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

2016 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	2016	2015
Revenue	2,247	2,488
EBITDA ¹	149	383
Profit attributable to shareholders	51	301
Cash and fixed deposits balance	1,725	767
Basic earnings per share	8.4 HK cents	91.2 HK cents
Total dividend per share	2.5 HK cents	45.5 HK cents

¹EBITDA 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 gain on disposal of an associate.

On behalf of Varitronix International Limited and its subsidiaries ("Varitronix" or the "Group"), I present the Group's results for the year ended 31 December 2016.

During the year under review, revenue of HK\$2,247 million was recorded, a decrease of 9.7% when compared with the HK\$2,488 million recorded in 2015. EBITDA¹ of the Group was HK\$149 million, 61.1% lower than the HK\$383 million recorded for the same period in the previous year. The profit attributable to shareholders of HK\$51 million was recorded, a decrease of 83.2%, when compared with the HK\$301 million recorded in 2015.

As at 31 December 2016, the cash and fixed deposits balance of the Group was HK\$1,725 million, in which HK\$1,400 million was attributable to the proceeds of shares subscription by the major shareholder BOE Technology Group Co., Ltd ("BOE"), compared to HK\$767 million at the end of 2015. The gearing ratio, being total bank loans over net assets, was 0.3% as at 31 December 2016, lower than the 7.6% recorded in the previous year.

Dividends

The Board of Directors has recommended a final dividend of 2.5 HK cents per share (2015: 30.5 HK cents). Upon completion of the new shares subscription transaction between the Company and BOE at the end of April 2016, the Company has declared a special dividend of HK\$1.35 per share to the ordinary shareholders of the Company. The annual dividend payout ratio was 30% (2015: 50%), excluding the special dividend.

Business Review

The Group's sales revenue recorded for the year ended 31 December 2016 experienced a notable drop compared to the performance of same period of 2015. The primary reason was that, despite a slight decrease in sales quantity of monochrome displays, the average selling price decreased under the pressure of the expanding thin film transistor ("TFT") market and changes in the product mix, resulting in a further decline of revenue from the sale of monochrome displays. In the meantime, monochrome display products of a higher average selling price were transformed to TFT module products. However, lack of own production lines for TFT panels affected the competitiveness of the Group's TFT business in the past, while the relatively long development process of new automotive display products hindered the output growth within a short period of time. In consequence, the Group cannot achieve a significant growth in the sales of TFT module products in 2016. Moreover, in the first three quarters of this year, appreciation of Japanese yen not only led to a rise in purchasing costs of key materials from Japan, but also caused realised and unrealised foreign exchange loss that combined with the impact of depreciation of Renminbi. In addition, as the Group no longer had any one-off gain in 2016 as it did in 2015 from the disposal of its interest in Data Modul AG, and also suffered realised and unrealised loss resulting from the net change in fair value of listed securities held by the Group, the Group's profit attributable to shareholders reduced significantly compared to the same period in 2015.

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$1,487 million, a decrease of 10.9% from the revenue of HK\$1,668 million recorded in 2015. This business represented approximately 66.2% of the Group's overall revenue.

Regarding the European automotive display business of the Group, the mid-to-low end automobile brands that used to extensively adopt monochrome displays have turned to TFT module products rapidly because of a reduction of the TFT selling price. The demand of monochrome displays dropped accordingly, which also narrowed down the gross profit margin due to price pressure. The sales of the automobile TFT module products of the Group continued to increase during the period under review. As the selling price of those TFT modules is usually higher, the revenue generated by TFT modules was thus able to cover part of the losses incurred by the monochrome display business in Europe.

The performance of the automotive display business in the People's Republic of China ("PRC") and South Korea remained sluggish as most car manufactures switched to TFT displays, which also adversely affected the monochrome display business. Fortunately, the Group won a considerable amount of new TFT projects by leveraging the customer networks of the major shareholder BOE in these regions. Since the mass production of these new TFT projects has gradually commenced in the fourth quarter, it can partially offset the drop of monochrome displays business in the PRC and South Korea.

The automotive display business in Japan showed stable performance in the year under review. The Japanese market was dominated by medium and small automobile brands which essentially adopt monochrome displays. As such, the revenue from the automobile display business in Japan recorded a slight increase despite a fall in the average selling price of the monochrome displays.

