VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2009 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Financial Highlights

HK$ million	2009	2008
Turnover	1,817	1,721
(Loss)/ profit attributable to shareholders	(268)	15
Basic (loss)/ earnings per share	(83.0) HK cents	4.7 HK cents
Total dividend per share	2.0 HK cents	13.0 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 year ended 31 December 2009.

During the year under review, turnover of HK$1,817 million was recorded, representing a 6% increase over the HK$1,721 million reported in 2008. Profit from continuing operations was HK$53 million, as compared to HK$60 million reported in the previous year. Loss attributable to shareholders was HK$268 million, versus a profit of HK$15 million in 2008.

The Board of Directors (the "Board") has recommended a final dividend of 1.0 HK cent per share (2008: 1.0 HK cent). Together with the interim dividend of 1.0 HK cent (2008: 12.0 HK cents), the total dividend for 2009 amounted to 2.0 HK cents per share (2008: 13.0 HK cents).

Review of Financial Results

Overall, the Group's businesses have been adversely impacted in 2009 by the depressed macro-economic environment in the wake of the global financial crisis. To face the challenges presented in the poor economic climate, the Group has dedicated significant efforts to enhance operational efficiency. During the year under review, we have integrated our production facilities, discontinued operations of under-performing businesses and streamlined the structure of our overseas offices. While such initiatives have required initial outlay and negatively impacted profitability in the short term, we believe that over the long-term, such measures will reduce operational costs and reallocate resources to businesses with higher growth prospects. The Group has remained committed to the research and development of our high-end display products, despite the adverse market conditions. By actively enhancing our product offerings, we aim to maximise our competitive edge and expand our market share in the high-end display sector.

Production Base Integration

During the year, the Group's production facilities in Shenzhen have been relocated to Heyuan in Guangdong Province. The relocation to Heyuan took place in the middle of 2009 and was completed by the fourth quarter of the year.

The integration of our production plants has consolidated the Group's production facilities, resulting in a reduction of staff and operating costs. The synergies created by this move will facilitate better management, logistics arrangements and allocation of resources.

Discontinued Operation

Intense competition among suppliers has resulted in continued downward pressure of the selling prices of display products for the mobile phone industry in China. Coupled with the continued upward trends in operating costs, which included material and labour costs, the Group experienced significant losses in the mobile phone display industry in China. In view of the escalating risk of operating in the mobile phone display industry in China, the Group decided to voluntarily wind up the subsidiary operating in the non-branded mobile phone display industry in China on 30 December 2009. The Group believes that this decision will enable the Group to focus its resources on the high-value display segment, which will generate higher profit margins.

As a result of the voluntary winding-up, the Group recorded a loss of HK$255 million in 2009, which represented substantially the whole of the carrying value of this subsidiary. The Group believes that no further significant losses will be recorded in 2010. The respective financial information of the discontinued operation has been disclosed in Notes 5 and 7 of the announcement.

Restructuring of Overseas Offices

In 2009, the Group has implemented measures to streamline the structure of its overseas offices in order to enhance cost efficiency.

Review of Operations

Revenue from the Group's automotive displays accounted for a significant portion of total sales in 2009. This reflects the growing importance of the automobile industry on our business. During the period under review, the automobile industry in Europe and North America remained stagnant and orders from European automotive customers did not begin to improve until the second half of 2009. In contrast, the Korean automobile industry has continued to grow during the same period, even amidst the economic downturn.

Another emerging automobile market is Mainland China, which has been buoyed by economic growth and an increased domestic appetite for consumption. In the second half of 2009, mass production commenced on orders for automotive displays from this major market. The Group is establishing a foothold in the sales of automotive displays in the Mainland China market.

The medical product sector in North America also performed well during the year under review. Although North America remained hard hit by the financial crisis in 2009, revenue from this market was better than expected. Orders from medical product customers remained steady and provided a stable source of revenue, despite sales of industrial and automotive displays being stagnant.

In the past, the Group focused on the sale of displays for the consumer industry in Asian markets, which is characterised by high volume and low profit margins. As competition for this industry segment continued to be intense, coupled with the rising operating costs, the Group has decided to shift its focus away from low-end displays to high-end displays in Asia. In particular, the Group will continue to reduce its reliance on the mobile handset industry in China. Going forward, the Group will operate in the mobile display market only in an opportunistic manner, where the profitability and strategic importance are consistent with our general corporate direction.

