Collaborating for Success

Annual Report 2015

Varitronix International Limited
Stock Code 710

Varitronix won the Gold Award of Caring for People in HSBC Living Business Awards in 2015

2015
HSBC LIVING BUSINESS
Caring for People – Gold Award
Community Engagement – Excellence Award
Green Achievement – Merit Award

Varitronix is pleased to announce that we were presented with the Gold Award of Caring for People in the HSBC Living Business Awards Program in 2015. The Awards Program has three award categories, namely Community Engagement, Green Achievement and Caring for People. In 2015, the Awards Program received over 1,600 applications and a total of 323 small and medium enterprises (SMEs) received the award in three categories. There is only one Gold, Silver, Copper award winner respectively in each award category.

In competing for Caring for People Award, Varitronix has gone through eligibility checklist assessment, detailed assessment and final round judging. In order to be selected, we need to fulfill and perform outstandingly in all criteria such as effective internal communication, training and development, equal opportunities, employee welfare, work-life balance and family-friendly practices.

Since its launch in 2004, the HSBC Living Business Program has been helping small and medium enterprises in Hong Kong become competitive and productive by incorporating socially and environmentally sustainable practices into business operations. The Awards Program is supported by the Business Environment Council, The Hong Kong Council of Social Service and the Hong Kong Institute of Human Resources Management.

Content

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 5% when compared with the HK$2,613 million recorded in 2014. EBITDA 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.

Chairman's Statement

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

Management Discussion and Analysis

REVENUE

The Group's revenue for the year ended 31 December 2015 decreased by 5% to HK$2,488 million as compared to the previous financial year.

PROFIT FROM OPERATIONS

The profit from operations for the year ended 31 December 2015 was HK$325 million, a increase of HK$52 million or 19% as compared to the previous financial year.

During the financial year 2015, the Group spent HK$141 million on research and development ("R&D") activities, which represented approximately 6% of the Group's revenue.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31 December 2015 was HK$301 million, as compared to a profit of HK$250 million in 2014.

Basic earnings per share for the year ended 31 December 2015 were 91.2 HK cents as compared to basic earnings per share of 76.5 HK cents in the previous financial year. During the year, the Group declared and paid the interim dividend of 15.0 HK cents per share, which aggregated to HK$50 million. The Board have recommended a final dividend of 30.5 HK cents per share, which will aggregate to HK$101 million. The total dividend for the year amounts to 45.5 HK cents per share.

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 HK$1,400,000,000. In connection with the Subscription, the Board 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 the 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.

STRUCTURE OF ASSETS

As at 31 December 2015, the total assets of the Group amounted to HK$2,439 million (2014: HK$2,451 million). At the year end, inventories increased by 23% to HK$473 million (2014: HK$384 million) while available-for-sale securities was HK$28 million (2014: HK$30 million).

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).

CASH FLOWS

In the year under review, the Group's cash generated from operations amounted to HK$289 million (2014: HK$345 million). The increase in inventories reduced cash flow by HK$91 million, while the decrease in trade and other receivables raised cash flow by HK$72 million.

Net cash generated from investing activities amounted to HK$199 million (2014: net cash used in investing activities amounted to HK$45 million). There was a decrease in payments for the purchase of fixed assets to HK$36 million (2014: HK$71 million).

CAPITAL STRUCTURE

The Group's long-term capital comprises shareholders' equity and debt, which includes the bank borrowings. There was no change as to the capital structure of the Group during the year. The Group had repaid the bank borrowings amounted to HK$325 million during the year and the bank borrowings decreased to HK$145 million as at 31 December 2015.

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 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.

CONTINGENT LIABILITIES

As at 31 December 2015, the Company had contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK$145 million (2014: HK$229 million).

COMMITMENTS

As at 31 December 2015, the Group had capital commitments of HK$35 million (2014: HK$31 million), representing the purchase of property, plant and equipment not provided for in the financial statements. The total future minimum lease payments under non-cancellable operating leases for properties payable within one year amounted to HK$7 million (2014: HK$4 million).

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.

STAFF RETIREMENT SCHEMES

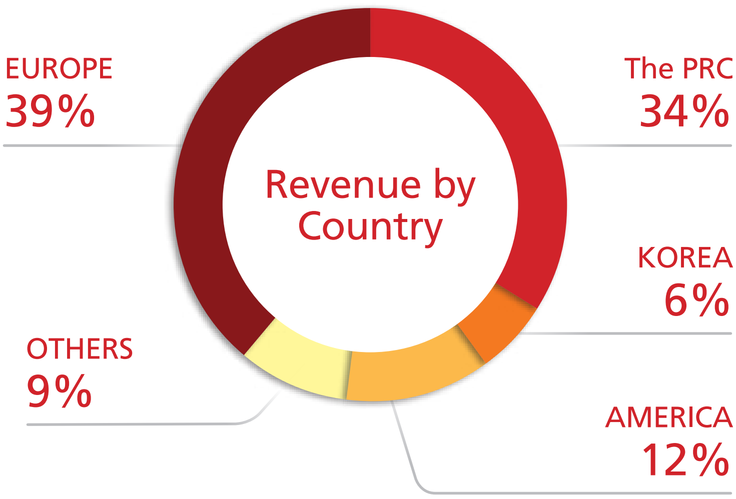
The Group principally participates in defined contribution retirement plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by independent trustees. Contribution at a fixed rate of 5% of the employee's relevant income (the "Relevant Income"), subject to a cap of monthly Relevant Income of HK$30,000 per employee, are made to the scheme and are vested immediately.

In addition, the Group also operates a Top-Up ORSO scheme, approved by the Inland Revenue Department under Section 87A of the Inland Revenue Ordinance, and both the employer and the employee are required to contribute 5% of the excess of the Relevant Income to the scheme. It is only eligible for employees who joined the Group on or before 30 June 2009.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

During the year, the total retirement scheme cost charged to the Consolidated Statement of Profit or Loss for the year ended 31 December 2015 was HK$31 million (2014: HK$26 million). Charges to administer the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the year ended 31 December 2015 was HK$38,000 (2014: Nil) and at 31 December 2015, the balance available to reduce the level of contributions in future amounted to HK$5,000 (2014: HK$7,000).

Review of Operations



EUROPE

During the year under review, HK$973 million was generated from the display business in Europe, which is similar to the revenue recorded in 2014. The European business contributed 39% of the total revenue for the Group in 2015.

Automotive Display Business

In Europe, the Group recorded increased revenue from the TFT (Thin Film Transistor) display business. This was especially obvious in the United Kingdom. However, the passive display business continued to shrink in scale, in line with the trend recorded in the first half period in 2015.

In fact, the automotive market in the second half of 2015 was weaker when compared with the first half of the year. The cooling in demand from China and South America in the last quarter of 2015 adversely affected the sales of high-end car manufacturers. We predict that this weakened trend will be maintained for some time longer. Adding a further blow to the European car makers was the Volkswagen emissions scandal. The incident not only badly hit the sales of the largest car manufacturer in the world, it also brought about a short-term impact to consumer demand.

We expect the softening demand will last till the first half in 2016 after which the market will be back on a healthy growth track. We further expect that the economy of China, the largest export country for luxury branded cars, will improve after a cooling period, likely in the second half of 2016. In addition, the demand which has been hampered by the confidence blow due to the emissions issue, will resume gradually in mid-2016.

In regard to technology trends, we believe European customer demand for TFT displays will continue to grow. There is also growing interest among the high-end car makers for touch panel applications in automobiles and, if we can capitalise on this opportunity, this should mean increased revenue per order.

Industrial Display Business

The industrial display business in Europe developed steadily during the reporting period, with revenue similar to that in 2014. Most European countries experienced flat industrial display business development, except for Italy, which saw a slight recovery from its past economic stagnancy. Italy's white goods market looks particularly promising.

The Group has a solid business foundation with one of its key white goods customers in Europe. In 2015, Varitronix was shortlisted and recognised by Electrolux Group as one of the top suppliers among its 2700-plus suppliers globally in the category of "innovation". Varitronix was the only display manufacturer on this top suppliers list.

Looking ahead to the prospects for 2016, it is expected that diversified display technology applications will be welcomed by our industrial customers, and that the industrial market will experience mild growth. As the outlook for the white goods export market is positive, the European manufacturers will become more active, especially in terms of R&D, in order to outpace other competitors from Asia.

Against such a backdrop, white goods manufacturers tend to be more accepting of new technology such as touch panels and TFT products. This is a good sign for the Group, as we have built up a strong portfolio in industrial touch screen applications. Hence, we expect our industrial display business will further expand.

Review of Operations

AMERICA

America generated revenue of HK$288 million in 2015, contributing 12% to the total revenue of the Group. America's revenue in 2015 was slightly lower than that of 2014.

The first half of the reporting year showed remarkable growth in both business and revenue. However, this trend could not be sustained in the second half of the year. One of the reasons for the drop was that the United States economy was affected by the global atmosphere, where the decrease in the PRC's export figures and the sluggish European economy affected its pace of recovery. The economic situation of the country in the second half demonstrated a slowdown, and thus our customers delayed their orders to us or even postponed them. The net effect was to dampen our business development.

There was some sign of recovery near the end of 2015 and the economic figures reflected the stable growth of the country. The sales team managed to win new business in the last quarter, and paved a solid foundation of business for 2016. A moderate growth in revenue is expected for the coming year.

On the industrial display business side, medical displays will still be our major growth category. The sales team has secured substantial orders from our key medical product customer and more solid growth is expected. Another important milestone has been established in the Point of Sales (POS) product category. Orders have been secured from some retail chains and our displays will be installed in their POS machines in 2016.

In terms of automotive display business, signs of improvement have been seen in 2015. We have established initial business connections with quite a number of second-tier automotive components suppliers, and hopefully some projects will be secured in the coming year. In general, we expect these efforts will bring about concrete results in the future.

THE PRC

Revenue contributed by the PRC was HK$834 million during the year in review, representing a drop of 10% compared with that in 2014. This region accounted for 34% of the Group's total revenue.

The decrease in automotive display sales in 2015 was broadly in line with the general economic situation in the PRC. During the year in review, China's economic development slowed down and signified that the country has switched from a fast development mode to a moderate growth mode. From the macro perspective, this transition is expected to last for a long period rather than being a temporary situation. In such an environment, domestic demand and consumption have decreased and the automotive industry in the PRC has thus entered a period of adjustment.

Unlike the second half of 2014, the second half of 2015 did not experience a surge of display sales in the PRC. A key reason for this is that inventory had been stacked up during the middle of the year, and thus, the car manufacturers showed no desire to replenish stock. This was particularly obvious in the case of one of our key automotive customers.

In the second half of 2015, there were progressively more inquiries about colour display technologies such as TFT and Touch Panel. It is expected more effort will be spent on the business development of such technologies. Workshops on this technology will be held in the coming year, so that our customers in China can get more information about the know-how, applications and specifications.

There were early signs of encouragement in that the sales team in the PRC has won a few industrial display projects in 2015. It is a good start for the Group. Our sales team has been further strengthened in order to explore more opportunities in the industrial market in China. Our initial target is our global industrial customers which have set up branches in China. Based on the established relationships and trust with their overseas counterparts, we gain an advantage in establishing initial business interaction. Looking forward to 2016, the Group reasonably expects further growth of the industrial display business in Mainland China.

KOREA

Revenue generated in South Korea was HK$162 million, down 22% from 2014. South Korea accounted for 6% of the total revenue of the Group.

Due to keen competition, the Group's business continued to demonstrate a downward trend in this market. The Korean economy was hit by Middle East Respiratory Syndrome (MERS) in the middle of the year. Japanese yen depreciation also adversely affected the competitiveness of Korea's automotive industry.

In addition, some of the Group's current projects have come to an end, and new projects have not caught up in volume. This contributed to a continuing drop in sales revenue in this region. As mentioned in our Annual Report 2014, it is expected that business volume in Korea will continue to downsize for a couple of years, and that sales revenue will pick up and become steady in 2017.

In the meantime, the sales team has focused on growing business with a new automotive display customer in Korea. It is targeted that the business with this customer will continue to expand in the coming years.

The Group has invested in strengthening technical know-how in touch panel for specific applications in automobiles since last year, and projects related to this technology have started to come to fruition. The Korean customer segment is one of the pioneers in the automotive industry to try new technology in automotive displays. It is expected that substantial growth in revenue will be realised from automotive touch display technology starting from 2016.

Environmental, Social and Governance Report

The Group began incorporating its Environmental, Social and Governance (ESG) Report into its Annual Report from 2014. This ESG Report was prepared for the year ended 31 December 2015 with reference to the ESG Reporting Guide published by The Hong Kong Exchanges and Clearing Limited (the "Stock Exchange"), and based on the material aspects of the Group and stakeholders. Unless otherwise stated, this ESG Report covers operations in the PRC and Hong Kong, which together represent the core operations of the Group.

The Board has been closely overseeing the Group's initiative to make continuing ongoing improvements and to formulate an effective reporting mechanism. Varitronix's ESG risk management and reporting mechanism takes into consideration operational management and relevant stakeholders. Assessment of ESG status and progress are conducted on an ongoing basis.

ESG Risk Management and Reporting Mechanism

Functional Departments

Designing, implementing and monitoring risk management and internal control systems in relation to ESG, taking into account the Board's ESG priority.

ESG Risk Management Team

Monitoring to ensure effective implementation of ESG strategic plan, and regularly reviewing stakeholders' expectation on ESG matters.

Key Stakeholders

Shareholders/Investors, regulators, customers, suppliers, community, employees

Board of Directors

Recognising and prioritising stakeholders' needs and expectations in relation to ESG, and formulating strategic plans accordingly.

The ESG Risk Management Team consists of top management from operations and finance, and communicates regularly to ensure ESG risks are properly managed.

1. Oxfam Trailwalker fund-raising event
2. Standard Chartered Marathon

The Board takes ESG issues seriously to ensure the top management of each function monitors its own area of responsibility, always seek improvements and is committed to rolling out development plans with stakeholders' interests a primary concern.

ENGAGING STAKEHOLDERS

The Group communicates regularly with stakeholders through various channels in order to understand their different expectations and the possible impacts to them of its sustainable development activities.

