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VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2008 FINAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Turnover: HK\$2,412 million (2007: HK\$2,618 million)
- Profit attributable to shareholders: HK\$15 million (2007: HK\$260 million)
- Total dividend per share for 2008: 13 HK cents (2007: 38 HK cents)
- The following initiatives have been implemented to face the challenges presented by the global economic downturn:
 - Enhanced risk management
 - Commitment to established corporate strategies
 - Focus on emerging markets

CHAIRMAN'S STATEMENT

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 2008.

During the period under review, turnover of HK\$2,412 million was recorded, a decrease of 8% as compared to HK\$2,618 million last year. Profit from operations was HK\$25 million and profit attributable to shareholders was HK\$15 million, declining by 91% and 94% respectively as compared to 2007.

The Board of Directors (the "Board") has recommended a final dividend of 1 HK cent (2007: 26 HK cents) per share. Combined with the interim dividend of 12 HK cents (2007: 12 HK cents) per share, the total dividend for 2008 amounts to 13 HK cents (2007: 38 HK cents) per share.

Business Review

The profit margins for manufacturers operating production facilities in Mainland China have continued to be put under significant pressure by rising labour and raw materials costs, rampant inflation, and RMB appreciation.

Despite the challenging market conditions, the Group maintained steady growth in the first three quarters of 2008 and this is testament to our strategy of diversification, both in

terms of product range and market distribution network.

Our products range from high-end automotive and industrial displays to consumer grade mobile phone displays, while our reach extends from Europe to Asia, which includes the market of Mainland China showing great growth potential.

In reward of our concentrated efforts over the years, we have established Varitronix as one of the leading suppliers of automotive and high-end industrial displays globally. Although customers from these market segments can be very demanding, with long product delivery time and limited quantities, they do provide a steady flow of orders. In contrast, consumer products customers tend to be less demanding, with short delivery time and large orders that result in quick cash turnover. However, the consumer sector offers narrower profit margins amidst a more volatile operating environment. By focusing equally on the high and the lower end markets, we believe the Group can benefit from the complementary nature of both segments.

In the first half of 2008, a satisfactory performance was achieved by our automotive and high-end industrial businesses, with a substantial proportion of orders coming from Europe. However, demand for mobile phone displays in Mainland China softened as the market went through a period of adjustment following years of rapid growth, which resulted in a drop in turnover in this segment when compared with 2007. Despite difficult market conditions, the Group as a whole was able to record increased profitability in the first half, as compared to the same period last year.

However, the widespread effects of the global financial turmoil did impact the Group's performance in the fourth quarter of 2008. By this point, the economic downturn was in full force, with Europe and America being the worst hit. Automobile sales ground to a near halt and many automobile production plants have closed down or suspended operations. As a key supplier of automotive displays, this has had a significant impact on the Group's overall 2008 results.

The economic turmoil has further aggravated the challenges already being faced by manufacturing companies. To overcome these difficulties, the Group has implemented the following measures:

1. Enhanced risk management – The Group will exercise tight controls over product and materials inventory in order to preserve cash.
2. Commitment to established corporate strategies – The Group's diversified product mix has proved to be resilient, even in adverse market conditions. The Group will continue to maintain the product mix with enhanced emphasis on customer service and research and development so as to increase the competitiveness of our high-end products. Amidst the current crisis, we see opportunities. While other players may contract their operations at this time, we will leverage on our strengths to aggressively enlarge our market share in the high-end display sector.

3. Focus on emerging markets – The Group has made satisfactory progress in the emerging markets of Mainland China, South Korea and India. These markets have been relatively less affected by the financial crisis and are expected to make a quicker recovery. The Group will focus our expansion efforts in these markets, capitalising on business opportunities in automotive displays, mobile handsets and other consumer products.

Corporate Development

During the period under review, the Group finalised the acquisition of an 11% share in Hydis Technology Co. Ltd. (“Hydis”), a South Korean TFT (Thin Film Transistor) panel manufacturer, thereby securing a stable supply source of TFT panels, especially those high quality TFT panels that fit into the Group’s targeted automotive and high-end display sectors. The restructuring of Hydis has now been completed, and TFT demand is gradually increasing after market adjustment. The business is in a good position to benefit from increased market opportunities for TFT panels in 2009.

