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**VARITRONIX**

**VARITRONIX INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 710)**

**2012 FINAL RESULTS ANNOUNCEMENT**

**CHAIRMAN'S STATEMENT**

**Highlights**

<b>HK\$ million</b>	<b>2012</b>	<b>2011</b>
Turnover	2,222	2,131
EBITDA	279	292
Profit attributable to shareholders	171	168
Cash balance	464	391
Basic earnings per share	52.7 HK cents	51.9 HK cents
Total dividend per share	28.0 HK cents	26.5 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 year ended 31 December 2012.

During the year under review, turnover of HK\$2,222 million was recorded, representing an increase of 4% as compared to HK\$2,131 million in 2011. EBITDA was HK\$279 million, around 4% lower than the HK\$292 million recorded in the previous year. Profit attributable to shareholders was HK\$171 million, compared to HK\$168 million in 2011.

Turnover for 2012 can be assessed in two stages with differing trends. In the first half of the year, the business progress was slow and this cast a negative impact on the financial performance, while in the second half of 2012, production orders increased and helped us to achieve a higher total turnover than in 2011. In terms of geographical allocation, Europe contributed around 39%, the PRC and Hong Kong came second, contributing around 30%. The remaining portion was generated from a combination of the America and other regions.

As at 31 December 2012, the cash balance of the Group was HK\$464 million, increased 19 % from HK\$391 million at the end of 2011.

## **Dividends**

The Board of Directors (the “Board”) has recommended a final dividend of 20.0 HK cents per share (2011: 15.5 HK cents). Together with the interim dividend of 8.0 HK cents (2011: 11.0 HK cents), the total dividend for 2012 amounted to 28.0 HK cents per share (2011: 26.5 HK cents), representing a dividend payout ratio of 53% (2011: 51%).

This year’s level of dividend payment reflects our strong cash flow position. Capital investment in new plant construction in 2012 notwithstanding, the dividend payout ratio increased compared to last year.

## **Business Review**

### Automotive Display Business

Revenue from the Group’s automotive display business was HK\$1,404 million, representing an increase of 16% as compared to 2011. The automotive display business generated 63% of the Group’s total turnover. Europe is still the largest automotive display market for the Group.

Turnover from the automotive display business increased markedly in the second half of 2012 as compared to the first half of the year. As well as orders from the European region, there were additional increases in orders from Korea, the United States and some developing regions such as Brazil and India.

The automotive display business in South Korea experienced a drop in 2011 under intensified competition. However, the situation improved and we managed to regain a slight growth in business in 2012. This was mainly attributable to improved product quality and customer service standards.

In the PRC, the automotive display business developed rapidly during the year under review. It is now an important market for the Group. In the past, the Group invested resources in developing the Japan market and we started to reap some rewards in 2012. The Group has gradually adapted to the Japanese operating style and we successfully gained trust from this particular group of customers.

In 2012, the Group started mass production for the Thin Film Transistor (TFT) display products that are designed for automobiles. This is a milestone signifying the beginning of meaningful contribution from TFT orders for our automotive business.

### Industrial Display Business

Turnover from the industrial display business was HK\$818 million, representing an 11% decrease as compared to 2011. This business contributed 37% of total turnover. Europe and the America are the key markets for this business.

In Europe, the Group’s displays are mostly applied in electricity meters, industrial equipment and white goods. The demand is usually stable. Nevertheless, the debt crisis in the Eurozone weakened consumer appetite, and signs of economic slowdown appeared in some countries in 2012. The situation negatively affected the industrial display business of the Group. Reinforced by our long operating history in Europe and deep understanding of it, the Group is still optimistic and regards it as a market with sustainable value.

Business in the America was stable. Our customer base in the country is wide and diversified, mainly covering the categories of industrial equipment, electricity meters and medical products. During the year under review, orders for meter displays increased. In addition, orders for medical products have increased substantially in recent years. There remains ample development space for this business.

## **Business Outlook**

### Automotive Display Business

It is estimated that the automotive display business will achieve satisfactory growth in 2013. On one hand, this is because the scale of the automotive display market will further expand, thus creating more business opportunities for the Group. On the other hand, the Group is now one of the leading automotive display suppliers, and has invested resources in developing displays with more advanced functionality. This will ultimately increase the average selling price of our products and hence generate more revenue.

