense since the second quarter of the year, which affected the trade between the two countries and postponed these orders, and also obstructed the Group's TFT business development in South Korea.

There is still room for growth of the Group's development in the automotive monochrome display market in Japan. The Group maintains solid business relationships with the major customers of monochrome display products in Japan. During the period under review, the business in Japan sustained stable growth. The Group also set up a subsidiary and expanded the local sales team in Tokyo, Japan in 2016. The local sales team had also gradually established business relationship with some Japanese customers with respect to TFT automotive displays with solid progress.

Industrial Display Business

In the first half of 2017, the revenue generated by the industrial display business was HK\$391 million, representing an increase of 1% compared to the same period last year. This business accounted for 30% of the Group's total revenue.

During the period under review, the Group's industrial display business in Europe has maintained steady development. Industrial customers are still primarily using monochrome displays for electricity meter which accounted for major portion of industrial sales. Being recognised by its stable quality, the Group also attracted new customers for cooperation in respect of electricity meters in the first half of the year.

In the first half of the year, the Group was acknowledged by the white goods manufacturers in Europe who expected to enhance the image and price of their products with TFT modules installed on them. During the period, the Group recorded growth in the revenue from this sector.

The United States was a major market of industrial displays. However, some customers postponed their orders since the second half of last year. The transitional period was created upon the expiry of some production agreements not followed by the production of new products, which affected the revenue from the United States. The Group is now negotiating with customers on new product projects and beginning to conduct a study on reducing material costs so as to enhance its competitiveness while maintaining profitability.

Prospects

Automotive Display Business

The orders for automotive displays have been shifting to TFT products. To this end, the automotive TFT production lines of the Group in Chengdu will commence operation stage by stage in the second half of the year. Customers are confident with the Group. In particular, some European automotive customers consider the Group as their strategic partner and have placed mass production orders to the Group. In addition to Europe, the TFT business also has rapid development in the PRC market. Leveraging the customer network of BOE, the Group enjoys more business opportunities. It is expected that the PRC will be a tower of strength of the automotive TFT modules business of the Group. Adhering to its strategic customer-based approach, the Group will consolidate its resources to seize TFT modules platform projects with more orders. The Group will also further strengthen its bargaining power for materials, place stringent control on operation costs and further improve production yield and quality so as to strive to improve the gross profit margin of these projects.

Japan has also become one of the major markets of the automotive display business. Japanese customers do not change their suppliers easily due to their high quality requirements. After years of effort, the Group finally gains trust from Japanese customers and becomes their reliable supplier for monochrome display products. The automotive monochrome display business in Japan will sustain growth in the future. The Group has also begun to negotiate with Japanese customers on automotive TFT modules business and acquired some orders.

The development of automotive display business of the Group in Korea and the United States is at a relatively slow pace. The Group will strengthen the capability of the local sales teams to enhance the marketing and communication with customers in order to improve the business performance in these two regions. For emerging markets, the business in India is worth noting. In addition to the sales growth of monochrome displays, the application of TFT in automobiles is also faster than expected. The Group has begun to acquire TFT modules orders from customers in India. Leveraging the development trend of TFT, the Group will strive to enhance its revenue in India and seize sufficient market share in this sector.

Industrial Display Business

The industrial display business continues to focus on the European and the United States markets. Currently, monochrome displays still dominate in the basic application of industrial displays and are mostly used in electricity meters and industrial instruments. Customers base of the industrial sectors mainly includes Europe, the United States and the PRC.

The Group has a solid foundation of white goods manufacturers. As the white goods manufacturers increasingly prefer the use of TFT modules, the Group will focus on the development of this sector in the future. Apart from the white goods manufacturers in

Europe, the Group has also succeeded in the expansion of industrial display market in Japan by extending the scope of application to musical instruments and white goods. The Group has also acquired some new projects which are expected to commence production in the second half of 2017 and in the future.

The industrial customers are relatively more diversified with extensive needs on products. Accordingly, the customerised design for the productions of panel and modules are essential. The Group's abundant resources for TFT production can better accommodate the customerised design requirements of customers on TFT modules products with flexibility, which is expected to be beneficial to the development of TFT industrial display business.

