



VARITRONIX

Piloting the Seas

Interim Report 2015



Varitronix International Limited
Stock Code 710

Chairman's Statement

Financial Highlights

HK\$ million	Six months ended 30 June 2015	Six months ended 30 June 2014
Turnover	1,283	1,341
Profit attributable to shareholders	280	115
Basic earnings per share	85.37 HK cents	35.28 HK cents
Interim dividend per share	15.0 HK cents	12.0 HK cents

On behalf of Varitronix International Limited (the "Company") and its subsidiaries ("Varitronix" or the "Group"), I present the Group's results for the six-month period ended 30 June 2015.

During the period under review, the Group recorded turnover of HK\$1,283 million, representing a 4% decrease from the HK\$1,341 million reported for the first half of 2014. However, as the Group realised a one off gain from the disposal of its interest in Data Modul AG and recorded an unrealised gain from the net change in fair value of investment in listed trading securities, profit from operations of the Group was HK\$294 million, a 119% increase compared to the same period last year. The Group's profit attributable to shareholders thus reached HK\$280 million, an increase of 143%, when compared to the same period in 2014. If setting aside the above related gains from the non-core business, the profit before taxation was HK\$139 million, and profit attributable to shareholders would be HK\$123 million, representing increases of 14% and 22%, respectively, when compared to the corresponding period in 2014.

Due to market competition and changes in product mix, the average selling price of the Group's displays was under pressure in the first half of this year. At the same time, operations and labour costs increased. Nevertheless, with effective control measures on other cost items and the depreciation of the Japanese yen, the Group's gross profit margin was maintained at 24.2%, a similar level to the corresponding period in 2014.

DIVIDENDS

The Board of Directors (the "Board") has recommended an interim dividend of 15.0 HK cents per share (1H 2014: 12.0 HK cents). The payout ratio is 18%. If adopting the profit attributable to shareholders of HK\$123 million excluding the related gains from the non-core business, the payout ratio would be 40% (1H 2014: 39%).

BUSINESS REVIEW

Automotive Display Business

For the six months ended 30 June 2015, the average selling price of automotive display products has been affected by the market environment and changes in product mix. Thus, revenue generated by the automotive display business was HK\$899 million, representing a decrease of 4% compared to the same period last year. This business accounted for 70% of the Group's total turnover.

Chairman's Statement

The European economy is far from recovery with the pressing debt issues of some countries still adversely affecting consumer and commercial appetite. Furthermore, sales of European branded automobiles in the global market were threatened by Japanese cars following the depreciation of the Japanese yen. This dampened the order confirmations of some European automotive customers. However, the additional turnover generated by the increased sales of TFT automotive displays brought about a positive impetus. As a result, whilst the Group's overall revenue in Europe was not satisfactory, it nonetheless demonstrated a slight increase as compared to the second half of 2014.

The Korean automotive display business faced fierce competition, resulted a continued decline in revenue. In China, the automotive display business under the slower development pace of the macro-economy, its revenue dropped slightly in the first half of this year. While in Japan and America, the automotive display business developed steadily with revenue maintained at a stable level.

Industrial Display Business

The industrial display business generated revenue of HK\$384 million for the six-month period under review, down 4% as compared to the corresponding period last year. This business contributed approximately 30% of total turnover.

Europe is one of the key markets for the industrial display business. To a certain extent, the stagnant economic situation in the Eurozone has stifled the pace of business development of our industrial customers. Our industrial display business in some European countries maintained at a flat level whilst some countries demonstrated a downward trend. Only Italy was different, where sales of white goods displays increased.

America is the focus of the Group's industrial display business, and has shown stable growth over the years with bright performance in the medical products sector. Medical product displays has become a unique sector among the various market regions of the Group, showing growth potential. Overall, in the first half of this year, the industrial display business in America achieved good performance.

PROSPECTS

The stagnant economy in the Eurozone coupled with the slowing pace of economic development in China, are unfavourable factors to our business development. Nevertheless, there is still ample space for development for the Group in America and Japan. We will continue to expand the market coverage and depth in these two countries, and will put extra effort in developing the emerging markets such as India and South America.