Prospects

The Group's automotive display business now spans across Europe, North America and Asia. For the Mainland China market, the outlook is positive and we expect to see continued sales growth. However, as the automobile industry is currently at a development stage, the demand for high-end, sophisticated products is still limited. We expect that demand for high-end displays will grow in line with the rapid pace of development of the country's automobile industry. In South Korea, following the significant growth recorded in 2009, sales are poised to remain steady in the coming year. We will thus devote more efforts in enhancing the profit potential of this market. We have seen the resumption of sales orders from our European and North American customers. It is expected that a more prominent recovery will be achieved in these markets in the second half of 2010.

An emerging market in the automobile industry is the research and development of electric cars, with such technology now being developed in Mainland China, Hong Kong and Japan. The Group is seeking to establish partnerships with companies involved in electric car development. We have already begun to design display units for electric cars in India and we have targeted this sector for further development in the future.

The new production line that the Group purchased in 2008 commenced operation in phases throughout 2009. With the significant influx of new orders received in the fourth quarter of 2009, the new production line has almost reached full capacity. It is expected that the utlilisation of the new production line will continue to increase in 2010 to meet the rising number of orders.

Currently, the Group's order book is satisfactory. The majority of orders have come from customers in the automotive display sector and also medical suppliers. Orders from North America and Europe account for a significant proportion of total orders of industrial displays.

The Group has continued to develop technology for the 3D display market. Originally implemented in 3D cinemas, we began to investigate the feasibility of using such technology for 3D TV a few years ago. In the beginning of 2010, the Group embarked on the production of displays for 3D eyeglasses to be used with 3D TV. As 3D movies have gained popularity, coupled with the rapid development of home 3D projection technology, accessories to accompany 3D projection at home will be increasingly accepted. Home use 3D eyeglasses developed by the Group will be launched in mid-2010. We expect this growing market trend for 3D TV will present an important new application for the Group's display products.

In summary, our management team is confident of the Group's prospects in 2010 because of the following factors:

1. During the downturn, the Group has utilised the opportunity to undertake internal restructuring initiatives. We have integrated our production facilities, streamlined the structure of overseas offices and discontinued our unprofitable business in China. The Group is therefore able to more effectively control costs and benefit from opportunities as the market rebounds in 2010.

2. The Group now represents a leading display supplier for the global automotive market. Our varied and balanced business portfolio comprises mainly automobile displays, as well as industrial, medical and consumer product displays. Generation of sales revenue is spread across markets in Europe, America and Asia. The Group has weathered the global financial crisis, a testament to the fact our diversified business portfolio and market distribution network are well positioned to withstand adverse market conditions.

3. The Group has always actively participated in the research and development of high-end display products and will continue to do so in the future. Our 3D TV eyeglasses are a good example of our past investment in product research and development. The Group will explore a more diverse range of product applications for our high-end displays in the future.

Despite our confidence in the Group's future development, we will continue to exercise caution. As a China-based manufacturer, the road ahead is still full of challenges. The global economic environment is only just beginning to recover and the market situation remains uncertain. Customers still tend to be conservative in making purchases and have higher demands than ever before. Furthermore, manufacturing companies in general are faced with increasing costs stemming from machine depreciation, rising materials and labour costs and the recurring pressure of Renminbi appreciation. In order to mitigate the negative impact of growing costs, the Group will continue to adopt a high value-added product development strategy, with the aim of enhancing profit margins. At the same time, we will dedicate extra efforts to improving production efficiency so as to control operating costs.