Europe is currently our key automotive display market, and it will continue to play an important role. In the coming year, some automotive projects in the America will mature and start to contribute revenue for the Group.

In Asia, the PRC will still be the fastest growing market. The Group's products are mostly applied in joint venture branded cars. According to the consumer pattern in the past one to two years, jointly branded cars are more popular among users. The Group's strategy of focusing on the mid to high-end automobile segment is appropriate, and we will benefit from our customers' business growth.

In South Korea, the Group has successfully strengthened its customer base and further business development is anticipated in that market in the future. In Japan, we have tuned our product quality specifications to align with local customers' standards and the situation in that market is favourable for a rise in order quantity.

### Industrial Display Business

The industrial display business will develop steadily in 2013. Though news about the debt crisis in Europe will still be topical from time to time, market response towards such news is not as sensitive as before. We believe the worst situation has passed. The priority of the European governments is to stimulate consumption and improve exports so as to strengthen each economy as soon as possible. The Group will remain vigilant to this environment and take action at the right time, with an aim to put our industrial business back on the rising track.

The industrial display business in the America will continue to grow at a steady pace. Some newly developed projects will reach mass production stage in 2013 and contribute to revenue growth. The Group intends to expand its customer network by dedicating more resources to untapped states in the US.

### TFT Display Business

The Group's TFT business is focused on automotive applications. The TFT market is more competitive than the market for monochrome display products as there are more active players. By capitalising on its strengths, the Group is committed to expanding its presence in the more sophisticated product segments. Reflecting the effectiveness of this strategy, TFT orders have continued to increase and mass production will start for a number of projects in the coming years, which will bring more meaningful contribution to the automotive business.

### Touch-panel Display Business

In early 2012 the Group set up a dedicated unit to develop the touch-panel display business. Within a year, progress has been achieved and new orders received. Through its exploratory efforts, the Group concludes that its product design and production capability is well suited for industrial applications.

Currently, industrial application of touch panels is rather limited. However, the use of touch panels is expected to increase, driven by the growing popularity of smartphones and other devices. While the order size for touch panels in industrial equipment is small, quality expectations are high and products must be made-to-order. This is an area where the Group can make the most of its operating model and tap into the tremendous growth potential of the industrial market.

The Group can provide customers with a one-stop solution that combines design, optical bonding and production. Together with the Group's development of unique features especially for industrial applications, we can offer more practical display solutions and thus generate more demand.

## **Operating Strategy**

The automotive display business accounted for over 60% of the Group's total turnover in 2012, and the proportion is expected to increase in the future. The continued expansion of the automotive business is interactively linked to the Group's internal operating model and competitive advantages. This means that Varitronix must continue to sharpen its competitive edge in order to solidify its leading position in the automotive display market.

LCDs are high precision instruments with high customer dependency, and the level of LCD technology continues to advance. To consolidate the Group's market position in the automotive market, attention must be focused on three important areas: 1) ensuring stable quality levels, 2) improving service standards, including sales, and the ability to deal with product quality issues, and 3) fostering a relationship of mutual trust with customers.

## **Prospects**

With the continuing expansion of monochrome display applications in the automotive and industrial sectors, we can see more scope for growth in this market. Supported by new product development, enhanced product features, improved quality and services tailored to customer specifications, the Group will be able to create higher product value and command higher average selling prices. Our competitive advantages are strong, thus reinforcing the Group's leading position in the high-end monochrome display market.

Over the last few years, we have been improving our internal processes and lowering operating costs to raise productivity. With all the right conditions like capital and business opportunities firmly in place, a close examination of the business environment has led us to believe that now is the most opportune time to gain capacity expansion by means of capital investment, with an aim of increasing productivity. In this way we will be well positioned to capitalise on business opportunities, and further expand our market share in the monochrome display products sector in particular.

With productivity enhancement as our mission, management is placing high hopes on the new plant, which will come into operation in phases during 2013. We will make sure that the operating processes, hierarchy and manpower are streamlined and effective, and that productivity levels are maintained at a high standard. With higher productivity and lower costs, the Group's profit potential can be enhanced.