In the high-end automobile sector, mono displays have been gradually replaced by TFT displays. While TFT technology continues to develop, competition in this market is severe and the selling price is declining. In order to keep expanding the business scope of TFT displays, the Group will endeavour to meet market demand while strengthening its own competitive advantages, and is prepared to put more resources into relevant facilities and talent development.

Mono displays demonstrate reliable performance with power-saving benefits at a competitive selling price, so there is considerable demand for these displays in the mid-to-low end automotive sector and industrial applications. The Group will continue to explore the mid-to-low end automotive sector. In addition, we will investigate more applications in the industrial arena, so as to maintain the sales of mono displays.

As mentioned above, white goods manufacturing and sales in Europe have demonstrated some signs of recovery, and this has led to increased sales of our displays in this sector. This phenomenon is due to the fact that white goods manufacturers had delayed their manufacturing in the past few years, and, with stock levels depleted, there is a need to recharge the supply quantity. Since the production lead time of white goods is comparatively short, it is natural for these manufacturers to replenish their stock levels in spite of the indefinite economic situation. In general, the prospects of the industrial display business in Europe will not be exceptionally positive, but with the driving force from the white goods display business, it is expected that the overall industrial display revenue will continue to be stable throughout the full-year period of 2015.

On the cost side, material and human resources costs in China continue to increase. This is a generic problem for manufacturers. To tackle this, we will need to continue the ongoing automation process and improve efficiency and productivity.

The Group will vigilantly monitor and analyse market trends and will take appropriate action. We will also work together with customers to explore the feasibility of applying touch panels and even OLED technology (Organic Light-Emitting Diode). The Group holds an open attitude towards purchasing new technology with potential, and is committed to staying at the frontier of product technology while also diversifying our technical profile.

ACKNOWLEDGEMENT

In the first half of 2015, we were faced with many unfavourable factors. It can be challenging at times to lead the Group across the globe, and we especially need the strong support of our business partners, shareholders and colleagues. On behalf of the Board, I would like to sincerely thank our business partners, shareholders and colleagues. Your companionship adds energy to our management as we forge ahead.

Ko Chun Shun, Johnson
Chairman
Hong Kong, 10 August 2015

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Turnover	3	1,283,161	1,340,528
Other operating income/(loss)	4	164,577	(4,193)
Change in inventories of finished goods and work in progress		5,731	(42,089)
Raw materials and consumables used		(759,228)	(772,790)
Staff costs		(220,353)	(202,018)
Depreciation		(51,326)	(53,955)
Other operating expenses		(128,278)	(131,487)
Profit from operations		294,284	133,996
Finance costs	5(a)	(1,938)	(2,477)
Share of profits less losses of associates		4,180	4,784
Profit before taxation	5	296,526	136,303
Income tax	6	(16,117)	(21,035)
Profit for the period		280,409	115,268

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Attributable to:			
Equity shareholders of the Company		280,409	115,268
Non-controlling interests		–	–
Profit for the period		280,409	115,268
Earnings per share (in HK cents)			
	8		
Basic		85.37 cents	35.28 cents
Diluted		84.45 cents	34.31 cents

The notes on pages 9 to 16 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Profit for the period		280,409	115,268
Other comprehensive income for the period (after tax and reclassification adjustments):	7		
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation adjustments: net movement in exchange reserve		(12,142)	(8,486)
– Available-for-sale securities: net movement in fair value reserve		430	33
Other comprehensive income for the period		(11,712)	(8,453)
Total comprehensive income for the period		268,697	106,815

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Attributable to:			
Equity shareholders of the Company		268,697	106,815
Non-controlling interests		–	–
Total comprehensive income for the period		268,697	106,815