Acknowledgement

I would like to express my thanks to our directors, shareholders, business partners and colleagues who have remained steadfast in their support during the challenging times presented by the last year. We have learnt valuable lessons in the face of such challenges and adversity, enabling us to emerge stronger and more responsive to growth opportunities in the future.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 23 April 2010

Consolidated income statement
For the year ended 31 December 2009

	Note	***2009***	*2008*
		HK$'000	HK$'000
Turnover	3	**1,817,172**	1,720,512
Other operating income/(loss)	4	**66,512**	(62,080)
Change in inventories of finished goods and work in progress		**8,749**	(58,506)
Raw materials and consumables used		**(1,270,314)**	(969,940)
Staff costs		**(259,757)**	(249,707)
Depreciation		**(87,311)**	(83,531)
Other operating expenses		**(221,796)**	(236,486)
Profit from operations		**53,255**	60,262
Finance costs	5(a)	**(3,514)**	(5,820)
Negative goodwill arising on acquisition of an associate		**-**	14,861
Share of losses of associates		**(21,809)**	(3,330)
Profit before taxation	5	**27,932**	65,973
Income tax	6	**(11,212)**	(9,485)
Profit for the year from continuing operations		**16,720**	56,488
Discontinued operation			
Loss for the year from discontinued operation	7	**(285,441)**	(39,779)
(Loss)/profit for the year		**(268,721)**	16,709
		========	========
Attributable to:			
Equity shareholders of the Company		**(268,325)**	15,048
Minority interests		**(396)**	1,661
(Loss)/profit for the year		**(268,721)**	16,709
		========	========
Dividends	8		
Interim dividend declared during the year		**3,234**	38,811
Final dividend proposed after the balance sheet date		**3,234**	3,234
		6,468	42,045
		========	========

Consolidated income statement *(continued)*
For the year ended 31 December 2009

	Note	***2009*** **HK$'000**	*2008* HK$'000
(Loss)/earnings per share	9		
Basic			
- from continuing and discontinued operations		**(83.0) cents**	4.7 cents
- from continuing operations		**5.3 cents**	17.0 cents
- from discontinued operation		**(88.3) cents**	(12.3) cents
Diluted			
- from continuing and discontinued operations		**(83.0) cents**	4.7 cents
- from continuing operations		**5.3 cents**	17.0 cents
- from discontinued operation		**(88.3) cents**	(12.3) cents

Consolidated statement of comprehensive income
For the year ended 31 December 2009

	2009 **HK$'000**	*2008* HK$'000
(Loss)/profit for the year	**(268,721)**	16,709
Other comprehensive income for the year (after tax and reclassification adjustments):		
Foreign currency translation adjustments:		
- exchange differences on translation of financial statements of overseas operations	**7,315**	(2,339)
- transfer to profit or loss on disposal of overseas operations	**19,846**	-
	27,161	(2,339)
Available-for-sale securities: net movement in the fair value reserve	**11,581**	(10,470)
Total comprehensive income for the year from continuing operations	**(229,979)**	3,900
Discontinued operation		
Foreign currency translation adjustments:		
- exchange differences on translation of financial statements of overseas operation	**(139)**	4,557
Total comprehensive income for the year	**(230,118)**	8,457
Attributable to:		
Shareholders of the Company	**(229,831)**	7,520
Minority interests	**(287)**	937
Total comprehensive income for the year	**(230,118)**	8,457

Consolidated balance sheet

At 31 December 2009

	Note	*2009*	*2008*
		HK$'000	HK$'000
Non-current assets			
Fixed assets			
- Investment properties		**-**	1,460
- Other property, plant and equipment		**353,591**	454,299
- Interest in leasehold land held for own use		**5,648**	8,696
		359,239	464,455
Interest in associates		**99,384**	124,141
Loans receivable		**123,055**	132,618
Other financial assets		**182,798**	176,358
Deferred tax assets		**2,198**	4,898
		766,674	902,470
Current assets			
Trading securities		**144,613**	116,758
Inventories		**276,561**	221,799
Trade and other receivables	10	**512,501**	370,377
Current taxation recoverable		**1,285**	2,840
Cash and cash equivalents		**380,713**	483,880
		1,315,673	1,195,654
Assets of a disposal group classified as held for disposal		**22,895**	246,609
		1,338,568	1,442,263
Current liabilities			
Bank loans		**218,955**	197,112
Trade and other payables	11	**519,068**	463,296
Current taxation payable		**1,857**	462
		739,880	660,870
Liabilities of a disposal group classified as held for disposal		**157,771**	122,388
		897,651	783,258
Net current assets		**440,917**	659,005
Total assets less current liabilities		**1,207,591**	1,561,475
Non-current liabilities			
Bank loans		**37,000**	152,666
Other payables		**4,104**	-
Deferred tax liabilities		**2,282**	80
NET ASSETS		**1,164,205**	1,408,729