Stakeholders	Communication Channels	Content
Shareholders/Investors	▪ Annual general meetings and notices ▪ Annual/interim reports, financial statements and announcements ▪ Direct communications ▪ Corporate website ▪ Investor briefings	▪ Business sustainability ▪ Financial performance ▪ Corporate transparency ▪ Corporate social responsibility
Regulators	▪ Meetings ▪ Compliance reporting	▪ Compliance with laws and regulations
Customers	▪ Direct communications via frontline staff ▪ Customer audits and factory visits ▪ Corporate website	▪ Quality products and services, and delivery arrangements ▪ Technological developments ▪ Product responsibility ▪ Factory and labour conditions
Suppliers	▪ Direct communications and meetings ▪ Site visits and reviews ▪ Vendor acceptance and management processes ▪ Questionnaire	▪ Sustainable procurement ▪ RoHS considerations ▪ Corporate reputation ▪ Industry experience and expertise
Community	▪ Involvement in and meeting with various communities through social services and sports activities ▪ Cooperation with local universities and NGOs	▪ Improvement of community environment and culture ▪ Support for public welfare activities
Employees	▪ Trainings and development ▪ Regular performance appraisals ▪ Newsletters ▪ Work-life balance activities ▪ Policy communication ▪ Communication with labour union	▪ Health and safety ▪ Remuneration and welfare ▪ Career development ▪ Integrity and business conduct

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The issues that matter most to the Group's business and its stakeholders are identified and presented in the materiality matrix above. The Group places comparatively higher emphasis on ESG matters relating to the environment, employee safety and supply chain management as these are external stakeholders' top concerns, weighted against the risks and opportunities they present to the Group. Whist higher priority is given to these areas, other ESG aspects are also monitored on an ongoing basis and are included in this ESG report to enhance corporate transparency.

ENVIRONMENT

Over years, the Group has developed streamlined operating processes and energy-efficient hardware to lessen energy and water utilisation, improved the use of resources and investigated new means for environmental preservation.

As a manufacturing company, Varitronix management is always aware of the importance of sustainable development and environmental protection. The Group's policy on emissions and waste is fully complied with the requirements of the emission standard in Guangdong Province《廣東省大氣污染物排放極值標準》(DB4427-2001).

The Group has been accredited with ISO 14001 since 2005. Under this accreditation, the Group resolves to comply with environmental laws, regulations and other applicable requirements, and to reduce or eliminate pollution while minimising any impact on the environment.

The manufacturing facilities in Heyuan city are required to undergo stringent environmental audit and continuous monitoring, in order to protect the natural resources in the region and also to comply with all relevant local environmental laws and regulations.

Emission and Waste Performance

Waste	Total tonnes in 2015	Tonnes/Revenue (HKD1,000 million) in 2015	Total tonnes in 2014	Tonnes/Revenue (HKD1,000 million) in 2014
Air				
HCL	2.9	1.17	3.8	1.45
Particulates	<0.050	<0.0201	0.098	0.0375
SO2	<0.1544	<0.0621	<0.0737	<0.0282
NOx	0.175	0.0703	0.172	0.0658
Oil Fumes	0.02	0.01	<0.01	<0.01
Water				
Wastewater	837,897	336,775	859,906	329,088
Solid				
Solid Waste – Hazardous	70	28	78	30
Solid Waste – Non-hazardous	574	231	685	262

Emissions

Major emissions in the production plant are primarily collected at the exhaust vents of the production buildings and canteen kitchen. Hydrochloric acid is the main emission created by the production process. It is used at the etching stage when producing LCD panels. The volatilised hydrochloric acid is drawn to the ventilation system in the production buildings, then transmitted to the neutralising machines on the rooftop and neutralised with alkali before being released to the air.

Emissions such as particulates, sulphur dioxide, nitrogen oxide and oil fumes are collected from the exhaust vent at the canteen kitchen. These substances are mainly produced during the process of fuel combustion.

During the reporting period, the quantity of emissions of hydrochloric acid, particulates, sulphur dioxide, nitrogen oxide and oil fumes were all within the standards stipulated by the Environmental Protection Bureau in Heyuan. Environmentally clean fuel has been used consistently since the second half of 2009, to reduce the emission of nitrogen oxide from kitchen ventilation.

Wastewater

Waste is unavoidable during the manufacturing and operation process, but Varitronix keeps a stringent control on the emission and ensures it is properly treated to minimise any negative impact to the environment.

Wastewater generated during the manufacturing process is treated in a large underground wastewater treatment facility with a daily maximum treatment capacity of 4,000 cubic meters. A computer software program recognised by the Heyuan Environmental Protection Bureau has been installed to provide the data on elements such as Chemical Oxygen Demand (COD) and the PH level at the discharge vent directly to the Bureau's system. That means the wastewater discharge in the production plant is under continuous and timely monitoring by the Bureau. During the reporting period, there was no event or reported case of non-compliance which significantly influenced the water source.

Solid Waste

Non-hazardous solid waste is usually produced during manufacturing and daily living. Used carton boxes, wooden packing cases and scrap glass are collected by qualified recycling contractors. Production plant staff are also encouraged to put rubbish into designated garbage containers. Such collected garbage is also collected by qualified recycling contractors.

Hazardous waste from the production area consists primarily of materials used in the manufacturing process. Chemicals used during production are collected and treated in full compliance with local environmental regulations.

Measures to Reduce Emissions and Waste

In 2015, Varitronix mitigated 12 tonnes (per annum) of hazardous waste by recycling the used non-dust cloths, classified as hazardous waste after use with alcohol, with special treatment. Wastewater was also reduced to 40mg/L of Chemical Oxygen Demand (COD) through Mixed Wastewater Treatment.

Use of Resources

As a manufacturing company, electricity and water are the resources most used during the course of operations. Management recognises the significance of energy conservation, and ongoing measures are in place to reduce the use of natural resources. The Group regularly reviews ways for the efficient use of resources and develops improvement plans, with the aim of further reducing consumption of these resources while maintaining effective operation of the production plant. Nevertheless, due to continued business growth and the addition of new production machines, which were installed in 2015, consumption of electricity and water has increased when compared to 2014.

At the same time, the Group strives to minimise any impact on the environment and save material costs by continuously reviewing the design for product packaging, with the aim of reducing packaging size. Despite this, as the Group's products are glass LCD panels or modules, they must be protected with polyfoam trays during delivery and so the use of polyfoam trays is unavoidable.

In 2015, the quantities of carton boxes and polyfoam trays used for product storage and transportation were 1,118 tonnes and 999 tonnes respectively. This indicates an increase of 15% and 21% respectively, as compared with the year 2014.

Below is a table outlining the energy consumption, water utilisation and packaging material used by the Group during the reporting period, as compared with the data recorded in 2014.

Measures to Reduce Energy Consumption and Water Utilisation

As at 31 December 2015, 4,000 T8 and T5 light bulbs had been phased-out and replaced with LED lights. Water used in the production process was collected and reused in the toilet flushing system. As a result, reductions of 560,000kWh of electricity and 7,000 tonnes of water used were recorded during the year under review.

Environmental Education

In 2015, the Group continued to encourage staff members to have green meals. Green Monday has become a regular practice in the staff canteen in the production plant. In the Hong Kong office, the consumption level of electricity is announced on a monthly basis, in order to enhance the awareness of energy saving among colleagues.

Energy Consumption, Water Utilisation and Packaging Material Used

	Heyuan Production Plant				Hong Kong Office			
	2015		2014		2015		2014	
	Total	Tonnes/Revenue (HKD1,000 million)	Total	Tonnes/Revenue (HKD1,000 million)	Total	Tonnes/Revenue (HKD1,000 million)	Total	Tonnes/Revenue (HKD1,000 million)
Electricity (kWh)	90,905,585	36,537,615	89,012,950	34,065,423	153,859	61,840	154,891	59,277
Water (Tonne)	1,414,773	568,639	1,251,385	478,907	88	35	90	34
Carton boxes (Tonne)	1,118	449	973	372				
Polyfoam trays (Tonne)	999	402	825	316				

The environmental talk in Heyuan production plant was given by The Conservancy Association from Hong Kong.

"Clothes Exchange Program" held in the production plant was widely supported by colleagues.

The "Green Office" concept has been applied to the daily operation of the Group's headquarters office in Hong Kong. In 2015, a "Green Office Label" was awarded by the World Green Organisation. In the same year, the headquarters went through a second audit on carbon discharge and was certified a "Carbon Smart Offices".

The Conservancy Association of Hong Kong was invited to give a talk on the topic of "Carbon Smart Shopping and Living" to members of the production plant in 2015, which was widely appreciated by the participants. A sharing session on hazardous waste management was also held for all colleagues in the production plant. The session was conducted by the Facility Manager with the content based on training provided by the governmental body.

In addition to tree-planting and green cycling activities, a first of its kind "Clothes Exchange Programme" was held in the production plant during the year under review. Participants were invited to bring articles of used clothing to exchange with others. The programme was warmly received and staff expressed their wishes to support this initiative on an ongoing basis in the next year.

Recognition

The Group was again recognised by the HSBC Living Business Awards Programme[1] in 2015. Varitronix was also presented with a "Green Achievement Award – Certificate of Merit" for its efforts in environmental protection.

SOCIAL

Employment

Varitronix strictly observes the labour law in Hong Kong and the PRC. It is the policy of the Company to maintain a working environment that complies with the Race Discrimination Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance and the Family Status Discrimination Ordinance of the Ordinance and Code of Practice.

The Group provides remuneration, welfare and fringe benefits to employees comparable to the market standard. Remuneration, salary and bonus distribution are determined with reference to a performance-linked scale. When it comes to annual reviews, factors such as the company's financial performance, business prospects, individual performance, market rates and inflation rate are taken into consideration to decide the rate and scale.

1. "The HSBC Living Business Awards Programme" is supported by the Business Environment Council, The Hong Kong Council of Social Service and the Hong Kong Institute of Human Resources Management. The programme is open to all SMEs' in Hong Kong.

In 2015, the turnover rates for Hong Kong, PRC and Overseas staff were 13%, 20% and 3%, respectively.

Workforce and Turnover Rate Data

	Age	Hong Kong	China	Overseas
Male	18 – 45	87	905	15
	46 – 65	33	25	10
	Turnover rate	14%	22.7%	0%
Female	18 – 45	30	3,911	11
	46 – 65	18	128	6
	Turnover rate	10%	19.6%	6%

During the year, there was no significant reported case of non-compliance with the relevant laws and regulations in Hong Kong, the PRC and Overseas.

Health and Safety

The Group's policy on health and safety is to comply fully with local government regulations, as stipulated in the law of prevention of occupational diseases《中華人民共和國職業病防治》and fire prevention in the PRC《中華人民共和國消防法》, and to maintain a healthy and safe working environment for all employees, including the plant and systems of work, and to provide such information, instruction, training and supervision as they need. The production plant in Heyuan has successfully renewed its OHSAS18001 Health and Safety accreditation.

In 2015, no injury case was reported among Hong Kong employees. The factory recorded 33 minor injury cases with 47 lost days due to work injuries. Each minor injury case cost less than RMB3,000 for medical treatment. Every injury case underwent a detailed review and evaluation, with precautionary measures put in place to avoid a repeat occurrence. Extra training was conducted with the parties involved.

The Group understands that natural disasters and accidents are unavoidable, and our management aims to mitigate any damage during mishaps. An emergency and fire drill, and fire precautionary training are conducted once a year in both the Hong Kong office and the production plant. First-aid training is provided to staff and workers. Training in safe handling of chemicals is also conducted for related workers on the production floors. In the production plant, a patrolling team is responsible for carrying out audits regarding workplace efficiency, effectiveness, and safety measures.

In addition to workplace safety, a healthy lifestyle is promoted to all employees. Talks on mental health and a variety of activities related to sports and social service are arranged for employees' participation. The aim of these activities is to achieve a sustainable work-life balance.

Development and Training

Varitronix values its employees and is committed to providing an ideal workplace in which its staff members may grow and develop. In 2015, the Group conducted a series of training sessions for staff and workers.

	Total Training Hours	Total Partici-pants	Total Head-counts	Average Training Hours per Staff Member
HK Staff	795	300	168	4.7
PRC Staff	3,173	689	699	4.5
PRC Workers	20,364	4,262	4,270	4.8

The Group's policy is to ensure that all employees achieve personal growth in their careers, and training is therefore encouraged. This is usually held during working hours, so that employees need not sacrifice personal time for training. A flexible work pattern may be scheduled for Hong Kong staff members working in the production plant if they need to pursue further studies.

Training covers a wide range of topics including operational skills, craftsmanship, display technology, quality standards, environmental matters, health and safety and soft management skills. Senior managerial staff members are usually invited to be technical instructors. External coaches are employed for specific trainings on management skills. In 2015, external coaches were employed both in Hong Kong and the PRC, to conduct management skills training and skills for quality issues report writing.

In 2015, new initiatives such as onboarding programme for pertinent new positions were organised. Such a programme ranges from three to six months in length. The purpose is to help the new employees adjust to their posts, to engage with them, and to secure a higher rate of retention. Coaches were assigned for fresh graduates recruited in 2015, to foster their development, and assignments were conducted by the graduates under the guidance of their coaches. A three-year development plan has been tailored for each graduate.

Labour Standards

Varitronix complies with and observes the respective Labour Laws and Regulations in its operating countries. As a responsible employer, the following principles are strictly enforced:

- No child labour
- Ensure that wages comply with or exceed the minimum legal requirements of the country where employees are based
- Overtime practice is based on a voluntary pattern, no forced labour is allowed
- Respect for the opinions of general employees and the labour union
- Formal complaint channels are established and are regularly promoted to employees
- Equal employment opportunities – employment of disadvantaged employees and diversity and inclusion are encouraged in the workplace
- Harassment and abuse – these are actively discouraged in any form, to or among all employees
- Protection of privacy and personal data at work

All potential applicants are required to complete the Company's Employment Application Form, where personal data such as, names, contact details, ID numbers, etc. will be provided by the applicants. Human Resources Department will then reference check the ID cards to ensure that they meet the minimum age standard, i.e. 18 years or above.