The notes on pages 9 to 16 form part of this interim financial report.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2015 \$'000	At 31 December 2014 \$'000
	Note		
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		453,422	486,455
– Interest in leasehold land held for own use under operating leases		11,929	12,200
		465,351	498,655
Interest in associates	10	5,278	124,627
Loans receivable		46,500	46,500
Other financial assets		61,440	29,569
Deferred tax assets		725	725
		579,294	700,076
Current assets			
Trading securities		261,194	158,919
Inventories	11	395,139	383,789
Trade and other receivables	12	628,231	603,822
Other financial assets		29,794	19,840
Current tax recoverable		11,156	9,707
Fixed deposits with banks	13	82,625	38,370
Cash and cash equivalents	13	736,614	536,501
		2,144,753	1,750,948

		At 30 June 2015 \$'000	At 31 December 2014 \$'000
	Note		
Current liabilities			
Trade and other payables	14	396,843	411,695
Bank loans		215,551	184,362
Current tax payable		10,217	13,010
Dividends payable		98,878	–
		721,489	609,067
Net current assets		1,423,264	1,141,881
Total assets less current liabilities		2,002,558	1,841,957
Non-current liabilities			
Bank loans		26,637	44,395
Deferred tax liabilities		8,961	5,461
NET ASSETS		1,966,960	1,792,101
CAPITAL AND RESERVES	15		
Share capital		82,461	81,979
Reserves		1,884,255	1,709,878
Total equity attributable to equity shareholders of the Company		1,966,716	1,791,857
Non-controlling interests		244	244
TOTAL EQUITY		1,966,960	1,792,101

The notes on pages 9 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Non-controlling interests \$'000	Total equity \$'000	
	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Retained profits \$'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 six months ended 30 June 2014:										
Profit for the period	-	-	-	-	-	-	115,268	115,268	-	115,268
Other comprehensive income	-	-	(8,486)	33	-	-	-	(8,453)	-	(8,453)
Total comprehensive Income	-	-	(8,486)	33	-	-	115,268	106,815	-	106,815
Issuance of shares upon exercise of share options	115	1,501	-	-	(416)	-	-	1,200	-	1,200
Equity settled share-based transactions	-	-	-	-	484	-	-	484	-	484
Dividends declared in respect of the previous year	-	-	-	-	-	-	(124,239)	(124,239)	-	(124,239)
Balance at 30 June 2014	81,736	706,492	100,249	14,839	18,454	12,466	777,964	1,712,200	244	1,712,444

	Attributable to equity shareholders of the Company							Non-controlling interests \$'000	Total equity \$'000	
	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Capital reserve \$'000	Other reserves \$'000	Retained profits \$'000			
Balance at 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 six months ended 30 June 2015:										
Profit for the period	-	-	-	-	-	-	280,409	280,409	-	280,409
Other comprehensive income	-	-	(12,142)	430	-	-	-	(11,712)	-	(11,712)
Total comprehensive Income	-	-	(12,142)	430	-	-	280,409	268,697	-	268,697
Issuance of shares upon exercise of share options	482	6,129	-	-	(1,787)	-	-	4,824	-	4,824
Equity settled share-based transactions	-	-	-	-	216	-	-	216	-	216
Dividends declared in respect of the previous year	-	-	-	-	-	-	(98,878)	(98,878)	-	(98,878)
Balance at 30 June 2015	82,461	715,781	69,131	15,374	16,177	12,466	1,055,326	1,966,716	244	1,966,960

The notes on pages 9 to 16 form part of this interim financial report.

