VARITRONIX INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 710)

2014 INTERIM RESULTS ANNOUNCEMENT

Chairman's Statement

Financial Highlights

HK$ million	Six months ended 30 June 2014	Six months ended 30 June 2013
Turnover	1,341	1,190
Profit attributable to shareholders	115	101
Basic earnings per share	35.28 HK cents	31.00 HK cents
Interim dividend per share	12.0 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 2014.

During the period under review, the Group recorded turnover of HK$1,341 million, representing a 13% increase from the HK$1,190 million reported for the first half of 2013. Profit from operations was HK$134 million, and profit attributable to shareholders was HK$115 million, both up 14%, as compared to the corresponding period in 2013.

The strong business momentum in the second half of 2013 was carried through to the first quarter of 2014. The Group's performance in the first quarter was satisfactory, but the growth trend weakened in the second quarter. All in all, the business in the first-half period was steady and both the automotive and industrial display businesses recorded growth. The presence of the new production lines also helped to expand the capacity for additional new orders.

The gross profit margin of the Group was 24% in the first-half period of 2014, down slightly compared to that of 2013. The decrease was mainly due to the commencement of depreciation charges and factory overheads during the period. Manufacturers in China face challenges related to rising costs of labour and raw materials, as well as inflation. Management responded to the challenges by optimising production mix, containing labour costs and improving efficiency of automation. We take all of these exercises in stride, in order to maintain a profit margin in an unfavourable environment.

Dividends

The Board of Directors (the “Board”) has recommended an interim dividend of 12.0 HK cents per share (1H 2013: 12.0 HK cents). The payout ratio is 34% (1H 2013: 39%).

Business Review

Automotive Display Business

For the six months ended 30 June 2014, revenue generated by the automotive display business amounted to HK$941 million, representing an increase of 10% as compared with the same period last year. This business generated around 70% of the Group’s total turnover. Of the various automotive display markets, Europe maintained steady performance during the period under review. Despite the fact that there was no clear sign of a strong rebound for the economy in the European region, a moderate growth trend was indicated.

In terms of overall performance, the growth of the automotive display business in Japan and the United States was more significant, as the business base in these two markets is smaller. Given the hard work in the past few years, the Japanese business is now on a growth track, and has started to reap a harvest. In the US, the automotive display business has great market potential and it is worthwhile investing resources to accelerate business development there.

The automotive display business in China has achieved satisfactory growth, though the pace of the domestic economy has slowed slightly. Sales of mid- to high-end cars remained steady as previous orders progressed to mass production in the period under review. The Group’s automotive display business in Korea regained momentum last year, but the development pace in the first half of this year slowed after a period of fast growth. This is the result of cyclical factors and fierce competition.

Industrial Display Business

The industrial display business generated revenue of HK$400 million for the six-month period under review, up 20% as compared with the corresponding period last year. This business contributed approximately 30% of total turnover. The industrial display business experienced a downturn in the first half of 2013 when compared with the same period of 2012; however, starting from the second half of 2013, this business demonstrated great improvement and that momentum was sustained in the first half of this year. In addition to this healthy trend, the expansion of the industrial display sales force added strength to the development of this business, with a notable growth in revenue achieved.

Europe is an important market for our industrial display business. In the beginning of 2014, countries in Europe regained vitality and this is particularly true in the industrial market. The demand for industrial machinery and equipment was thus stimulated, and a significant number of industrial display orders were given the green light to enter the mass run stage.

The US market went through a repositioning to raise the proportion of high value product business last year. Business was temporarily affected during the adjustment period. As the figures for the first-half period showed, however, this region has completed the repositioning exercise and recorded a significant increase in revenue. The sale of displays for medical and industrial equipment was especially encouraging.

Prospects

Automotive Display Business

The global economy moved steadily ahead in the first half of 2014, though falling short of a significant upswing. The European market, which remains the focus of the Group's automotive display business, is expected to drive this business segment steadily forward in the second half of the year.

Within the Group, the US and Japanese automotive markets share common ground as both are important bases of automobile design with strong proprietary brands. And in both markets the Group enjoys considerable room for growth. Japanese clients are known for their rigour and the amount of time they need to accept and adapt to new suppliers. US automotive customers, on the other hand, are known for being innovative and design-oriented. It is anticipated that our US sales team can grow market share by mastering the keys to market access.

The Group remains positive about the Chinese market. China's rapid urbanisation and sustained increases in per capita income benefit the automotive industry. The emerging middle class is also generating a rising demand for cars – a trend that will continue to benefit our automotive display business, which the Group has focused on Sino-foreign joint venture car manufacturers.