Consolidated balance sheet ***(continued)***

At 31 December 2009

	Note	***2009***	*2008*
		HK$'000	HK$'000
CAPITAL AND RESERVES			
Share capital		**80,856**	80,856
Reserves		**1,068,524**	1,307,076
Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for disposal		**6,026**	6,165
Total equity attributable to equity shareholders of the Company		**1,155,406**	1,394,097
Minority interests		**8,799**	14,632
TOTAL EQUITY		**1,164,205**	1,408,729
		========	========

Notes:

1. Basis of preparation

The information contained in this announcement does not comprise the consolidated financial statements but is extracted therefrom.

The consolidated financial statements for the year ended 31 December 2009 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.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations 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:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has not resulted in any changes to the Group's reportable segments being identified and presented.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

- As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries and associates, whether out of pre-or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Turnover and segment reporting

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 operating segment. The financial statements are 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 of Directors ("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 statements. Other information, being the total assets excluding deferred tax, 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 revenue 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:

	2009	*2008*
	HK$'000	HK$'000
Continuing operations		
Hong Kong and the PRC (place of domicile)	**681,299**	450,051
Europe	**566,834**	753,549
Korea	**334,929**	228,585
North America	**117,711**	160,697
Others	**116,399**	127,630
	1,817,172	1,720,512
Discontinued operation		
The PRC	**223,500**	691,382
Consolidated turnover	**2,040,672**	2,411,894

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

	2009	*2008*
	HK$'000	HK$'000
France	**119,340**	157,614
Germany	**122,581**	203,415
United Kingdom	**47,403**	75,519
Other European countries	**277,510**	317,001
	566,834	753,549

(ii) Group's Specified Non-current Assets

	2009	*2008*
	HK$'000	HK$'000
Continuing operations		
Hong Kong and the PRC (place of domicile)	**354,845**	432,079
Germany	**95,782**	121,980
Malaysia	**-**	28,715
Korea	**3,602**	2,161
Others	**4,394**	3,661
	458,623	588,596
Discontinued operation		
The PRC	**-**	1,250
	458,623	589,846

4. Other operating income/(loss)

	2009	*2008*
	HK$'000	HK$'000
Continuing operations		
Dividend income from listed equity securities	**9,178**	8,798
Interest income from listed debt securities	**570**	667
Interest income from unlisted debt securities	**5,765**	4,337
Other interest income	**9,112**	15,686
Rental income under operating leases	**14,494**	16,423
(Loss)/gain on disposal of fixed assets	**(12,098)**	31,138
Loss on disposal of subsidiaries *	**(18,504)**	-
Available-for-sale securities: reclassified from equity on disposal	**78**	(618)
Realised and unrealised gains/(losses) on trading securities	**38,387**	(59,754)
Realised losses on equity linked notes	**-**	(48,767)
Unrealised gains/(losses) on derivative financial assets	**15,249**	(12,215)
Exchange gain/(loss)	**2,011**	(38,917)
Net insurance compensation	**-**	11,172
Other income	**2,270**	9,970
	66,512	(62,080)
Discontinued operation		
Interest income	**133**	814
Exchange loss	**(413)**	(8,143)
	(280)	(7,329)
	66,232	(69,409)

* During the year, the Group and an independent third party entered into a share transfer agreement under which the Group disposed of its entire 100% equity interest in a subsidiary, Varitronix (Malaysia) Sdn. Bhd. ("VM") and a wholly owned subsidiary held by VM, Cadac Electronic (M) Sdn. Bhd. ("Cadac"). This transaction arose on the disposal by the Group of a property located in Malaysia, which was held by VM. The transaction was completed on 14 December 2009 and VM and Cadac ceased to be subsidiaries of the Group. The transaction resulted in a loss on disposal of HK$18,504,000, which mainly comprised the foreign exchange loss related to these subsidiaries previously held in the Group's exchange reserve.