Consolidated Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June			Six months ended 30 June	
	2015 \$'000	2014 \$'000		2015 \$'000	2014 \$'000
Cash generated from operations	142,174	111,503	Proceeds from new bank loans	90,720	150,809
Tax paid			Repayment of bank loans	(75,829)	(120,122)
– Hong Kong Profits Tax paid	(9,482)	(643)	Other cash flows arising from financing activities	2,886	(1,081)
– People's Republic of China ("PRC") income taxes paid	(5,231)	(9,944)	Net cash generated from financing activities	17,777	29,606
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC	(2,145)	(3,034)	Net increase in cash and cash equivalents	204,326	119,371
Net cash generated from operating activities	125,316	97,882	Cash and cash equivalents at 1 January	536,501	555,148
Payment for the purchase of fixed assets	(17,339)	(33,893)	Effect of foreign exchange rates changes	(4,213)	14
Proceeds from disposal of an associate	160,258	–	Cash and cash equivalents at 30 June	736,614	674,533
Payment for the purchase of trading securities	–	(9,620)			
Payment for the purchase of held-to-maturity debt securities	(31,384)	–			
Payment for the purchase of certificates of deposits	(9,875)	(15,996)			
Placement of fixed deposits with banks	(82,625)	–			
Proceeds from redemption of certificates of deposits	–	40,500			
Proceeds on maturity of fixed deposits with banks	38,370	–			
Other cash flows arising from investing activities	3,828	10,892			
Net cash generated from/ (used in) investing activities	61,233	(8,117)			

The notes on pages 9 to 16 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 10 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 17.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

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

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

3. TURNOVER AND SEGMENT REPORTING

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

(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 turnover and operating profits is derived from this business segment. The interim financial report is already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

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

The Board assesses the performance of the operating segments based on turnover which is consistent with that in the interim financial report. 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.

3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Geographic information (continued)

(i) Group's revenues from external customers

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
The PRC (place of domicile)	429,754	457,000
Europe	498,652	498,693
America	157,830	164,398
Korea	98,178	113,247
Others	98,747	107,190
	853,407	883,528
Consolidated turnover	1,283,161	1,340,528

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

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
France	74,902	87,536
United Kingdom	63,998	62,904
Germany	57,292	57,628
Italy	33,603	38,661
Other European countries	268,857	251,964
	498,652	498,693

(ii) Group's specified non-current assets

	At	
	30 June 2015 \$'000	31 December 2014 \$'000
The PRC (place of domicile)	462,610	495,931
Germany	–	119,349
Korea	5,278	5,278
Others	2,741	2,724
	470,629	623,282

4. OTHER OPERATING INCOME/ (LOSS)

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Interest income from listed debt securities	418	890
Interest income from non-listed debt securities	–	87
Other interest income	1,521	811
Net gain on disposal of an associate (Note 10)	48,828	–
Net realised and unrealised gains on trading securities	104,420	9,205
Net exchange gain/(loss)	8,125	(13,533)
Other income/(loss)	1,265	(1,653)
	164,577	(4,193)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	1,938	2,477
(b) Other items		
Cost of inventories	972,567	1,019,333

6. INCOME TAX

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Current tax – Hong Kong Profits Tax	6,338	13,810
Current tax – The PRC income taxes	1,964	2,091
Current tax – Jurisdictions outside Hong Kong and the PRC	4,315	5,134
Deferred taxation	3,500	–
	16,117	21,035

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015. The provision for the PRC Corporate Income Tax is calculated by applying a reduced tax rate of 15% which is applicable for Varitronix (Heyuan) Display Technology Limited (“Varitronix Heyuan”), a subsidiary of the Group designated as high and new technology enterprise by the

PRC tax authority. Withholding tax is levied on dividend distributions arising from profit of the Group’s subsidiaries operating in the PRC earned after 1 January 2008 based on an applicable tax rate of 5%. Taxation for subsidiaries operating outside Hong Kong and the PRC is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

7. OTHER COMPREHENSIVE INCOME

There is no tax effect in respect of reclassification adjustments relating to the components of other comprehensive income during the periods ended 30 June 2015 and 2014.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$280,409,000 (2014: \$115,268,000) and the weighted average number of shares of 328,447,691 shares (2014: 326,764,541 shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2015	2014
Issued ordinary shares at 1 January	327,915,204	326,485,204
Effect of share options exercised	532,487	279,337
Weighted average number of ordinary shares at 30 June	328,447,691	326,764,541

8. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of \$280,409,000 (2014: \$115,268,000) and the weighted average number of shares of 332,043,701 shares (2014: 335,919,378 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015	2014
Weighted average number of ordinary shares at 30 June	328,447,691	326,764,541
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	3,596,010	9,154,837
Weighted average number of ordinary shares (diluted) at 30 June	332,043,701	335,919,378

9. FIXED ASSETS

During the six months ended 30 June 2015, the Group acquired items of fixed assets with a cost of \$14,466,000 (six months ended 30 June 2014: \$33,895,000). The carrying amount of fixed assets disposed of during the six months ended 30 June 2015 amounted to \$Nil (six months ended 30 June 2014: \$Nil).

