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VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2015 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Highlights

HK\$ million	2015	2014
Revenue	2,488	2,613
EBITDA ¹	383	395
Profit attributable to shareholders	301	250
Cash and fixed deposits balance	767	575
Basic earnings per share	91.2 HK cents	76.5 HK cents
Total dividend per share	45.5 HK cents	42.0 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 gain on disposal of an associate.

On behalf of Varitronix International Limited (the "Company") and its subsidiaries ("Varitronix" or the "Group"), I present the Group's results for the year ended 31 December 2015.

During the year under review, revenue of HK\$2,488 million was recorded, a decrease of 5% when compared with the HK\$2,613 million recorded in 2014. EBITDA¹ was HK\$383 million, 3% lower than the HK\$395 million recorded for the same period in the previous year. However, as the Group realised a one-off gain from the disposal of its interest in Data Modul AG, profit from operations of the Group was HK\$325 million, a 19% increase compared to the same period last year. The Group's profit attributable to shareholders thus reached HK\$301 million, an increase of 20%, when compared to the same period in 2014. The profit margin in the year improved from 23.3% of the previous year to 24.2% in 2015.

As at 31 December 2015, the cash and fixed deposits balance of the Group was HK\$767 million, compared to HK\$575 million at the end of 2014. The Group's gearing ratio, being total bank loans over net assets, was 8% as at 31 December 2015, lower than the 13% recorded in the previous year.

Dividends

The Board of Directors (the "Board") has recommended a final dividend of 30.5 HK cents per share (2014: 30.0 HK cents). Together with the interim dividend of 15.0 HK cents (2014: 12.0 HK cents), the total dividend for 2015 amounted to 45.5 HK cents per share (2014: 42.0 HK cents), representing a dividend payout ratio of 50% (2014: 55%).

Business Review

During the year under review, particularly in the second half, global economy slowed down and adversely affected the Group's business development to a certain extent. The automotive display business, which contributed the major portion of the Group's revenue, performed in a regressive manner. Sales of automotive monochrome display products in Europe, South Korea and the PRC dropped. Nevertheless, the sales of automotive Thin Film Transistor (TFT) modules grew steadily, and this, coupled with the stable sales performance of the industrial display business, averted a more dramatic decline in overall revenue.

In the period under review, the Group paid extra attention to improving its production efficiency and cost control. In addition, the Japanese yen exchange rate declined and led to a lower purchase price of key materials sourced from Japan. The Group's profit margin thus increased slightly, and the profit attributable to shareholders was kept at a stable level.

Automotive Display Business

For the year under review, the automotive display business generated revenue of HK\$1,668 million, a decrease of 8% from the revenue in 2014. The automotive display business represented approximately 67% of the Group's overall revenue in 2015.

A large part of the European revenue is from the automotive display business, and most of the big automobile brands in Europe have adopted TFT modules, which led to a reduction of monochrome display orders. Of all the European countries, only the UK showed a notable increase in sales of automotive displays during the period under review. This was attributable to the satisfactory sales of TFT module products. As the selling price of those TFT modules was 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 PRC and South Korea are also important regions in automotive display business for the Group. The relevant business performance in these two countries was dragged down by slower economic development pace as well as the switch of some customers to TFT technology. The drop in display sales was a result of the combined effect of these two factors.

During the year, the automotive display business in Japan expanded continuously with a remarkable growth in revenue from the previous year. Japanese automotive customers have granted their trust in our product quality. In addition, the weakened Japanese yen stimulated the sales of Japanese cars in 2015. Their demand for our display products rose accordingly.

Industrial Display Business

Revenue from the industrial display business was HK\$820 million during the year under review, representing a slight increase of 3% from the HK\$797 million in the previous year. This business contributed approximately 33% of the total revenue of the Group.

During the year under review, the development pace for the industrial business was sharp and fast. The Group's customer in the white goods sector in Italy had a rising demand for our displays, and hence, the orders for industrial displays increased steadily.

In addition, the electricity meter display business grew in all global regions. Displays used in electricity meters are essentially the monochrome type, but the selling price is relatively low. Despite this, the demand for displays by electricity meter customers is stable and quantity demand is larger, thus provide a sustainable revenue source for the Group. On top of this, the quantity of components involved in this business is big and the economy of scale in material purchase enables more effective cost control by the Group.