Development Strategy

In the future, the Group will stick to the monochrome display business and focus on the development of TFT modules business which still has extensive room for growth in spite of the fierce competition in this market. Facing the automotive and industrial TFT modules market with intense competition, BOE Varitronix, as a late market player, in deed faces many challenges. However, the Group remains confident in this business. In April 2016, the Group introduced BOE as its major shareholder. Over the year, the Group succeeded in the deployment of the TFT business expansion strategy, greatly enhanced its human resources, production capacity and technology, as well as product research and development ("R&D") capacity, and gained recognition and trust from customers.

In the short term, the Group will continue to enhance its own strength to expand its markets and acquire orders. As the late market player in the TFT market, it aims at becoming a market challenger in short term and then becoming a market leader after two to three years. In order to expand its TFT business effectively, the Group will make further investment in new production lines and improve its gross profit margins. Accordingly, the Group will coordinate among material procurement, product design, production technology and quality control in order to optimise its profitability. Meanwhile, the Group will further make use of its long-term customer base as well as its experience in automotive and industrial display design. By focusing on the strategic customers, the Group will design TFT modules products equipped with new functions for their products for mass production to strive for economies of scale to a greater extent, which will be beneficial to cost control and enhance the value of each order, thus creating a unique competitive advantage for the Group's TFT business.

Technology Development

The Group continued to make efforts to develop and improve the technology of display products in the first half of the year and achieved remarkable progress. The Group also achieved the expected targets of the new technology development including oversized cockpit displays, Head up Display and TFT Electronic Rear Mirror as mentioned in the 2016 annual report in the first half of the year.

During the period, the R&D team of the Group developed a variety of large-sized TFT displays incorporating touch screens by making use of the optical bonding technology.

These TFT displays can show brighter and clearer images and will commence mass production from the end of 2017 to the beginning of 2019.

The Group is also developing the Automotive Full In Cell Touch technology which is marked by the full incorporation of touch sensor with TFT pixel and the elimination of touch panel and touch chip. This technology can save cost by using fewer components and streamline the display modules by reducing the number of layers. The Group expects to launch the finished product using this technology in the first half of next year.

The Group has started to improve the performance of the automotive displays in order to meet the original equipment manufacturer (“OEM”) specifications in Germany and the PRC since last year. The Group’s technology now complies with the OEM specification in Germany (V4.5.2), which is stricter than the standards in the PRC, Korea and other developing countries. Besides, the Group is also working towards the higher specification of OEM V5 in Germany and expects to reach the target in 2019.

In the meantime, the Group is also developing a brand-new technology called Automotive Quantum Dot Display. With this technology, the colour gamut can be up to 100%, which is higher than the colour gamut of the typical automotive TFT displays, so the displays can show more vivid colours and lively images.

Acknowledgement

The Company has officially changed its name to BOE Varitronix Limited in June 2017. The Board considers that the change of name will provide the Company with a better identification and strengthen the Company’s corporate image, which will benefit the Company’s future business development. The Board considers that the change of name is in the interest of the Company and the shareholders as a whole.

I would like to take this opportunity to sincerely thank the Board, the management, the employees, the shareholders and business partners. The Group’s staff will be united as one to expand business network and deliver excellent performance in future.

Yao Xiangjun
Chairman

Hong Kong, 30 August 2017

Consolidated statement of profit or loss
For the six months ended 30 June 2017 – unaudited

	Note	Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	4	1,296,612	1,119,043
Other operating income/(loss)	5	23,030	(53,845)
Change in inventories of finished goods and work in progress		66,953	(98,725)
Raw materials and consumables used		(938,084)	(584,472)
Staff costs		(233,559)	(204,009)
Depreciation		(49,135)	(50,388)
Other operating expenses		(137,679)	(114,491)
Profit from operations		28,138	13,113
Finance costs	6(a)	(49)	(933)
Share of losses of an associate		(491)	-
Profit before taxation	6	27,598	12,180
Income tax	7	(5,056)	(7,921)
Profit for the period attributable to the equity shareholders of the Company		22,542	4,259
Earnings per share (in HK cents)	8		
Basic		3.07	0.90
Diluted		3.07	0.90