People Caring Award

Varitronix was presented with the Gold Award in the People Caring category in the HSBC Living Business Awards in 2015. The Award recognises the Group's outstanding performance in aspects of staff training and development, communications, equal opportunity, staff welfare, work-life balance, family-friendly practices, occupational health & safety and supply chain management. The Group provided all-round attention in the above areas, and performed exceptionally well in organizing work-life balance activities for staff and showing flexible treatment for staff members who need special care or to cope with family issues.

Varitronix was presented with People Caring Gold Award

Environmental, Social and Governance Report

The Award is a meaningful encouragement to the Group, and it will continue to review and improve policies to support the development of staff and make Varitronix an ideal and happy workplace for employees in general.

Supply Chain Management

The Group takes a collaborative approach to supply chain sustainability management, as it views its suppliers as part of an interdependent ecosystem.

In 2015, the Group took the initiative to evaluate its suppliers' social responsibility performance. Both material suppliers and logistics service vendors were included in an evaluation distribution list. Completed questionnaires helped the Group to understand and evaluate the performance of its suppliers and vendors in the aspects of:

- Work hours
- Child labour
- Forced labour
- Health and safety
- Environmental concerns
- Corporate social responsibility

Table of Distribution and Response Status

	Number	Portion
Total No. of key suppliers for manufacturing operations	76	–
Total No. of key suppliers receiving questionnaires	76	100%
Total No. of completed questionnaires returned	59	78%

Table of Results

Ratings	Number	Portion
Outstanding	40	68%
Above Average	15	25%
Average	4	7%
Need Improvement	0	–
Below Standard	0	–
Total	59	100%

Distribution of Suppliers

Suppliers are divided into material suppliers and logistics service vendors. Certain material suppliers are requested to sign a declaration declaring that their packing material and Bill of Material (BOM) contains no hazardous substance. There was no reported case of violation of the declaration by any of our suppliers in the reporting period.

Suppliers by Geographical Region

	PRC	Asia	Europe	United States
Material suppliers	246	25	4	2
Logistics service vendors	2	0	5	1

Selection and Evaluation of Suppliers

The Group selects suppliers and purchases materials and/or services from suppliers and vendors using three methods, namely, price comparison, bidding and sentinel procurement. Audits of suppliers and vendors are performed on a regular basis. Results are compiled for review by the Supplier Quality Team and are approved by the department head of Quality.

Criteria for audit include:

- General operation and workforce condition
- Quality qualification
- Quality system training

- Inspection procedures for quality systems
- Handling procedures for customer complaints
- Calibration
- Material suppliers control and handling procedures
- Production process control and inspection
- Past performance record

Service Vendors

The Logistics Department screens and selects service vendors by tender comparison. Factors for consideration include:

- Company background – financial stability, reputation and global network
- Pricing and competitiveness
- Services – performance track record, efficiency and customer service
- Environmental performance – for instance, all vendors must use trucks compliant with Euro IV and V standards

Product Responsibility

The Group's prime objective is to provide high quality products that fully conform to their requirements and specifications. This commitment is fundamental to all work undertaken and is closely observed by all members of the Group in their daily activities. All products must strictly comply with the Group's policy of operating a Quality Management System that fully meets the requirements of ISO 9001 and ISO/TS 16949 for automotive products and any related Quality Assessment Schedules/ Supplements. This standard stipulates the process from product development to production within the automotive industry. The procedure must be followed by all design, manufacturing and quality engineers throughout the whole product development process. In addition, Hazardous Substance Process Management is in place where procedures and related processes have been assessed and confirmed to be compliant with QC 080000. The production plant in Heyuan is accredited with ISO 9001, ISO/TS 16949 and QC 080000 certifications.

To ensure stringent quality management, the Group's Incoming Quality Control Team screens the incoming materials by sampling. Only unexpired and good quality materials are accepted for the production process. Similarly, finished goods go through a stringent quality check before being passed to the finished goods warehouse. The Quality Department and sales people also provide comprehensive service ranging from failure analysis and 8D reporting to production and process improvement when handling customer complaints.

Before approving Varitronix for supplier status and also after being accepted onto the approved vendor list, customers usually conduct an audit of the Group's design procedures and production lines. Screening criteria varies, depending on their business nature and operating countries. Briefly, these cover labour standards, compliance with applicable labour laws, new product pilot run procedures, PPM (piece per million) track record for specific products, production process flow, 8D report procedures and performance, failure analysis performance, and coordination of improvement activities.

Anti-Corruption

The Group places emphasis on ensuring all business is conducted in accordance with relevant local laws and regulations, with policies in place to safeguard against corruption activities. Such measures are preventive, detective and punitive in nature.

Policies include:

- Code of conduct, which covers conflict of interests and acceptance of advantages/ benefits
- Whistle-blowing policy
- Entertainment policy
- Travel policy

Environmental, Social and Governance Report

The welcoming activity for the young participants and Varitronix volunteers for the new social service program

In addition, the Staff Handbook has stipulated rules and regulations for employees. The clear layout of policies can prevent arguments and disputes from employees. To date, no established case of corrupt practices has been uncovered.

Community Involvement

The Group is resolved to cultivate good relationships and focusing on needy areas within the community. The Varitronix Social Service Team has enjoyed a successful partnership with ELCHK Sheung Tak Integrated Youth Service Centre (Sheung Tak) since 2013, serving youngsters from ethnic groups such as Indians and Pakistanis.

In 2015, the Varitronix Social Service Team engaged in a new programme, mixing local Hong Kong and ethnic young people into several groups. The volunteers took on the mission of guiding the groups to formulate plots and produce mini-movies themed on Hong Kong life from the perspective of ethnic minority residents.

The project was not easy to execute, and demanded a great deal of participation and effort from the volunteers who guided the youngster throughout the process. Script writing, filming, and editing techniques were taught to the young participants in a series of training sessions provided by industry professionals, while the role of the social workers of Sheung Tak and Varitronix's volunteering mentors were to monitor the progress of the project and to ensure effective team work.

The Varitronix Social Service Team cares deeply about the development and prospects of this group of ethnic young people. Looking into the future, it is committed in serving this particular group of young people long-term. Programmes such as Career Planning and Chinese Reporting and Writing will be embarked upon in the coming years.

Social Service Award

The Varitronix Social Service Team was presented with the Certificate of Excellence by the Agency for Volunteer Service (AVS) in 2015. The team progressed through initial screening and two rounds of presentations and interviews for the Award. AVS is a non-profit organisation with its vision set to build a civil society and caring community. AVS is dedicated to playing a proactive and pivotal role in the promotion and development of sustainable volunteerism.

During the preparation, Social Service Team members assessed the Team's strengths and weaknesses, and came up with a clear picture for a future development plan. In 2015, the Group's Social Service Team was again recognised by the HSBC Living Business Awards Programme. A Certificate of Excellence was awarded for our community engagement.

Participation in Charity and Work-Life Balance Activities

Varitronix is involved in a variety of events that combine charity and sports. In 2015, the Group sponsored colleagues to participate in:

- Hong Kong Streetathon @ Kowloon East
- Standard Chartered Marathon
- Hong Kong Streetathon @ Central
- Totem Run
- Oxfam Trailwalker

A fitness workshop was organised to encourage participation for colleagues with no running experience. The Group encourages work-life balance, and a singing team was formed for colleagues who have an interest in or a passion for singing. In 2015, the Group continued to support the Men Club Singing Team in its singing training and performance.

In the fourth quarter of 2015, the Group invited employees and their family members to a company outing at Christian Zheng Sheng College on Lamma Island, Hong Kong. The College is a private school aiming to rehabilitate students troubled by drug addiction and other problems, using life education. Varitronix staff and their families got to know the principles and training provided by the school, came to understand the inadequacy of services available to this particular group of students, and witnessed the beneficial changes to this group of youngsters after they received the training in the school. This was a meaningful trip full of positive messages. In return, the Group made a donation to support the College, which hopes to establish a new school in the future, to provide safe and comprehensive facilities to students in need.

Company outing at Christian Zheng Sheng College

Board of Directors and Senior Management

DIRECTOR'S BIOGRAPHICAL INFORMATION

Ko Chun Shun, Johnson

aged 64, was appointed as the Chairman and an Executive Director of the Company in June 2005. Mr. Ko is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ko is a substantial shareholder of the Company and a director of various subsidiaries of the Group. Mr. Ko is also the Vice Chairman and an Executive Director of Frontier Services Group Limited, and an Executive Director of Reorient Group Limited ("Reorient") and KuangChi Science Limited. The above companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ko is the father of Ms. Ko Wing Yan, Samantha who is an Executive Director, the Chief Executive Officer and the Chief Financial Officer of the Company.

Mr. Ko resigned as the Vice Chairman and an Executive Director of Concord New Energy Group Limited ("Concord") in June 2015 and as the Chairman of Reorient in November 2015. The above companies are listed on the Stock Exchange.

Ko Wing Yan, Samantha

aged 36, was appointed as the Chief Financial Officer and an Executive Director of the Company in October 2014, and as the Chief Executive Officer of the Company in March 2015. Ms. Ko holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, U.S.A., and a Master Degree in Finance from the Imperial College, London. She has over seven years of experience in banking and has extensive experience in the securities and capital markets, and was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served at Morgan Stanley (Hong Kong) and JP Morgan Securities Limited (London). Ms. Ko is the daughter of Mr. Ko Chun Shun, Johnson who is the Chairman, an Executive Director and a substantial shareholder of the Company.

Ms. Ko resigned as a Non-executive Director of Concord and an Executive Director of Reorient in June and November 2015 respectively.

Ho Te Hwai, Cecil

aged 55, was appointed as an Executive Director and the Company Secretary of the Company in March 2005. He is a director of various subsidiaries of the Group and is also the Qualified Accountant for the Group. From 2011 to 2015, Mr. Ho was the Chief Financial Officer of Reorient. Mr. Ho holds a Bachelor of Commerce degree from the University of British Columbia, Canada. He is a member of the Institute of Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Lo Wing Yan, William

aged 55, was appointed as an Independent Non-executive Director of the Company in July 2004. He is the Chairman of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company. Dr. Lo holds a Master's degree in Molecular Pharmacology and a Doctorate in Genetic Engineering, both of which are obtained from the University of Cambridge in England. Dr. Lo is currently the Vice Chairman of Lovable International Holdings Limited. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (J.P) by the government of Hong Kong. In 2003, he was appointed as a Member of Shantou Committee of the Chinese People's Political Consultative Conference. Dr. Lo is a governor of an independent school in Hong Kong, the ISF Academy, as well as the Chairman of Junior Achievement Hong Kong. Dr. Lo is currently an Independent Non-executive Director of Nam Tai Property Inc. which is listed on the New York Stock Exchange, SITC International Holdings Company Limited, Jingrui Holdings Limited, CSI Properties Limited and Television Broadcasts Limited, which are listed on the Stock Exchange.

Dr. Lo was appointed as an Independent Non-executive Director of Ronshine China Holdings Limited, which is listed on the Stock Exchange, in January 2016. He retired as an Independent Non-executive Director of International Housewares Retail Company Limited, which is listed on the Stock Exchange, in September 2015. He resigned as an Independent Non-executive Director of E2-Capital Holdings Limited, which is listed on the Singapore Stock Exchange, in November 2015.

Hou Ziqiang

aged 78, was appointed as an Independent Non-executive Director of the Company in March 2005. He is a member of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company. Mr. Hou graduated from Peking University in 1958 with a Bachelor's degree in Physics. From 1993 to 1997, Mr. Hou was a Director of the Institute of Acoustics of the Chinese Academy of Sciences. From 1988 to 1993, Mr. Hou was a Secretary General of the Chinese Academy of Sciences.

Chau Shing Yim, David

aged 52, was appointed as an Independent Non-executive Director of the Company in July 2009. He is a member of the Audit Committee of the Company. Mr. Chau has over 22 years of experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and HKICPA, and was an ex-committee member of the Disciplinary Panel of HKICPA.

Mr. Chau is currently an Independent Non-executive Director of Man Wah Holdings Limited, Lee & Man Paper Manufacturing Limited, Evergrande Real Estate Group Limited and Richly Field China Development Limited. The above companies are listed on the Stock Exchange.

Mr. Chau was appointed as an Independent Non-executive Director of Evergrande Health Industry Group Limited (formerly known as New Media Group Holdings Limited) and Hengten Networks Group Limited (formerly known as Mascotte Holdings Limited) in March and October 2015 respectively. Mr. Chau retired as an Independent Non-executive Director of Up Energy Development Group Limited in September 2015. The above companies are listed on the Stock Exchange.

SENIOR MANAGEMENT'S BIOGRAPHICAL INFORMATION

Suen Mo Ha, Rossetti

aged 44, is the Chief Operating Officer of the Group. She holds a Master's degree in Statistics from The University of Hong Kong, and a Bachelor's degree in Quantitative Analysis for Business from City Polytechnic University. She joined the Group in December 2000.

Lam Cheuk Yin, Kenneth

aged 41, is the Financial Controller of the Group. He holds a Bachelor of Business Administration (Accountancy) from City University of Hong Kong, and is an Associate Member of the HKICPA. He joined the Group in July 2005.

Fung Yeuk Keung

aged 61, is the General Manager – Manufacturing of the Group. He conducted his PhD research study in the Liquid Crystal Institute of Kent State University and obtained a Master and a Doctorate degree in Physics from the same university. Dr. Fung joined the Group in 1995 and resigned in 2006. He rejoined the Group in November 2009.

Park Soo Bin, James

aged 45, is the General Manager – Technical Group. He holds a Bachelor of Physics degree from Sogang University in South Korea. He joined the Group in October 2006.

Hidehiro Hashimoto

aged 63, is the Assistant General Manager – TFT. He holds a Master's degree in Engineering from Osaka University in Japan. He joined the Group in December 2015.

Lo Pak Chi, Patrick

aged 42, is the Senior Manager – Corporate Development of the Group. He holds a Bachelor's degree in Applied Physics from The Hong Kong Baptist University. He joined the Group in May 1998.

Ng Siu Keung, Ricardo

aged 53, is the Senior Manager – Information Service, Facilities & External Affairs (PRC) of the Group. He holds a Master's degree in Business Administration from International University of America. He joined the Group in September 2006.