The industrial display business in the US has been playing an important role for the Group. However, customers in the US postponed their orders in the second half of 2015, which led to a poorer business performance in 2015 compared to the past year for the US market.

Prospects

Business Prospects

Looking forward to 2016, the automotive display business will provide mixed performance in different regions. Europe, the key contributor of revenue, will remain steady in its demand for monochrome displays. The fast development of TFT modules business there will drive the overall automotive display business in Europe.

Due to the reduced orders for monochrome displays, and the fierce competition of the TFT business, the automotive display business in the PRC and South Korea is likely to continue to experience a decline in the coming year.

In the US, the automotive display business will further develop. The relations established with customers will bring closer business cooperation in the coming year. Hence, concrete returns are expected.

Japan's automotive display business presents an optimistic outlook. The Group eventually won the trust from Japanese customers after a long observation and adjustment period. These customers do not easily place their trust in other suppliers, and this presents a precious opportunity for us to develop long-term business in the Japanese market. Leveraging on our strong product quality and production efficiency, we will continue to explore further business potential with Japanese customers, with the aim of penetrating our business network.

For the industrial display business, the prospects will be promising. Industrial customers are still using monochrome displays, and they usually have stringent product quality requirement; thus create a high barrier for entry for other players in the field. Therefore, price competition is not as vicious as in other sectors. Though industrial products like electricity meters are price sensitive, the orders are often in large quantities. Hence, the meter sector can be considered as a stable pillar for the revenue.

Given promising outlook in the white goods and electricity meter sectors, the future prospects for the European industrial business will be positive. Some industrial customers are also be interested in touch panel products; and as they often require tailor-made designs to complement their special applications, thereby creates a market niche. Varitronix's industrial touch panel product is geared to bridge this particular gap in the market.

In the coming years, there will be plenty of opportunities for the industrial display business in the US. The electricity meter and medical product sectors have rich potential, and customers in both sectors have strong demand for the Group's displays. In Japan, the application of industrial displays is diversified among the various big industrial brands in the market. Hence, it is believed the industrial market in Japan will have much more development possibilities.

Long-term Development

Varitronix is a market leader in the monochrome display market. The quality of the monochrome display products designed and produced by the Group is high, and the Group is still making efforts in improving product performance, such as the contrast ratio, viewing angles and sunlight readability, to meet the different needs and circumstances of customers.

There is still ample demand for monochrome displays from the automotive sectors in countries like Japan and India. Additionally, the consumption of monochrome displays is still growing in the industrial sector. All of these factors indicate that monochrome displays still command a certain market presence. In spite of this, under the threat of the growing usage of TFT products, the monochrome display business can only develop stably, with limited scope for growth.

The Group holds a solid position in the automotive display arena. It has established a stable customer network and has accumulated rich experience in key areas such as quality control and modular assembly. The TFT modules business relies on similar platform and can therefore leverage its development on the same automotive foundation. The Group sources TFT panel from suppliers and tailor-made modules and designs according to customers' requirements. The Group has been upgrading its TFT design capabilities in recent years particularly in areas such as contrast and color gamut, with the aim of enhancing the value of our products.

The Group is planning to collaborate with a strategic business partner to expand the TFT modules business in future. By doing so, we hope to gain steady support not only in panel supply, but also in enhancing the ability to provide tailor-made panel designs to meet customers' special requests, and to broaden the TFT products.

The Group's touch panel technology is designed for industrial and automotive applications. In recent years, we have keenly explored the use of touch panels in both sectors, and have already established a small customer base. The Group's touch panels can be used with industrial gloves and mounted on wet surfaces. We will continue to improve the design and performance of these products. We are also developing a hover solution that can induce a response in displays at a certain distance, so that its applications can be widened.

To conclude, it is expected that the Group's monochrome display business will continue to be steady. TFT market will grow rapidly. The Group must enhance its TFT capability and competitiveness in order to build a visionary development model with great long-term potential.