Industrial Display Business

In 2016, revenue from the industrial display business was HK\$760 million, representing a decrease of 7.3% from the HK\$820 million in 2015. This business contributed approximately 33.8% of the total revenue.

The industrial display business in Europe secured a steady development in the year under review given the stable orders from electricity meter and white goods customers. Although industrial customers are still primarily using monochrome displays with lower selling price for the time being, the demand for the displays is stable and quantity demand is larger in the industrial sector; thus provide a sustainable revenue source for the Group.

The industrial display business in the United States of America (“US”) has always been an important contributor to the Group’s revenue. However, its development has slowed down since the first half in 2016 as some customers adjusted their production and reduced or postponed their orders, resulting in an adverse business performance in the year of review for the US market.

The industrial display business in Japan remained stable. During the year, active expansion of the industrial market has attracted industrial customers from the fields of musical instruments and office supplies etc. in Japan. These types of customers are slightly different from those of the general industrial customers of the Group and are becoming more diversified.

Prospects

Automotive Display Business

Looking forward, the monochrome display business of the Group will remain suppressed by the TFT market and the selling price and profit margin will be still under pressure. The Group will strive to develop markets initially dominated by low-end customers, such as India, Brazil and Russia, so as to stabilise the revenue from the monochrome display business. Order inquiries regarding automotive TFT module products showed an increasing trend in the second half in 2016, and the Group had a higher probability of gaining orders for TFT products than before. The main reason for this was that BOE, being a stable supplier of TFT panels to the Group, is able to customise panels according to the design requirements of the customers, significantly enhancing the Group’s capability to win TFT orders. It is expected that mass production for these new won orders, including those from European customers, will commence gradually before the end of 2017, providing a boost to the Group’s revenue in 2017. On the other hand, given the extensive market networks and human resources of BOE in the PRC and South Korea, it is expected that the orders for TFT displays and revenue from these regions will continue to increase.

TFT displays tend to develop along the trend of large size and high resolution. The demand for full screen liquid crystal displays (“LCD”) automotive dashboards integrated with large TFT panel size, high resolution center integrated displays is growing in number. All of these will boost the quantity of TFT orders. Besides, the demand of capacitive touch panels is growing at fast pace, and we expect this will also facilitate the growth of automotive display revenue. The Group will definitely leverage on BOE, the key shareholder of the Group, which possesses strong TFT technology and production resources, to further improve its own technical and manufacturing performance, with an aim to fully capture the market opportunities.

Industrial Display Business

The European and US markets will continue to serve as important bases for the Group's industrial displays, of which the applications will be mainly adopted in the white goods, electricity meter, point of sales ("POS") device and medical product sectors. Customers in these sectors have relative stable requirements and form a fundamental customer base for monochrome displays. In spite of a lack of significant growth in the past year, this market was still a sustainable revenue source for the Group.

Monochrome displays are still widely adopted by industrial customers. Nevertheless, driven by the increasing consumer demand for information to be obtained through the display interface, as well as the emergence of internet of thing ("IOT") technology, manufacturers of white goods and household equipment are turning to larger colour displays that are capable of delivering more complex information. In view of this, it is expected that the industrial and white goods customers will have increasing demand for TFT modules. The Group will, subject to the enhanced TFT designs and production capability, focus on promoting applications of TFT modules to industrial customers in the coming years in order to increase the order amount and broaden the sources of revenue.

Development Strategy

Since becoming the major shareholder of the Group, BOE has been providing tremendous support to the Group in the supply of TFT panels. The market networks of BOE in the PRC and South Korea also allow the Group to further expand the presence of its automotive display business in these regions. In addition, the Group will, by leveraging the diversified production facilities of BOE that are capable of producing different areas of TFT panels, improve the efficiency and quality of TFT production so as to enhance the competitiveness of the Group's module products in the market.

The Group has established a wholly-owned subsidiary in Chengdu, China to serve as the TFT business division of the Group, and that the Group has leased the production premise of BOE in Chengdu and acquired a set of TFT production equipment in Chengdu plant in early 2017. The Group also planned to set up an additional production line for TFT modules at the Chengdu plant in the second quarter, depending on the pace of business development.