In recent years, the Group's automotive display business has experienced fluctuations in South Korea attributable to, among other factors, business cycles, client relationships and quality requirements. What cannot be ignored is the fact that the automotive display business in this market is becoming more competitive than in other regions. In the face of growing competition, the Group will strive to improve production quality for the benefit of customers and avoid entering into a vicious competitive spiral. While this approach may exert downward pressure on turnover in the short term, it is in the interest of healthy development in the longer term.

Looking at the development of the automotive display business over the last few years, we believe that monochrome displays will continue to be widely used in cars. The Group will continue to leverage on our technological edge to maintain our leadership position in this area. At the same time, we have noted the clear trend of high- and mid-end cars switching to TFT displays. This trend presents a business opportunity if we can capitalise on it to support business growth, yet can also be a barrier for the Group's future development if we fail to seize the opportunity.

The highly competitive TFT display market is packed with major multinational corporations. That notwithstanding, Varitronix will take advantage of market niches to expand our business. Varitronix enjoys the advantage of design flexibility that meets the specific needs of our customers. Leveraging on the trust we have secured from customers, we have a greater chance of winning new projects that are challenging in terms of technical design. The Group will endeavour to capture every business opportunity, though the prospects in this area are somewhat uncertain in the midst of a highly competitive environment.

Industrial Display Business

The industrial display business saw good progress in the first half of the year and is expected to develop steadily in the second half. We remain firmly focused on this business segment, which offers the economic benefits of balanced development and shared production resources with the automotive display business.

Europe's economy is back on an even keel and is expected to demonstrate slow and steady growth ahead. Accordingly, the Group has invested more manpower resources in the region, on the basis that a stronger European economy is positive for the Group's business development there.

The industrial display business in the US has performed well. Although economic activity was affected by bad weather in the first quarter, the situation improved in the subsequent quarter. Also, with ageing populations and longer life expectancies in developed countries, displays used in medical products will become a source of growth.

Currently, customers of the industrial display business are concentrated in Europe and the US. Industrial displays typically feature a diversified customer base and relatively lower demand for quality as compared to automotive products. While the Group still enjoys ample room for geographic expansion, we will invest more resources in the hope of building an increasingly larger share of industrial display sales in the next few years.

Conclusion

Whilst there is no tangible sign of substantial growth in terms of revenue in the second-half period based on orders on hand, we nonetheless believe we have the right business strategy in place to address the upcoming challenges and this will show financial rewards in the long run.

In the process of developing the automotive and industrial display business over the past few years, Varitronix has acquired unique skillsets in operation and production, which are geared towards meeting the stringent requirements of customers. We will consider extending our business into the areas of other automotive and industrial components through organic growth or acquisitions.

Acknowledgement

On behalf of the Board, I would like to sincerely thank our customers, employees, suppliers, business partners and shareholders. In appreciation of your support, we will remain committed to developing our business, maintaining its agility and momentum for healthy growth.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 11 August 2014

Consolidated statement of profit or loss
For the six months ended 30 June 2014 – unaudited

	Note	**Six months ended 30 June** **2014** **HK$'000**	2013 HK$'000
Turnover	4	**1,340,528**	1,189,634
Other operating loss	5	**(4,193)**	(20,668)
Change in inventories of finished goods and work in progress		**(42,089)**	6,578
Raw materials and consumables used		**(772,790)**	(740,171)
Staff costs		**(202,018)**	(174,836)
Depreciation		**(53,955)**	(37,604)
Other operating expenses		**(131,487)**	(105,090)
Profit from operations		**133,996**	117,843
Finance costs	6(a)	**(2,477)**	(803)
Share of profits less losses of associates		**4,784**	(1,097)
Profit before taxation	6	**136,303**	115,943
Income tax	7	**(21,035)**	(15,240)
Profit for the period		**115,268**	100,703
Attributable to:			
Equity shareholders of the Company		**115,268**	100,703
Non-controlling interests		**-**	-
Profit for the period		**115,268**	100,703
Earnings per share (in HK cents)	8		
Basic		**35.28**	31.00
Diluted		**34.31**	30.57
Dividends	9		
Interim dividend declared after the end of the reporting period		**39,298**	39,171

Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2014 – unaudited

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit for the period	**115,268**	100,703
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments: net movement in exchange reserve	**(8,486)**	14,456
Available-for-sale securities: net movement in fair value reserve	**33**	339
Other comprehensive income for the period	**(8,453)**	14,795
Total comprehensive income for the period	**106,815**	115,498
Attributable to:		
Equity shareholders of the Company	**106,815**	115,498
Non-controlling interests	**-**	-
Total comprehensive income for the period	**106,815**	115,498

Consolidated statement of financial position
At 30 June 2014– unaudited

	Note	**At 30 June 2014 HK$'000**	At 31 December 2013 HK$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		**521,690**	553,095
- Interest in leasehold land held for own use under operating leases		**12,668**	13,350
		534,358	566,445
Interest in associates		**115,911**	114,247
Loans receivable		**62,000**	62,000
Other financial assets		**29,910**	29,878
Deferred tax assets		**725**	725
		742,904	773,295
Current assets			
Trading securities		**155,479**	141,032
Inventories		**419,325**	464,292
Trade and other receivables	11	**654,594**	657,022
Other financial assets		**16,125**	41,600
Current tax recoverable		**3,544**	3,506
Cash and cash equivalents		**674,533**	555,148
		1,923,600	1,862,600
Current liabilities			
Trade and other payables	12	**429,534**	548,020
Bank loans		**242,471**	243,086
Current tax payable		**60,551**	51,919
Dividends payable		**124,239**	-
		856,795	843,025
Net current assets		**1,066,805**	1,019,575
Total assets less current liabilities		**1,809,709**	1,792,870
Non-current liabilities			
Bank loans		**91,726**	59,147
Deferred tax liabilities		**5,539**	5,539
NET ASSETS		**1,712,444**	1,728,184
CAPITAL AND RESERVES			
Share capital		**81,736**	81,621
Reserves		**1,630,464**	1,646,319
Total equity attributable to equity shareholders of the Company		**1,712,200**	1,727,940
Non-controlling interests		**244**	244
TOTAL EQUITY		**1,712,444**	1,728,184

Notes:

1. Independent review

This interim financial report is unaudited, but has been reviewed by the auditor of the Company, 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board is included in this interim financial report to be sent to shareholders. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

2. 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 HKICPA. It was authorised for issuance on 11 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

3. Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following amendment is relevant to the Group:

- Amendments to HKAS 32 *Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

4. 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.

(i) Group's revenues from external customers

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
The People's Republic of China ("PRC") (place of domicile)	**457,000**	388,827
Europe	**498,693**	452,776
America	**164,398**	124,901
Korea	**113,247**	122,764
Others	**107,190**	100,366
	883,528	800,807
Consolidated turnover	**1,340,528**	1,189,634

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
France	**87,536**	98,663
United Kingdom	**62,904**	53,633
Germany	**57,628**	40,338
Italy	**38,661**	32,050
Other European countries	**251,964**	228,092
	498,693	452,776

(ii) ***Group's specified non-current assets***

	At 30 June	At 31 December
	2014	2013
	HK$'000	HK$'000
The PRC (place of domicile)	**531,537**	563,183
Germany	**110,570**	109,048
Korea	**5,341**	5,199
Others	**2,821**	3,262
	650,269	680,692

5. Other operating loss

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Dividend income from listed equity securities	**-**	2,682
Interest income from listed debt securities	**890**	1,318
Interest income from non-listed debt securities	**87**	986
Other interest income	**811**	396
Net gain on disposal of fixed assets	**-**	65
Impairment loss on non-listed available-for-sale equity securities (Note 10)	**-**	(40,700)
Net realised and unrealised gains/(losses) on trading securities	**9,205**	(3,160)
Net exchange (loss)/gain	**(13,533)**	11,148
Other (loss)/ income	**(1,653)**	6,597
	(4,193)	(20,668)

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**2,477**	2,261
Less: Interest expense capitalised into construction in progress*	**-**	(1,458)
	2,477	803

* During the period ended 30 June 2013, the borrowing costs had been capitalised at a rate of 1.30% - 1.73% per annum.

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
(b) Other items		
Cost of inventories	**1,019,333**	898,246

7. Income Tax

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax	**13,810**	13,273
Current tax - The PRC income taxes	**2,091**	1,646
Current tax - Jurisdictions outside Hong Kong and the PRC	**5,134**	1,526
Deferred taxation	**-**	(1,205)
	21,035	15,240

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 16.5%) to the six months ended 30 June 2014. 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.

