



EXPLORING NEW HORIZONS IN THE QUEST FOR EXCELLENCE



INTERIM REPORT 2013
VARITRONIX INTERNATIONAL LIMITED
STOCK CODE 710



FINANCIAL HIGHLIGHTS

HK\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Turnover	1,190	1,060
Profit attributable to shareholders	101	34
Basic earnings per share	31.00 HK cents	10.61 HK cents
Interim dividend per share	12.0 HK cents	8.0 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 2013.

During the period under review, the Group recorded turnover of HK\$1,190 million, representing a 12% increase from the HK\$1,060 million reported for the first half of 2012. Profit from operations was HK\$118 million, and profit attributable to shareholders was HK\$101 million, up 237% and 197% respectively, as compared to the corresponding period in 2012.

The results in the first half of this year followed the trend of the second half of 2012. The automotive display business continued to grow across the different geographical regions. The industrial display business recorded a year-on-year decrease in revenue amid a slow market, especially in Europe and the US. As the automotive display business accounts for 72% of the Group's revenue, the satisfactory progress of this business propelled the Group forward.

The Group's gross profit margin improved from 21.6% to 24.5% during the reporting period. This was attributable mainly to our continued effort to improve production efficiency. During the period, we continued to adopt automated equipment, improve the manufacturing process, design and produce high value products, and manage our labour resources in an efficient manner. At the same time, the depreciation of the Japanese yen during the period lowered the cost of certain raw materials sourced from Japan. All of these factors combined to achieve the improved profit margin.

The Group's increased production capacity did not make a meaningful contribution to the first half results. Given the stable progress of the trial production run, the Group is confident that the benefits of the new production lines will be reflected in the second half of this year.

DIVIDENDS

The Board of Directors (the "Board") has recommended an interim dividend of 12.0 HK cents per share (1H 2012: 8.0 HK cents). The payout ratio is 39% (1H 2012: 75%).



BUSINESS REVIEW

Automotive Display Business

For the six months ended 30 June 2013, revenue generated by the automotive display business amounted to HK\$857 million, representing an increase of 29% as compared with the same period last year. The automotive display business in Europe continued its good performance from the second half of 2012, making a positive impact on the overall results. Moreover, some of the TFT display orders reached the mass production stage in the period under review, and contributed to the automotive display revenue growth.

For the automotive display business in Korea, we have strengthened resources in customer support and quality control. After several years of rebuilding, the business in Korea has now regained its momentum and recorded increased revenue as compared to the same period of last year.

In China, even though overall economic growth slowed, the automotive market managed to continue to grow. In this region, we have positioned ourselves in joint venture branded cars, which typically sell at a higher price. In past years, we have benefited from the growth of the high end segment. Against a backdrop of stable demand, we have achieved satisfactory growth.

Industrial Display Business

The industrial display business generated revenue of HK\$333 million for the six-month period under review, down 16% as compared with the corresponding period last year. This business amounted to 28% of total turnover.

The industrial display market in Europe was negatively impacted by the slowing economy in the region. Several major customers postponed orders. This affected the performance of the Group's industrial display business and a drop in revenue was recorded.

The Group's US market mainly focuses on the industrial display business. During the period under review, we continued our repositioning effort to broaden our product range to include more high value products with an aim of increasing gross margin. During the repositioning process, revenue growth in the US may be unstable. However, in the long run, we believe the repositioning will further diversify our customer base and solidify our business foundation for future growth.

PROSPECTS

The European economy is still in an uncertain state. Sales of low cost cars in the region have not been satisfactory, and a sustained recovery is not in sight. As Varitronix has a wide customer base in Europe, we have achieved growth even in a slow market. In particular, the high end car market in Europe continues to grow, with strong export sales to developing countries. Therefore, we expect the Group's automotive display business in Europe, and TFT automotive display sales in particular, will continue to experience growth, although we do not expect broad-based economic recovery in Europe. At the same time, our sales team in Europe will closely monitor the market situation and render a timely response, should market conditions change.

In Asia, it is expected that the South Korean and China markets will continue to grow. As the Group's business in South Korea is back on a rising track, it will continue to contribute to the Group's bottom line. In China, the Group started its business on a small scale a few years ago and now we have established a firm footing among target customers. In the first half of the year, business development continued to be satisfactory. After many years of rapid growth, our business in China has reached a significant size. While we believe there is still room for growth in the region, the growth rate will become more moderate. The Group will continue to focus on the mid to high end segment in China.