The Group's TFT module products have been increasing and getting diversified, the Group will strengthen its customer-oriented approach by establishing a strategic sales team that centres on customers, with a view to concentrate its resources on gaining larger order quantities for TFT module products. Although these products contribute a lower profit margin due to fierce competition, their orders are usually large in quantities. The Group will actively procure large orders for the TFT module products while enhancing the bargaining power in respect of material purchase price, so that the profitability of these products, reaping the benefits of economies of scale, will gradually increase.

Technology Developments

Given the support of advanced production facilities and research & development ("R&D") technology from BOE, the Group has been actively developing large-sized TFT modules as well as TFT modules incorporating touch screen technology specifically designed for automobiles during the year in order to stay abreast of the latest market trends. The Group expects to launch new products in the medium to long term.

The R&D team is making efforts in improving the performance of the automotive displays in order to meet the original equipment manufacturer ("OEM") specifications in Germany and the PRC. Germany places stringent requirements on such specifications as contrast ratio, viewing angles, starting time and response time. As such, the R&D personnel are

continuously refining the existing automotive displays based on these specifications to meet the standards in Europe, which in turn helps the Group further open up the European high-end automobile market. Moreover, the business networks of BOE have brought to the Group more business opportunities from automobile customers in the China. As there are more and more PRC automobile customers looking for large-sized full high definition (“HD”) displays with TFT touch screen functions, the Group is working towards the goal of meeting the specifications for these modules, in the hope of gaining more business opportunities from the PRC market of automotive displays.

The future display trend falls on large displays with irregular shapes and curved edges, which the features provide greater flexibility for the displays to fit in with the designs of hardware to fulfil the aesthetic requirements of the high-end automobile customers. The newly designed modules are expected to launch in the fourth quarter in 2017. Oversized cockpit displays will be another key R&D project of the Group. Being a favourable choice for playing videos and audios in the cockpit, the oversized displays address the needs of people nowadays who seek to keep abreast of the latest information and entertainment at all times. It is expected that production of the sample products will be completed in 2017. In addition, the market demand towards Head up Display and TFT Electronic Rear Mirror is increasing. It is expected to become another potential market segment for the Group. Products that are catered to this special demand are under R&D, with prototypes to be also completed within 2017.

The R&D projects of the Group also cover a series of display technologies, including high brightness suitable for the red green blue white (“RGBW”) design for outdoor use, high dynamic range (“HDR”) technology that improves the overall display performance, fine and narrow TFT modules, in-cell touch screens with the touch components being incorporated inside the display panels, and displays with haptic feedback which gives a more realistic sense of touch. It is expected that production of the newly designed components above will be completed progressively in the coming two years.

Acknowledgements

The Group has rapidly realised its strategic development in 2016. After bringing BOE in as the major shareholder, the Group is promptly revamping its designs for automotive TFT modules and its business deployment for production, and has demonstrated partial achievement. The Group shall build on the partnership with BOE and move ahead to expand the business scale and market share of its automotive displays, with its commitment to be a leading designer and manufacturer of automotive display products in the global market in terms of both quantity and quality.

Under the strong back up of BOE, Varitronix is transforming itself into an enterprise with high growth potential and innovation capability. The positive results brought along by transformation will be visible from 2017 onwards, thereby creating sustainable value for investors. I would like to extend my gratitude to the Board of Directors, management, staff, shareholders and business partners, and thank all parties for their support and contribution along the way. Varitronix shall dedicate itself to secure better performance in the coming year beyond wildest expectations.

Yao Xiangjun

Chairman

Hong Kong, 27 March 2017

Consolidated statement of profit or loss
For the year ended 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	2,247,470	2,487,820
Other operating (loss)/income	4	(24,462)	97,204
Change in inventories of finished goods and work in progress		(68,959)	79,310
Raw materials and consumables used		(1,332,032)	(1,506,120)
Staff costs		(423,530)	(462,221)
Depreciation		(90,029)	(103,009)
Other operating expenses		(248,759)	(268,174)
Profit from operations		59,699	324,810
Finance costs	5(a)	(1,197)	(3,472)
Share of (losses)/profits of associates		(453)	4,020
Profit before taxation	5	58,049	325,358
Income tax	6	(7,526)	(24,997)
Profit for the year		50,523	300,361
Attributable to:			
Equity shareholders of the Company		50,523	300,605
Non-controlling interests		-	(244)
Profit for the year		50,523	300,361
Dividends	7		
Interim dividend declared and paid during the year		-	49,611
Special dividend declared during the year		451,298	-
Final dividend proposed after the end of the reporting period		18,376	101,960
		469,674	151,571
Earnings per share (in HK cents)	8		
Basic		8.4 cents	91.2 cents
Diluted		8.4 cents	90.4 cents