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

	2009	*2008*
	HK$'000	HK$'000
(a) Finance costs:		
Continuing operations		
Interest on bank advances and other borrowings repayable within five years	**3,514**	5,820
	========	========
Discontinued operation		
Interest on bank advances and other borrowings repayable within five years	**716**	3,458
	========	========
(b) Other items:		
Continuing operations		
Cost of inventories	**1,519,891**	1,285,796
Auditors' remuneration - audit services	**3,637**	3,577
Research and development costs	**78,799**	71,558
Operating lease charges: minimum lease payments - hire of assets (including property rentals)	**15,209**	5,037
Contributions to defined contribution retirement plans	**4,337**	5,203
	========	========
Discontinued operation		
Cost of inventories	**223,278**	674,195
Operating lease charges: minimum lease payments - hire of assets (including property rentals)	**1,678**	1,229
	========	========
(c) Impairment losses recognised/ (written-back):		
Continuing operations		
Fixed assets	**-**	2,895
Trade and other receivables	**(1,511)**	(14,276)
Available-for-sale securities	**-**	8,519
Inventories	**(668)**	(9,734)
	========	========
Discontinued operation		
Fixed assets	**1,059**	-
Trade and other receivables	**103,104**	143
Inventories	**150,867**	-
	========	========

6. Income tax in the consolidated income statement

(a) Continuing operations

Taxation in the consolidated income statement represents:

	2009	*2008*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	**3,089**	5,070
Over-provision in respect of prior years	**(1,418)**	(7,521)
	1,671	(2,451)
Current tax - Overseas		
Provision for the year	**4,639**	12,966
	4,639	12,966
Deferred tax		
Origination and reversal of temporary differences	**4,902**	(1,030)
	11,212	9,485

The provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

In June 2008, the 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. This decrease has been taken into account in the preparation of these financial statements. Accordingly, the opening balance of deferred tax in 2008 has been re-estimated.

As disclosed in the Group's financial statements for the year ended 31 December 2008, a subsidiary had received from the Hong Kong Inland Revenue Department ("IRD") additional assessments relating to the years of assessment 1994/95 to 2004/05 relating to a dispute over the deductibility of certain sub-contracting charges for tax assessment purposes. In 2006, the subsidiary reached an agreement with the IRD for settlement for the years of assessment 1994/95 to 2003/04. However, formal agreement in respect of subsequent years, i.e. the years of assessment 2004/05 to date is still outstanding. Tax returns for these years have been based on the settlement agreed with the IRD in 2006 and the Directors consider that provisions and tax payments made for the years of assessment 2004/05 to 2008/09, which are still subject to agreement by the IRD, are sufficient.

(b) Discontinued operation

Taxation in the consolidated income statement represents:

	2009	*2008*
	HK$'000	HK$'000
Current tax - Overseas		
Provision for the year	**-**	1,231

7. Discontinued operation

On 30 December 2009, the Group passed a written resolution to proceed with a voluntary winding-up of a wholly-owned subsidiary, Varitronix Marketing (China) Limited ("Varitronix Marketing"), which in turn held a 99% equity interest in Varitronix Pengyuan Electronics Limited ("Varitronix Pengyuan"). The remaining 1% equity interest in Varitronix Pengyuan is held by Varitronix Shenzhen Linkscore Limited, an indirect wholly-owned subsidiary of the Group. As a result of the voluntary winding-up, the Group's business operations in the design, manufacture, and sale of thin film transistor liquid crystal displays ("TFT-LCDs") for the mobile phone market in the PRC were discontinued. Further details in relation to this transaction are set out in the Company's announcement dated 30 December 2009.

The results of the discontinued operation for the years ended 31 December 2009 and 2008 are as follows:

	2009	*2008*
	HK$'000	HK$'000
Turnover (note 3)	**223,500**	691,382
Other operating loss (note 4)	**(280)**	(7,329)
Changes in inventories of finished goods	**(15,330)**	(17,529)
Raw materials and consumables used	**(207,948)**	(656,666)
Staff costs	**(6,819)**	(13,753)
Depreciation	**(388)**	(361)
Other operating expenses	**(277,460)**	(30,834)
Loss from operation	**(284,725)**	(35,090)
Finance costs (note 5(a))	**(716)**	(3,458)
Loss before taxation (note 5)	**(285,441)**	(38,548)
Income tax	**-**	(1,231)
Loss for the year from discontinued operation attributable to equity shareholders of the Company	**(285,441)**	(39,779)