Corporate Governance Report

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board (the "Board") of Directors (the "Directors") recognises that such commitment is essential in upholding the accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

CORPORATE GOVERNANCE PRACTICES

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has adopted and complied with the code provision set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board has taken actions and measures to ensure that the Company is in all aspects in strict compliance.

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code 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.

BOARD OF DIRECTORS

The Company benefits from the professional management expertise of its Directors. Brief biographies of the Directors are set out in the "Board of Directors and Senior Management" section in this Annual Report. The professional management expertise of the Directors ensures that the Board has the capabilities of sustaining the Company's continued success.

As at 31 December 2015, the Board comprises three Executive Directors and three Independent Non-executive Directors.

Executive Directors:	Mr. Ko Chun Shun, Johnson *(Chairman)*
	Ms. Ko Wing Yan, Samantha *(Chief Executive Officer and Chief Financial Officer)*
	Mr. Ho Te Hwai, Cecil
Independent Non-executive Directors:	Dr. Lo Wing Yan, William
	Mr. Chau Shing Yim, David
	Mr. Hou Ziqiang

All the Independent Non-executive Directors meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules.

The Board meets at least 4 times a year with additional meetings arranged when necessary to review the financial performance, material investments and other matters of the Group that require the resolution of the Board.

During the financial year ended 31 December 2015, a total of 9 Board meetings and 1 annual general meeting ("2015 AGM") were held and the attendance of each Director is set out as follows:

	Number of meetings attended in 2015				
Name	**Board**	**2015 AGM**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**
Executive Directors:					
Mr. Ko Chun Shun, Johnson	9/9	1/1	3/3	1/1	N/A
Mr. Tsoi Tong Hoo, Tony[1]	3/3	N/A	N/A	N/A	N/A
Ms. Ko Wing Yan, Samantha	9/9	1/1	N/A	N/A	N/A
Mr. Ho Te Hwai, Cecil	9/9	1/1	N/A	N/A	N/A
Independent Non-executive Directors:					
Dr. Lo Wing Yan, William	9/9	1/1	3/3	1/1	2/2
Mr. Chau Shing Yim, David	9/9	1/1	N/A	N/A	2/2
Mr. Hou Ziqiang	9/9	1/1	3/3	1/1	2/2

Note:

1. Mr. Tsoi Tong Hoo, Tony resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 31 March 2015.

The Directors have no financial, business, family or other material/relevant relationships among the members of the Board except Mr. Ko Chun Shun, Johnson is the father of Ms. Ko Wing Yan, Samantha.

In the Board's opinion, these relationships do not affect the Directors' independent judgment and integrity in executing their roles and responsibilities.

Professional Development

Pursuant to A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course and/or referring materials on the topics related to corporate governance and regulations.

Responsibilities of the Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as interim and annual results, major transactions, director appointments or reappointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the management.

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board, Mr. Ko Chun Shun, Johnson and the Chief Executive Officer, Ms. Ko Wing Yan, Samantha (Mr. Tsoi Tong Hoo, Tony resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 31 March 2015 and Ms. Ko Wing Yan, Samantha was appointed as the Chief Executive Officer of the Company with effect from 31 March 2015) are separated, with a clear division of responsibilities. The Chairman of the Board is responsible for formulating corporate strategies and overall business development planning. The Chief Executive Officer's duty is to oversee the execution of daily business activities. The division of responsibilities is to ensure a balance of power and authority.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors have been appointed for a fixed term expiring on 31 December 2016 or such other date as agreed by the Independent Non-executive Directors. All Directors are subject to retirement by rotation at least once every three years under the Company's Bye-laws.

BOARD COMMITTEES

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. The terms of reference of the RC are available at the websites of the Company and the Stock Exchange.

The roles and functions of the RC include consulting the Chairman of the Board about their remuneration proposals for other Executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management of the Group and the RC has adopted the approach under B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Director and senior management of the Group.

The Company's remuneration policy is to link remuneration packages for Executive Directors with the achievement of annual and long-term performance goals. By providing competitive and performance-linked compensation, the Company seeks to attract, motivate and retain key executives, which is essential to its long-term success.

3 meetings were held in 2015. During meetings, the RC reviewed the Company's remuneration policy and fixed the remuneration packages for the Executive Directors and senior management of the Group. No change has been proposed to the remuneration policy and the Directors' remuneration. The number of RC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held is set out in section headed "BOARD OF DIRECTORS" above in this report.

Remuneration of Directors and Senior Management

The Director's remuneration is set out in note 7 to the consolidated financial statements of this Annual Report.

The remuneration paid to the members of the senior management by bands in 2015 is set out below:

Remuneration Bands	Number of Individuals
HK$50,000 to HK$500,000	1
HK$500,001 to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2

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 terms of reference of the NC are available at the websites of the Company and the Stock Exchange.

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. New Directors are sought mainly through referrals. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and expertise of the appointee as well as personal ethics, integrity and time commitment of the appointee.

The Board adopted the board diversity policy (the "Board Diversity Policy") which to comply with the CG Code on board diversity. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. The NC's assessment of the candidates includes, but is not limited to, consideration of the relevant knowledge and diversity of backgrounds, skills, experience and perspectives that would complement the existing Board.

1 meeting was held in 2015. Issues concerning the structure, size and composition of the Board were discussed and reviewed. The number of NC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

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. 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 terms of reference of the AC are available at the websites of the Company and the Stock Exchange.

The AC held 2 meetings in 2015, in which the Committee reviewed with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained. The number of AC meeting held during the year and record of individual attendance of members, on a named basis, at meetings held during is set out in section headed "BOARD OF DIRECTORS" above in this report.

The AC also made its recommendation to the Board that the external auditors should be reappointed and approved the remuneration and the terms of engagements of the external auditors.

The internal and external auditors have unrestricted access to the AC, which ensures that their independence remains unimpaired.

There are no disagreement between the Board and the AC on the selection, appointment, resignation or dismissal of the external auditors.

The AC meets and holds discussions with the Executive Directors and other senior management of the Group on the interim results, preliminary results announcement and annual reports. The AC reviews and discusses the management's report and representations with a review to ensure that the Group's consolidated financial statements and prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Company's external auditors, KPMG, on the scope and the outcome of their annual audit of the consolidated financial statements.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Report of the Independent Auditor) for preparing the financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The reporting responsibilities of KPMG are set out in the Report of the Independent Auditor on page 38 of this Annual Report.

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group. The review covered financial, operational and compliance controls and risk management functions. To further strengthen its control system, the Company has established an Internal Audit Department to perform independent evaluations and reporting of the adequacy and effectiveness of the Company's controls, information system and operations.

Auditors' Remuneration

Total auditors' remuneration in relation to audit and non-audit services provided to the Group amounted to HK$3 million (2014: HK$3 million), of which a sum of HK$2 million (2014: HK$2 million) was paid to KPMG. Details of the external auditor's fees are set out in note 5(c) to the consolidated financial statements of this Annual Report.

Company Secretary

Mr. Ho Te Hwai, Cecil was appointed as the company secretary of the Company in March 2005. The biographical details of Mr. Ho are set out under the section headed "Board of Directors and Senior Management" in this Annual Report.

According to the Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2015.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders of the Company and the Board. The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as an extraordinary general meeting ("EGM") whenever necessary.

– Right to convene EGM

Members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "Registered Office") and its principal office at Units A – F, 35th Floor, Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong (the "Principal Office"), for the attention of the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the general meeting, signed by the member(s) concerned and may consist of several documents in like form, each signed by one or more of those members.

If the requisition is in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

– At least 21 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– At least 14 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

– Right to put enquiries to the Board

Members of the Company do not generally have any right to put forward enquiries to the Board. There is no procedure set out in the Bermuda Companies Act 1981 or in the Bye-Laws of the Company available for any member to put forward an enquiry to the Board. A member of the Company may, of course, at any time write to the Board and it is up to the Board to decide whether or not to entertain any request made by a member of the Company.

Members of the Company who have enquires about the above procedures or have enquires to put to the Board may write to the company secretary of the Company at Units A – F, 35/F., Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

– Right to put forward proposals at shareholders' meetings

Member(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all members having the right to vote at the shareholders' meeting; or (ii) not less than 100 members, can submit a written request stating the resolution intended to be moved at an AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular shareholders' meeting.

The written request/statements must be signed by the member(s) concern and deposited at the Registered Office and the Principal Office, for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in the case of any other requisition.

If the written request is in order, the company secretary of the Company will ask the Board (i) to include the resolution in the agenda for an AGM; or (ii) to circulate the statement for the shareholders' meeting, provided that the member(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the member(s) concerned in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid or the member(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the member(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the shareholders' meeting.

The procedures for shareholders of the Company to propose a person for election as a director is posted on the Company's website.

INVESTOR RELATIONS

The Company attaches great importance to communicate with shareholders of the Company and a number of means, including regular group meetings and plant tours, are used to promote greater understanding and dialogue with investment community. This also includes the annual general meeting, the annual and interim reports, notices, announcements and circulars. Key executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

The Group's website www.varitronix.com contains an "Investor & Media Relations" section which offers timely access to the Company's press releases, financial reports and major announcements.

The AGM is an important opportunity for communicating with shareholders. The Company's Chairman and Directors are available at the AGM to answer questions from shareholders of the Company.

During the year ended 31 December 2015, there had been no significant change in the Company's constitutional documents.

Report of The Directors

The Directors have pleasure in submitting herewith their report together with the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the Group are design, manufacture and sale of liquid crystal displays and related products. Particulars of the Company's principal subsidiaries set out in Note 13 to the financial statements of this Annual Report. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of The Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, can be found in Chairman's Statement on pages 2 to 5, Management Discussion and Analysis on pages 6 to 7, Review of Operations on pages 8 to 11, Environmental, Social and Governance Report on pages 12 to 23, and Notes 25(e) and 26 to the financial statements of this Annual Report.

A discussion on the Group's key relationships with its stakeholders, environmental policies and performance, and its compliance with the relevant laws and regulations that have a significant impact on the Group is contained in Environmental, Social and Governance Report on pages 12 to 23 of this Annual Report. These discussions form part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Notes 3, 4 and 11 to the financial statements of this Annual Report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 are set out in Note 13 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 85 of this Annual Report.

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.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 25(c) to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$542,000 (2014: HK$481,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 12 to the financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in Note 25(a) to the financial statements. Details of movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity.

DIRECTORS

The Directors during the financial year and up to the date of this Annual Report were:

Executive Directors:

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Tsoi Tong Hoo, Tony (resigned on 31 March 2015)
Ms. Ko Wing Yan, Samantha
Mr. Ho Te Hwai, Cecil

Independent Non-executive Directors:

Dr. Lo Wing Yan, William
Mr. Chau Shing Yim, David
Mr. Hou Ziqiang

In accordance with Bye-laws of the Company, Dr. Lo Wing Yan, William and Mr. Chau Shing Yim, David shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in shares of the Company

Name of Director	Capacity	Number of shares in the Company held	Approximate percentage of the total issued share capital of the Company
Ko Chun Shun, Johnson	Interest of controlled corporations	54,651,000 (Note 1)	16.50
Ko Wing Yan, Samantha	Personal Interest	247,000	0.07
Ho Te Hwai, Cecil	Personal Interest	250,000	0.08

Notes:

(1) Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Ko Chun Shun, Johnson, held 43,951,000 shares and 10,700,000 shares of the Company respectively.

(2) The above interests represented long positions.

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below, as at 31 December 2015, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 6 June 1991, the Company adopted a share option scheme. This is to provide the Group with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Group's employees and business associates (the "Participants"). It was subsequently amended on 8 June 1999 and expired on 5 June 2001. A second share option scheme of the Company was adopted on 22 June 2001 and terminated on 12 May 2003.

A third share option scheme of the Company was adopted on 12 May 2003 as an incentive to the Participants. The third share option scheme limit was subsequently refreshed by a resolution passed at the annual general meeting held on 2 June 2010. The maximum number of share options that can be granted by the Company was refreshed to 32,342,220 share options. This scheme expired on 11 May 2013.

A fourth share option scheme of the Company was adopted on 3 June 2013. It shall be valid and effective for a period of 10 years and as at 31 December 2015, the fourth share option has a remaining life of up to 2 June 2023. During the year ended 31 December 2015, 8,600,000 share options were granted under the fourth share option scheme and a consideration of HK$19.00 was received.

The Company can grant share options to the Participants for a consideration of HK$1.00 for each grant payable by the Participants. The maximum number of shares in respect of which share options may be granted under the fourth share option scheme and any other schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the fourth share option scheme. The maximum entitlement of each Participant in the total number of shares issued and to be issued upon exercise of share options granted under the fourth share option scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

Subscription price of the shares in relation to a share option shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the share option is offered to the Participants, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares. There shall be no minimum period for which the share options must be held before they are exercised but the Board may determine.

As at the date of this Annual Report, the total number of share options that can be granted was 24,161,520, representing 7.29% of the issued share capital of the Company. The total number of shares available for issue under the share option schemes as at 31 December 2015 represents 3.67% (2014: 5.78%) of the issued share capital of the Company at that date. Further details of the share option schemes are set out in Note 24 to the financial statements.