The industrial display business development was constrained by the unstable economy in Europe, and performance was adversely affected in the first half. We believe that demand will resume when stock levels decrease after a phase of consolidation. The Group's sales in the second half are poised to improve as a result. We also aim to expand the business frontier with our touch panel technology.

As mentioned previously, the key business in the United States is the sale of industrial displays, and we are going through a repositioning process. The Group will concentrate its resources on developing the medical and industrial equipment segments. Effort will be put into the promotion of more sophisticated and high-value products in order to build a more sustainable customer base. As the US economy is expected to improve, we believe our business in the US will also grow with the overall market.

CONCLUSION

In the first half of this year, the Group was benefited by improved production efficiency and business development. Looking forward, the Group will continue to optimise its production process in order to combat the environment of rising costs.

As the Group purchases significant amounts of raw materials from Japan, the recent depreciation of the Japanese yen has been beneficial to the Group's results. However, it is difficult to predict future currency movements.

The Group began construction of new production lines in Heyuan, Guangdong last year, and the expansion program has been completed. Since the beginning of 2013, we have begun trial production runs. The team responsible for the new production lines needed to deal with issues arising from infrastructure, government approvals, production allocation, quality verification, human resources deployment and training. We are pleased to report that the trial production process has been smooth. We have confidence that the new production lines will be able to operate fully by the end of this year, thus creating extra capacity for new orders and leading to further revenue growth.



Business in Europe contributed approximately half of the Group's overall revenue. In spite of the unstable economic situation in Europe in the first half, the Group was able to achieve satisfactory results. Should Europe's economy begin to recover, we will be in a position to benefit. The development lead time of the automotive display business is long. Hence, our business possesses a certain degree of visibility. We are confident that our favourable results can be maintained throughout the second half of this year and even into the first half of 2014 for the following reasons: (1) business growth is expected to continue; (2) extra capacity is in place for new orders; (3) gross margin is expected to continue to improve.

ACKNOWLEDGEMENT

Thanks to the hard work and valuable contribution by my colleagues, I am grateful for the promising results achieved. I am also thankful to our customers, business partners and shareholders. Your support will enable us to reach new horizons.

Ko Chun Shun, Johnson

Chairman

Hong Kong, 9 August 2013



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Turnover	3	1,189,634	1,059,858
Other operating loss	4	(20,668)	(39,350)
Change in inventories of finished goods and work in progress		6,578	(32,572)
Raw materials and consumables used		(740,171)	(650,482)
Staff costs		(174,836)	(152,905)
Depreciation		(37,604)	(37,213)
Other operating expenses		(105,090)	(112,231)
Profit from operations		117,843	35,105
Finance costs	5(a)	(803)	(1,496)
Share of profits less losses of associates		(1,097)	6,643
Profit before taxation	5	115,943	40,252
Income tax	6	(15,240)	(5,862)
Profit for the period		100,703	34,390
Attributable to:			
Equity shareholders of the Company		100,703	34,390
Non-controlling interests		-	-
Profit for the period		100,703	34,390

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Earnings per share (in HK cents)	8		
Basic		31.00 cents	10.61 cents
Diluted		30.57 cents	10.53 cents

The notes on pages 10 to 20 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 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Profit for the period		100,703	34,390
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: exchange differences on translation of financial statements of operations outside Hong Kong		14,456	1,423
Available-for-sale securities: changes in fair value recognised during the period		339	634
Other comprehensive income for the period		14,795	2,057
Total comprehensive income for the period		115,498	36,447

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Attributable to:			
Equity shareholders of the Company		115,498	36,447
Non-controlling interests		-	-
Total comprehensive income for the period		115,498	36,447

The notes on pages 10 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

		At 30 June 2013	At 31 December 2012
	Note	\$'000	\$'000
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		520,698	504,459
– Interest in leasehold land held for own use under operating leases		13,514	13,667
		534,212	518,126
Interest in associates		108,278	113,917
Loans receivable		–	82,848
Other financial assets		66,558	131,719
Deferred tax assets		479	479
		709,527	847,089
Current assets			
Trading securities		133,916	107,578
Inventories	11	403,174	367,450
Trade and other receivables	12	647,802	527,444
Other financial assets		43,470	–
Current tax recoverable		4,175	1,650
Cash and cash equivalents	13	486,951	464,178
		1,719,488	1,468,300

