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## **VARITRONIX INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 710)

### **2010 INTERIM RESULTS ANNOUNCEMENT**

#### **Financial Highlights**

- Turnover: HK\$1,059 million (2009: HK\$824 million)
- Profit attributable to shareholders: HK\$70 million (2009: HK\$16 million)
- Interim dividend per share: 5.5 HK cents (2009: 1 HK cent)
- The Group's year-on-year financial results improved considerably, reflecting positive momentum amidst the economic recovery

#### **CHAIRMAN'S STATEMENT**

On behalf of Varitronix International Limited (the "Company") and its subsidiaries (collectively "Varitronix" or the "Group"), I am pleased to present the Group's results for the period ended 30 June 2010.

During the period under review, we recorded turnover of HK\$1,059 million, approximately 29% increase as compared to the HK\$824 million recorded during the same period last year. Profit from operations was HK\$79 million and profit attributable to shareholders was HK\$70 million, representing an increase of approximately 92% and 338% respectively as compared to the corresponding period in 2009.

The Board of Directors (the "Board") has recommended an interim dividend of 5.5 HK cents (2009: 1 HK cent) per share.

#### **Business Review**

The overall business environment in 2010 improved significantly as compared to 2009. The adverse impact of the global financial crisis has gradually eased and market conditions have been more favourable. Apart from a few European countries, the major economies around the world are well on the road to recovery. As compared to 2009, Varitronix has achieved improved financial performance. Against a backdrop of more favourable macro-economic conditions, the Group has begun to benefit from the internal restructuring initiatives taken in 2009.

The Group's automotive display business accounts for a significant portion of total sales. This business experienced continued strong growth in the first half of 2010 as compared to the same period of 2009. Since the end of 2009, we have begun to see a noticeable recovery among our European customers.

Our Korean automotive business has experienced rapid growth over the past few years. It now represents an important part of our automotive display business. In the first half of this year, we continued to receive encouraging new orders from this market.

Mainland China is an emerging automotive market for the Group as revenue generated by this region continues to rise. Orders from this market mostly entered the mass production stage in the first half of this year. Compared with our businesses in more developed markets, the Mainland is characterised by a shorter order cycle and a higher demand for expedient service. Accordingly, we are fine-tuning our operating model to cater for this rapidly growing market.

In the automotive market in the United States, our products were mostly provided for heavy vehicle applications. During the first half of 2010, order quantities increased.

During the period under review, industrial customers in Europe increased their demand for display products for applications such as electronic payment devices, electricity meters, etc. The demand for displays for home appliances gradually returned to pre-crisis levels.

A few years ago, the Group's customers in the United States were mainly from the industrial and heavy vehicle sectors. Following a change in strategy, we have diversified into the medical product and electricity meter sectors. Customers in the United States are now more evenly distributed among the industrial, medical, electricity meter and the heavy vehicle markets. With a diversified customer portfolio in the United States market, our business will be more resilient against market volatility in the future and is well positioned for continued growth.

## **Prospects**

The recovery of the European automotive market has been steady and further growth is expected in the second half of the year. As for the automotive market in Asia, new orders are still coming from Mainland China. However, demand is expected to slow down in the fourth quarter as the Mainland automotive market may cool down after many years of rapid growth. Korean automotive business also may enter into a consolidation period after an exceptional performance during the global financial crisis.

It is expected that our customers in Europe and America will maintain their level of demand for industrial displays for the rest of the year. The Group is also engaged in the design of TFT displays for industrial and medical products. As our customers begin to upgrade their requirements, we will be able to enhance our product offerings by expanding into the TFT display market for our existing customer base.

The Group has been involved in the development of 3D projection technology for many years. Originally implemented in 3D cinemas, we began to study the feasibility of applying this technology for use in 3D TV, together with our customers a few years ago. In the beginning of this year, the Group commenced the production of displays for 3D

eyeglasses to be used with 3D TV. 3D TV has already been launched in America and Japan, and growing demand for 3D eyeglasses is anticipated. With 3D technology gaining in popularity, more and more design houses and manufacturers are now participating in the development of peripheral products related to 3D. We are targeting this growing market as a focus of development and will build on our technology in 3D displays to develop more products in this new field.