(b) Interests in share options of the Company

Movements in the Company's share options during the year are as follows:

Category	Date of grant	Number of share options at 1 January 2015	Number of share options granted during the year	Number of share options cancelled/ lapsed during the year	Number of share options exercised during the year	Number of share options at 31 December 2015	Exercisable period	Price per share to be paid on exercise of share options	Market value per share at date of grant of share options	Closing price per share immediately before date of grant of share options	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors											
Ko Chun Shun, Johnson	19 December 2005	3,000,000	–	(3,000,000) (Note 6)	–	0	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A	N/A
	24 June 2010	1,900,000	–	–	–	1,900,000	(Note 1)	HK$2.50	HK$2.50	N/A	N/A
	9 July 2015	0	2,000,000	–	–	2,000,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Tsoi Tong Hoo, Tony (Note 3)	22 July 2005	3,000,000	–	(3,000,000) (Note 6)	–	0	22 July 2005 to 21 July 2015	HK$6.60	HK$6.55	N/A	N/A
	24 June 2010	1,900,000	–	–	(1,900,000)	0	(Note 1)	HK$2.50	HK$2.50	N/A	HK$5.84
Ko Wing Yan, Samantha	9 July 2015	0	2,000,000	–	–	2,000,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Ho Te Hwai, Cecil	19 December 2005	3,000,000	–	(3,000,000) (Note 6)	–	0	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A	N/A
	24 June 2010	1,200,000	–	–	(250,000)	950,000	(Note 1)	HK$2.50	HK$2.50	N/A	HK$6.35
	9 July 2015	0	1,000,000	–	–	1,000,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Lo Wing Yan, William	24 June 2010	240,000	–	–	(160,000)	80,000	(Note 1)	HK$2.50	HK$2.50	N/A	HK$5.25
	9 July 2015	0	300,000	–	–	300,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Chau Shing Yim, David	24 June 2010	160,000	–	–	–	160,000	(Note 1)	HK$2.50	HK$2.50	N/A	N/A
	9 July 2015	0	300,000	–	–	300,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Hou Ziqiang	24 June 2010	400,000	–	–	–	400,000	(Note 1)	HK$2.50	HK$2.50	N/A	N/A
	9 July 2015	0	300,000	–	–	300,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
Others											
Chang Chu Cheng (Note 4)	19 December 2005	3,000,000	–	(3,000,000) (Note 6)	–	0	19 December 2005 to 18 December 2015	HK$5.73	HK$5.65	N/A	N/A
Yuen Kin (Note 5)	24 June 2010	160,000	–	–	(160,000)	0	(Note 1)	HK$2.50	HK$2.50	N/A	HK$5.77
Employees	24 June 2010	1,000,000	–	–	(740,000)	260,000	(Note 1)	HK$2.50	HK$2.50	N/A	HK$5.92
	9 July 2015	0	2,700,000	(200,000) (Note 6)	–	2,500,000	(Note 2)	HK$5.72	HK$5.65	HK$5.30	N/A
		18,960,000	8,600,000	(12,200,000)	(3,210,000)	12,150,000					

Notes:

(1) Exercisable period:

- (i) the first 20% of the share options shall be exercisable from 1 July 2011 to 30 June 2016;
- (ii) the second 20% of the share options shall be exercisable from 1 July 2012 to 30 June 2016;
- (iii) the third 20% of the share options shall be exercisable from 1 July 2013 to 30 June 2016;
- (iv) the fourth 20% of the share options shall be exercisable from 1 July 2014 to 30 June 2016; and
- (v) the remaining 20% of the share options shall be exercisable from 1 July 2015 to 30 June 2016.

(2) Exercisable period:

- (i) the first 40% of the options shall be exercisable from 1 September 2015 to 31 August 2018;
- (ii) the second 30% of the options shall be exercisable from 1 September 2016 to 31 August 2018; and
- (iii) the remaining 30% of the options shall be exercisable from 1 September 2017 to 31 August 2018.

(3) Mr. Tsoi Tong Hoo, Tony ("Mr. Tsoi") resigned as an Executive Director on 31 March 2015.

(4) Dr. Chang Chu Cheng ("Dr. Chang") retired as Director and became Honorary Chairman on 11 June 2007. The 3,000,000 share options held by Dr. Chang were retained until the end of the expiry of the exercisable period of the share options, and reclassified from the category "Directors" to "Others".

(5) Mr. Yuen Kin ("Mr. Yuen") resigned as an Executive Director on 3 October 2014. The 160,000 share options held by Mr. Yuen were retained until the end of the expiry of the exercisable period of the share options, and reclassified from the category 'Directors' to 'Others'.

(6) The share options are lapsed.

(7) All the interests disclosed above represent long positions.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", so far as is known to the Directors and chief executives of the Company, there were no other companies nor persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DEBENTURE ISSUE

The Group has not issued any debenture during the year ended 31 December 2015.

DIRECTORS' SERVICE CONTRACTS

Messrs. Ko Chun Shun, Johnson, Tsoi Tong Hoo, Tony and Ho Te Hwai, Cecil have entered into management agreements with the Company which may be terminated by either party to the agreements at three months' notice.

Ms. Ko Wing Yan, Samantha has entered into a management agreement with the Company which may be terminated by either party to the agreement at one month's notice.

Independent Non-executive Directors are appointed for a period up to 31 December 2016 or such other date as agreed by the Independent Non-executive Directors and the Company.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Data Modul AG

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. Further details are set out in the Company's announcement dated 28 January 2015. From 2011 to 2015, Mr. Tsoi Tong Hoo, Tony, an Executive Director of the Company who resigned in March 2015, was the deputy chairman of the supervisory board of Data Modul AG. Details are set out in Note 14 to the financial statements.

Subscription of New Shares

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 HK$1,400,000,000.

Mr. Ko Chun Shun, Johnson and Ms. Ko Wing Yan, Samantha are considered as interested in the subscription as Mr. Ko (through Rockstead Technology Limited and Omnicorp Limited, both of which are wholly owned by Mr. Ko) and Ms. Ko held 54,651,000 shares and 247,000 shares of the Company, representing approximately 16.50% and 0.07% of the total issued share capital of the Company respectively.

Further details are set out in the Company's announcement dated 16 February 2016.

Except as disclosed above, there has been no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. There is no material interest of directors in contracts involving the Company.

EQUITY-LINKED AGREEMENTS

Other than the aforesaid and as disclosed under the section headed "Share Option Schemes and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Company's Bye-law provides that the Directors shall be indemnified out of the assets of the Company against any actions, costs, charges, losses, damages and expenses as a result of any act or failure to act in carrying out their functions.

The Company has arranged directors' and officers' liability insurance cover in respect of legal action against the Directors during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the law of Bermuda.

BANK LOANS

Particulars of bank loans of the Group at 31 December 2015 are set out in Note 22 to the financial statements.

CAPITALISATION OF INTEREST

No interest was capitalised by the Group during the year.

PROPERTIES

Particulars of the properties held by the Group are shown on page 87 of this Annual Report.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 86 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, for the year under review, the Company has maintained the prescribed public float under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the five largest customers of the Group accounted for 32% of the Group's total revenue while the largest customer of the Group accounted for 10% of the Group's total revenue. In addition, for the year ended 31 December 2015, the five largest suppliers of the Group accounted for 35% of the Group's total purchases while the largest supplier of the Group accounted for 13% of the Group's total purchases.

At no time during the year have the Directors or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's total issued share capital) had any interest in these major customers and suppliers.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Ko Chun Shun, Johnson, the Chairman and an Executive Director of the Company, resigned as the Vice Chairman and an Executive Director of Concord New Energy Group Limited ("Concord") in June 2015 and as the Chairman of Reorient Group Limited ("Reorient") in November 2015. The above companies are listed on the Stock Exchange.

Ms. Ko Wing Yan, Samantha, the Chief Executive Officer, the Chief Financial Officer and an Executive Director of the Company, resigned as a Non-executive Director of Concord and an Executive Director of Reorient in June and November 2015 respectively. The above companies are listed on the Stock Exchange.

Ho Te Hwai, Cecil, the Company Secretary and an Executive Director of the Company, resigned as the Chief Financial Officer of Reorient in 2015.

Dr. Lo Wing Yan, William, an Independent Non-Executive Director of the Company, was appointed as an Independent Non-executive Director of Ronshine China Holdings Limited, which is listed on the Stock Exchange, in January 2016. He retired as an Independent Non-executive Director of International Housewares Retail Company Limited, which is listed on the Stock Exchange, in September 2015. He resigned as an Independent Non-executive Director of E2-Capital Holdings Limited, which is listed on the Singapore Stock Exchange, in November 2015.

Mr. Chau Shing Yim, David, an Independent Non-Executive Director of the Company, was appointed as an Independent Non-executive Director of Evergrande Health Industry Group Limited (formerly known as New Media Group Holdings Limited) and Hengten Networks Group Limited (formerly known as Mascotte Holdings Limited) in March and October 2015 respectively. Mr. Chau retired as an Independent Non-executive Director of Up Energy Development Group Limited in September 2015. The above companies are listed on the Stock Exchange.

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.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Ko Chun Shun, Johnson
Chairman

Hong Kong, 29 February 2016

Report of The Independent Auditor

Independent auditor's report to the shareholders of Varitronix International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Varitronix International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 39 to 85, which comprise the consolidated statements of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 February 2016

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**2015 $'000**	2014 $'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(a)	**(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
Earnings per share (in HK cents)	10		
Basic		**91.2 cents**	76.5 cents
Diluted		**90.4 cents**	74.8 cents

The notes on pages 44 to 85 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Profit for the year		**300,361**	250,442
Other comprehensive income for the year (after tax and reclassification adjustments):	9		
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

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Fixed assets	12		
– 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	14	**4,747**	124,627
Loans receivable	15	**31,000**	46,500
Other financial assets	16	**57,353**	29,569
Deferred tax assets	23(b)	**725**	725
		506,433	700,076
Current assets			
Trading securities	17	**160,891**	158,919
Inventories	18	**472,995**	383,789
Trade and other receivables	19	**530,296**	603,822
Other financial assets	16	**–**	19,840
Current tax recoverable	23(a)	**515**	9,707
Fixed deposits with banks	20	**–**	38,370
Cash and cash equivalents	20	**767,393**	536,501
		1,932,090	1,750,948
Current liabilities			
Trade and other payables	21	**376,288**	411,695
Bank loans	22	**136,395**	184,362
Current tax payable	23(a)	**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	22	**8,879**	44,395
Deferred tax liabilities	23(b)	**7,663**	5,461
		16,542	49,856
NET ASSETS		**1,905,436**	1,792,101
CAPITAL AND RESERVES			
Share capital	25(c)	**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

Approved and authorised for issue by the board of directors on 29 February 2016

Ko Wing Yan, Samantha
Director

Ko Chun Shun, Johnson
Director

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company									
		Share capital (note 25(c)) $'000	Share premium (note 25(d)(i)) $'000	Exchange reserve (note 25(d)(iii)) $'000	Fair value reserve (note 25(d)(iv)) $'000	Capital reserve (note 25(d)(v)) $'000	Other reserves (note 25(d)(vi)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		81,621	704,991	108,735	14,806	18,386	12,466	786,935	1,727,940	244	1,728,184
Changes in equity for 2014:											
Profit for the year		–	–	–	–	–	–	250,442	250,442	–	250,442
Other comprehensive income	9	–	–	(27,462)	138	–	–	–	(27,324)	–	(27,324)
Total comprehensive income		–	–	(27,462)	138	–	–	250,442	223,118	–	223,118
Dividends approved in respect of the previous year	25(b)(ii)	–	–	–	–	–	–	(124,239)	(124,239)	–	(124,239)
Issuance of shares upon exercise of share options	25(c)(ii)	358	4,661	–	–	(1,343)	–	–	3,676	–	3,676
Equity settled share-based transactions		–	–	–	–	705	–	–	705	–	705
Dividends declared in respect of the current year	25(b)(i)	–	–	–	–	–	–	(39,343)	(39,343)	–	(39,343)
		358	4,661	–	–	(638)	–	(163,582)	(159,201)	–	(159,201)
Balance at 31 December 2014 and 1 January 2015		**81,979**	**709,652**	**81,273**	**14,944**	**17,748**	**12,466**	**873,795**	**1,791,857**	**244**	**1,792,101**
Changes in equity for 2015:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**300,605**	**300,605**	**(244)**	**300,361**
Other comprehensive income	9	**–**	**–**	**(47,616)**	**(3,736)**	**–**	**–**	**–**	**(51,352)**	**–**	**(51,352)**
Total comprehensive income		**–**	**–**	**(47,616)**	**(3,736)**	**–**	**–**	**300,605**	**249,253**	**(244)**	**249,009**
Transfer to surplus reserve		**–**	**–**	**–**	**–**	**–**	**9,083**	**(9,083)**	**–**	**–**	**–**
Dividends approved in respect of the previous year	25(b)(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**(98,879)**	**(98,879)**	**–**	**(98,879)**
Issuance of shares upon exercise of share options	25(c)(ii)	**803**	**10,269**	**–**	**–**	**(3,047)**	**–**	**–**	**8,025**	**–**	**8,025**
Equity settled share-based transactions		**–**	**–**	**–**	**–**	**4,791**	**–**	**–**	**4,791**	**–**	**4,791**
Dividends declared in respect of the current year	25(b)(i)	**–**	**–**	**–**	**–**	**–**	**–**	**(49,611)**	**(49,611)**	**–**	**(49,611)**
		803	**10,269**	**–**	**–**	**1,744**	**9,083**	**(157,573)**	**(135,674)**	**–**	**(135,674)**
Balance at 31 December 2015		**82,782**	**719,921**	**33,657**	**11,208**	**19,492**	**21,549**	**1,016,827**	**1,905,436**	**–**	**1,905,436**

The notes on pages 44 to 85 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Cash generated from operations	20(b)	**288,780**	344,556
Tax paid			
– Hong Kong Profits Tax paid		**(5,189)**	(53,008)
– People's Republic of China ("PRC") income taxes paid		**(11,442)**	(17,020)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC		**(6,120)**	(6,931)
Net cash generated from operating activities		**266,029**	267,597
Investing activities			
Proceeds from disposal of fixed assets		**120**	1
Payment for the purchase of fixed assets		**(35,826)**	(70,537)
Proceeds from disposal of an associate		**160,258**	–
Payment for the purchase of held-to-maturity debt securities		**(31,384)**	(4,410)
Payment for the purchase of certificates of deposits		**(9,875)**	(31,871)
Placement of fixed deposit with banks		**(82,625)**	(38,370)
Proceeds from redemption of fixed deposits		**120,995**	–
Proceeds from redemption of certificates of deposits		**25,125**	31,754
Proceeds from redemption of held-to-maturity debt securities		**4,340**	25,000
Proceeds from consideration received from disposal of non-listed available-for-sale equity securities and associated loans receivable		**15,500**	37,200
Proceeds from the sale of trading securities		**18,441**	9,354
Payment for the purchase of trading securities		**–**	(12,803)
Dividends received from investments in trading and available-for-sale securities		**7,507**	585
Dividends received from associates		**–**	4,473
Interest received		**6,559**	4,324
Net cash generated from/(used in) investing activities		**199,135**	(45,300)

	Note	2015 $'000	2014 $'000
Financing activities			
Issuance of shares upon exercise of share options	25(c)(ii)	**8,025**	3,676
Proceeds from new bank loans		**241,750**	227,815
Repayment of bank loans		**(324,863)**	(296,692)
Interest paid		**(3,472)**	(4,662)
Dividends paid		**(148,490)**	(163,582)
Net cash used in financing activities		**(227,050)**	(233,445)
Net increase/(decrease) in cash and cash equivalents		**238,114**	(11,148)
Cash and cash equivalents at 1 January		**536,501**	555,148
Effect of foreign exchange rates changes		**(7,222)**	(7,499)
Cash and cash equivalents at 31 December	20(a)	**767,393**	536,501

The notes on pages 44 to 85 form part of these financial statements.