Consolidated statement of profit or loss and other comprehensive income*For the year ended 31 December 2016*

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
Profit for the year	50,523	300,361
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Transfer to profit or loss upon disposal of an associate	-	(12,099)
Foreign currency translation adjustments: net movement in the exchange reserve	(65,900)	(35,652)
Available-for-sale securities: net movement in the fair value reserve	(11,696)	(3,601)
Other comprehensive income for the year	(77,596)	(51,352)
Total comprehensive income for the year	(27,073)	249,009
Attributable to:		
Equity shareholders of the Company	(27,073)	249,253
Non-controlling interests	-	(244)
Total comprehensive income for the year	(27,073)	249,009

Consolidated statement of financial position

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		352,102	401,604
— Interest in leasehold land held for own use under operating leases		<u>9,695</u>	<u>11,004</u>
		361,797	412,608
Interest in associates		4,150	4,747
Loans receivable		15,500	31,000
Other financial assets		10,783	57,353
Other non-current assets		18,336	-
Deferred tax assets		<u>2,731</u>	<u>725</u>
		413,297	506,433
Current assets			
Trading securities		-	160,891
Inventories		450,993	472,995
Trade and other receivables	9	510,992	530,296
Other financial assets		54,211	-
Current tax recoverable		19,466	515
Fixed deposits with more than three months to maturity when placed		<u>626,231</u>	-
Cash and cash equivalents		<u>1,098,672</u>	<u>767,393</u>
		2,760,565	1,932,090
Current liabilities			
Trade and other payables	10	424,060	376,288
Bank loans		8,890	136,395
Current tax payable		<u>1,417</u>	<u>3,862</u>
		434,367	516,545
Net current assets		2,326,198	1,415,545
Total assets less current liabilities		2,739,495	1,921,978
Non-current liabilities			
Bank loans		-	8,879
Deferred tax liabilities		<u>7,888</u>	<u>7,663</u>
		7,888	16,542
NET ASSETS		2,731,607	1,905,436
CAPITAL AND RESERVES			
Share capital	7	183,764	82,782
Reserves		<u>2,547,843</u>	<u>1,822,654</u>
TOTAL EQUITY		2,731,607	1,905,436

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 2016 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 2015.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these 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's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues in 2016 (2015: one). In 2016 revenues from sales to the one customer in terms of sales amount, including sales to entities which are known to the Group to be under common control with such customer, amounted to approximately HK\$224,752,000 (2015: HK\$252,213,000).

(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 is derived from this business segment. The financial information 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 financial information. 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 revenue from external customers

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
The People's Republic of China ("PRC") (place of domicile)	709,946	834,310
Europe	907,790	973,131
America	239,942	287,774
Korea	130,627	161,542
Others	259,165	231,063
	1,537,524	1,653,510
Consolidated revenue	2,247,470	2,487,820

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

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
Germany	139,832	126,459
United Kingdom	132,219	145,246
France	124,116	138,968
Italy	61,885	63,592
Other European countries	449,738	498,866
	907,790	973,131

(ii) Group's specified non-current assets

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
The PRC (place of domicile)	358,644	409,013
Korea	4,150	4,747
Others	3,153	3,595
	365,947	417,355

4. Other operating (loss)/ income

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
Dividend income from listed equity securities	-	7,507
Interest income from listed debt securities	1,626	716
Other interest income	12,302	6,200
Gain on disposal of an associate (Note)	-	48,828
Net gain on disposal of fixed assets	25	68
Gain on disposal of available-for-sale mutual funds	4,334	-
Gain on disposal of available-for-sale equity securities	9,475	-
Net realised and unrealised (losses)/gain on trading securities	(51,179)	20,413
Net exchange (loss)/gain	(8,269)	3,556
Government grants	3,414	3,680
Other income	3,810	6,236
	<u>(24,462)</u>	<u>97,204</u>

Note: On 14 April 2015, the Group disposed of its entire interest in Data Modul AG, the then associate of the Group at a consideration of EUR19,393,990 (equivalent to approximately HK\$160,258,000). A gain on disposal of HK\$48,828,000 was recognised in statement of profit or loss for the year ended 31 December 2015.