The Group also acquired a 20% stake in Data Modul Aktiengesellschaft (“Data Modul”), a long-term customer, to become its single largest shareholder. Data Modul has been producing complete liquid crystal display (“LCD”) and plasma flat display monitors for the past 30 years and is principally engaged in the development, production and sale of display components for ship navigation, medical and rugged industrial applications. Data Modul is one of the distributors of the Group’s products in Europe. The acquisition has not only strengthened our relationship with Data Modul, but also expanded the Group’s distribution capacity in the European market.

Expansion of Production in Heyuan

With the aim of enhancing production capacity and the technological content of our products, the Group has invested in the expansion of the LCD production line and strengthened existing assembly facilities in our Heyuan plant in 2008. The line is capable of producing more advanced products, thereby improving the competitiveness of our products, as well as securing a higher profit margin under current costing pressures. To our knowledge, not many LCD manufacturers have increased production capacity in the past year. The Group believes that continued investment in our production facilities during the economic downturn would better prepare us to take advantage of any business opportunities that arise.

The Group has started to integrate and rationalise the various production facilities in different locations in the fourth quarter of 2008 so as to achieve greater production efficiency, with facilities in Heyuan as our base for production and development. This process will continue in 2009 and is viewed as a major strategic move in strengthening our position for long-term development.

Prospects

Although our performance was adversely impacted by the effects of the global financial crisis, we believe that we are otherwise on track to deliver continued growth. Our business strategies have proven to be effective and we will not waver from our commitment to continue to develop the business.

Two-pronged Product Strategy

The Group will continue to focus efforts in the automotive and high-end industrial display sector. We believe that the potential of the Asian automotive market will make up for sluggish sales in Europe and America. Resources will be dedicated to R&D in order to improve the design and performance of our high-end displays. To facilitate the implementation of this strategy, the new production line purchased in 2008 is now in operation.

Another key area of development is displays in mobile handsets and consumer products. The non-branded handset display segment in the Mainland China market has shown signs of recovery towards the end of 2008, with new orders coming in. The consumer trend for fashionable and innovative mobile handsets has shown no sign of abating in Mainland China. This, together with the demand from consumer products in South Korea and other consumer products exported to developing countries from Mainland China, will continue to drive growth in our business.

Commitment to Developing Emerging Markets

We are starting to see positive progress in our targeted Asian markets, such as Mainland China, South Korea and India. Aside from the mobile phone and consumer product markets in Mainland China, the Group has made strides in the automotive display market. Our initial targets were to develop the business via branch offices set up by foreign automobile clients, and we have now started to forge business relations with local Chinese automobile manufacturers.

In India, automotive and industrial instruments are the key target sectors. We have concentrated our efforts in expanding our sales network and providing our customers with timely technological assistance.

The Group is a main display supplier to the South Korean automobile manufacturers. The South Korean automotive industry is vibrant with a vast local market and it is also gaining increasing popularity in the world stage. The Group stands to benefit from the sound business prospects of this sector.

Apart from further developing the three Asian markets mentioned above, the Group plans expand into the new markets of Russia and Brazil in 2009.

Summary and Acknowledgement

The market downturn has continued into the beginning of 2009. While orders are now on the increase, the outlook remains uncertain. We will endeavour to develop better relations with our customers and continue to implement our established business strategies. With an ongoing recession in Europe and America, the Group will focus on developing emerging markets. We will also address internal weaknesses in order to enhance the Group's flexibility to respond to the ever-changing market conditions. By capitalising on our financial strength, the Group is well positioned to emerge from this current financial crisis as a stronger organisation.

I am grateful to all our directors, shareholders, colleagues and business partners for their loyal support.