At the same time, as users require displays to show more information, the design of display products will become more complex. The Group is prepared to invest more resources and leverage on our strengths to develop our TFT and touch panel businesses, targeting high-end customers. We hope to see these businesses becoming a major source of income for the Group.

## **Acknowledgements**

I would like to take this opportunity to thank all members of staff for your hard work over the past year. Your efforts have given Varitronix the ability to explore new horizons and to quest for expansion in production and market coverage. In addition, I would like to convey my appreciation to all shareholders, customers and business partners. May we work together to achieve business excellence in the coming year!

**Ko Chun Shun, Johnson**  
**Chairman**

**Hong Kong, 22 March 2013**

**Consolidated income statement**  
*For the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> <b>HK\$'000</b>	<i>2011</i> <b>HK\$'000</b>
<b>Turnover</b>	3	<b>2,222,380</b>	2,131,410
Other operating income	4	<b>33,492</b>	23,483
Change in inventories of finished goods and work in progress		<b>(6,855)</b>	25,519
Raw materials and consumables used		<b>(1,416,377)</b>	(1,366,117)
Staff costs		<b>(332,940)</b>	(312,027)
Depreciation		<b>(86,528)</b>	(95,135)
Other operating expenses		<b>(229,642)</b>	(219,268)
Profit from operations		<b>183,530</b>	187,865
Finance costs	5(a)	<b>(2,096)</b>	(1,754)
Share of profits less losses of associates		<b>9,341</b>	8,932
Profit before taxation	5	<b>190,775</b>	195,043
Income tax	6	<b>(19,940)</b>	(27,016)
<b>Profit for the year</b>		<b>170,835</b>	168,027
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>170,835</b>	168,027
Non-controlling interests		<b>-</b>	-
<b>Profit for the year</b>		<b>170,835</b>	168,027
<b>Dividends</b>	7		
Interim dividend declared during the year		<b>25,936</b>	35,656
Final dividend proposed after the end of the reporting period		<b>64,885</b>	50,250
		<b>90,821</b>	85,906
<b>Earnings per share ( in HK cents)</b>	8		
Basic		<b>52.7 cents</b>	51.9 cents
Diluted		<b>52.4 cents</b>	51.3 cents

**Consolidated statement of comprehensive income**  
*For the year ended 31 December 2012*

	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> <b>HK\$'000</b>
<b>Profit for the year</b>	<b>170,835</b>	168,027
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Foreign currency translation adjustments: net movement in the exchange reserve	<b>11,128</b>	15,167
Available-for-sale securities: net movement in the fair value reserve	<b>5,000</b>	(5,797)
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>186,963</b>	177,397
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>186,963</b>	177,397
Non-controlling interests	<b>-</b>	-
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>186,963</b>	177,397
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**Consolidated statement of financial position**

At 31 December 2012

	<i>Note</i>	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		<b>504,459</b>	264,723
- Interest in leasehold land held for own use under operating leases		<b>13,667</b>	14,284
		<b>518,126</b>	279,007
Interest in associates		<b>113,917</b>	107,673
Loans receivable		<b>82,848</b>	71,918
Other financial assets	9	<b>131,719</b>	203,519
Deferred tax assets		<b>479</b>	237
		<b>847,089</b>	662,354
<b>Current assets</b>			
Trading securities		<b>107,578</b>	138,516
Inventories		<b>367,450</b>	335,675
Trade and other receivables	10	<b>527,444</b>	437,611
Current tax recoverable		<b>1,650</b>	2,845
Cash and cash equivalents		<b>464,178</b>	391,479
		<b>1,468,300</b>	1,306,126
<b>Current liabilities</b>			
Trade and other payables	11	<b>437,405</b>	363,751
Bank loans		<b>188,217</b>	153,511
Current tax payable		<b>8,745</b>	12,910
		<b>634,367</b>	530,172
<b>Net current assets</b>		<b>833,933</b>	775,954
<b>Total assets less current liabilities</b>		<b>1,681,022</b>	1,438,308
<b>Non-current liabilities</b>			
Other payables		<b>1,116</b>	2,214
Bank loans		<b>129,304</b>	-
Deferred tax liabilities		<b>1,534</b>	155
<b>NET ASSETS</b>		<b>1,549,068</b>	1,435,939
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>81,049</b>	81,036
Reserves		<b>1,467,775</b>	1,354,659
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,548,824</b>	1,435,695
Non-controlling interests		<b>244</b>	244
<b>TOTAL EQUITY</b>		<b>1,549,068</b>	1,435,939



## Notes:

### 1. Basis of preparation

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2012 but are extracted therefrom.