## **Conclusion**

During the period under review, the global economy has continued to recover and we believe the positive trend will continue in the coming months. As we are optimizing our product mix with a view to focusing on products with a higher profit margin, we are optimistic that the company's performance will continue to improve.

However, during the first half of 2010, we witnessed a widespread shortage of electronic parts, and our production was negatively impacted by our inability to obtain parts on a timely basis. Our financial performance was also affected by a general increase in material costs. In the face of continued tight supply of electronic parts, we will handle our orders in a more flexible manner by making necessary adjustments to our production schedule and inventory management, coordinating more timely purchases of materials and increasing communication with our suppliers to mitigate the problems.

At the same time, minimum wage in Guangdong province has increased over 20% in May 2010, which in turn has raised our labour costs. The Group will closely monitor our labour cost situation and will strive to increase productivity to mitigate the increase in cost.

## **Acknowledgement**

The world economy has emerged from the doldrums of the financial crisis and the pace of recovery has been a pleasant surprise. The initiatives we had undertaken during the economic downturn in 2009, such as moving our production facilities in Shenzhen to Heyuan and discontinuing our under-performing businesses, have helped us to improve our competitive strengths. We are able to concentrate our resources on high-end display products so as to enhance our profitability. Although market sentiments have improved, we must remain cautious in terms of expansion. The European markets remain weak and there are many economic uncertainties ahead. With the prudent approach we have taken, I remain confident that the Group will make steady progress.

I am grateful to our shareholders and business partners for their support and to our colleagues for their hard work. With a coordinated effort, we have regained our growth momentum after the global financial crisis. I believe the Group's cash flow has returned to a more healthy state and the Board has decided to increase dividends to our shareholders in gratitude of their support.

**Ko Chun Shun, Johnson**  
Chairman

Hong Kong, dated 19 August 2010

## Consolidated Income Statement

For the six months ended 30 June 2010 - unaudited

	Note	Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
<b>Continuing operations</b>			
Turnover	3	1,059,408	824,164
Other operating income	4	45,606	59,259
Change in inventories of finished goods and work in progress		8,620	97,707
Raw materials and consumables used		(728,523)	(683,244)
Staff costs		(140,419)	(121,384)
Depreciation		(53,492)	(40,293)
Other operating expenses		<u>(112,181)</u>	<u>(95,151)</u>
Profit from operations		79,019	41,058
Finance costs	5(a)	(1,817)	(2,121)
Share of profits / (losses) of associates		<u>798</u>	<u>(17,768)</u>
Profit before taxation	5	78,000	21,169
Income tax	6	<u>(6,551)</u>	<u>(3,122)</u>
Profit for the period from continuing operations		71,449	18,047
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	7	<u>(1,368)</u>	<u>(2,479)</u>
<b>Profit for the period</b>		<u>70,081</u>	15,568
		=====	=====
<b>Attributable to:</b>			
Shareholders of the Company		70,233	15,811
Non-controlling interests		<u>(152)</u>	<u>(243)</u>
<b>Profit for the period</b>		<u>70,081</u>	15,568
		=====	=====
<b>Dividends</b>	8		
Interim dividend declared during the period		17,788	3,234
		=====	=====
<b>Earnings / (loss) per share</b>	9		
<b>Basic</b>			
- from continuing and discontinued operations		21.72 cents	4.89 cents
		=====	=====
- from continuing operations		22.14 cents	5.66 cents
		=====	=====
- from discontinued operation		(0.42) cents	(0.77) cents
		=====	=====
<b>Diluted</b>			
- from continuing and discontinued operations		21.72 cents	4.89 cents
		=====	=====
- from continuing operations		22.14 cents	5.66 cents
		=====	=====
- from discontinued operation		(0.42) cents	(0.77) cents
		=====	=====

## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 - unaudited

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>70,081</b>	15,568
	-----	-----
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Foreign currency translation adjustments: exchange differences on translations of financial statements of overseas operations	(5,582)	9,107
Available-for-sales securities: net movement in the fair value reserve	<u>(4,332)</u>	<u>3,147</u>
<b>Total comprehensive income for the period from continuing operations</b>	<b>(9,914)</b>	12,254
	-----	-----
<b>Discontinued operation</b>		
Foreign currency translation adjustments: exchange differences on translation of financial statements of overseas operation	(1,120)	(827)
	=====	=====
<b>Total comprehensive income for the period</b>	<b>59,047</b>	26,995
	=====	=====
<b>Attributable to:</b>		
Shareholders of the Company	<b>59,199</b>	27,174
Non-controlling interests	<u>(152)</u>	<u>(179)</u>
<b>Total comprehensive income for the period</b>	<b>59,047</b>	26,995
	=====	=====

## Consolidated Statement of Financial Position

At 30 June 2010 - unaudited

	Note	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Other property, plant and equipment		339,822	353,591
- Interest in leasehold land held for own use		<u>5,572</u>	<u>5,648</u>
		345,394	359,239
Interest in associates		100,327	99,384
Loans receivable		61,528	123,055
Other financial assets		179,237	182,798
Deferred tax assets		<u>797</u>	<u>2,198</u>
		<u>687,283</u>	<u>766,674</u>
<b>Current assets</b>			
Trading securities		196,848	144,613
Inventories		296,119	276,561
Trade and other receivables	10	484,294	512,501
Current taxation recoverable		707	1,285
Cash and cash equivalents		<u>363,395</u>	<u>380,713</u>
		1,341,363	1,315,673
<b>Assets of a disposal group classified as held for disposal</b>		<u>17,926</u>	<u>22,895</u>
		<u>1,359,289</u>	<u>1,338,568</u>
<b>Current liabilities</b>			
Bank loans		217,935	218,955
Trade and other payables	11	495,481	519,068
Current taxation payable		3,854	1,857
Dividends payable		<u>3,234</u>	<u>-</u>
		720,504	739,880
<b>Liabilities relating to assets of a disposal group classified as held for disposal</b>		<u>84,401</u>	<u>157,771</u>
		<u>804,905</u>	<u>897,651</u>
<b>Net current assets</b>		<u>554,384</u>	<u>440,917</u>
<b>Total assets less current liabilities</b>		1,241,667	1,207,591
<b>Non-current liabilities</b>			
Bank loans		16,667	37,000
Other payables		4,104	4,104
Deferred tax liabilities		<u>878</u>	<u>2,282</u>
<b>NET ASSETS</b>		<u>1,220,018</u>	<u>1,164,205</u>

**Consolidated Statement of Financial Position (continued)***At 30 June 2010 - unaudited*

	Note	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>80,856</b>	80,856
Reserves		<b>1,125,609</b>	1,068,524
Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for disposal		<u><b>4,906</b></u>	<u>6,026</u>
Total equity attributable to shareholders of the Company		<b>1,211,371</b>	1,155,406
Non-controlling interests		<u><b>8,647</b></u>	<u>8,799</u>
<b>TOTAL EQUITY</b>		<u><b>1,220,018</b></u> =====	<u>1,164,205</u> =====

## **Notes-**

### **1. Basis of preparation**

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### **2. Changes in accounting policies**

The accounting policies adopted are consistent with those set out in the Group’s consolidated annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised HKFRSs issued by the HKICPA. The following new standards and amendments to standards, which are relevant to the Group, have been adopted for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), “Business combinations”. For any business combinations acquired on or after 1 January 2010, it will be recognized in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised) and there is no requirement to apply this standard retrospectively on business combinations acquired before the effective date of the standard. Accordingly, no adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.
- Amendments to HKAS 27, “Consolidated and separate financial statements”. As from 1 January 2010, any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses are only allocated to the non-controlling interests if the non-controlling interests are under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.
- HKAS 1 (amendment), “Presentation of financial statements”. The amendment is part of the HKICPA’s annual improvements project published in May 2009.