Ko Chun Shun, Johnson
Chairman

Hong Kong, dated 22 April 2009

Consolidated income statement
For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	2	2,411,894	2,618,199
Other operating (loss)/income		(69,409)	70,915
Change in inventories of finished goods and work in progress		(76,034)	54,614
Raw material and consumables used		(1,626,605)	(1,847,899)
Staff costs		(263,460)	(294,434)
Depreciation		(83,892)	(83,511)
Other operating expenses		<u>(267,322)</u>	<u>(232,631)</u>
Profit from operations		25,172	285,253
Finance costs	3(a)	(9,278)	(3,422)
Negative goodwill arising on acquisition of an associate		14,861	-
Share of losses of associates		<u>(3,330)</u>	<u>(40)</u>
Profit before taxation	3	27,425	281,791
Income tax	4	<u>(10,716)</u>	<u>(27,312)</u>
Profit for the year		16,709	254,479
		=====	=====
Attributable to:			
Equity shareholders of the Company		15,048	260,367
Minority interests		<u>1,661</u>	<u>(5,888)</u>
Profit for the year		16,709	254,479
		=====	=====
Dividends	5		
Interim dividend declared during the year		38,811	38,811
Final dividend proposed after the balance sheet date		<u>3,234</u>	<u>84,090</u>
		42,045	122,901
		=====	=====
Earnings per share			
Basic	6(a)	4.7 cents	80.5 cents
		=====	=====
Diluted	6(b)	4.7 cents	80.5 cents
		=====	=====

Consolidated balance sheet*As at 31 December 2008*

	<i>Note</i>	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Non-current assets			
Fixed assets			
- Investment properties		1,460	7,777
- Other property, plant and equipment		455,549	385,781
- Interest in leasehold land held for own use		<u>8,696</u>	<u>19,516</u>
		465,705	413,074
Interest in associates		124,141	2,306
Loans receivable		132,618	52,048
Other financial assets		176,358	105,077
Deferred tax assets		<u>4,898</u>	<u>3,983</u>
		903,720	576,488
		-----	-----
Current assets			
Trading securities		116,758	127,269
Inventories		300,256	545,323
Trade and other receivables	7	507,005	541,126
Current taxation recoverable		2,840	1,794
Cash and cash equivalents		<u>514,154</u>	<u>544,987</u>
		1,441,013	1,760,499
		-----	-----
Current liabilities			
Bank loans		208,107	149,160
Trade and other payables	8	574,018	660,151
Current taxation payable		<u>1,133</u>	<u>4,308</u>
		783,258	813,619
		=====	=====
Net current assets		<u>657,755</u>	<u>946,880</u>
Total assets less current liabilities		1,561,475	1,523,368
Non-current liabilities			
Bank loans		152,666	-
Deferred tax liabilities		<u>80</u>	<u>195</u>
NET ASSETS		1,408,729	1,523,173
		=====	=====
CAPITAL AND RESERVES			
Share capital		80,856	80,856
Reserves		<u>1,313,241</u>	<u>1,428,622</u>
Total equity attributable to equity shareholders of the Company		1,394,097	1,509,478
Minority interests		<u>14,632</u>	<u>13,695</u>
TOTAL EQUITY		1,408,729	1,523,173
		=====	=====

Notes:

1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that available-for-sale securities, trading securities and derivative financial instruments are stated at their fair values.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards (“HKFRSs”) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Turnover and segment reporting

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group’s internal financial reporting.

Business segment

As all of the Group’s turnover and profits were derived from the design, manufacture and sale of liquid crystal displays and related products, accordingly no separate business segment analysis is presented for the Group.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers.

	2008	2007
	HK\$’000	HK\$’000
Hong Kong and Mainland China	1,001,563	1,368,112
Rest of Asia	449,744	317,226
Europe	753,549	771,024
North America	160,697	127,755
Others	<u>46,341</u>	<u>34,082</u>
	<u>2,411,894</u>	<u>2,618,199</u>
	=====	=====

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

3. Profit before taxation is arrived at after charging/(crediting)

	2008 HK\$'000	2007 HK\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	9,278	3,422
	=====	=====
(b) Other items:		
Cost of inventories	1,959,990	1,983,387
Auditors' remuneration - audit services	3,577	3,248
Research and development costs	71,558	74,671
Rental charges under operating leases	6,266	8,148
Contributions to defined contribution retirement plan	5,203	5,515
Other retirement scheme costs	-	38
	=====	=====

4 Income tax in the consolidated income statement

	2008 HK\$'000	2007 HK\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	5,070	12,927
(Over)/under-provision in respect of prior years	(7,521)	4,108
	(2,451)	17,035
	-----	-----
Current tax - Overseas		
Tax for the year	14,197	9,381
Over-provision in respect of prior years	-	(33)
	14,197	9,348
	-----	-----
Deferred tax		
Movement in temporary differences	(1,030)	929
	(1,030)	929
	=====	=====
	10,716	27,312
	=====	=====