Acknowledgements

Amid the downturn of economy in the second half of 2015, the Group's entire staff have served their roles vigilantly, and continued to work diligently, strived hard to reach the performance goals. For this, I would like to extend my gratitude to my colleagues. I would also sincerely thank the Directors of the Board, shareholders and business partners. Their faithful and longstanding support has made it possible for us to stride forward during good and bad times. The participation of all parties demonstrates the power of collaboration. In future, I expect Varitronix will achieve brilliant success with the continued support and effective cooperation of shareholders, business partners, management and colleagues.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 29 February 2016

Consolidated statement of profit or loss
For the year ended 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Revenue	3	2,487,820	2,613,058
Other operating income	4	97,204	37,304
Change in inventories of finished goods and work in progress		79,310	(48,253)
Raw materials and consumables used		(1,506,120)	(1,536,793)
Staff costs		(462,221)	(418,218)
Depreciation		(103,009)	(107,542)
Other operating expenses		(268,174)	(266,907)
Profit from operations		324,810	272,649
Finance costs	5(a)	(3,472)	(4,858)
Share of profits less losses of associates		4,020	14,422
Profit before taxation	5	325,358	282,213
Income tax	6	(24,997)	(31,771)
Profit for the year		300,361	250,442
Attributable to:			
Equity shareholders of the Company		300,605	250,442
Non-controlling interests		(244)	-
Profit for the year		300,361	250,442
Dividends	7		
Interim dividend declared and paid during the year		49,611	39,343
Final dividend proposed after the end of the reporting period		101,030	98,879
		150,641	138,222
Earnings per share (in HK cents)	8		
Basic		91.2 cents	76.5 cents
Diluted		90.4 cents	74.8 cents

Consolidated statement of profit or loss and other comprehensive income*For the year ended 31 December 2015*

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
Profit for the year	300,361	250,442
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	(35,652)	(27,462)
Available-for-sale securities: net movement in the fair value reserve	(3,601)	138
Other comprehensive income for the year	(51,352)	(27,324)
Total comprehensive income for the year	249,009	223,118
Attributable to:		
Equity shareholders of the Company	249,253	223,118
Non-controlling interests	(244)	-
Total comprehensive income for the year	249,009	223,118

Consolidated statement of financial position

At 31 December 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment		401,604	486,455
— Interest in leasehold land held for own use under operating leases		11,004	12,200
		412,608	498,655
Interest in associates	9	4,747	124,627
Loans receivable		31,000	46,500
Other financial assets		57,353	29,569
Deferred tax assets		725	725
		506,433	700,076
Current assets			
Trading securities		160,891	158,919
Inventories		472,995	383,789
Trade and other receivables	10	530,296	603,822
Other financial assets		-	19,840
Current tax recoverable		515	9,707
Fixed deposits with banks		-	38,370
Cash and cash equivalents		767,393	536,501
		1,932,090	1,750,948
Current liabilities			
Trade and other payables	11	376,288	411,695
Bank loans		136,395	184,362
Current tax payable		3,862	13,010
		516,545	609,067
Net current assets		1,415,545	1,141,881
Total assets less current liabilities		1,921,978	1,841,957
Non-current liabilities			
Bank loans		8,879	44,395
Deferred tax liabilities		7,663	5,461
NET ASSETS		1,905,436	1,792,101
CAPITAL AND RESERVES			
Share capital		82,782	81,979
Reserves		1,822,654	1,709,878
Total equity attributable to equity shareholders of the Company		1,905,436	1,791,857
Non-controlling interests		-	244
TOTAL EQUITY		1,905,436	1,792,101

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 2015 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") and 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 2014.

2. Changes in accounting policies

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity.

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 modules 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 2015 (2014: one). In 2015 revenues from sales to this 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\$252,213,000 (2014: HK\$276,681,000).

(a) Operating segment results

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal modules 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>2015</i> HK\$'000	<i>2014</i> HK\$'000
The People's Republic of China ("PRC") (place of domicile)	834,310	923,550
Europe	973,131	942,295
America	287,774	315,827
Korea	161,542	206,008
Others	231,063	225,378
	1,653,510	1,689,508
Consolidated revenue	2,487,820	2,613,058

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

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
United Kingdom	145,246	115,162
France	138,968	150,636
Germany	126,459	115,815
Italy	63,592	68,146
Other European countries	498,866	492,536
	973,131	942,295

(ii) Group's specified non-current assets

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
The PRC (place of domicile)	409,013	495,931
Germany	-	119,349
Korea	4,747	5,278
Others	3,595	2,724
	417,355	623,282