Notes to The Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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. These 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"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale or as trading securities and derivative financial instruments are stated at their fair value (see notes 1(g) and (h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure, any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary is not identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identified net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of associates and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of associates' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the accounting policies set out in notes 1(u)(ii) and 1(u)(iii) respectively.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(k)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(u)(ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(u)(iii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

–	Land and buildings	40 years
–	Plant and machinery	2 to 8 years
–	Tools and equipment	2 to 5 years
–	Others	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the lease term. Impairment losses are recognised in accordance with the accounting policy set out in note 1(k).

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. Impairment losses for equity securities at cost are not reversed.

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for bad and doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– prepaid interest in leasehold land classified as being held for own use under operating leases;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– *Reversal of impairment losses*

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses of doubtful debts (see note 1(k)), except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Loans receivable

Loans receivable are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired (see note 1(k)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised at the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of returns and any trade discounts.

(ii) Dividends

Dividend income from listed investments is recognised when the share price of the security goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Research and development

Research and development expenditure is recognised as an expense in the period in which it is incurred.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies (continued)

The results of operations with functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Hong Kong dollars, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

(x) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 16, 24 and 26(g) contain information about assumptions and their risk factors relating to valuation of other non-current financial assets, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(b) Write-down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 1(l). Management estimates net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversal of write-down made in prior years and affect the Group's net asset value and profit or loss.

(c) Depreciation

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimations.

(d) Recognition of deferred tax assets

The Group has recognised deferred tax assets which arose from deductible temporary differences as set out in note 23(b). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the assets can be utilised. In case where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3. REVENUE

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays ("LCDs") and related products.

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

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 $252,213,000 (2014: $276,681,000). Details of concentrations of credit risk are set out in note 26(a).

Further details regarding the Group's segment reporting are disclosed in note 11 to these financial statements.

4. OTHER OPERATING INCOME

	2015 $'000	2014 $'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 14)	**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):

		2015 $'000	2014 $'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	**3,472**	4,858
(b)	**Impairment losses recognised/(reversed)**		
	Trade and other receivables in respect of:		
	– allowance for doubtful debts	**931**	(63)
	– allowance for sales return provision	**1,976**	(2,836)
(c)	**Other items**		
	Cost of inventories (note 18(b))	**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

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 $'000	2014 $'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)
	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)
	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)
	7,092	9,421
Deferred tax		
Origination and reversal of temporary differences (note 23(b))	**2,202**	(78)
	24,997	31,771

(i) Hong Kong Profits Tax

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.

(ii) PRC income taxes

According to the Corporate Income Tax Law of the PRC with effect from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC is 25%.

Varitronix (Heyuan) Display Technology Limited ("Varitronix Heyuan"), a subsidiary of the Group, was designated as high and new technology enterprise, which qualified for a reduced Corporate Income Tax rate of 15%. Accordingly, Varitronix Heyuan's applicable tax rate is 15% for the years ended 31 December 2014 and 2015.

Withholding tax is levied on dividend distributions arising from profit of Varitronix Heyuan earned after 1 January 2008 based on an applicable tax rate at 5%.

(iii) Jurisdictions outside Hong Kong and the PRC

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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 $'000	2014 $'000
Profit before taxation	**325,358**	282,213
Notional tax expense on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**64,056**	44,148
Tax effect of non-deductible expenses	**2,055**	6,170
Tax effect of non-taxable income	**(21,366)**	(6,752)
Tax effect of tax rates differentials in respect of tax expenses for jurisdictions outside local operations	**(9,401)**	(362)
Tax effect of unused tax losses not recognised	**4,052**	1,265
Over-provisions in respect of prior years	**(13,846)**	(12,698)
Others	**(553)**	–
Actual tax expense	**24,997**	31,771

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) to the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2015

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive Directors							
Ko Chun Shun, Johnson	–	2,400	400	36	2,836	1,125	3,961
Tsoi Tong Hoo, Tony	–	2,148	–	75	2,223	36	2,259
Ho Te Hwai, Cecil	–	240	300	12	552	568	1,120
Ko Wing Yan, Samantha	–	1,560	2,000	18	3,578	1,089	4,667
Non-executive Directors							
Dr. Lo Wing Yan, William	200	–	–	–	200	171	371
Hou Ziqiang	200	–	–	–	200	171	371
Chau Shing Yim, David	200	–	–	–	200	171	371
Total	600	6,348	2,700	141	9,789	3,331	13,120

Year ended 31 December 2014

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive Directors							
Ko Chun Shun, Johnson	–	2,526	400	64	2,990	118	3,108
Tsoi Tong Hoo, Tony	–	6,100	5,500	285	11,885	118	12,003
Ho Te Hwai, Cecil	–	240	300	12	552	75	627
Yuen Kin	–	1,760	–	13	1,773	50	1,823
Ko Wing Yan, Samantha	–	382	150	4	536	–	536
Non-executive Directors							
Dr. Lo Wing Yan, William	200	–	–	–	200	25	225
Hou Ziqiang	200	–	–	–	200	25	225
Chau Shing Yim, David	200	–	–	–	200	25	225
Total	600	11,008	6,350	378	18,336	436	18,772

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: three) are Directors, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 $'000	2014 $'000
Salaries and allowances	**4,499**	4,527
Retirement scheme contributions	**256**	119
	4,755	4,646

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following band:

	2015 Number of individual	2014 Number of individual
$1,500,001 – $2,500,000	**1**	1
$2,500,001 – $3,000,000	**1**	1

9. OTHER COMPREHENSIVE INCOME

There are no tax effects in respect of the components of other comprehensive income.

Components of other comprehensive income are as follows:

	2015 $'000	2014 $'000
Transfer to profit or loss upon disposal of an associate	**(12,099)**	–
Foreign currency translation adjustments:		
Exchange differences on translation of financial statements of operations outside Hong Kong	**(35,652)**	(27,462)
Available-for-sale securities:		
Changes in fair value recognised during the year	**(3,601)**	302
Reclassification to profit or loss on impairment	**–**	(164)
	(3,601)	138

10. 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 $300,605,000 (2014: $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

	2015	2014
Issued ordinary shares at 1 January	**327,915,204**	326,485,204
Effect of share options exercised	**1,718,220**	776,357
Weighted average number of ordinary shares at 31 December	**329,633,424**	327,261,561

(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 $300,605,000 (2014: $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)

	2015	2014
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	**2,891,628**	7,394,107
Weighted average number of ordinary shares (diluted) at 31 December	**332,525,052**	334,655,668

11. SEGMENT REPORTING

(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 consolidated financial statements are already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

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

The Board assesses the performance of the operating segments based on revenue which is consistent with that in the consolidated financial statements. 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

	2015 $'000	2014 $'000
The 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:

	2015 $'000	2014 $'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

	2015 $'000	2014 $'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

12. FIXED ASSETS

	Land and buildings held for own use $'000	Plant, machinery, tools and equipment $'000	Others $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost:						
At 1 January 2014	198,681	1,198,235	155,858	1,552,774	21,414	1,574,188
Exchange adjustments	(5,857)	(24,567)	(3,428)	(33,852)	(552)	(34,404)
Additions	7,589	42,712	4,916	55,217	–	55,217
Disposals	–	(745)	(208)	(953)	–	(953)
At 31 December 2014	200,413	1,215,635	157,138	1,573,186	20,862	1,594,048
At 1 January 2015	**200,413**	**1,215,635**	**157,138**	**1,573,186**	**20,862**	**1,594,048**
Exchange adjustments	**(13,222)**	**(26,077)**	**(4,406)**	**(43,705)**	**(690)**	**(44,395)**
Additions	**–**	**25,053**	**7,826**	**32,879**	**–**	**32,879**
Disposals	**–**	**(10)**	**(511)**	**(521)**	**–**	**(521)**
At 31 December 2015	**187,191**	**1,214,601**	**160,047**	**1,561,839**	**20,172**	**1,582,011**
Accumulated amortisation and depreciation:						
At 1 January 2014	31,757	837,765	130,157	999,679	8,064	1,007,743
Exchange adjustments	(951)	(15,075)	(2,768)	(18,794)	(146)	(18,940)
Charge for the year	8,172	92,475	6,151	106,798	744	107,542
Written back on disposals	–	(744)	(208)	(952)	–	(952)
At 31 December 2014	38,978	914,421	133,332	1,086,731	8,662	1,095,393
At 1 January 2015	**38,978**	**914,421**	**133,332**	**1,086,731**	**8,662**	**1,095,393**
Exchange adjustments	**(1,598)**	**(23,081)**	**(3,626)**	**(28,305)**	**(225)**	**(28,530)**
Charge for the year	**8,225**	**87,365**	**6,688**	**102,278**	**731**	**103,009**
Written back on disposals	**–**	**(10)**	**(459)**	**(469)**	**–**	**(469)**
At 31 December 2015	**45,605**	**978,695**	**135,935**	**1,160,235**	**9,168**	**1,169,403**
Net book value:						
At 31 December 2015	**141,586**	**235,906**	**24,112**	**401,604**	**11,004**	**412,608**
At 31 December 2014	161,435	301,214	23,806	486,455	12,200	498,655

12. FIXED ASSETS (CONTINUED)

(a) Other fixed assets comprise mainly leasehold improvements, furniture, fixtures, office equipment and motor vehicles.

(b) The analysis of the net book value of properties is as follows:

	2015 $'000	2014 $'000
In Hong Kong		
– medium-term leases	**250**	259
Outside Hong Kong		
– freehold	**6,740**	7,040
– medium-term leases	**145,600**	166,336
	152,340	173,376
	152,590	173,635
Representing:		
Land and buildings held for own use	**141,586**	161,435
Interest in leasehold land held for own use under operating leases	**11,004**	12,200
	152,590	173,635

13. SUBSIDIARIES

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
In Achieve Investments Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Kingstep Asia Limited	Hong Kong	1 ordinary share	100%	–	100%	Holding of investment securities
Link Score Investment Limited	Hong Kong	100 ordinary shares	100%	–	100%	Investment holding
Polysources Properties Limited	Hong Kong	2 ordinary shares 154 non-voting deferred ordinary shares	100%	–	100%	Property holding
Selamead Holdings Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Starel Trading Limited	Republic of Cyprus/ United Kingdom	1,000 shares of €1.71 each	100%	–	100%	Property holding
Steding Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Varitronix Limited	Hong Kong	2 ordinary shares 1,848 non-voting deferred ordinary shares	100%	–	100%	Design and sale of LCDs and related products
Varitronix (B.V.I.) Limited	British Virgin Islands/ Hong Kong	18,480 ordinary shares of US$1 each	100%	100%	–	Investment holding
Varitronix Finance Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Provision of financial co-ordination services for group companies and holding of investment securities
Varitronix France SAS	France	2,500 ordinary shares of €15.25 each	100%	–	100%	Marketing and sales consultants
Varitronix GmbH	Germany	100,000 shares of €0.51 each	100%	–	100%	Marketing and sales consultants

13. SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Varitronix (Heyuan) Display Technology Limited #	The People's Republic of China	Paid-up registered capital RMB698,255,514	100%	–	100%	Manufacture and sale of LCDs and related products
Varitronix Investment Limited	British Virgin Islands/ Hong Kong	5,000 ordinary shares of US$1 each	100%	–	100%	Holding of investment securities
Varitronix Italy s.r.l.	Italy	12,000 ordinary shares of €1 each	100%	–	100%	Marketing and sales consultants
Varitronix (Switzerland) GmbH	Switzerland	Registered capital CHF30,000	100%	–	100%	Marketing and sales consultants
Varitronix (U.K.) Limited	United Kingdom	100 ordinary shares of GBP10 each	100%	–	100%	Marketing and sales consultants
VL Electronics, Inc.	United States	5,000 common stock of US$10 each	100%	–	100%	Marketing and sales consultants

#	*Name of company*	*Type of legal entity*
	Varitronix (Heyuan) Display Technology Limited	Wholly owned foreign enterprise

14. INTEREST IN ASSOCIATES

	2015 $'000	2014 $'000
Share of net assets	**3,579**	123,371
Amount due from an associate	**1,168**	1,256
	4,747	124,627

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 $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.

The amount due from an associate is unsecured, interest free and has no fixed repayment terms but the Group will not require repayment within 12 months from the end of the reporting period.

14. INTEREST IN ASSOCIATES (CONTINUED)

Particulars of the associate

Set out below are the particulars of the associate of the Group:

Name of associate	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Attributable indirect equity interest % held	Principal activity
New On Technology Company Limited	Korea	40,000 ordinary shares of KRW5,000 each	50%	Trading of electronic components

15. LOANS RECEIVABLE

Loans receivable are unsecured, interest free but guaranteed by the ultimate holding company of the debtor.

The loans receivable are repayable as follows:

	2015 $'000	2014 $'000
Within 1 year*	**15,500**	15,500
After 1 year but within 5 years	**31,000**	46,500
	46,500	62,000

* The current portion of loans receivable has been included in trade and other receivables (note 19).