		At 30 June 2013	At 31 December 2012
	Note	\$'000	\$'000
Current liabilities			
Trade and other payables	14	454,968	437,405
Bank loans		166,520	188,217
Current tax payable		21,349	8,745
Dividends payable		65,143	–
		707,980	634,367
Net current assets		1,011,508	833,933
Total assets less current liabilities		1,721,035	1,681,022
Non-current liabilities			
Other payables		1,134	1,116
Bank loans		115,503	129,304
Deferred tax liabilities		329	1,534
NET ASSETS		1,604,069	1,549,068
CAPITAL AND RESERVES			
Share capital	15	81,429	81,049
Reserves		1,522,396	1,467,775
Total equity attributable to equity shareholders of the Company		1,603,825	1,548,824
Non-controlling interests		244	244
TOTAL EQUITY		1,604,069	1,549,068

The notes on pages 10 to 20 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Fair value reserve	Capital reserve	Other reserves	Retained profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2012	81,036	697,582	65,263	8,868	17,030	(2,345)	568,261	1,435,695	244	1,435,939
Changes in equity for 2012:										
Profit for the period	-	-	-	-	-	-	34,390	34,390	-	34,390
Other comprehensive income	-	-	1,423	634	-	-	-	2,057	-	2,057
Total comprehensive income	-	-	1,423	634	-	-	34,390	36,447	-	36,447
Issue of shares upon exercise of share options	13	157	-	-	(45)	-	-	125	-	125
Equity settled share-based transactions	-	-	-	-	1,365	-	-	1,365	-	1,365
Dividends approved in respect of the previous year	-	-	-	-	-	-	(50,250)	(50,250)	-	(50,250)
Balance at 30 June 2012	81,049	697,739	66,686	9,502	18,350	(2,345)	552,401	1,423,382	244	1,423,626

	Attributable to shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Fair value reserve	Capital reserve	Other reserves	Retained profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2013	81,049	697,739	76,391	13,868	19,212	2,165	658,400	1,548,824	244	1,549,068
Changes in equity for 2013:										
Profit for the period	-	-	-	-	-	-	100,703	100,703	-	100,703
Other comprehensive income	-	-	14,456	339	-	-	-	14,795	-	14,795
Total comprehensive income	-	-	14,456	339	-	-	100,703	115,498	-	115,498
Issue of shares upon exercise of share options	380	4,782	-	-	(1,362)	-	-	3,800	-	3,800
Equity settled share-based transactions	-	-	-	-	846	-	-	846	-	846
Dividends approved in respect of the previous year	-	-	-	-	-	-	(65,143)	(65,143)	-	(65,143)
Balance at 30 June 2013	81,429	702,521	90,847	14,207	18,696	2,165	693,960	1,603,825	244	1,604,069

The notes on pages 10 to 20 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Cash generated from operations	141,493	49,582
Tax paid		
– Hong Kong Profits Tax paid	–	(2,640)
– People's Republic of China ("PRC") income taxes paid	(2,097)	(1,314)
– Tax paid in respect of jurisdictions outside Hong Kong and the PRC	(4,269)	(1,222)
Net cash generated from operating activities	135,127	44,406
Net cash used in investing activities	(86,476)	(31,467)
Net cash (used in)/generated from financing activities	(29,156)	106,934
Net increase in cash and cash equivalents	19,495	119,873
Cash and cash equivalents at 1 January	464,178	391,479
Effect of foreign exchange rates changes	3,278	(936)
Cash and cash equivalents at 30 June	486,951	510,416

The notes on pages 10 to 20 form part of this interim financial report.



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, 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 9 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

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 2012 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 21.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Amendments to HKFRS 7 – *Disclosures – 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 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 16. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.



2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

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.