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2017 – unaudited

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	22,542	4,259
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Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments: net movement in exchange reserve	28,354	(15,639)
Available-for-sale securities: net movement in fair value reserve	1,164	(28)
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Other comprehensive income for the period	29,518	(15,667)
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Total comprehensive income for the period attributable to the equity shareholders of the Company	52,060	(11,408)
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Consolidated statement of financial position
At 30 June 2017 – unaudited

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		417,918	352,102
- Interest in leasehold land held for own use under operating leases		9,615	9,695
		<u>427,533</u>	<u>361,797</u>
Interest in an associate		3,918	4,150
Loans receivable		15,500	15,500
Other financial assets		11,947	10,783
Other non-current assets		8,995	18,336
Deferred tax assets		6,154	2,731
		<u>474,047</u>	<u>413,297</u>
Current assets			
Inventories		643,155	450,993
Trade and other receivables	10	668,071	510,992
Other financial assets		11,500	54,211
Current tax recoverable		18,538	19,466
Fixed deposits with more than three months to maturity when placed		573,939	626,231
Cash and cash equivalents		973,461	1,098,672
		<u>2,888,664</u>	<u>2,760,565</u>
Current liabilities			
Trade and other payables	11	566,862	424,060
Bank loans		-	8,890
Current tax payable		3,799	1,417
Dividends payable		18,376	-
		<u>589,037</u>	<u>434,367</u>
Net current assets		<u>2,299,627</u>	<u>2,326,198</u>
Total assets less current liabilities		<u>2,773,674</u>	<u>2,739,495</u>
Non-current liabilities			
Deferred tax liabilities		7,894	7,888
NET ASSETS		<u>2,765,780</u>	<u>2,731,607</u>
CAPITAL AND RESERVES			
Share capital	9	183,764	183,764
Reserves		2,582,016	2,547,843
TOTAL EQUITY		<u>2,765,780</u>	<u>2,731,607</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 2017 but are extracted from that interim financial report.

The interim financial report is unaudited, but has been reviewed by the auditor of the Company, KPMG in accordance with Hong Kong Standard on Review Engagements 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 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements.

3. Changes in accounting policies

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial 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 and related products.

(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 is derived from this business segment. The interim financial report is 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 interim financial report. Other information, being the total assets excluding deferred tax assets, loans receivable, other financial assets, trading securities, 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 fixed 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 interest in associates.

(i) Group's revenues from external customers

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
The People's Republic of China ("PRC") (place of domicile)	398,753	342,705
Europe	559,222	476,114
America	127,184	119,769
Korea	80,008	53,001
Others	131,445	127,454
	<u>897,859</u>	<u>776,338</u>
Consolidated revenue	<u>1,296,612</u>	<u>1,119,043</u>

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Germany	120,497	73,280
United Kingdom	66,122	66,971
France	54,841	65,901
Italy	28,191	34,491
Other European countries	289,571	235,471
	559,222	476,114

(ii) Group's specified non-current assets

	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
The PRC (place of domicile)	424,380	358,644
Korea	3,918	4,150
Others	3,153	3,153
	431,451	365,947

5. Other operating income/(loss)

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest income from listed debt securities	309	698
Other interest income	11,382	2,609
Net realised and unrealised losses		
on trading securities	-	(37,538)
Government grants	6,560	-
Net exchange gain/(loss)	5,075	(22,426)
Gain on disposal of fixed assets	-	26
Other net (loss)/gain	(296)	2,786
	23,030	(53,845)

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	<u>49</u>	<u>933</u>
(b) Other items		
Cost of inventories	<u>1,101,326</u>	<u>878,356</u>

7. Income Tax

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax - Hong Kong Profits Tax	-	(189)
Current tax - The PRC income taxes	5,954	5,237
Current tax - Jurisdictions outside Hong Kong and the PRC	2,525	2,373
Deferred taxation	<u>(3,423)</u>	<u>500</u>
	<u>5,056</u>	<u>7,921</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2016: 16.5%) to the six months ended 30 June 2017. The provision for the PRC Corporate Income Tax is calculated by applying a reduced tax rate of 15% which is applicable for Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group designated as high and new technology enterprise by the PRC tax authority. Withholding tax is levied on dividend distributions arising from profit of the Group's subsidiaries operating in the PRC earned after 1 January 2008 based on an applicable tax rate of 5%. Taxation for subsidiaries operating outside Hong Kong and the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,542,000 (six months ended 30 June 2016: HK\$4,259,000) and the weighted average number of shares of 735,055,204 shares (six months ended 30 June 2016: 472,265,917 shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
Issued ordinary shares at 1 January	735,055,204	331,125,204
Effect of issuance of new shares	-	140,659,341
Effect of share options exercised	-	481,372
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	735,055,204	472,265,917
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(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,542,000 (six months ended 30 June 2016: HK\$4,259,000) and the weighted average number of shares of 735,055,204 shares (six months ended 30 June 2016: 474,080,073 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares at 30 June	735,055,204	472,265,917
Effect of deemed issue of shares under the Company's share option scheme for Nil consideration	-	1,814,156
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	735,055,204	474,080,073
	<hr/> <hr/>	<hr/> <hr/>