4. Other operating income

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
Dividend income from listed equity securities	7,507	585
Interest income from listed debt securities	716	971
Interest income from non-listed debt securities	-	167
Other interest income	6,200	2,917
Gain on disposal of an associate (Note 9)	48,828	-
Net gain on disposal of fixed assets	68	-
Net realised and unrealised gain on trading securities	20,413	14,438
Net exchange gain	3,556	18,858
Government grants	3,680	-
Other income/(loss)	6,236	(632)
	97,204	37,304

5. Profit before taxation

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

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	3,472	4,858

	2015 HK\$'000	2014 HK\$'000
(b) Impairment losses recognised/(reversed)		
Trade and other receivables in respect of:		
– allowance for doubtful debts	931	(63)
– allowance for sales returns provision	1,976	(2,836)
	<u> </u>	<u> </u>
(c) Other items		
Cost of inventories	1,885,313	2,003,916
Auditors' remuneration:		
– audit services fees	3,129	3,027
– non-audit services fees	300	300
Research and development costs	140,824	190,029
Operating lease charges: minimum lease payments		
– hire of assets (including property rentals)	6,571	6,663
Contributions to defined contribution retirement plans	31,274	25,651
Equity settled share-based payment expenses	4,791	705
	<u> </u>	<u> </u>

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

Taxation in the consolidated statement of profit or loss represents:

	2015 HK\$'000	2014 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	16,196	17,458
Over-provision in respect of prior years	(8,617)	(7,268)
	<u> </u>	<u> </u>
	7,579	10,190
Current tax - the PRC income taxes		
Provision for the year	12,764	17,265
Over-provision in respect of prior years	(4,640)	(5,027)
	<u> </u>	<u> </u>
	8,124	12,238
Current tax - Jurisdictions outside Hong Kong and the PRC		
Provision for the year	7,681	9,824
Over-provision in respect of prior years	(589)	(403)
	<u> </u>	<u> </u>
	7,092	9,421
Deferred tax		
Origination and reversal of temporary differences	2,202	(78)
	<u> </u>	<u> </u>
	24,997	31,771
	<u> </u>	<u> </u>

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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. Dividends

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

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
Interim dividend declared and paid of 15.0 HK cents (2014: 12.0 HK cents) per share	49,611	39,343
Final dividend proposed after the end of reporting period of 30.5 HK cents (2014: 30.0 HK cents) per share	<u>101,030</u>	<u>98,879</u>
	<u>150,641</u>	<u>138,222</u>

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.

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

	<i>2015</i> HK\$'000	<i>2014</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 30.0 HK cents (2014: 38.0 HK cents) per share	<u>98,879</u>	<u>124,239</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\$300,605,000 (2014: HK\$250,442,000) and the weighted average number of shares of 329,633,424 shares (2014: 327,261,561 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<i>2015</i> Number of shares	<i>2014</i> Number of shares
Issued ordinary shares at 1 January	327,915,204	326,485,204
Effect of share options exercised	<u>1,718,220</u>	<u>776,357</u>
Weighted average number of ordinary shares at 31 December	<u>329,633,424</u>	<u>327,261,561</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\$300,605,000 (2014: HK\$250,442,000) and the weighted average number of shares of 332,525,052 shares (2014: 334,655,668 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<i>2015</i>	<i>2014</i>
	Number of shares	Number of shares
Weighted average number of ordinary shares at 31 December	329,633,424	327,261,561
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>2,891,628</u>	<u>7,394,107</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>332,525,052</u>	<u><u>334,655,668</u></u>

9. Interest in associates

On 28 January 2015, the Group entered into an agreement with a third party, to dispose of the Group's entire interest in Data Modul AG, a then associate of the Group, at a consideration of EUR19,393,990. The transaction was completed on 14 April 2015. A gain on disposal of HK\$48,828,000 (Note 4) was recognised in the profit or loss for the year ended 31 December 2015. Further details are set out in the Company's announcement dated 28 January 2015.

10. Trade and other receivables

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

	<i>2015</i>	<i>2014</i>
	HK\$'000	HK\$'000
Within 60 days of the invoice issue date	363,767	388,079
61 to 90 days after the invoice issue date	72,944	92,688
91 to 120 days after the invoice issue date	25,510	53,843
More than 120 days but less than 12 months after the invoice issue date	<u>16,650</u>	<u>33,142</u>
	<u>478,871</u>	<u><u>567,752</u></u>

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

	<i>2015</i>	<i>2014</i>
	HK\$'000	HK\$'000
Within 60 days of supplier invoice date	232,976	249,309
61 to 120 days after supplier invoice date	73,023	77,284
More than 120 days but within 12 months after supplier invoice date	6,917	5,578
More than 12 months after supplier invoice date	427	808
	<u>313,343</u>	<u>332,979</u>

12. Capital commitments

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

	<i>2015</i>	<i>2014</i>
	HK\$'000	HK\$'000
Contracted for	10,974	9,707
Authorised but not contracted for	24,351	21,531
	<u>35,325</u>	<u>31,238</u>

13. 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\$145,274,000 (2014: HK\$228,757,000).