In June 2008, Hong Kong Government promulgated a decrease in the Hong Kong Profits Tax rate applicable to the Group's operations in Hong Kong from 17.5% to 16.5% as from the year ended 31 December 2008 and a one-off reduction of 75% of the tax payable for the year of assessment 2007/08 subject to ceiling of HK\$25,000. This decrease is taken into account in the preparation of these financial statements. Accordingly, the provision for the Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. Dividends

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

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Interim dividend declared and paid of 12.0 HK cents (2007: 12.0 HK cents) per share	38,811	38,811
Final dividend proposed after the balance sheet date of 1.0 HK cent (2007: 26.0 HK cents) per share	<u>3,234</u>	<u>84,090</u>
	42,045	122,901
	=====	=====

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 26.0 HK cents (2007: 24.0 HK cents) per share	84,090	77,621
	=====	=====

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$15,048,000 (2007: HK\$260,367,000) and the weighted average number of shares of 323,422,204 shares (2007: 323,422,204 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$15,048,000 (2007: HK\$260,367,000) and the weighted average number of shares of 323,452,342 shares (2007: 323,608,859 shares) after adjusting for the effects of all dilutive potential shares.

(c) Weighted average number of shares (diluted)

	<i>2008</i> Number of shares	<i>2007</i> Number of shares
Weighted average number of shares used in calculating basic earnings per share	323,422,204	323,422,204
Effect of deemed issue of shares for no consideration arising from the Company's share options scheme	<u>30,138</u>	<u>186,655</u>
Weighted average number of shares used in calculating diluted earnings per share	323,452,342	323,608,859
	=====	=====

7. 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 balance sheet date:

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Within 60 days of the invoice issue date	234,331	304,848
61 to 90 days after the invoice issue date	61,500	19,445
91 to 120 days after the invoice issue date	23,455	8,459
More than 120 days but less than 12 months after the invoice issue date	5,784	3,856
More than 12 months after the invoice issue date	<u>61</u>	<u>-</u>
	325,131	336,608
	=====	=====

Debts are due within 90 days from the date of the invoice.

8. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Within 60 days of supplier invoice date	240,296	311,477
61 to 120 days after supplier invoice date	176,991	153,094
More than 120 days but within 12 months after supplier invoice date	20,201	6,495
More than 12 months after supplier invoice date	<u>1,010</u>	<u>1,652</u>
	438,498	472,718
	=====	=====

9. Capital commitments

Capital commitments representing purchase of property, plant and equipment not provided for in the Group's financial results were as follows:

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Contracted for	48,240	125
	=====	=====

10. Contingent liabilities

Financial guarantees issued

As at the balance sheet date, the Company has issued guarantees to banks in respect of a banking facility granted to certain subsidiaries.

As at the balance sheet date, 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 balance sheet date under the guarantees issued and the facility drawn down by the subsidiaries was HK\$363,566,000 (2007: HK\$154,954,000).

DIVIDEND

The Board has recommended to declare a final dividend of 1.0 HK cent (2007: 26.0 HK cents) per share as compared to the interim dividend of 12.0 HK cents (2007: 12.0 HK cents) per share representing a total of 13.0 HK cents (2007: 38.0 HK cents) per share for year ended 2008.

The final dividend will be payable on or around Thursday, 9 July 2009 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 5 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2009 to Friday, 5 June 2009 (both days inclusive), during which period no transfer of shares will 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 the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, of Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2009.

OTHERS

Staff

As at 31 December 2008, the Group employed 4,464 staff around the world, of whom 192 were in Hong Kong, 4,227 in the People's Republic of China ("PRC") and 45 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.

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 Euros, United States dollars, Japanese Yen, Renminbi and Korean Won.

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 2008.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2008.

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 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 2008 of the Company now reported on.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting and monitoring the remuneration policy for all Directors and senior management. It is headed by Dr. Lo Wing Yan, William, an Independent Non-executive Director of the Company. The other members of the Remuneration Committee are Mr. Hou Ziqiang, an Independent Non-executive Director of the Company, and Mr. Ko Chun Shun, Johnson, an Executive Director of the Company.

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

Hong Kong, dated 22 April 2009

As at the date of this announcement, the Board comprises six Directors, of whom Mr. Ko Chun Shun, Johnson, Mr. Tsoi Tong Hoo, Tony and Mr. Ho Te Hwai, Cecil are Executive Directors and Dr. Lo Wing Yan, William J.P., Mr. Yuen Kin and Mr. Hou Ziqiang are Independent Non-executive Directors.