(i) Group's revenue from external customers

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Europe	452,776	413,422
Hong Kong and the PRC (place of domicile)	388,827	312,839
America	124,901	147,382
Korea	122,764	122,838
Others	100,366	63,377
Consolidated turnover	1,189,634	1,059,858



3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Geographic information (continued)

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

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
France	98,663	102,304
United Kingdom	53,633	40,516
Germany	40,338	54,485
Italy	32,050	33,148
Other European countries	228,092	182,969
	452,776	413,422

(ii) Group's specified non-current assets

	At 30	At 31
	June	December
	2013	2012
	\$'000	\$'000
Hong Kong and the PRC (place of domicile)	531,008	514,910
Germany	103,936	109,481
Korea	4,342	4,436
Others	3,204	3,216
	642,490	632,043

4. OTHER OPERATING LOSS

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Dividend income from listed equity securities	2,682	198
Interest income from listed debt securities	1,318	932
Interest income from non-listed debt securities	986	1,350
Other interest income	396	699
Net gain/(loss) on disposal of fixed assets	65	(325)
Impairment loss on non-listed available-for-sale equity securities (note 10)	(40,700)	(40,000)
Net realised and unrealised losses on trading securities	(3,160)	(9,698)
Net exchange gain	11,148	3,703
Other income	6,597	3,791
	(20,668)	(39,350)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	2,261	1,496
Less: Interest expense capitalised into construction in progress*	(1,458)	-
	803	1,496

* The borrowing costs have been capitalised at a rate of 1.30% – 1.73% per annum (2012: Nil).

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
(b) Other item		
Cost of inventories	898,246	830,496

6. INCOME TAX

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Current tax – Hong Kong Profits Tax	13,273	363
Current tax – The PRC income taxes	1,646	982
Current tax – Jurisdictions outside Hong Kong and the PRC	1,526	4,517
Deferred taxation	(1,205)	-
	15,240	5,862

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 June 2013. 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 are no tax effects in respect of reclassification adjustments relating to the components of other comprehensive income during the periods ended 30 June 2013 and 2012.

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 \$100,703,000 (2012: \$34,390,000) and the weighted average number of shares of 324,814,597 shares (2012: 324,171,578 shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2013	2012
Issued ordinary shares at 1 January	324,195,204	324,145,204
Effect of share options exercised	619,393	26,374
Weighted average number of ordinary shares at 30 June	324,814,597	324,171,578

(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 \$100,703,000 (2012: \$34,390,000) and the weighted average number of shares of 329,371,499 shares (2012: 326,503,286 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares at 30 June	324,814,597	324,171,578
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	4,556,902	2,331,708
Weighted average number of ordinary shares (diluted) at 30 June	329,371,499	326,503,286

9. FIXED ASSETS

During the six months ended 30 June 2013, the Group acquired items of fixed assets with a cost of \$46,940,000 (six months ended 30 June 2012: \$52,765,000). Items of fixed assets with a net book value of \$Nil was disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: \$537,000).

10. IMPAIRMENT LOSS ON NON-LISTED AVAILABLE-FOR-SALE EQUITY SECURITIES

During the six months ended 30 June 2013, the Group held non-listed available-for-sale equity securities, which are carried at cost less impairment loss, amounting to \$77,979,000, representing 10.42% equity interest (the “Investment”) in a private company (the “Investee”). At the end of each reporting period, the Investment is reviewed to determine whether there is objective evidence of impairment. When preparing the interim financial report for the six months ended 30 June 2013, the Directors of the Company (the “Directors”) became aware that the Investee continued to incur operating losses and failed to meet the business forecast for the period. The Directors considered that there exists indication that the Investment may be further impaired. In view of this, the Directors has engaged a professional appraiser to estimate the future cash flows based on the revised business plan of the Investee, discounted at the current market rate of return for a similar financial asset (the “Estimated Future Cash Flows”). After comparing the carrying amount of the Investment and the Estimated Future Cash Flows of \$37,279,000, the Directors determined that it is appropriate to recognise an additional impairment loss of \$40,700,000 against the Investment at 30 June 2013. The impairment on other non-current financial assets carried at cost is not reversed.

An impairment loss of \$40,000,000 on the Investment was recognised during the six months ended 30 June 2012.