8. Dividends

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

	2009	*2008*
	HK$'000	HK$'000
Interim dividend declared and paid of 1.0 HK cent (2008: 12.0 HK cents) per share	**3,234**	38,811
Final dividend proposed after the balance sheet date of 1.0 HK cent (2008: 1.0 HK cent) per share	**3,234**	3,234
	6,468	42,045

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

	2009	*2008*
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent (2008: 26.0 HK cents) per share	**3,234**	84,090
	========	========

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the loss attributable to equity shareholders of the Company of HK$268,325,000 (2008: profit of HK$15,048,000) and the weighted average number of shares of 323,422,204 shares (2008: 323,422,204 shares) in issue during the year, calculated as follows:

	2009		*2008*	
	Profit/(loss) attributable to equity shareholders HK$'000	**Weighted average no. of ordinary shares**	Profit/(loss) attributable to equity shareholders HK$'000	Weighted average no. of ordinary shares
Continuing operations	**17,116**	**323,422,204**	54,827	323,422,204
Discontinued operation	**(285,441)**	**323,422,204**	(39,779)	323,422,204
	(268,325)	**323,422,204**	15,048	323,422,204
	========		========	

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the loss attributable to equity shareholders of the Company of HK$268,325,000 (2008: profit of HK$15,048,000) and the weighted average number of shares of 323,422,204 shares (2008: 323,452,342 shares) after adjusting for the effects of all dilutive potential shares, calculated as follows:

	2009		*2008*	
	Profit/(loss) attributable to equity shareholders HK$'000	**Weighted average no. of ordinary shares**	Profit/(loss) attributable to equity shareholders HK$'000	Weighted average no. of ordinary shares
Continuing operations	**17,116**	**323,422,204**	54,827	323,452,342
Discontinued operation	**(285,441)**	**323,422,204**	(39,779)	323,452,342
	(268,325)	**323,422,204**	15,048	323,452,342
	========		========	

(c) Weighted average number of shares (diluted)

	2009 **Number of shares**	*2008* 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 option scheme	**-**	30,138
Weighted average number of shares used in calculating diluted earnings per share	**323,422,204**	323,452,342

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 balance sheet date:

	2009 **HK$'000**	*2008* HK$'000
Within 60 days of the invoice issue date	**320,340**	199,803
61 to 90 days after the invoice issue date	**88,541**	61,500
91 to 120 days after the invoice issue date	**21,752**	23,455
More than 120 days but less than 12 months after the invoice issue date	**4,478**	5,784
More than 12 months after the invoice issue date	**61**	61
	435,172	290,603

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

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 balance sheet date:

	2009 **HK$'000**	*2008* HK$'000
Within 60 days of supplier invoice date	**308,524**	155,490
61 to 120 days after supplier invoice date	**125,181**	151,819
More than 120 days but within 12 months after supplier invoice date	**8,945**	14,414
More than 12 months after supplier invoice date	**180**	150
	442,830	321,873

12. Capital commitments

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

	2009	*2008*
	HK$'000	HK$'000
Authorised but not contracted for	**233**	-
Contracted for	**3,026**	48,240
	3,259	48,240
	========	========

13. Contingent liabilities

Financial guarantees issued

As at the balance sheet date, the Company has issued guarantees to banks in respect of a banking facilities 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$319,996,000 (2008: HK$363,566,000).

DIVIDEND

The Board has recommended to declare a final dividend of 1.0 HK cent (2008: 1.0 HK cent) per share as compared to the interim dividend of 1.0 HK cent (2008: 12.0 HK cents) per share representing a total of 2.0 HK cents (2008: 13.0 HK cents) per share for year ended 2009.

The final dividend will be payable on or around Thursday, 8 July 2010 to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 27 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 27 May 2010 to Wednesday, 2 June 2010 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2010.

OTHERS

Staff

As at 31 December 2009, the Group employed 4,989 staff around the world, of whom 148 were in Hong Kong, 4,796 were in the People's Republic of China ("PRC") and 45 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.

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, British Pounds, Japanese Yen, Renminbi and Korean Won.

The Group did not engage in the use of any financial instruments for hedging purposes. However, 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 2009.

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 2009.

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 2009 of the Company now reported on.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company 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.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year.

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

Hong Kong, 23 April 2010

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.