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2011.

### 2. Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, none of the developments are relevant to the Group's financial statements.

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

### 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

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 financial information 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 financial information. 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) Geographical 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*

	<i>2012</i>	<i>2011</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Europe	<b>857,730</b>	886,000
Hong Kong and the People's Republic of China ("PRC") (place of domicile)	<b>674,728</b>	566,542
America	<b>290,195</b>	264,081
Korea	<b>256,442</b>	278,384
Others	<b>143,285</b>	136,403
<b>Consolidated turnover</b>	<b>2,222,380</b>	2,131,410

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

	<i>2012</i>	<i>2011</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
France	<b>192,451</b>	224,786
Germany	<b>116,795</b>	149,958
United Kingdom	<b>91,375</b>	65,484
Italy	<b>73,212</b>	71,288
Other European countries	<b>383,897</b>	374,484
	<b>857,730</b>	886,000

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

	<i>2012</i>	<i>2011</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong and the PRC (place of domicile)	<b>514,910</b>	275,649
Germany	<b>109,481</b>	103,935
Korea	<b>4,436</b>	3,738
Others	<b>3,216</b>	3,358
	<b>632,043</b>	386,680

#### 4. Other operating income

	2012 HK\$'000	2011 HK\$'000
Dividend income from listed equity securities	1,165	12,522
Interest income from listed debt securities	1,880	1,621
Interest income from non-listed debt securities	7,343	6,318
Other interest income	1,361	1,378
Net gain/(loss) on disposal of fixed assets (note (a))	87,820	(992)
Reversal of liabilities recognised in respect of a disposal of a subsidiary (note (b))	-	83,860
Net gain on disposal of subsidiaries (note (c))	-	36,689
Impairment loss on non-listed available-for-sale equity securities (note 9)	(77,000)	-
Net realised and unrealised losses on trading securities	(9,184)	(135,000)
Net exchange gain/(loss)	18,678	(4,848)
Other income	1,429	21,935
	<u>33,492</u>	<u>23,483</u>

##### (a) Net gain/(loss) on disposal of fixed assets

During the year ended 31 December 2012, the Group disposed of certain properties to independent third parties at a consideration of HK\$95,356,000 which resulted in a net gain of HK\$86,918,000 included in the net gain/(loss) on disposal of fixed assets.

##### (b) Reversal of liabilities recognised in prior years in respect of a disposal of a subsidiary

In August 2011, the liquidation process of a subsidiary of the Group, Varitronix Pengyuan Electronics Limited (“Varitronix Pengyuan”), had been concluded upon a declaration of bankruptcy under the relevant legislation. There were no claims made against the Group in the capacity of the then shareholders of Varitronix Pengyuan. The Company’s directors (the “Directors”) considered that upon the liquidation of Varitronix Pengyuan, there were no obligations for the Group to settle the liabilities borne by Varitronix Pengyuan amounted to HK\$83,860,000. Accordingly, such liabilities were derecognised and a reversal was credited to the profit or loss during the year ended 31 December 2011.

Upon the conclusion of liquidation process of Varitronix Pengyuan, the other reserve amounted to HK\$30,320,000, representing the consideration paid in excess of the net assets attributable to the non-controlling interests at the time of acquisition of such interests in Varitronix Pengyuan, had been transferred to retained earnings.

**(c) Net gain on disposal of subsidiaries**

During the year ended 31 December 2011, the Group disposed of its 100% equity interest in a subsidiary which held certain non-listed equity securities at a consideration of HK\$38,750,000 which resulted in a net gain of HK\$37,385,000 in the profit or loss. The Group also disposed of its equity interest in certain subsidiaries which were dormant with insignificant assets and liabilities. The disposals were made with a resultant loss on disposal amounting to HK\$696,000. Upon the completion of this disposal, the Group obtained a waiver from the non-controlling shareholders in respect of servicing their interests in the net assets of the disposed subsidiary. Such waiver was related to net assets amounted to HK\$8,254,000 and transferred from non-controlling interests to retained earnings directly within equity.

