VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2010 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Financial Highlights

HK$ million	2010	2009
Turnover	2,256	1,817
Profit/ (loss) attributable to shareholders	210	(268)
Basic earnings/ (loss) per share	65.1 HK cents	(83.0) HK cents
Total dividends per share	26.5 HK cents	2.0 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 2010.

During the year under review, the Group achieved turnover of HK$2,256 million, representing a 24% increase over the HK$1,817 million reported in 2009. Profit from continuing operations was HK$268 million, a 406% rise as compared to the HK$53 million in the previous year. Profit attributable to shareholders was HK$210 million, versus a loss of HK$268 million in 2009.

In 2010, the economic environment continued to recover from the impact of the global financial crisis. Amidst this backdrop, the Group's key businesses around the world recorded positive turnover growth. During the period, the Group has restructured its business mix. In particular, we have reallocated resources to the development of our automotive and industrial display businesses, which have a higher profit margin. The expanded production capacity has magnified the effect of the higher margin business mix. As a result, gross profit margins for the full year increased from 16% to 20%. We are pleased to report that we have recovered from the global financial crisis, and the Group is well positioned for stable growth.

Dividends

The Board of Directors (the "Board") has recommended a final dividend of 21.0 HK cents per share (2009: 1.0 HK cent). Together with the interim dividend of 5.5 HK cents (2009: 1.0 HK cent), the total dividends for 2010 amounted to 26.5 HK cents per share (2009: 2.0 HK cents).

Review

Automotive Display Business

During the year under review, revenue from the Group's automotive display business was HK$1,196 million, amounting to a rise of 51% over 2009. The automotive display business generated 53% of the Group's total turnover and was the main driving force of growth. Automotive display customers have stringent requirements in regards to the performance and reliability of automotive parts. Accordingly, high quality products enjoy a higher profit margin. Given the high barriers to entry of the automotive display industry, the industry dynamics are more stable, and the main concerns of the customers are quality and consistency. The Group has been in the automotive display business for a number of years and we have established operating systems to accommodate the needs of this special group of customers. Over the past five years, turnover generated by our automotive display business has increased three-fold. Our firm commitment to the development of this business has reaped positive results.

Taking South Korea as an example, sales of Korean branded cars has continued to rise, fuelled by government-sponsored incentive schemes in 2009. Korean branded cars continued to excel during the global financial crisis. During the period under review, the sales of automotive displays to South Korea experienced tremendous growth and South Korea has become a key growth market of the Group.

The automotive industry in Europe has experienced a speedy recovery in 2010. Under government-sponsored schemes, small and family cars of the European brands recorded satisfactory sales. The Group has established a strong foothold in Europe and has benefited from the recovery of the automotive industry in the region.

Industrial Display Business

During the period under review, the turnover from this business segment was HK$774 million, representing 26% growth as compared to the previous year. The key markets for the Group's industrial display business are primarily Europe and the US. In 2010, there was a marked increase in demand for display products from European industrial customers as they sought to replenish inventories and accumulate components for new product launches.

Under the strong efforts of our US sales team, the industrial display business grew strongly in this market. At present, the US sales force spans the eastern, middle and western parts of North America, reaching out to different categories of customers. Revenue was mainly generated from machinery, electricity meter and medical product manufacturers. All these categories recorded sales growth in 2010 bolstering significant improvement in the overall performance of the US market.

In addition, the Group began mass production of 3D eyeglasses for the 3D TV market in the second half of 2010. This new business contributed to the Group's profitability and stems from the Group's previous R&D efforts on 3D display technology. We are very pleased that the Group's investment in display technology can now be translated into concrete financial returns.

Prospects

With regards to the Group's automotive display business, the sales of automotive displays to Europe has climbed steadily since mid-2010 and the growth momentum for this market is expected to be sustained. At the same time, we expect to see a slight weakening of sales in Asia, as we face a surge of competition in the Korean market. In North America, the business outlook remains positive.