The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of a current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKFRS 2 (amendments) clarify the scope of HKFRS 2 and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments also incorporate the guidance contained in currently effective HK(IFRIC) 11 and hence once the amendments are effective these two interpretations will be withdrawn. The Group and the Company have been applied HKFRS 2 (amendments) from 1 January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.

### **3. Turnover and segment reporting**

The principal activities of the Group are the design, manufacture and sale of liquid crystal displays and related products.

#### **(a) Operating segment**

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 turnover and operating profits are derived from this operating segment. The 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 turnover which is consistent with that in the financial statements. Other information, being the total assets excluding deferred tax, 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) Geographical information

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

### (i) Group's revenue from external customers

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<b><i>Continuing operations</i></b>		
Hong Kong and the PRC (place of domicile)	309,424	286,535
Europe	331,157	293,341
Korea	258,961	179,371
North America	80,425	46,235
Others	<u>79,441</u>	<u>18,682</u>
	<b>1,059,408</b>	824,164
	-----	-----
<b><i>Discontinued operation</i></b>		
The PRC	-	114,083
	-----	-----
<b>Consolidated turnover</b>	<b>1,059,408</b>	938,247
	=====	=====

### (ii) Group's Specified Non-current Assets

	At 30 June	At 31 December
	2010	2009
	HK\$'000	HK\$'000
Hong Kong and the PRC (place of domicile)	343,203	354,845
Europe	98,104	95,782
Korea	3,602	3,602
Others	<u>812</u>	<u>4,394</u>
	<b>445,721</b>	458,623
	=====	=====

#### 4. Other operating income

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<i>Continuing operations</i>		
Dividend income from listed equity securities	573	8,929
Interest income from listed debt securities	1,445	1,231
Profit / (loss) on disposal of fixed assets	304	(43)
Other interest income	1,748	4,629
Rental income under operating leases	-	7,907
Realised and unrealised gains on trading securities	43,695	16,566
Unrealised gains on derivative financial assets	297	11,696
Exchange (loss) / gain	(6,803)	7,562
Other income	4,347	782
	<u>45,606</u>	<u>59,259</u>
<i>Discontinued operation</i>		
Other interest income	-	83
Exchange loss	-	(252)
	<u>-</u>	<u>(169)</u>
	<u>45,606</u>	<u>59,090</u>

#### 5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<b>(a) Finance costs:</b>		
<i>Continuing operations</i>		
Interest on bank advances and other borrowings repayable within five years	1,817	2,121
	<u>1,817</u>	<u>2,121</u>
<i>Discontinued operation</i>		
Interest on bank advances and other borrowings repayable within five years	-	183
	<u>-</u>	<u>183</u>

(b) **Other items:**

*Continuing operations*

Cost of inventories	<b>858,143</b>	683,724
Staff redundancy costs	<b>10,528</b>	9,423

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*Discontinued operation*

Cost of inventories	-	111,699
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**6. Income tax**

**Six months ended 30 June**

**2010**                      2009

**HK\$'000**                      HK\$'000

**Current tax - Hong Kong Profits Tax**

Provision for Hong Kong Profits Tax for the period	<b>1,400</b>	838
Over-provision in respect of prior years	<u><b>(556)</b></u>	<u>-</u>
	<b>844</b>	838

**Current tax - Overseas**

Provision for the period	<u><b>5,707</b></u>	<u>2,284</u>
	<b>6,551</b>	3,122

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The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30 June 2010. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

**7. Discontinued operation**

On 30 December 2009, the Group passed a written resolution to proceed with a voluntary winding-up of a wholly-owned subsidiary, Varitronix Marketing (China) Limited, which in turn held a 99% equity interest in Varitronix Pengyuan Electronics Limited ("Varitronix Pengyuan"). The remaining 1% equity interest in Varitronix Pengyuan is held by Varitronix Shenzhen Linkscore Limited, an indirect wholly-owned subsidiary of the Group. As a result of the voluntary winding-up, the Group's business operations in the design, manufacture, and sale of TFT-LCDs for the mobile phone market in Mainland China were discontinued. Further details in relation to this transaction are set out in the Company's announcement dated 30 December 2009.