11. INVENTORIES

During the six months ended 30 June 2013, \$Nil (2012: \$Nil) has been recognised as an inventory write-down in the profit or loss during the periods and \$7,380,000 (2012: \$10,713,000), being the amount of reversal of a write-down of inventories to estimated net realisable value, has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the periods. 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 \$2,615,000 (31 December 2012: \$2,475,000)) with the following ageing analysis as of the end of the reporting period:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Within 60 days of the invoice issue date	384,348	348,397
61 to 90 days after the invoice issue date	89,057	75,333
91 to 120 days after the invoice issue date	29,765	27,836
More than 120 days but less than 12 months after the invoice issue date	18,694	13,128
	521,864	464,694

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



12. TRADE AND OTHER

RECEIVABLES (CONTINUED)

Loans receivable of \$79,790,000 has been reclassified from non-current to current due to an extension of maturity to November 2013.

13. CASH AND CASH EQUIVALENTS

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Deposits with banks and other financial institutions	79,785	83,110
Cash at bank and in hand	407,166	381,068
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	486,951	464,178

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 2013 \$'000	At 31 December 2012 \$'000
Within 60 days of supplier invoice date	275,461	254,039
61 to 120 days after supplier invoice date	119,019	63,079
More than 120 days but within 12 months after supplier invoice date	6,507	3,630
More than 12 months after supplier invoice date	446	323
	401,433	321,071

15. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Interim dividend declared after the end of the reporting period 12.0 cents (2012: 8.0 cents) per share	39,151	25,936

(b) Equity settled share-based transactions

During the six months ended 30 June 2013, options have been exercised to subscribe for 1,520,000 ordinary shares (2012: 50,000 ordinary shares) in the Company at a consideration of \$3,800,000 (2012: \$125,000) of which \$380,000 (2012: \$13,000) was credited to share capital and the balance of \$3,420,000 (2012: \$112,000) was credited to the share premium amount. \$1,362,000 (2012: \$45,000) has been transferred from the capital reserve to the share premium account.

There were 100,000 options forfeited during the period ended 30 June 2013 (2012: Nil).

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

(i) Fair value hierarchy

	The Group		
	Level 1 \$'000	Level 2 \$'000	Total \$'000
Recurring fair value measurement at 30 June 2013			
Financial assets			
Non-listed available-for-sale mutual funds	-	6,392	6,392
Listed available-for-sale debt securities	9,432	-	9,432
Listed available-for-sale equity securities	13,455	-	13,455
Trading securities	133,916	-	133,916
	156,803	6,392	163,195

	The Group		
	Level 1 \$'000	Level 2 \$'000	Total \$'000
Recurring fair value measurement at 31 December 2012			
Financial assets			
Non-listed available-for-sale mutual funds	-	6,556	6,556
Listed available-for-sale debt securities	8,712	-	8,712
Listed available-for-sale equity securities	13,672	-	13,672
Trading securities	107,578	-	107,578
	129,962	6,556	136,518

During the six months ended 30 June 2013 there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of non-listed available-for-sale mutual funds investments in Level 2 is determined by using the realisable market value at the end of the reporting period reported by the fund manager.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2013 and 31 December 2012 except as follows:

	30 June 2013		31 December 2012	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
The Group				
Held-to-maturity debt securities	25,200	23,586	24,800	21,018



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	
	2013	2012
	\$'000	\$'000
Sales of goods to Data Modul AG	22,320	31,403

Data Modul AG is an associate of the Group. 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 30	At 31
	June	December
	2013	2012
	\$'000	\$'000
Contracted for	28,484	87,506
Authorised but not contracted for	116	5,639
	28,600	93,145

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 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 \$282,023,000 (31 December 2012: \$317,521,000).



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 5 to 20 which comprises the consolidated statement of financial position of Varitronix International Limited as of 30 June 2013 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.

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 2013 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

9 August 2013



INTERIM DIVIDEND

The Board has recommended declaring an interim dividend of 12.0 HK cents (2012: 8.0 HK cents) per share for the six months ended 30 June 2013. The interim dividend will be payable on or around Friday, 4 October 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 19 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2013 to Thursday, 19 September 2013 (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, 13 September 2013.

STAFF

As at 30 June 2013, the Group employed 4,680 staff around the world, of whom 172 were in Hong Kong, 4,466 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 2013, the total equity of the Group was HK\$1,604 million (31 December 2012: HK\$1,549 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.43 as at 30 June 2013 (31 December 2012: 2.31).