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 HK$115,268,000 (2013: HK$100,703,000) and the weighted average number of shares of 326,764,541 shares (2013: 324,814,597 shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2014	2013
Issued ordinary shares at 1 January	**326,485,204**	324,195,204
Effect of share options exercised	**279,337**	619,393
Weighted average number of ordinary shares at 30 June	**326,764,541**	324,814,597

(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 HK$115,268,000 (2013: HK$100,703,000) and the weighted average number of shares of 335,919,378 shares (2013: 329,371,499 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2014	2013
Weighted average number of ordinary shares at 30 June	**326,764,541**	324,814,597
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**9,154,837**	4,556,902
Weighted average number of ordinary shares (diluted) at 30 June	**335,919,378**	329,371,499

9. Dividends

Dividends payable to equity shareholders of the Company attributable to the period

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Interim dividend declared after the end of the reporting period 12.0 HK cents (2013: 12.0 HK cents) per share	**39,298**	39,171

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.

10. Impairment loss on non-listed available-for-sale equity securities

At 30 June 2013, the Group held non-listed available-for-sale equity securities, representing 10.42% equity interest (the “Investment”) in a private company (the “Investee”) which were carried at cost less impairment loss, amounting to HK$77,979,000. During the six months ended 30 June 2013, the Directors became aware that the Investee incurred operating loss which indicated a failure to meet the business forecast for the period. The Directors considered that there was an adverse operating environment against the Investee which indicated that the investment might be impaired. After comparing the carrying amount of the Investment and the estimated future cash flows of the Investment as at 30 June 2013, the Group recognised an impairment loss of HK$40,700,000 at 30 June 2013.

On 31 December 2013, the Group completed a transaction to sell the Investment and recorded a loss on disposal of HK$17,770,000 after comparing the consideration and the carrying amounts of the Investments. The consideration is receivable by instalments which are included in “Loans receivable”.

11. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad debt and doubtful debts of HK$2,109,000 (31 December 2013: HK$2,475,000)) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Within 60 days of the invoice issue date	**431,874**	397,379
61 to 90 days after the invoice issue date	**113,110**	115,501
91 to 120 days after the invoice issue date	**40,911**	58,260
More than 120 days but less than 12 months after the invoice issue date	**19,682**	15,822
	605,577	586,962

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

12. 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 2014 HK$'000	At 31 December 2013 HK$'000
Within 60 days of supplier invoice date	**287,103**	351,786
61 to 120 days after supplier invoice date	**62,767**	92,484
More than 120 days but within 12 months after supplier invoice date	**4,750**	6,920
More than 12 months after supplier invoice date	**728**	1,106
	355,348	452,296

13. Commitments

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

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Contracted for	**15,793**	31,331
Authorised but not contracted for	**23,018**	27,948
	38,811	59,279

14. 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 HK$334,197,000 (31 December 2013: HK$302,233,000).

INTERIM DIVIDEND

The Board has recommended declaring an interim dividend of 12.0 HK cents (2013:12.0 HK cents) per share for the six months ended 30 June 2014. The interim dividend will be payable on or around Friday, 3 October 2014 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 19 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 September 2014 to Friday, 19 September 2014 (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, 12 September 2014.

OTHERS

Staff

As at 30 June 2014, the Group employed 4,990 staff around the world, of whom 172 were in Hong Kong, 4,776 in the People's Republic of China (the "PRC") and 42 were in overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in Hong Kong and the PRC.

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

Liquidity and Financial Resources

As at 30 June 2014, the total equity of the Group was HK$1,712 million (31 December 2013: HK$1,728 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.25 as at 30 June 2014 (31 December 2013: 2.21).

At the period end, the Group held a liquid portfolio of HK$876 million (31 December 2013: HK$768 million) of which HK$675 million (31 December 2013: HK$555 million) was in cash and cash equivalents and HK$201 million (31 December 2013: HK$213 million) in securities. The unsecured interest-bearing bank loans amounted to HK$334 million (31 December 2013: HK$302 million). The gearing ratio (bank loans over net assets) was 20% (31 December 2013: 17%).

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, Renminbi and Korean Won.

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.

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 2014.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company (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 2014.

All other information on the Code has been disclosed in the corporate governance report contained in the 2013 annual report of the Company issued in March 2014.

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

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 2014 of the Company now reported on.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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

Hong Kong, 11 August 2014

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. Yuen Kin and Mr. Ho Te Hwai, Cecil are Executive Directors, and Dr. Lo Wing Yan, William J.P., Mr. Chau Shing Yim, David and Mr. Hou Ziqiang are Independent Non-executive Directors.