9. Capital, reserves and dividends

(a) Dividends

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

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

(ii) Dividends payable to equity shareholders of the Company declared during the period

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year declared during the period of 2.5 HK cents (2016: 30.5 HK cents) per share	18,376	101,960
Special dividend declared during the period of Nil (2016: HK\$1.35) per share	-	451,298
	<u>18,376</u>	<u>553,258</u>

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad debt and doubtful debts of HK\$5,521,000 (31 December 2016: HK\$6,125,000)) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2017	At 31 December 2016
	HK\$'000	HK\$'000
Within 60 days of the invoice issue date	427,997	313,165
61 to 90 days after the invoice issue date	99,267	89,484
91 to 120 days after the invoice issue date	32,483	30,627
More than 120 days but less than 12 months after the invoice issue date	25,466	30,205
	<u>585,213</u>	<u>463,481</u>

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

11. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
Within 60 days of supplier invoice date	386,126	262,538
61 to 120 days after supplier invoice date	106,978	77,029
More than 120 days but within 12 months after supplier invoice date	5,941	8,635
More than 12 months after supplier invoice date	-	518
	499,045	348,720

12. Commitments

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

	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
Contracted for	37,882	33,003
Authorised but not contracted for	476,325	51,317
	514,207	84,320

13. Contingent liabilities

Financial guarantees issued

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

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued and the facilities drawn down by the subsidiaries is Nil (31 December 2016: HK\$8,890,000).

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

OTHERS

Staff

As at 30 June 2017, the Group employed 5,344 staff around the world, of whom 155 were in Hong Kong, 5,144 in the People's Republic of China (the "PRC") and 45 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

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

Liquidity and Financial Resources

As at 30 June 2017, the total equity of the Group was HK\$2,766 million (31 December 2016: HK\$2,732 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 4.9 as at 30 June 2017 (31 December 2016: 6.4).

At the period end, the Group held a liquid portfolio of HK\$1,571 million (31 December 2016: HK\$1,790 million) of which HK\$1,547 million (31 December 2016: HK\$1,725 million) was in cash and fixed deposits balance, HK\$24 million (31 December 2016: HK\$65 million) in other financial assets. The unsecured interest-bearing bank loans amounted to Nil (31 December 2016: HK\$9 million). The gearing ratio (bank loans over net assets) was Nil (31 December 2016: 0.3%).

The Group's inventory turnover ratio (annualized cost of inventories over average inventories balance) for the six months ended 30 June 2017 was 4.1 times (31 December 2016: 3.9 times). Debtor turnover days (trade receivables over turnover times 181) for the six months ended 30 June 2017 was 82 days (31 December 2016: 75 days).

Foreign Currency Exposure

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2017.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2017.

All other information on the Code has been disclosed in the corporate governance report contained in the 2016 annual report of the Company issued in March 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The AC has reviewed the interim results for the six months ended 30 June 2017 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. Yao Xiangjun, 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. Yao Xiangjun (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 Board and the Chief Executive Officer.

By order of the Board
BOE Varitronix Limited
Yao Xiangjun
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprises nine Directors, of whom Mr. Yao Xiangjun, Ms. Ko Wing Yan, Samantha and Mr. Su Ning are Executive Directors, Ms. Yang Xiaoping, Mr. Dong Xue and Mr. Yuan Feng are Non-executive Directors, and Mr. Fung, Yuk Kan Peter, Mr. Chu, Howard Ho Hwa and Mr. Hou Ziqiang are Independent Non-executive Directors.