The PRC has become the world's largest automobile market, and we are focused on capturing the tremendous market potential. Our automotive display business in the PRC has experienced significant growth during the period under review. Given rapid advances in the research and development of automotive technology, it is expected that Chinese automotive customers will continue to mature and seek more high-end display products. Accordingly, we are confident that turnover for this market will grow as a result of increasing sophistication.

Under improved market sentiment, the demand for industrial displays such as those for medical products, home appliances and electricity meters is expected to grow steadily in 2011. Despite the fact that some European countries may face the threat of debt crisis, the business environment and industrial output levels in Western Europe and North America remain positive.

As the leader of the monochrome display market, the Group believes that there is still ample room for development and will strive to bolster our leadership position through strengthening our competitive advantages in product functions, design, material selection and production processes. The Group will direct more human resources towards technology development to ensure the timely introduction of new products to satisfy changing customer needs.

While a focus will be placed on monochrome displays, the Group will continue to actively develop automotive and industrial TFT ("Thin Film Transistor Liquid Crystal") products, which have demonstrated market potential. The Group is currently integrating internal resources and strengthening the sourcing of raw materials so as to increase our competitiveness and develop new business opportunities for high-end TFT products.

At present, the Group has a clear business direction to capitalise on our strengths and focus on the design and production of high-end display products to serve sophisticated customers with more stringent requirements. Turnover contribution of the Group's automotive display business is expected to remain at over 50%, with the rest comprising contributions from industrial displays and other emerging products such as electronic books and a wider variety of 3D display applications.

Operation Strategies

In 2009, we consolidated our production facilities in Heyuan in Guangdong province, streamlined the structure of our overseas offices and discontinued our mobile phone display business. These initiatives successfully reduced the Group's operating costs and improved profit margins. Unfortunately, at the same time, rising labour costs arising from increases in the minimum wage and social security contributions, higher raw material prices, rising inflation and appreciation of Renminbi partially offset the effects of these improvements, and resulted in upward pressure on operating costs. Amidst the environment of rising costs, the Group's strategy is to focus on increasing profit margins rather than expanding production volume.

To increase profit margins, we will target three main areas:

1. Increasing productivity: The Group will adopt a disciplined approach, with a focus on improving production processes and production efficiency in order to reduce operating costs and maintain our long-term competitive position.

2. Adjusting product price upwards: The Group is confident that price increase will not adversely affect our long-term relationships with customers as we will continue to add value through innovative technologies, professional service and comprehensive quality assurance systems.

3. Adjusting the Group's business portfolio: The Group will remain cautious and flexible, adjusting our business portfolio from time to time according to market conditions so as to increase the overall profitability.

Japan Natural Disasters

The natural disasters which struck Japan in March 2011 have disrupted the supply chain of the global electronics industry in a significant way. While we are not in position to quantify the extent of disruption to our operations at this moment, it is apparent that our normal business operations with our Japanese suppliers have been adversely affected. We will monitor the situation closely and are prepared to implement remedial action on a timely basis.

We at Varitronix would like to offer our deepest sympathy to the people of Japan and will do our part in contributing to the rebuilding of Japan.

Acknowledgements

On behalf of the Board, I would like to thank our shareholders, customers, suppliers and colleagues without whose support we could not have achieved the favourable results in 2010 despite difficult conditions. We will continue to tread forward carefully, adopting a cautious yet positive path into the future.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 24 March 2011

Consolidated income statement
For the year ended 31 December 2010

	Note	***2010***	*2009*
		HK$'000	HK$'000
Continuing operations			
Turnover	3	**2,255,851**	1,817,172
Other operating income	4	**93,592**	66,512
Change in inventories of finished goods and work in progress		**27,170**	8,749
Raw materials and consumables used		**(1,481,128)**	(1,270,314)
Staff costs		**(307,408)**	(259,757)
Depreciation		**(95,354)**	(87,311)
Other operating expenses		**(224,793)**	(221,796)
Profit from operations		**267,930**	53,255
Finance costs	5(a)	**(3,358)**	(3,514)
Share of profit / (losses) of associates		**2,210**	(21,809)
Profit before taxation	5	**266,782**	27,932
Income tax	6	**(46,935)**	(11,212)
Profit for the year from continuing operations		**219,847**	16,720
Discontinued operation			
Loss for the year from discontinued operation	7	**(9,652)**	(285,441)
Profit / (loss) for the year		**210,195**	(268,721)
		========	========
Attributable to:			
Equity shareholders of the Company		**210,496**	(268,325)
Non-controlling interests		**(301)**	(396)
Profit / (loss) for the year		**210,195**	(268,721)
		========	========
Dividends	8		
Interim dividend declared during the year		**17,788**	3,234
Final dividend proposed after the end of the reporting period		**67,919**	3,234
		85,707	6,468
		========	========