10. INTEREST IN ASSOCIATES

On 28 January 2015, the Group entered into an agreement with a third party, to dispose of the Group's entire interest in Data Modul AG, a then associate of the Group, at a consideration of EUR19,393,990. The transaction was completed on 14 April 2015. A gain on disposal of \$48,828,000 was recognised in statement of profit or loss for the period ended 30 June 2015. Further details are set out in the Company's announcement dated 28 January 2015.

11. INVENTORIES

During the six months ended 30 June 2015, the Group recognised inventory write-down of \$1,166,000 (2014: \$Nil) and reversal of write-down of inventories of \$183,000 (2014: \$2,345,000) in profit or loss. This reversal arose due to an increase in the estimated net realisable value of certain electronic components as a result of a change in customer preferences.

12. 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 of \$1,710,000 (31 December 2014: \$2,412,000)) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Within 60 days of the invoice issue date	378,634	388,079
61 to 90 days after the invoice issue date	110,545	92,688
91 to 120 days after the invoice issue date	51,922	53,843
More than 120 days but less than 12 months after the invoice issue date	37,939	33,142
	579,040	567,752

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

13. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Fixed deposits with banks with maturity over 3 months but within 1 year	82,625	38,370
Deposits with banks and other financial institutions with maturity up to 3 months	174,666	105,775
Cash at banks and in hand	561,948	430,726
Cash and cash equivalents	736,614	536,501

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Within 60 days of supplier invoice date	252,989	249,309
61 to 120 days after supplier invoice date	63,540	77,284
More than 120 days but within 12 months after supplier invoice date	5,553	5,578
More than 12 months after supplier invoice date	1,037	808
	323,119	332,979

15. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Interim dividend declared after the end of the reporting period 15.0 HK cents (2014: 12.0 HK cents) per share	49,597	39,343

The interim dividend declared 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 declared during the period*

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
Final dividend in respect of the previous financial year declared during the period of 30.0 HK cents (2014: 38.0 HK cents) per share	98,878	124,239

15. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Equity settled share-based transactions

During the six months ended 30 June 2015, options have been exercised to subscribe for 1,930,000 ordinary shares (2014: 460,000 ordinary shares) in the Company at a consideration of \$4,824,000 (2014: \$1,200,000) of which \$482,000 (2014: \$115,000) was credited to share capital and the balance of \$4,342,000 (2014: \$1,085,000) was credited to the share premium amount. \$1,787,000 (2014: \$416,000) has been transferred from the capital reserve to the share premium account.

There were no options forfeited during the period ended 30 June 2015 (2014: Nil).

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	The Group		
	Level 1 \$'000	Level 2 \$'000	Total \$'000
Recurring fair value measurement at 30 June 2015			
Financial assets			
Non-listed available-for-sale mutual funds	-	8,257	8,257
Listed available-for-sale debt securities	10,483	-	10,483
Listed available-for-sale equity securities	11,512	-	11,512
Trading securities	261,194	-	261,194
	283,189	8,257	291,446

	The Group		
	Level 1 \$'000	Level 2 \$'000	Total \$'000
Recurring fair value measurement at 31 December 2014			
Financial 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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars otherwise indicated)

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments carried at fair value (continued)

During the six months ended 30 June 2015 there were no 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 financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014.

17. MATERIAL RELATED PARTY TRANSACTIONS

The following transactions were carried out with related party, except for disclosed elsewhere in these unaudited condensed consolidated interim financial report:

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Sales of goods to Data Modul AG	13,150	29,134

Data Modul AG 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.

18. COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the Group's financial statements were as follows:

	At	At
	30 June 2015	31 December 2014
	\$'000	\$'000
Contracted for	6,963	9,707
Authorised but not contracted for	45,078	21,531
	52,041	31,238

19. CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of a banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the Directors do not consider it is 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 \$242,188,000 (31 December 2014: \$228,757,000).

20. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 9 July 2015, the Group granted a total of 8,600,000 share options to the eligible persons including its directors and employees, to subscribe for a total of 8,600,000 ordinary shares of \$0.25 each of the Company, exercisable from 1 September 2015 to 31 August 2018. The share options were granted pursuant to the share options scheme adopted by the Company on 3 June 2013. Details are set out in the Company's announcement dated 9 July 2015.

Review Report

Independent review report to the board of directors of Varitronix International Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 16 which comprises the consolidated statement of financial position of Varitronix International Limited as of 30 June 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

10 August 2015

Other Information

INTERIM DIVIDEND

The Board has recommended declaring an interim dividend of 15.0 HK cents (2014: 12.0 HK cents) per share for the six months ended 30 June 2015. The interim dividend will be payable on or around Friday, 2 October 2015 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 September 2015 to Friday, 18 September 2015 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 September 2015.

STAFF

As at 30 June 2015, the Group employed 5,236 staff around the world, of whom 171 were in Hong Kong, 5,024 in the People's Republic of China (the "PRC") and 41 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

The Group adopts a performance-based remuneration policy. Salary adjustments and performance bonuses are based on the evaluation of job performance. The aim is to create an atmosphere that encourages top performers and provides incentives for general employees to improve and excel.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the total equity of the Group was HK\$1,967 million (31 December 2014: HK\$1,792 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.97 as at 30 June 2015 (31 December 2014: 2.87).

At the period end, the Group held a liquid portfolio of HK\$1,172 million (31 December 2014: HK\$783 million) of which HK\$819 million (31 December 2014: HK\$575 million) was in cash and fixed deposits balance and HK\$353 million (31 December 2014: HK\$208 million) in securities. The unsecured interest-bearing bank loans amounted to HK\$242 million (31 December 2014: HK\$229 million). The gearing ratio (bank loans over net assets) was 12% (31 December 2014: 13%).

The Group's inventory turnover ratio (annualized cost of inventories over average inventories balance) for the six months ended 30 June 2015 was 5.0 times (31 December 2014: 4.7 times). Debtor turnover days (trade receivables over turnover times 181) for the six months ended 30 June 2015 was 82 days (31 December 2014: 79 days).

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State dollars, Euros, Japanese Yen and Renminbi.

The Group is 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.

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

As at 30 June 2015, the interests and shorts positions of the Directors and chief executives 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 of Hong Kong Limited (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 kept by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules 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 in controlled corporations	54,651,000 (Note 1)	16.57
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 Information

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

(b) Interests in share options of the Company

Name of Director	Date of grant	Number of share options at 1 January 2015	Number of share options granted during the period	Number of share options exercised during the period	Number of share options at 30 June 2015	Exercisable period	Exercise price per share option	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Ko Chun Shun, Johnson	19 December 2005	3,000,000	-	-	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	N/A
	24 June 2010	1,900,000	-	-	1,900,000	(Note 1)	HK\$2.50	N/A
Tsoi Tong Hoo, Tony (Note 2)	22 July 2005	3,000,000	-	-	3,000,000	22 July 2005 to 21 July 2015	HK\$6.60	N/A
	24 June 2010	1,900,000	-	(1,520,000)	380,000	(Note 1)	HK\$2.50	HK\$5.99
Ho Te Hwai, Cecil	19 December 2005	3,000,000	-	-	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	N/A
	24 June 2010	1,200,000	-	(250,000)	950,000	(Note 1)	HK\$2.50	HK\$6.35
Lo Wing Yan, William	24 June 2010	240,000	-	(160,000)	80,000	(Note 1)	HK\$2.50	HK\$5.25
Chau Shing Yim, David	24 June 2010	160,000	-	-	160,000	(Note 1)	HK\$2.50	N/A
Hou Ziqiang	24 June 2010	400,000	-	-	400,000	(Note 1)	HK\$2.50	N/A