The results of the discontinued operation for the six months ended 30 June 2010 and 2009 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover (Note 3)	-	114,083
Other operating loss (Note 4)	-	(169)
Changes in inventories of finished goods	-	(111,699)
Staff costs	-	(74)
Depreciation	-	(210)
Other operating expenses	<u>(1,368)</u>	<u>(4,227)</u>
Loss from operation	<b>(1,368)</b>	(2,296)
Finance costs (Note 5(a))	<u>-</u>	<u>(183)</u>
Loss for the period from discontinued operation attributable to shareholders of the Company	<b>(1,368)</b>	(2,479)
	=====	=====

## 8. Dividends

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared	<b>17,788</b>	3,234
	=====	=====

## 9. Earnings / (loss) per share

### (a) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share is based on the profit attributable to shareholders of the Company of HK\$70,233,000 (2009: HK\$15,811,000) and the weighted average number of shares of 323,422,204 shares (2009: 323,422,204 shares) in issue during the period, calculated as follows:

	<b>Six months ended 30 June</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Profit/(loss)</b>	<b>Weighted average no. of ordinary shares</b>	<b>Profit/(loss)</b>	<b>Weighted average no. of ordinary shares</b>
	<b>attributable to shareholders</b>		<b>attributable to shareholders</b>	
	<b>HK\$'000</b>		<b>HK\$'000</b>	
Continuing operations	<b>71,601</b>	<b>323,422,204</b>	18,290	323,422,204
Discontinued operation	<u><b>(1,368)</b></u>	<b>323,422,204</b>	<u>(2,479)</u>	323,422,204
	<b>70,233</b>	<b>323,422,204</b>	15,811	323,422,204
	=====		=====	

**(b) Diluted earnings / (loss) per share**

The calculation of diluted earnings / (loss) per share is based on the profit attributable to shareholders of the Company of HK\$70,233,000 (2009: HK\$15,811,000) and the weighted average number of shares of 323,422,204 shares (2009: 323,422,204 shares) after adjusting for the effects of all dilutive potential shares, calculated as follows:

	<b>Six months ended 30 June</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Profit/(loss)</b>	<b>Weighted average no. of ordinary shares</b>	<b>Profit/(loss)</b>	<b>Weighted average no. of ordinary shares</b>
	<b>attributable to shareholders</b>		<b>attributable to shareholders</b>	
	<b>HK\$'000</b>		<b>HK\$'000</b>	
Continuing operations	<b>71,601</b>	<b>323,422,204</b>	18,290	323,422,204
Discontinued operation	<u><b>(1,368)</b></u>	<b>323,422,204</b>	<u>(2,479)</u>	323,422,204
	<b>70,233</b>	<b>323,422,204</b>	15,811	323,422,204
	=====		=====	

(c) **Weighted average number of shares (diluted)**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of shares used in calculating basic earnings per share	<b>323,422,204</b>	323,422,204
Effect of deemed issue of shares for no consideration arising from the Company's share option scheme	<u>-</u>	<u>-</u>
Weighted average number of shares used in calculating diluted earnings per share	<b>323,422,204</b>	323,422,204
	<b>=====</b>	<b>=====</b>

**10. Trade and other receivables**

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	<b>At 30 June 2010</b>	<b>At 31 December 2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 60 days of the invoice issue date	<b>375,211</b>	320,340
61 to 90 days after the invoice issue date	<b>16,035</b>	88,541
91 to 120 days after the invoice issue date	<b>6,508</b>	21,752
More than 120 days but less than 12 months after the invoice issue date	<b>4,314</b>	4,478
More than 12 months after the invoice issue date	<u><b>61</b></u>	<u>61</u>
	<b>402,129</b>	435,172
	<b>=====</b>	<b>=====</b>

Debts are due within 90 days from the date of the invoice.

