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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Varitronix International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase or subscribe for securities in Data Modul AG.

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**VARITRONIX**  
**VARITRONIX INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF SHARES IN DATA MODUL**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Acquisitions”	the purchases of an aggregate of 413,340 Data Modul Shares on the Frankfurt Stock Exchange during the 12-month period from 16 October 2007 to 15 October 2008 (the date when the last acquisition took place before the publication of the Announcement) for an aggregate consideration of Euro 6.1 million (equivalent to approximately HK\$66.7 million)
“Announcement”	the announcement of the Company dated 20 October 2008
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Varitronix International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Data Modul”	Data Modul AG, a company founded in Germany with limited liability, the shares of which are listed on the Frankfurt Stock Exchange
“Data Modul Share(s)”	common share(s) in the share capital of Data Modul
“Directors”	the directors of the Company
“Frankfurt Stock Exchange”	the stock exchange located in Frankfurt, Germany which is owned and operated by Deutsche Börse
“Germany”	the Federal Republic of Germany
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	3 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Varitronix Investment”	Varitronix Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Euro”	the official currency of the European Union
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*For the purposes of illustration, Euro is converted into HK\$ at a rate of Euro 1.0 = HK\$10.4 in this circular, save for the Company’s acquisitions of Data Modul Shares in the past in respect of which Euro is converted into HK\$ at the prevailing market rate at the time of acquisitions.*

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## LETTER FROM THE BOARD

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### **VARITRONIX INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

*Executive Directors:*

Mr. Ko Chun Shun, Johnson (*Chairman*)  
Mr. Tsoi Tong Hoo, Tony  
Mr. Ho Te Hwai, Cecil

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Independent non-executive Directors:*

Dr. Lo Wing Yan, William J.P.  
Mr. Yuen Kin  
Mr. Hou Ziqiang

*Principal place of business  
and head office:*

9/F., Liven House  
61-63 King Yip Street  
Kwun Tong  
Hong Kong

10 November 2008

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION ACQUISITION OF SHARES IN DATA MODUL**

#### **INTRODUCTION**

On 20 October 2008, the Company announced that it has, from time to time through one of its wholly owned subsidiaries, Varitronix Investment, acquired Data Modul Shares on the Frankfurt Stock Exchange. During the 12-month period ended 15 October 2008 (the date when the last acquisition took place before the publication of the Announcement), the Group acquired 413,340 Data Modul Shares on-market at a total cash consideration of approximately Euro 6.1 million (equivalent to approximately HK\$66.7 million). Subsequently, from 21 October 2008 (the date after the Announcement) to the Latest Practicable Date, the Group further acquired 32,712 Data Modul Shares on-market at a total cash consideration of approximately Euro 411,360 (equivalent to approximately HK\$4.1 million).

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## LETTER FROM THE BOARD

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The Acquisitions constitute a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide further information in respect of the Acquisitions.

### THE ACQUISITIONS

Data Modul Shares are listed on the Frankfurt Stock Exchange. During the 12-month period from 16 October 2007 to 15 October 2008 (the date when the last acquisition took place before the publication of the Announcement), Varitronix Investment acquired on-market an aggregate of 413,340 Data Modul Shares representing approximately 12.9% of the issued common stock of Data Modul as at the Latest Practicable Date.

As the Acquisitions were on-market transactions, the Company is not aware of the identity of the sellers of the relevant Data Modul Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the sellers and the ultimate beneficial owners of the sellers (if any) are third parties independent of the Company and its connected persons.

The consideration was determined with reference to market prices quoted on the Frankfurt Stock Exchange at the relevant time when the transactions under the Acquisitions were carried out and was settled in cash utilizing the Group's internal funding. The Directors consider the price of each transaction under the Acquisitions fair and reasonable.

### INFORMATION ON DATA MODUL

Data Modul is a manufacturer of complete liquid crystal display and plasma flat display monitors for the industrial and professional areas and is principally engaged in the development, production and sale of products including display components, subassembly products, and special display monitors for ship navigation, medical and rugged industrial applications. Data Modul is also engaged in the development of airport information systems, railway passenger information systems and retail business systems.