16. OTHER FINANCIAL ASSETS

	2015 $'000	2014 $'000
Non-current portion		
Available-for-sale debt securities		
Listed outside Hong Kong, carried at fair value	**9,948**	10,491
Available-for-sale mutual funds		
Non-listed, carried at fair value	**7,195**	7,519
Held-to-maturity debt securities		
Listed outside Hong Kong, carried at amortised cost	**29,328**	–
Available-for-sale equity securities		
Listed in Hong Kong	**10,882**	11,559
Total other non-current financial assets	**57,353**	29,569
Current portion		
Held-to-maturity debt securities		
Unlisted	**–**	4,340
Certificate of deposits		
Issued by financial institutions in Hong Kong	**–**	15,500
Total current financial assets	**–**	19,840

The held-to-maturity debt securities are not past due or impaired.

17. TRADING SECURITIES

	2015 $'000	2014 $'000
Listed equity securities at fair value		
– In Hong Kong	**160,891**	158,919
Total	**160,891**	158,919

18. INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2015 $'000	2014 $'000
Raw materials	**152,596**	142,700
Work in progress	**97,758**	100,378
Finished goods	**222,641**	140,711
	472,995	383,789

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2015 $'000	2014 $'000
Carrying amount of inventories sold	**1,892,706**	2,001,707
Write-down of inventories	**–**	3,563
Reversal of write-down of inventories	**(7,393)**	(1,354)
	1,885,313	2,003,916

The reversal of write-down of inventories made in prior years is due to an increase in the estimated net realisable value of certain thin-film transistor LCDs as a result of changes in customer preferences.

19. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade debtors and bills receivable	**487,564**	573,538
Less: Allowance for doubtful debts	**(3,343)**	(2,412)
Allowance for sales returns	**(5,350)**	(3,374)
	478,871	567,752
Other receivables	**39,876**	26,116
Deposits and prepayments	**11,549**	9,954
	530,296	603,822

Except for the rental deposit of $1,210,000 (2014: $95,000), all of the trade and other receivables are expected to be recovered or recognised as expense within 12 months from the end of the reporting period.

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable which are included in trade and other receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015 $'000	2014 $'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	**16,650**	33,142
	478,871	567,752

Trade debtors and bills receivable are generally due within 60 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 26(a).

19. TRADE AND OTHER RECEIVABLES

(CONTINUED)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(k)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2015 $'000	2014 $'000
At 1 January	**2,412**	2,475
Impairment loss recognised/ (reversed)	**931**	(63)
At 31 December	**3,343**	2,412

The movement in the allowance for sales returns during the year, including both specific and collective estimation of sales returns, is as follows:

	2015 $'000	2014 $'000
At 1 January	**3,374**	6,210
Allowance for sales returns recognised/(reversed)	**1,976**	(2,836)
At 31 December	**5,350**	3,374

At 31 December 2015, the Group's trade debtors and bills receivable of $3,343,000 (2014: $2,412,000) were individually determined to be impaired. The individually impaired receivables related to customers those were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $3,343,000 (2014: $2,412,000) were recognised.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015 $'000	2014 $'000
Neither past due nor impaired	**366,985**	388,394
Less than 1 month	**73,681**	92,793
1 to 2 months	**25,734**	54,067
More than 2 months but less than 12 months	**17,163**	35,872
More than 12 months	**658**	–
	117,236	182,732
	484,221	571,126

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

(a) Cash and cash equivalents and fixed deposits with banks comprise:

	2015 $'000	2014 $'000
Fixed deposits with banks with maturity over 3 months but within 1 year	–	38,370
Deposits with banks and other financial institutions with maturity up to 3 months	258,631	105,775
Cash at banks and in hand	508,762	430,726
Cash and cash equivalents	767,393	536,501

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2015 $'000	2014 $'000
Profit before taxation		325,358	282,213
Adjustments for:			
Depreciation	12	103,009	107,542
Finance costs	5(a)	3,472	4,858
Dividend income from listed equity securities	4	(7,507)	(585)
Interest income		(6,916)	(4,055)
Gain on disposal of an associate	4	(48,828)	–
Net realised and unrealised gain on trading securities	4	(20,413)	(14,438)
Share of profits less losses of associates		(4,020)	(14,422)
Net gain on disposal of fixed assets	4	(68)	–
Equity settled share-based payment expenses	5(c)	4,791	705
Foreign exchange gain		(2,685)	(777)
		346,193	361,041
Changes in working capital:			
(Increase)/decrease in inventories		(90,566)	78,634
Decrease in trade and other receivables		71,588	27,408
Decrease in trade and other payables		(38,435)	(122,527)
Cash generated from operations		288,780	344,556

21. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade creditors	313,343	332,979
Accrued charges and other payables	62,945	78,716
	376,288	411,695

All creditors and accrued charges are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2015 $'000	2014 $'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
	313,343	332,979

22. BANK LOANS

At 31 December 2015, the unsecured and interest-bearing bank loans are repayable as follows:

	2015 $'000	2014 $'000
Current portion		
Within 1 year or on demand	**136,395**	184,362
Non-current portion		
After 1 year but within 2 years	**8,879**	35,516
After 2 years but within 5 years	**–**	8,879
	8,879	44,395
	145,274	228,757

All of the Group's banking facilities are subject to the fulfilment of covenants relating to the Group's statement of financial position ratios which are commonly found in lending arrangements with financial institutions. In the event that the Group breaches the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Such banking facilities amounted to $521,063,000 (2014: $711,909,000) as at 31 December 2015. The facilities were utilised to the extent of $145,274,000 (2014: $228,757,000). Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2015 and 2014, none of the covenants relating to drawn down facilities has been breached.

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2015 $'000	2014 $'000
Provision for Hong Kong Profits Tax for the year	**16,196**	17,458
Provisional Hong Kong Profits Tax paid	**(14,216)**	(25,386)
	1,980	(7,928)
Balance of Hong Kong Profits Tax relating to prior years	**–**	7,518
Taxation in respect of PRC income taxes	**1,083**	4,401
Taxation in respect of jurisdictions outside Hong Kong and the PRC	**284**	(688)
	3,347	3,303
Current tax recoverable	**(515)**	(9,707)
Current tax payable	**3,862**	13,010
	3,347	3,303

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess/(deficit) of the related depreciation $'000	Provisions $'000	Unremitted earnings $'000	Total $'000
Deferred tax arising from:				
At 1 January 2014	34	(220)	5,000	4,814
Credited to profit or loss (note 6(a))	(78)	–	–	(78)
At 31 December 2014	(44)	(220)	5,000	4,736
At 1 January 2015	**(44)**	**(220)**	**5,000**	**4,736**
Charged to profit or loss (note 6(a))	**202**	**–**	**2,000**	**2,202**
At 31 December 2015	**158**	**(220)**	**7,000**	**6,938**

The reconciliation to the consolidated statement of financial position is as follows:

	2015 $'000	2014 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(725)**	(725)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7,663**	5,461
	6,938	4,736

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $224,801,000 (2014: $58,161,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities for the foreseeable future. None of the tax losses expire under the current tax legislation.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Two share option schemes of the Company were adopted on 12 May 2003 (the "existing Scheme") and 3 June 2013 (the "new Scheme") respectively as an incentive for the Group's employees and business associates. The Directors are authorised, at their discretion, to invite any employee, director, including executive and non-executive directors or business associate of any company in the Group (the "Participants") to take up options to subscribe for shares in the Company at a price determined by the Board and notified to each grantee and which will not be less than the closing price of the shares on the Stock Exchange of Hong Kong (the "Stock Exchange") on the date of offer of the option granted to such grantee or the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option granted to such grantee or the nominal value of the shares, whichever is higher.

The maximum number of shares in respect of which options may be granted under each share option scheme and any other share option schemes of the Company may not exceed 10 percent of the issued share capital of the Company at the date of approval of each of the two share option schemes. The options under these two share option schemes are exercisable for a period of ten years from the date of grant.

On 24 June 2010, the Company granted 11,700,000 share options to the Participants under the existing Scheme. Each share option entitles the holder to subscribe for one share of $0.25 of the Company at an exercise price of $2.50. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 30 June 2016. Among the 11,700,000 share options granted, 7,000,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 24 June 2010.

On 9 July 2015, the Company granted 8,600,000 share options to the Participants under the existing Scheme. Each share option entitles the holder to subscribe for one share of $0.25 of the Company at an exercise price of $5.72. The contractual life of these share options is the period from the date on which an option certificate is issued after acceptance by the grantees and expiring on 31 August 2018. Among the 8,600,000 share options granted, 5,900,000 share options were granted to the Directors. Further details are set out in the Company's announcement dated 9 July 2015.

(Expressed in Hong Kong dollars unless otherwise indicated)

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
– 22 July 2005	3,000,000	Immediate from the date of grant	10 years
– 19 December 2005	6,000,000	Immediate from the date of grant	10 years
– 24 June 2010	7,000,000	Exercisable in five equal tranches immediately from 1 July of each year from 2011 to 2015	Expire at the close of business on 30 June 2016
– 9 July 2015	5,900,000	Exercisable in three tranches immediately from 1 September of each year from 2015 to 2017	Expire at the close of business on 31 August 2018
Options granted to employees:			
– 24 June 2010	4,700,000	Exercisable in five equal tranches immediately from 1 July of each year from 2011 to 2015	Expire at the close of business on 30 June 2016
– 9 July 2015	2,700,000	Exercisable in three tranches immediately from 1 September of each year from 2015 to 2017	Expire at the close of business on 31 August 2018
Others:			
– 19 December 2005	3,000,000	Immediate from the date of grant	10 years

(b) The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$4.68**	**18,960,000**	$4.79	22,343,000
Granted during the year	**$5.72**	**8,600,000**	N/A	–
Exercised during the year	**$2.50**	**(3,210,000)**	$2.57	(1,430,000)
Forfeited during the year	**$5.72**	**(200,000)**	N/A	–
Lapsed during the year	**$2.55**	**(12,000,000)**	$7.49	(1,953,000)
Outstanding at the end of the year	**$4.73**	**12,150,000**	$4.68	18,960,000
Exercisable at the end of the year		**7,110,000**		16,670,000

The weighted average share price at the date of exercise for share options exercised during the year was $5.87 (2014: $7.83).

The options outstanding at 31 December 2015 had an exercise price which ranged from $2.50 to $5.72 (2014: $2.50 to $6.60) and a weighted average remaining contractual life of 2.00 years (2014: 1.10 years).

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on the Black-Scholes pricing model and the Binomial Option pricing model. The contractual life of the share option and expectations of early exercise were incorporated into the Black-Scholes pricing model.

Fair value of and assumptions for share options granted on 24 June 2010	
Fair value at measurement date	$0.94
Share price	$2.50
Exercise price	$2.50
Weighted average volatility	43.89% – 50.29%
Weighted average share option life	3.52 – 5.52 years
Expected dividends	0.8%
Risk-free interest rate (based on Exchange Fund Notes)	1.30% – 1.80%
Fair value of and assumptions for share options granted on 9 July 2015	
Fair value at measurement date	$0.91
Share price	$5.65
Exercise price	$5.72
Weighted average volatility	35.71%
Weighted average share option life	3.14 years
Expected dividends	7.17%
Risk-free interest rate (based on Exchange Fund Notes)	0.65%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity of the Company

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital $'000	Share premium (Note 25(d)(i)) $'000	Contributed surplus (Note 25(d)(ii)) $'000	Capital reserve (Note 25(d)(v)) $'000	Retained profits/ (accumulated losses) $'000	Total $'000
Balance at 1 January 2014		81,621	704,991	51,636	18,386	89,881	946,515
Changes in equity for 2014:							
Final dividends approved in respect of the previous year	25(b)(ii)	–	–	–	–	(124,239)	(124,239)
Profit and total comprehensive income for the year		–	–	–	–	242,594	242,594
Issuance of shares under share option scheme	25(c)(ii)	358	4,661	–	(1,343)	–	3,676
Equity settled share-based transactions		–	–	–	705	–	705
Interim dividend declared in respect of the current year	25(b)(i)	–	–	–	–	(39,343)	(39,343)
Balance at 31 December 2014		81,979	709,652	51,636	17,748	168,893	1,029,908
Balance at 1 January 2015		**81,979**	**709,652**	**51,636**	**17,748**	**168,893**	**1,029,908**
Changes in equity for 2015:							
Final dividends approved in respect of the previous year	25(b)(ii)	**–**	**–**	**–**	**–**	**(98,879)**	**(98,879)**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**794,452**	**794,452**
Issuance of shares under share option scheme	25(c)(ii)	**803**	**10,269**	**–**	**(3,047)**	**–**	**8,025**
Equity settled share-based transactions		**–**	**–**	**–**	**4,791**	**–**	**4,791**
Interim dividend declared in respect of the current year	25(b)(i)	**–**	**–**	**–**	**–**	**(49,611)**	**(49,611)**
Balance at 31 December 2015		**82,782**	**719,921**	**51,636**	**19,492**	**814,855**	**1,688,686**

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2015 $'000	2014 $'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	**101,030**	98,879
	150,641	138,222

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.

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

	2015 $'000	2014 $'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	**98,879**	124,239

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.25 each	**400,000**	**100,000**	400,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**327,915**	**81,979**	326,485	81,621
Issuance of shares under share option scheme	**3,210**	**803**	1,430	358
At 31 December	**331,125**	**82,782**	327,915	81,979

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issuance of shares under share option scheme

During the year ended 31 December 2015, options have been exercised to subscribe for 3,210,000 ordinary shares (2014: 1,430,000 ordinary shares) in the Company at a consideration of $8,025,000 (2014: $3,676,000) of which $803,000 (2014: $358,000) was credited to share capital and the balance of $7,222,000 (2014: $3,318,000) was credited to the share premium account. $3,047,000 (2014: $1,343,000) has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(r)(ii).

(Expressed in Hong Kong dollars unless otherwise indicated)

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price HK$	2015 Number	2014 Number
22 July 2005 to 21 July 2015	6.60	–	3,000,000
19 December 2005 to 18 December 2015	5.73	–	9,000,000
1 July 2011 to 30 June 2016	2.50	**3,750,000**	6,960,000
1 September 2015 to 31 August 2018	5.72	**8,400,000**	–
		12,150,000	18,960,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 24 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1991 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to shareholders. However, the Directors have no current intention to distribute this surplus.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 1(g) and 1(k).