5. Profit before taxation

Profit before taxation is arrived at after charging:

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	<u>1,197</u>	<u>3,472</u>
	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
(b) Impairment losses recognised		
Trade and other receivables in respect of:		
– allowance for doubtful debts	2,782	931
– allowance for sales returns	723	1,976
	<u>2,782</u>	<u>1,976</u>

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
(c) Other items		
Cost of inventories	1,802,342	1,885,313
Auditors' remuneration:		
– audit services fees	3,431	3,129
– non-audit services fees	898	300
Research and development costs	133,246	140,824
Operating lease charges: minimum lease payments		
– hire of assets (including property rentals)	6,948	6,571
Contributions to defined contribution retirement plans	31,716	31,274
Equity settled share-based payment expenses	2,150	4,791
	1,802,342	1,885,313

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

Taxation in the consolidated statement of profit or loss represents:

	<i>2016</i> HK\$'000	<i>2015</i> HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	-	16,196
Under/(over)-provision in respect of prior years	666	(8,617)
	666	7,579
Current tax - the PRC income taxes		
Provision for the year	7,918	12,764
Over-provision in respect of prior years	(5,816)	(4,640)
	2,102	8,124
Current tax - Jurisdictions outside Hong Kong and the PRC		
Provision for the year	6,321	7,681
Under/(over)-provision in respect of prior years	218	(589)
	6,539	7,092
Deferred tax		
Origination and reversal of temporary differences	(1,781)	2,202
	7,526	24,997

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries with operations outside Hong Kong and the PRC is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Capital, reserves and dividends

(a) Share Capital

On 28 April 2016, pursuant to the subscription agreement (“the Subscription”) that was entered into by the Company and BOE Technology Group Co., Ltd (“the Subscriber”) on 3 February 2016, 400,000,000 ordinary shares of the Company were allotted and issued as fully paid to the Subscriber at an issue price of HK\$3.50 per share totalling HK\$1,400,000,000, of which HK\$100,000,000 was credited to the share capital and the balance of HK\$1,300,000,000 was credited to the share premium account.

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

	2016 HK\$'000	2015 HK\$'000
Interim dividend declared and paid of HK\$ nil (2015: 15.0 HK cents) per share	-	49,611
Special dividend declared during the year of HK\$1.35 (2015: HK\$ nil) per share (Note)	451,298	-
Final dividend proposed after the end of reporting period of 2.5 HK cents (2015: 30.5 HK cents) per share	<u>18,376</u>	<u>101,960</u>
	<u>469,674</u>	<u>151,571</u>

Note: Upon completion of the Subscription on 28 April 2016, a special dividend of HK\$1.35 per share to ordinary shareholders of the Company totalling HK\$451,298,000 was declared and paid during the year. No special dividend was paid to the Subscriber whom has agreed to waive its entitlement.

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

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

	2016 HK\$'000	2015 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 30.5 HK cents (2015: 30.0 HK cents) per share	<u>101,960</u>	<u>98,879</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 equity shareholders of the Company of HK\$50,523,000 (2015: HK\$300,605,000) and the weighted average number of shares of 604,378,565 shares (2015: 329,633,424 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<i>2016</i>	<i>2015</i>
	Number of shares	Number of shares
Issued ordinary shares at 1 January	331,125,204	327,915,204
Effect of issuance of new shares	271,038,251	-
Effect of share options exercised	<u>2,215,110</u>	<u>1,718,220</u>
Weighted average number of ordinary shares at 31 December	<u>604,378,565</u>	<u>329,633,424</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$50,523,000 (2015: HK\$300,605,000) and the weighted average number of shares of 605,091,117 shares (2015: 332,525,052 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<i>2016</i>	<i>2015</i>
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December	604,378,565	329,633,424
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>712,552</u>	<u>2,891,628</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>605,091,117</u>	<u>332,525,052</u>

9. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts and sales return) with the following ageing analysis as of the end of the reporting period:

	<i>2016</i>	<i>2015</i>
	HK\$'000	HK\$'000
Within 60 days of the invoice issue date	313,165	363,767
61 to 90 days after the invoice issue date	89,484	72,944
91 to 120 days after the invoice issue date	30,627	25,510
More than 120 days but less than 12 months after the invoice issue date	<u>30,205</u>	<u>16,650</u>
	<u>463,481</u>	<u>478,871</u>

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

10. 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:

	<i>2016</i>	<i>2015</i>
	HK\$'000	HK\$'000
Within 60 days of supplier invoice date	262,538	232,976
61 to 120 days after supplier invoice date	77,029	73,023
More than 120 days but within 12 months after supplier invoice date	8,635	6,917
More than 12 months after supplier invoice date	518	427
	<u>348,720</u>	<u>313,343</u>

11. Capital commitments

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

	<i>2016</i>	<i>2015</i>
	HK\$'000	HK\$'000
Contracted for	33,003	10,974
Authorised but not contracted for	51,317	24,351
	<u>84,320</u>	<u>35,325</u>

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. 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 HK\$8,890,000 (2015: HK\$145,274,000).

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 event after the reporting period

On 20 February 2017, Varitronix (Chengdu) Display Technology Co. Ltd. ("Varitronix (Chengdu)"), a wholly-owned subsidiary of the Company, and Chengdu BOE Optoelectronics Technology Co., Ltd. ("Chengdu BOE"), a wholly-owned subsidiary of BOE, entered into an acquisition agreement ("Acquisition Agreement"), pursuant to which Varitronix (Chengdu) has agreed to acquire and Chengdu BOE has agreed to sell certain production equipment, office equipment, information technology equipment and other auxiliary tools and equipment at the consideration of RMB60,143,596 (equivalent to approximately HK\$67,962,000). The consideration was settled on 20 March 2017. The transaction contemplated under the Acquisition Agreement constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. Further details are set out in the Company's announcement dated 20 February 2017.

On 23 March 2017, Link Score Investment Limited, a wholly-owned subsidiary of the Company, and Chengdu High-Tech Industrial Development Zone Management Committee entered into an investment cooperation agreement in relation to the investment of automobile thin film transistor display module production lines and related business operations (the “Project”). The total investment amount of the Project is RMB1,000,000,000 and the Project will be constructed in two phases, coming into operation at the fourth quarter of 2017 and the third quarter of 2020 respectively. Further details are set out in the Company’s announcement dated 23 March 2017.

DIVIDEND

The Board has recommended declaring a final dividend of 2.5 HK cents (2015: 30.5 HK cents) per share as compared to interim dividend of Nil (2015: 15.0 HK cents) per share and special dividend of HK\$1.35 per share (2015: Nil) representing a total of HK\$1.375 (2015: 45.5 HK cents) per share for the year ended 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 31 May 2017 to Monday, 5 June 2017 (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 “2017 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 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 29 May 2017.

Subject to the shareholders approving the recommended final dividend at the 2017 AGM of the Company, such dividend will be payable on or around Friday, 7 July 2017 to shareholders whose names appear on the register of members of the Company on Friday, 16 June 2017. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017 (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 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2017.

OTHERS

Staff

As at 31 December 2016, the Group employed 4,989 staff around the world, of whom 150 were in Hong Kong, 4,796 in the People’s Republic of China (“PRC”) and 43 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 31 December 2016, the total equity of the Group was HK\$2,732 million (2015:

HK\$1,905 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 6.36 as at 31 December 2016 (2015: 3.74).

At the year end, the Group held a liquid portfolio of HK\$1,790 million (2015: HK\$986 million) of which HK\$1,725 million (2015: HK\$767 million) was in cash and fixed deposits balance, HK\$65 million (2015: HK\$58 million) in other financial assets and HK\$ nil (2015: HK\$161 million) in trading securities. The unsecured interest-bearing bank loans amounted to HK\$9 million (2015: HK\$145 million). The gearing ratio (bank loans over net assets) was 0.3% (2015: 7.6%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 3.9 times (2015: 4.4 times). Debtor turnover days (trade receivables over revenue times 366) for the year was 75 days (2015: 70 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 does not engage 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 year ended 31 December 2016.

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 2016.

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 2016 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 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 2016 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s 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
Varitronix International Limited
Yao Xiangjun
Chairman

Hong Kong, 27 March 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.