Data Modul is a long-term customer of the Group. Over the years, the Group has been selling various liquid crystal display products to Data Modul which in turn will distribute the Group's products in Europe. As at the Latest Practicable Date, Data Modul was a joint venture partner in the Group's customer liaison subsidiary in Germany. As a 40% shareholder of the Group's 60% owned subsidiary in Germany as at the Latest Practicable Date, Data Modul was a connected person of the Company for the purposes of the Listing Rules.

Based on the latest unaudited consolidated financial statements of Data Modul, the unaudited total assets and net asset value of Data Modul as at 30 June 2008 were approximately Euro 76.8 million (equivalent to approximately HK\$798.7 million) and approximately Euro 30.6 million (equivalent to approximately HK\$318.2 million) respectively.

## LETTER FROM THE BOARD

Based on the latest audited consolidated financial statements of Data Modul for the year ended 31 December 2007, the profit of Data Modul and the dividend attributable to the shareholders of Data Modul for the financial years ended 31 December 2006 and 31 December 2007 were as follows:

	<b>For the year ended 31 December</b>			
	<b>2007</b>		<b>2006</b>	
	<i>Euro '000</i>	<i>equivalent HK\$'000</i>	<i>Euro '000</i>	<i>equivalent HK\$'000</i>
Profit before tax	<u>8,930</u>	<u>92,872</u>	<u>4,028</u>	<u>41,891</u>
Profit/(Loss) after tax				
– continued operations	7,365	76,596	2,941	30,586
– discontinued operations	<u>(2,337)</u>	<u>(24,305)</u>	<u>1,056</u>	<u>10,982</u>
Total	<u><u>5,028</u></u>	<u><u>52,291</u></u>	<u><u>3,997</u></u>	<u><u>41,568</u></u>
Dividend per Data Modul Share ( <i>Euro/HK\$</i> )	<u><u>0.6</u></u>	<u><u>6.2</u></u>	<u><u>0.5</u></u>	<u><u>5.2</u></u>

### SHAREHOLDING INTERESTS OF THE GROUP IN DATA MODUL

Apart from the Acquisitions, the Group acquired 120,000 Data Modul Shares on market at a total consideration of approximately Euro 2.5 million (equivalent to approximately HK\$26.7 million) prior to 16 October 2007; and acquired 32,712 Data Modul Shares on market at a total consideration of approximately Euro 411,360 (equivalent to approximately HK\$4.1 million) during the period from 21 October 2008 to the Latest Practicable Date. As of the Latest Practicable Date, the Group owned in aggregate 566,052 Data Modul Shares, representing approximately 17.66% of the Data Modul Shares in issue as at the Latest Practicable Date.

### REASONS FOR THE ACQUISITIONS

The Company is principally engaged in the design, manufacture and sale of liquid crystal displays and related products.

The Group has established a long-term business relationship with Data Modul. The Company decided to invest in Data Modul after having considered various factors including, the market position, the profit record and growth momentum of Data Modul and the Directors consider the Acquisitions to be in the interests of the Company and its shareholders as a whole. Depending on the market conditions, the Company may from time to time make further on-market acquisitions of Data Modul Shares. The Company will comply with the Listing Rules in respect of such further acquisitions of Data Modul Shares.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE ACQUISITIONS

#### Assets and liabilities

The Group's investments in Data Modul are currently accounted for in the Group's financial statements as non-current available-for-sale financial assets, the book value of which is marked to the market value of Data Modul Shares as at the relevant balance sheet date. The Acquisitions were financed by the Group's internal funding. The Company does not expect the Acquisitions to have any immediate material effect on the Group's liabilities.

#### Profit and loss accounts

Dividend income attributable to the Data Modul Shares held by the Group is currently accounted for in the Group's financial statements as other revenue. Any change in the fair market value of the Data Modul Shares held by the Group will be reflected in the Group's fair value revaluation reserve.

### DISCLOSEABLE TRANSACTION

As the applicable percentage ratios for the Acquisitions are more than 5% but less than 25%, the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules.