(v) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(r)(ii).

(vi) Other reserves

Other reserves comprise statutory reserves required in respect of a subsidiary in accordance with the relevant rules and regulations in the PRC and the premium paid for the acquisition of non-controlling interests.

(vii) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to shareholders of the Company was $866,491,000 (2014: $220,529,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) plus unaccrued proposed dividends, less trading securities, fixed deposits with banks and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain a stable net debt-to-adjusted capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2015 and 2014 was as follows:

	Note	**2015 $'000**	2014 $'000
Current liabilities			
Trade and other payables	21	**376,288**	411,695
Bank loans	22	**136,395**	184,362
		512,683	596,057
Non-current liabilities			
Bank loans	22	**8,879**	44,395
Total debt		**521,562**	640,452
Add: Proposed dividends		**101,030**	98,375
Less: Trading securities	17	**(160,891)**	(158,919)
Fixed deposits with banks	20	**–**	(38,370)
Cash and cash equivalents	20	**(767,393)**	(536,501)
Net (cash)/debt		**(305,692)**	5,037
Total equity		**1,905,436**	1,792,101
Less: Proposed dividends		**(101,030)**	(98,375)
Adjusted capital		**1,804,406**	1,693,726
Adjusted net debt-to-capital ratio		**N/A**	0.3%

The Company is not subject to any externally imposed capital requirements. The Group is subject to certain externally imposed capital requirements to maintain the value of net assets at a level specified in its bank loan covenants (note 22).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, deposits with banks and other financial institutions, trade and other receivables, loans receivable and investments in debt and equity securities. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. Cash at bank and deposits with banks and other financial institutions are placed with licensed financial institutions with high credit ratings. The Group monitors the exposure to each financial institution.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The status of the receivable is closely monitored to minimise any credit risk associated with these receivables. Trade receivables are generally due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In respect of loans receivable, the Group reviews the borrowers' financial information periodically. Management considers the credit quality of such loans to be good since the borrowers have a good repayment history.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5% (2014: 2%) and 13% (2014: 12%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 28, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of reporting period is disclosed in note 28.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates currently applicable at the end of reporting period) and the earliest date that the Group and the Company can be required to pay:

	2015 Contractual undiscounted cash outflow					2014 Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Non-derivative liabilities:										
– Bank loans	**137,182**	**8,926**	**–**	**146,108**	**145,274**	186,435	36,242	8,929	231,606	228,757
– Trade and other payables	**376,288**	**–**	**–**	**376,288**	**376,288**	411,695	–	–	411,695	411,695
	513,470	**8,926**	**–**	**522,396**	**521,562**	598,130	36,242	8,929	643,301	640,452

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings issued at variable rates which expose the Group to cash flow interest rate risk. Loans receivable of $31,000,000 (2014: $46,500,000) are interest free and are carried at amortised cost. Held-to-maturity debt securities of $29,328,000 (2014: $4,340,000) bear interest at fixed rates and are carried at amortised cost. Accordingly, they do not expose the Group to cash flow interest rate risk on their interest income or fair value interest rate risk on their carrying amounts. In respect of available-for-sale debt securities of $9,948,000 (2014: $10,491,000) carried at fair value, they bear fixed interest rates and do not expose the Group to cash flow interest rate risk but expose the Group to fair value interest rate risk. The Group regularly reviews its strategy on interest rate risk management in light of prevailing market conditions.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2015		2014	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:				
Bank loans	**2.33**	**44,394**	2.07	139,058
Variable rate borrowings:				
Bank loans	**1.12**	**100,880**	1.01	89,699
Total net borrowings		**145,274**		228,757
Net fixed rate borrowings as a percentage of total net borrowings		**30.6%**		60.8%

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and its retained profits by approximately $842,000 (2014: $749,000). Other components of equity would not be materially affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments held by the Group. The impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis has been performed on the same basis for 2014.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group is also exposed to currency risk through bank loans drawn and other financial assets acquired which are denominated in a foreign currency. The currencies giving rise to these risks are primarily United States dollars, Euros, Japanese Yen and Renminbi.

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. Most of the sales and purchases are made in the respective functional currency of each group entity, except for group entities whose functional currency is Hong Kong dollars, certain transactions are denominated in United States dollars and Japanese Yen. Given the Hong Kong dollar is pegged to the United States dollar, the Group does not expect that there will be any significant currency risk associated with such United States dollars denominated transactions. In respect of balances denominated in other currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	2015 Exposure to foreign currencies (expressed in Hong Kong dollars)				2014 Exposure to foreign currencies (expressed in Hong Kong dollars)			
	United States Dollars $'000	**Euros $'000**	**Japanese Yen $'000**	**Renminbi $'000**	United States Dollars $'000	Euros $'000	Japanese Yen $'000	Renminbi $'000
Trade and other receivables	**351,477**	**–**	**–**	**502**	370,807	–	–	146
Other financial assets	**–**	**–**	**–**	**–**	–	–	–	4,340
Loans receivable	**31,000**	**–**	**–**	**–**	46,500	–	–	–
Cash and cash equivalents	**405,411**	**8,945**	**14**	**136,967**	295,366	15,663	7,838	39,196
Fixed deposits with banks	**–**	**–**	**–**	**–**	–	–	–	38,370
Trade and other payables	**(113,702)**	**(235)**	**(53,980)**	**–**	(105,933)	(502)	(89,350)	–
Bank loans	**(80,310)**	**–**	**(64,964)**	**–**	(164,043)	–	(64,714)	–
	593,876	**8,710**	**(118,930)**	**137,469**	442,697	15,161	(146,226)	82,052

In addition, the Group exposed to currency risk arising from inter-company receivables and payables denominated in currency other than the functional currency of either the lender or the borrower. The net inter-company receivables amounted to United States dollars 9,305,000 and Renminbi 79,552,000 (2014: United States dollars 10,137,000 and Renminbi 9,690,000).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies for group entities whose functional currency is Hong Kong dollars.

	2015			2014		
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained profits $'000**	**Increase/ (decrease) in other components of equity $'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits $'000	Increase/ (decrease) in other components of equity $'000
United States dollars	**10%**	**20,354**	**–**	10%	15,767	–
	(10)%	**(20,354)**	**–**	(10)%	(15,767)	–
Euros	**10%**	**875**	**–**	10%	1,524	–
	(10)%	**(875)**	**–**	(10)%	(1,524)	–
Japanese Yen	**10%**	**(11,002)**	**–**	10%	(13,418)	–
	(10)%	**11,002**	**–**	(10)%	13,418	–
Renminbi	**10%**	**13,739**	**–**	10%	8,203	–
	(10)%	**(13,739)**	**–**	(10)%	(8,203)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2014.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 17) and available-for-sale securities (see note 16). Other than unquoted securities held for strategic purposes, all of these investments are listed or with quoted market price provided by financial institutions.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock indexes and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The Group's unquoted investments were held for long term strategic purposes. Their performance was assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

With regards to securities held as trading securities and available-for-sale securities, as at 31 December 2015 it is estimated that an increase/decrease of 3% in the relevant stock market index (for listed investments) with all other variables held constant would have increased/decreased the Group's profit after taxation and retained profits by approximately $2,449,000 (2014: $1,485,000). Other components of equity would not be materially affected.

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

The analysis has been performed on the same basis for 2014.

(f) Fair values

Financial instruments carried at fair value

The following table represents the carrying value of the financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values (continued)

Financial instruments carried at fair value (continued)

2015

	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Non-listed available-for-sale mutual funds	–	7,195	7,195
Listed available-for-sale debt securities	9,948	–	9,948
Listed available-for-sale equity securities	10,882	–	10,882
Listed held-to-maturity debt securities	29,328	–	29,328
Trading securities	160,891	–	160,891
	211,049	7,195	218,244

2014

	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Non-listed available-for-sale mutual funds	–	7,519	7,519
Listed available-for-sale debt securities	10,491	–	10,491
Listed available-for-sale equity securities	11,559	–	11,559
Trading securities	158,919	–	158,919
	180,969	7,519	188,488

During the year there were no significant transfers between instruments in Level 1 and Level 2.

Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

27. COMMITMENTS

(a) Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2015 $'000	2014 $'000
Contracted for	**10,974**	9,707
Authorised but not contracted for	**24,351**	21,531
	35,325	31,238

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	**6,886**	4,246
After 1 year but within 5 years	**10,407**	304
	17,293	4,550

All operating leases are for properties. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

28. 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 $145,274,000 (2014: $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.

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors is disclosed in note 7 and certain of the highest paid employees is disclosed in note 8.

(b) Recurring transactions

During the year, the Group sold goods to Data Modul AG that were carried out as related party transactions amounting to $13,150,000 (2014: $56,797,000), which was an associate of the Group until the completion of disposal on 14 April 2015. The Directors of the Company are of the opinion that this related party transaction was conducted on normal commercial terms with reference to prevailing market prices, and in the ordinary course of business.

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

30. 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 $3.50 per share ("the Subscription"). The aggregate subscription price amounts to approximately $1,400,000,000. In connection with the Subscription, the board of directors of the Company will consider declaring a special dividend of $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.

31. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Investments in subsidiaries	13	**1,626,285**	969,275
Loans receivable		**31,000**	46,500
		1,657,285	1,015,775
Current assets			
Other receivables		**15,836**	15,832
Cash and cash equivalents		**20,246**	6,652
		36,082	22,484
Current liabilities			
Other payables		**4,676**	8,349
Current tax payable		**5**	2
		4,681	8,351
Net current assets		**31,401**	14,133
NET ASSETS		**1,688,686**	1,029,908
CAPITAL AND RESERVES			
Share capital	25(c)	**82,782**	81,979
Reserves	25(a)	**1,605,904**	947,929
TOTAL EQUITY		**1,688,686**	1,029,908

Approved and authorised for issue by the board of directors on 29 February 2016

Ko Wing Yan, Samantha
Director

Ko Chun Shun, Johnson
Director

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale of contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Year Summary

(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2011 $'000	2012 $'000	2013 $'000	2014 $'000	**2015** **$'000**
Results:					
Revenue	2,131,410	2,222,380	2,604,172	2,613,058	**2,487,820**
Profit from operations	187,865	183,530	312,229	272,649	**324,810**
Finance costs	(1,754)	(2,096)	(2,446)	(4,858)	**(3,472)**
Share of profits less losses of associates	8,932	9,341	4,767	14,422	**4,020**
Profit before taxation	195,043	190,775	314,550	282,213	**325,358**
Income tax	(27,016)	(19,940)	(71,400)	(31,771)	**(24,997)**
Profit for the year	168,027	170,835	243,150	250,442	**300,361**
Attributable to:					
Equity shareholders of the Company	168,027	170,835	243,150	250,442	**300,605**
Non-controlling interests	–	–	–	–	**(244)**
Profit for the year	168,027	170,835	243,150	250,442	**300,361**
Assets and liabilities:					
Fixed assets	279,007	518,126	566,445	498,655	**412,608**
Interest in associates	107,673	113,917	114,247	124,627	**4,747**
Loans receivable	71,918	82,848	62,000	46,500	**31,000**
Other financial assets	203,519	131,719	29,878	29,569	**57,353**
Deferred tax assets	237	479	725	725	**725**
Net current assets	775,954	833,933	1,019,575	1,141,881	**1,415,545**
Total assets less current liabilities	1,438,308	1,681,022	1,792,870	1,841,957	**1,921,978**
Non-current bank loans	–	(129,304)	(59,147)	(44,395)	**(8,879)**
Non-current other payables	(2,214)	(1,116)	–	–	**–**
Deferred tax liabilities	(155)	(1,534)	(5,539)	(5,461)	**(7,663)**
Net assets	1,435,939	1,549,068	1,728,184	1,792,101	**1,905,436**
Capital and reserves					
Share capital	81,036	81,049	81,621	81,979	**82,782**
Reserves	1,354,659	1,467,775	1,646,319	1,709,878	**1,822,654**
Total equity attributable to equity shareholders of the Company	1,435,695	1,548,824	1,727,940	1,791,857	**1,905,436**
Non-controlling interests	244	244	244	244	**–**
Total equity	1,435,939	1,549,068	1,728,184	1,792,101	**1,905,436**
Earnings per share (in HK cents)					
Basic	51.9	52.7	74.7	76.5	**91.2**
Diluted	51.3	52.4	73.5	74.8	**90.4**

Properties held by the Group

	Location	Existing use	Percentage holding
1.	Flat G, 22nd Floor, Tower 1, Yue Man Centre, Nos. 300 and 302 Ngau Tau Kok Road, Kwun Tong, Kowloon	Staff quarters	100%
2.	128 Heyuan Road, Yuancheng District Heyuan City, Guangdong, The People's Republic of China	Industrial	100%
3.	Unit 3 Milbanke Court, Milbanke Way, Bracknell, Berkshire, United Kingdom	Office	100%

Note: The above properties are either freehold, held on long or medium-term leases or have no specified lease term.

Corporate Information

HONORARY CHAIRMAN

Chang Chu Cheng

BOARD OF DIRECTORS

Ko Chun Shun, Johnson *(Chairman)*
Tsoi Tong Hoo, Tony (resigned on 31 March 2015)
Ko Wing Yan, Samantha
Ho Te Hwai, Cecil
Lo Wing Yan, William*
Chau Shing Yim, David*
Hou Ziqiang*

* Independent Non-executive Directors

COMPANY SECRETARY

Ho Te Hwai, Cecil

QUALIFIED ACCOUNTANT

Ho Te Hwai, Cecil

AUDIT COMMITTEE

Lo Wing Yan, William *(Chairman)*
Chau Shing Yim, David
Hou Ziqiang

REMUNERATION COMMITTEE

Lo Wing Yan, William *(Chairman)*
Hou Ziqiang
Ko Chun Shun, Johnson

NOMINATION COMMITTEE

Lo Wing Yan, William *(Chairman)*
Hou Ziqiang
Ko Chun Shun, Johnson

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ Ltd
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units A-F, 35/F., Legend Tower
No. 7 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F., Hopewell Centre
183 Queen's Road East
Hong Kong

ADR DEPOSITARY

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STOCK CODE

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