At the period end, the Group held a liquid portfolio of HK\$668 million (31 December 2012: HK\$601 million) of which HK\$487 million (31 December 2012: HK\$464 million) was in cash and cash equivalents and HK\$181 million (31 December 2012: HK\$137 million) in securities. The unsecured interest-bearing bank loans amounted to HK\$282 million (31 December 2012: HK\$318 million). The gearing ratio (bank loans over net assets) was 18% (31 December 2012: 20%).

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.

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

As at 30 June 2013, 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 (Notes)	16.78

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.



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 2013	Number of share options granted during the period	Number of share options exercised during the period	Number of share options at 30 June 2013	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	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	-	-	1,900,000	(Note 1)	HK\$2.50	N/A
Yuen Kin	24 June 2010	800,000	-	(320,000)	480,000	(Note 1)	HK\$2.50	HK\$5.12
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	-	-	1,200,000	(Note 1)	HK\$2.50	N/A
Lo Wing Yan, William	24 June 2010	400,000	-	(160,000)	240,000	(Note 1)	HK\$2.50	HK\$6.95
Chau Shing Yim, David	24 June 2010	400,000	-	-	400,000	(Note 1)	HK\$2.50	N/A
Hou Ziqiang	24 June 2010	400,000	-	-	400,000	(Note 1)	HK\$2.50	N/A

Notes:

- 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.
- The above interests represented long positions.

Saved as disclosed above, as at 30 June 2013, 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 2013 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 2013, other than the interests disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above in respect of Mr. Ko Chun Shun, Johnson and Rockstead Technology Limited, 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 "Participates"). 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 Participates. The third share option scheme limit was subsequently refreshed by a resolution passed at the annual general meeting held on 2 June 2010. The maximum number of share options that can be granted by the Company was refreshed to 32,342,220 share options. This scheme expired on 11 May 2013.

A fourth Share Option Scheme of the Company was adopted on 3 June 2013. It shall be valid and effect for a period of 10 years ending on 2 June 2023, after which no further share options will be granted.

The Company can grant share options to the Participates for a consideration of HK\$1.0 for each grant payable by the Participates. 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.



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 Participate, 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 32,561,520, representing 9.98% 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 2013 represents 7.14% (2012: 8.01%) 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 2013	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 2013	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	7,000,000	-	-	(480,000)	6,520,000	(Note 1)	HK\$2.50	HK\$5.73
Employees (Note 2)								
6 October 2003	83,500	-	-	-	83,500	6 October 2003 to 5 October 2013	HK\$7.35	N/A
20 December 2004	194,000	-	-	-	194,000	20 December 2004 to 19 December 2014	HK\$7.50	N/A
24 June 2010	3,760,000	-	(100,000) (Note 3)	(1,040,000)	2,620,000	(Note 1)	HK\$2.50	HK\$5.37
Others (Note 2)								
6 October 2003	42,500	-	-	-	42,500	6 October 2003 to 5 October 2013	HK\$7.35	N/A
20 December 2004	1,500,000	-	-	-	1,500,000	20 December 2004 to 19 December 2014	HK\$7.50	N/A
21 December 2004	300,000	-	-	-	300,000	21 December 2004 to 20 December 2014	HK\$7.45	N/A
19 December 2005	3,000,000	-	-	-	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	N/A
	24,880,000	-	(100,000)	(1,520,000)	23,260,000			

SHARE OPTION SCHEMES (CONTINUED)

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. Dr. Chang Chu Cheng (“Dr. Chang”) retired as Director and become Honorary Chairman on 11 June 2007. The 3,300,000 share options held by Dr. Chang were retained until the end of the expiry of the respective exercisable periods of the share options, and reclassified from the category “Directors” to “Others”.
An Employee became the financial advisor of the Company with effect from 9 April 2008. The 1,542,500 share options held by the financial advisor were retained until the end of the expiry of the respective exercisable periods of the share options, and reclassified from the category “Employees” to “Others”.
3. The share options are lapsed.
4. The consideration for the share options granted was HK\$1.0.
5. The above interests represented long positions.

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 2013.

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 2013.

All other information on the Code has been disclosed in the corporate governance report contained in the 2012 annual report of the Company issued in March 2013.

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 2013 of the Company now reported on.

The interim financial report for the six months ended 30 June 2013 have 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.

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 seven Directors, of which Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony, Mr. Yuen Kin 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.