### GENERAL

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**VARITRONIX INTERNATIONAL LIMITED**  
**Ko Chun Shun, Johnson**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTEREST

### (a) Interests of Directors

As at the Latest Practicable Date, 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 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, if any, 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 for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Shares

As at the Latest Practicable Date, Mr. Ko Chun Shun, Johnson (“Mr. Ko”) held 48,579,000 Shares, representing approximately 15.02% of the issued share capital of the Company, through Rockstead Technology Limited (of which Mr. Ko is a director) as to 37,879,000 Shares and Omnicorp Limited as to 10,700,000 Shares. Both Rockstead Technology Limited and Omnicorp Limited are wholly owned by Mr. Ko.

*(ii) Share option scheme*

The following table discloses Directors' personal interests in share options to subscribe for Shares:

Directors	Date granted	Number of options as at the Latest Practicable Date	Exercisable period	Subscription price per Share
Mr. Ko	19 December 2005	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73
Mr. Tsoi Tong Hoo, Tony	22 July 2005	3,000,000	22 July 2005 to 21 July 2015	HK\$6.60
Mr. Ho Te Hwai, Cecil	19 December 2005	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73

*Note:* All the above interests represented long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**(b) Interests of Shareholders**

As at the Latest Practicable Date, other than the share interests disclosed in the section 'Interests of Directors' in respect of Mr. Ko and Rockstead Technology Limited, so far as is known to the Directors and the chief executive of the Company, the following persons had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of

Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Capacity	Approx. % of the issued share capital of the Company
Cheah Cheng Hye	281,000	Beneficial owner	0.09
	22,342,974 (Note 1)	Founder of a discretionary trust	6.90
To Hau Yin	22,623,974 (Note 1)	Interest of child under 18 or spouse	6.99
Hang Seng Bank Trustee International Limited	22,598,974 (Note 2)	Trustee	6.98
Cheah Company Limited	22,598,974 (Note 2)	Interest in controlled corporation	6.98
Cheah Capital Management Limited	22,598,974 (Note 2)	Interest in controlled corporation	6.98
Value Partners Group Limited	22,598,974 (Note 2)	Interest in controlled corporation	6.98
Value Partners Limited	22,598,974 (Note 2)	Investment manager	6.98
FMR LLC	22,571,000	Investment manager	6.98

*Notes:*

1. To Hau Yin was interested in the same block of shares in which Cheah Cheng Hye was interested by virtue of being a child under 18 or spouse of Cheah Cheng Hye. Cheah Cheng Hye is the founder of The C.H. Cheah Family Trust.
2. These shares represent the same block of shares. Hang Seng Bank Trustee International Limited was deemed to be interested in the shares held by Value Partners Limited, which was 100% owned by Value Partners Group Limited. Value Partner Group Limited was 35.65% owned by Cheah Capital Management Limited, which was 100% owned by Cheah Company Limited. Cheah Company Limited was 100% owned by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited is the trustee of a discretionary trust in which Cheah Cheng Hye is the founder.
3. All the above interests represented long positions.

As at the Latest Practicable Date, the following corporation was, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following subsidiary of the Company:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Percentage of shareholding as at the Latest Practicable Date</b>
Varitronix GmbH	Data Modul AG	40%

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person (other than a Director or the chief executive of the Company or his associates or a member of the Group) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who has, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital as at the Latest Practicable Date.

### **3. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **5. COMPETING BUSINESS**

None of the Directors and their respective associates have any interests in a business or are interested in any business which competes or is likely to compete either directly or indirectly with the business of the Group as at the Latest Practicable Date.

**6. GENERAL**

- (a) The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong is 9/F., Liven House, 61-63 King Yip Street, Kwun Tong, Hong Kong.
- (b) The secretary and qualified accountant of the Company is Mr. Ho Te Hwai, Cecil (“Mr. Ho”). 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 Hong Kong Institute of Certified Public Accountants. He is also an executive Director.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The translation into Chinese language of this circular is for reference only. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.