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.

14. Non-adjusting event after the reporting period

On 3 February 2016, the Company and BOE Technology Group Co., Ltd. (“the Subscriber”) entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 400,000,000 ordinary shares of the Company at an issue price of HK\$3.50 per share (“the Subscription”). The aggregate subscription price amounts to approximately HK\$1,400,000,000. In connection with the Subscription, the board of directors of the Company will consider declaring a special dividend of HK\$1.35 per share to the ordinary shareholders of the Company conditional upon completion of the Subscription, the payment of which will be subject to and after completion of Subscription. Pursuant to the subscription agreement, the Subscriber has agreed to waive its entitlement to the special dividend and the proposed final dividend of the Company for the year ended 31 December 2015. The subscription shares will be issued pursuant to the specific mandate to be obtained at a special general meeting of the Company. Further details are set out in the Company’s announcement dated 16 February 2016.

DIVIDEND

The Board has recommended declaring a final dividend of 30.5 HK cents (2014: 30.0 HK cents) per share as compared to interim dividend of 15.0 HK cents (2014: 12.0 HK cents) per share representing a total of 45.5 HK cents (2014: 42.0 HK cents) per share for the year ended 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2016 to Friday, 3 June 2016 (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 “2016 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 Friday, 27 May 2016.

Subject to the shareholders approving the recommended final dividend at the 2016 AGM of the Company, such dividend will be payable on or around Friday, 8 July 2016 to shareholders whose names appear on the register of members of the Company on Friday, 17 June 2016. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 14 June 2016 to Friday, 17 June 2016 (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, 13 June 2016.

OTHERS

Staff

As at 31 December 2015, the Group employed 5,179 staff around the world, of whom 168 were in Hong Kong, 4,969 in the People’s Republic of China (“PRC”) and 42 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 2015, the total equity of the Group was HK\$1,905 million (2014: HK\$1,792 million). The Group’s current ratio, being the proportion of total current assets against total current liabilities, was 3.74 as at 31 December 2015 (2014: 2.87).

At the year end, the Group held a liquid portfolio of HK\$986 million (2014: HK\$783 million) of which HK\$767 million (2014: HK\$575 million) was in cash and fixed deposits balance and HK\$219 million (2014: HK\$208 million) in securities. The unsecured interest-bearing bank loans amounted to HK\$145 million (2014: HK\$229 million). The gearing ratio (bank loans over net assets) was 8% (2014: 13%).

The Group's inventory turnover ratio (cost of inventories over average inventories balance) for the year was 4.4 times (2014: 4.7 times). Debtor turnover days (trade receivables over revenue times 365) for the year was 70 days (2014: 79 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 2015.

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 2015.

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: Dr. Lo Wing Yan, William (Chairman of the AC), Mr. Chau Shing Yim, David 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 2015 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 Dr. Lo Wing Yan, William (Chairman of the RC), Mr. Hou Ziqiang and Mr. Ko Chun Shun, Johnson. Among the 3 members of the RC, 2 members are Independent Non-Executive Directors.

NOMINATION COMMITTEE

The Nomination Committee of the Company (the “NC”) comprises Dr. Lo Wing Yan, William (Chairman of the NC), Mr. Hou Ziqiang and Mr. Ko Chun Shun, Johnson. Among the 3 members of the NC, 2 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 2015 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
Ko Chun Shun, Johnson
Chairman

Hong Kong, 29 February 2016

As at the date of this announcement, the Board comprises six Directors, of whom Mr. Ko Chun Shun, Johnson, Ms. Ko Wing Yan, Samantha and Mr. Ho Te Hwai, Cecil are Executive Directors and Dr. Lo Wing Yan, William J.P., Mr. Chau Shing Yim, David and Mr. Hou Ziqiang are Independent Non-executive Directors.