## 11. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	<b>At 30 June 2010 HK\$'000</b>	At 31 December 2009 HK\$'000
Within 60 days of supplier invoice date	<b>338,671</b>	308,524
61 to 120 days after supplier invoice date	<b>21,730</b>	125,181
More than 120 days but within 12 months after supplier invoice date	<b>3,494</b>	8,945
More than 12 months after supplier invoice date	<u><b>354</b></u>	<u>180</u>
	<b>364,249</b>	442,830
	=====	=====

## 12. Commitments

Capital commitments for the purchase of property, plant and equipment not provided for in the Group's financial statements were as follows:

	<b>At 30 June 2010 HK\$'000</b>	At 31 December 2009 HK\$'000
Authorised but not contracted for	<b>62</b>	233
Contracted for	<u><b>410</b></u>	<u>3,026</u>
	<b>472</b>	3,259
	=====	=====

## 13. Contingent liabilities

### Financial guarantees issued

As at 30 June 2010, the Company has issued guarantees to banks in respect of a banking facility granted to certain subsidiaries.

As at 30 June 2010, the directors of the Company (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 30 June 2010 under the guarantees issued and the facility drawn down by the subsidiaries was HK\$235,097,000 (31 December 2009: HK\$319,996,000).

## **INTERIM DIVIDEND**

The Board has recommended declaring an interim dividend of 5.5 HK cents (2009: 1 HK cent) per share for the six months ended 30 June 2010. The interim dividend will be payable on or around Monday, 4 October 2010 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 24 September 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 20 September 2010 to Friday, 24 September 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend, 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, of Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 September 2010.

## **OTHERS**

### **Staff**

As at 30 June 2010, the Group employed 5,218 staff around the world, of whom 155 were in Hong Kong, 5,019 were in the People's Republic of China (the "PRC") and 44 were 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.

### **Liquidity and Financial Resources**

As at 30 June 2010, the total equity of the Group was HK\$1,220 million (31 December 2009: HK\$1,164 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.69 as at 30 June 2010 (31 December 2009: 1.49).

At the period end, the Group held a liquid portfolio of HK\$585 million (31 December 2009: HK\$553 million) of which HK\$364 million (31 December 2009: HK\$381 million) was in cash and cash equivalents and HK\$221 million (31 December 2009: HK\$172 million) in securities. The unsecured interest-bearing bank loans and overdrafts amounted to HK\$235 million (31 December 2009: HK\$256 million). The gearing ratio (bank loans and overdrafts over net assets) was approximately 19% (31 December 2009: 22%).

### **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 Euros, British Pounds, Japanese Yen, Renminbi and Korean Won.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2010.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CGP Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2010.

All other information on the CGP Code has been disclosed in the corporate governance report contained in the 2009 annual report of the Company issued in April 2010.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

As at the date of this announcement, the Audit Committee comprises the three Independent Non-executive Directors, Dr. Lo Wing Yan, William J.P. (Chairman of the Audit Committee), Mr. Chau Shing Yim, David and Mr. Hou Ziqiang. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2010 of the Company now reported on.

## **REMUNERATION COMMITTEE**

The Remuneration Committee is responsible for setting and monitoring the remuneration policy for all Directors and senior management. It is headed by Dr. Lo Wing Yan, William J.P., an Independent Non-executive Director of the Company. The other members of the Remuneration Committee are Mr. Hou Ziqiang, an Independent Non-executive Director of the Company, and Mr. Ko Chun Shun, Johnson, an Executive Director of the Company.

By order of the Board  
**Varitronix International Limited**  
**Ko Chun Shun, Johnson**  
Chairman

Hong Kong, dated 19 August 2010

*As at the date of this announcement, the Board comprises seven Directors, of which Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony, Mr. Ho Te Hwai, Cecil and Mr. Yuen Kin are Executive Directors, and Dr. Lo Wing Yan, William J.P., Mr. Chau Shing Yim, David and Mr. Hou Ziqiang are Independent Non-executive Directors.*