**5. Profit before taxation**

**Profit before taxation is arrived at after charging/(crediting):**

	<i>2012</i>	<i>2011</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	<b>5,694</b>	1,754
Less: interest expense capitalised into construction in progress*	<u><b>(3,598)</b></u>	<u>-</u>
	<u><b>2,096</b></u>	<u>1,754</u>
<b>(b) Impairment losses recognised/(written-back)</b>		
Trade and other receivables in respect of:		
- allowance for doubtful debts	<b>590</b>	1,204
- allowance for sales returns provision	<b>(92)</b>	2,733
	<u><b></b></u>	<u><b></b></u>
<b>(c) Other items</b>		
Cost of inventories	<b>1,751,141</b>	1,631,132
Auditors' remuneration	<b>3,520</b>	3,925
Research and development costs	<b>164,739</b>	128,722
Operating lease charges: minimum lease payments		
- hire of assets (including property rentals)	<b>3,036</b>	2,794
Contributions to defined contribution retirement plans	<b>17,652</b>	17,373
Equity-settled share-based payment expenses	<b>2,227</b>	3,687
	<u><b></b></u>	<u><b></b></u>

\* The borrowing costs have been capitalised at a rate of 1.49% - 1.58% per annum (2011: Nil).

## 6. Income tax in the consolidated income statement

### Taxation in the consolidated income statement represents:

	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	<b>7,113</b>	8,264
Over-provision in respect of prior years	<u><b>(5,263)</b></u>	<u>(3,345)</u>
	<b>1,850</b>	4,919
<b>Current tax - the PRC income taxes</b>		
Provision for the year	<b>10,477</b>	15,230
Over-provision in respect of prior years	<u><b>(1,656)</b></u>	<u>(4)</u>
	<b>8,821</b>	15,226
<b>Current tax - Jurisdictions outside Hong Kong and the PRC</b>		
Provision for the year	<b>8,135</b>	10,092
Over-provision in respect of prior years	<u><b>(3)</b></u>	<u>(229)</u>
	<b>8,132</b>	9,863
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>1,137</b>	(2,992)
	<u><b>19,940</b></u>	<u>27,016</u>

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries with operations outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 7. Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the year

	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> HK\$'000
Interim dividend declared and paid of 8.0 HK cents (2011: 11.0 HK cents) per share	<b>25,936</b>	35,656
Final dividend proposed after the end of reporting period date of 20.0 HK cents (2011: 15.5 HK cents) per share	<u><b>64,885</b></u>	<u>50,250</u>
	<u><b>90,821</b></u>	<u>85,906</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 15.5 HK cents (2011: 21.0 HK cents) per share	<b>50,250</b>	67,919

**8. Earnings per share**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$170,835,000 (2011: HK\$168,027,000) and the weighted average number of shares of 324,183,560 shares (2011: 323,713,973 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	<i>2012</i> Number of shares	<i>2011</i> Number of shares
Issued ordinary shares at 1 January	<b>324,145,204</b>	323,422,204
Effect of share options exercised	<b>38,356</b>	291,769
Weighted average number of ordinary shares at 31 December	<b>324,183,560</b>	323,713,973

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK\$170,835,000 (2011: HK\$168,027,000) and the weighted average number of shares of 325,748,687 shares (2011: 327,234,423 shares), calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<i>2012</i> Number of shares	<i>2011</i> Number of shares
Weighted average number of ordinary shares at 31 December	<b>324,183,560</b>	323,713,973
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<b>1,565,127</b>	3,520,450
Weighted average number of ordinary shares (diluted) at 31 December	<b>325,748,687</b>	327,234,423

## 9. Impairment loss on other non-listed available-for-sale equity securities

During the year ended 31 December 2012, the non-listed available-for-sale equity securities, which is carried at cost, represents 10.42% equity interest (the “Investment”) in a private company (the “Investee”) held by the Group. When preparing the Company’s financial statements, the Directors became aware that the Investee incurred operating loss and failed to meet the business forecast for the period as a result of the adverse operating environment. The Directors considered that the existence of the above conditions indicated that the Investment might be impaired. In view of this, the Directors have 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 “Estimate Future Cash Flows”). After comparing the carrying amount of the Investment and the Estimated Future Cash Flows of HK\$78,000,000, the Directors determined that it is appropriate to recognise an impairment loss of HK\$77,000,000. (note 4). The impairment on other non-current financial assets carried at cost is not reversed.