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

3. The above interests represented long positions.

Saved as disclosed above, as at 30 June 2015, none of the Directors, chief executives or any of their associates had any interest or short position 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their spouses or children under the age of 18 to acquire benefits by the means of the acquisition of the 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 30 June 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.

SHARE OPTION SCHEMES

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 could 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 effect for a period of 10 years ending on 2 June 2023. During the six months ended 30 June 2015, no share option was granted under the fourth share option scheme. On 9 July 2015, 8,600,000 share options were granted under the fourth share option scheme.

The Company can grant share options to the Participants for a consideration of HK\$1.0 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.

Other Information

SHARE OPTION SCHEMES (CONTINUED)

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 report, the total number of share options that can be granted was 23,961,520, representing 7.25% of the issued share capital of the Company. The total number of shares available for issue under the share option schemes as at 30 June 2015 represents 5.16% (30 June 2014: 6.69%) of the issued share capital of the Company at that date.

Movements in the Company's share options during the period were as follows:

Date of grant	Number of share options at 1 January 2015	Number of share options granted during the period	Number of share options cancelled/lapsed during the period	Number of share options exercised during the period	Number of share options at 30 June 2015	Exercisable period	Exercise price per share option	Weighted average closing price of share options immediately before the dates on which the share options were exercised
Directors								
22 July 2005	3,000,000	-	-	-	3,000,000	22 July 2005 to 21 July 2015	HK\$6.60	N/A
19 December 2005	6,000,000	-	-	-	6,000,000	19 December 2005 to 18 December 2015	HK\$5.73	N/A
24 June 2010	5,800,000	-	-	(1,930,000)	3,870,000	(Note 1)	HK\$2.50	HK\$5.98
Employees								
24 June 2010	1,000,000	-	-	-	1,000,000	(Note 1)	HK\$2.50	N/A
Others								
19 December 2005 (Note 2)	3,000,000	-	-	-	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	N/A
24 June 2010 (Note 3)	160,000	-	-	-	160,000	(Note 1)	HK\$2.50	N/A
	18,960,000	-	-	(1,930,000)	17,030,000			

Notes:

1. Exercisable period:

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

- 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 reclassified from the category "Directors" to "Others".
- The 160,000 share options, held by a director who resigned in October 2014, were reclassified from the category "Directors" to "Others".
- The consideration for the share options granted was HK\$1.0.
- The above interests represented long positions.

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

Mr. Ko Chun Shun, Johnson, the Director of the Company, resigned as an executive director and the vice chairman of Concord New Energy Group Limited ("Concord"), which is listed on the Main Board of the Stock Exchange, with effect from 19 June 2015.

Ms. Ko Wing Yan, Samantha, the Director of the Company, resigned as a non-executive director of Concord with effect from 19 June 2015.

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 2015.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 June 2015.

All other information on the Code has been disclosed in the corporate governance report contained in the 2014 annual report of the Company issued in March 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. 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

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 and internal control procedures. 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 AC has reviewed the interim results for the six months ended 30 June 2015 of the Company now reported on.

The interim financial report for the six months ended 30 June 2015 has been reviewed by the Company auditors, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Information

REMUNERATION COMMITTEE

The Remuneration Committee of the Company (the “RC”) is responsible for setting and monitoring the remuneration policy for all Directors and senior management of the Group. The RC comprises Dr. Lo Wing Yan, William (Chairman of the RC), Mr. Hou Ziqiang and Mr. Ko Chun Shun, Johnson. Among the 3 members of the RC, 2 members are Independent Non-executive Directors.

NOMINATION COMMITTEE

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

The roles and functions of the NC include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

DIRECTORS

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