The Estimated Future Cash Flows are based on the Directors’ best estimates and are measured based on the following assumptions:

Discount rate	15.9%
Terminal growth rate	1.0%

## 10. Trade and other receivables

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

	<i>2012</i>	<i>2011</i>
	<b>HK\$'000</b>	HK\$'000
Within 60 days of the invoice issue date	<b>348,397</b>	294,504
61 to 90 days after the invoice issue date	<b>75,333</b>	70,090
91 to 120 days after the invoice issue date	<b>27,836</b>	27,981
More than 120 days but less than 12 months after the invoice issue date	<b>13,128</b>	16,298
	<b>464,694</b>	408,873

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

## 11. Trade and other payables

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

	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> HK\$'000
Within 60 days of supplier invoice date	<b>254,039</b>	243,212
61 to 120 days after supplier invoice date	<b>63,079</b>	49,425
More than 120 days but within 12 months after supplier invoice date	<b>3,630</b>	3,161
More than 12 months after supplier invoice date	<b>323</b>	282
	<b>321,071</b>	296,080

## 12. Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial information were as follows:

	<i>2012</i> <b>HK\$'000</b>	<i>2011</i> HK\$'000
Contracted for	<b>87,506</b>	9,793
Authorised but not contracted for	<b>5,639</b>	354,000
	<b>93,145</b>	363,793

## 13. 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 HK\$317,521,000 (2011: HK\$153,511,000).

## DIVIDEND

The Board has recommended declaring a final dividend of 20.0 HK cents (2011: 15.5 HK cents) per share as compared to interim dividend of 8.0 HK cents (2011: 11.0 HK cents) per share representing a total of 28.0 HK cents (2011: 26.5 HK cents) per share for the year ended 2012.



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 27 May 2013 to Monday, 3 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the “2013 AGM”), 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 (“Computershare”), of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2013.

Subject to the shareholders approving the recommended final dividend at the 2013 AGM of the Company, such dividend will be payable on or around Tuesday, 9 July 2013 to shareholders whose names appear on the register of members of the Company on Monday, 10 June 2013. To determine eligibility for the final dividend, the register of members of the Company will be closed from Friday, 7 June 2013 to Monday, 10 June 2013 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 6 June 2013.

## **OTHERS**

### **Staff**

As at 31 December 2012, the Group employed 4,747 staff around the world, of whom 175 were in Hong Kong, 4,530 in the People’s Republic of China (“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 31 December 2012, the total equity of the Group was HK\$1,549 million (2011: HK\$1,436 million). The Group’s current ratio, being the proportion of total current assets against total current liabilities, was 2.31 as at 31 December 2012 (2011: 2.46).

At the year end, the Group held a liquid portfolio of HK\$601 million (2011: HK\$553 million) of which HK\$464 million (2011: HK\$391 million) was in cash and cash equivalents and HK\$137 million (2011: HK\$162 million) in securities. The unsecured interest-bearing bank loans amounted to HK\$318 million (2011: HK\$154 million). The gearing ratio (bank loans over net assets) was 20% (2011: 11%).

The Group's inventory turnover ratio for the year was 5.0 times (2011: 5.3 times). Debtor turnover days for the year was 76 days (2011: 70 days).

### **Foreign Currency Exposure**

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State dollars, Euros, Japanese Yen, 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 year ended 31 December 2012.

### **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012.

### **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 year under review.

### **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the final results for the year ended 31 December 2012 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 and the Chief Executive Officer.

## **SCOPE OF WORK OF KPMG**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2012 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

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

Hong Kong, 22 March 2013

*As at the date of this announcement, the Board comprises seven Directors, of whom 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.*