Consolidated income statement *(continued)*
For the year ended 31 December 2010

	Note	***2010***	*2009*
		HK$'000	HK$'000
Earnings / (loss) per share	9		
Basic and diluted			
- from continuing and discontinued operations		**65.1 cents**	(83.0) cents
		========	========
- from continuing operations		**68.1 cents**	5.3 cents
		========	========
- from discontinued operation		**(3.0) cents**	(88.3) cents
		========	========

Consolidated statement of comprehensive income
For the year ended 31 December 2010

	2010	*2009*
	HK$'000	HK$'000
Profit / (loss) for the year	**210,195**	(268,721)
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	**3,110**	7,315
- transfer to profit or loss on disposal of overseas operations	**1,504**	19,846
	4,614	27,161
Available-for-sale securities: net movement in the fair value reserve	**2,068**	11,581
Total comprehensive income for the year from continuing operations	**216,877**	(229,979)
Discontinued operation		
Foreign currency translation adjustment:		
- exchange differences on translation of financial statements of an overseas operation	**-**	(139)
- release of exchange reserve on deconsolidation	**(6,026)**	-
Total comprehensive income for the year	**210,851**	(230,118)
Attributable to:		
Equity shareholders of the Company	**211,152**	(229,831)
Non-controlling interests	**(301)**	(287)
Total comprehensive income for the year	**210,851**	(230,118)

Consolidated statement of financial position

At 31 December 2010

	Note	*2010* HK$'000	*2009* HK$'000
Non-current assets			
Fixed assets			
- Other property, plant and equipment		**315,441**	353,591
- Interest in leasehold land held for own use		**5,588**	5,648
		321,029	359,239
Interest in associates		**101,905**	99,384
Loans receivable		**70,201**	123,055
Other financial assets		**186,083**	182,798
Deferred tax assets		**213**	2,198
		679,431	766,674
Current assets			
Trading securities		**232,856**	144,613
Inventories		**285,774**	276,561
Trade and other receivables	10	**471,745**	512,501
Current taxation recoverable		**1,224**	1,285
Cash and cash equivalents		**431,331**	380,713
		1,422,930	1,315,673
Assets of a discontinued operation		**-**	22,895
		1,422,930	1,338,568
Current liabilities			
Bank loans		**177,842**	218,955
Trade and other payables	11	**529,552**	519,068
Current taxation payable		**32,081**	1,857
		739,475	739,880
Liabilities relating to a discontinued operation		**-**	157,771
		739,475	897,651
Net current assets		**683,455**	440,917
Total assets less current liabilities		**1,362,886**	1,207,591
Non-current liabilities			
Bank loans		**-**	37,000
Other payables		**3,186**	4,104
Deferred tax liabilities		**3,123**	2,282
NET ASSETS		**1,356,577**	1,164,205

Consolidated statement of financial position ***(continued)***
At 31 December 2010

	Note	***2010***	*2009*
		HK$'000	HK$'000
CAPITAL AND RESERVES			
Share capital		**80,856**	80,856
Reserves		**1,267,223**	1,068,524
Amounts recognised in other comprehensive income and accumulated in equity relating to a discontinued operation		**-**	6,026
Total equity attributable to equity shareholders of the Company		**1,348,079**	1,155,406
Non-controlling interests		**8,498**	8,799
TOTAL EQUITY		**1,356,577**	1,164,205
		========	========

Notes:

1. Basis of preparation

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

These 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. These 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 annual financial statements for the year ended 31 December 2009 except the changes mentioned below.

2. Changes in accounting policies

The HKICPA has issued two new HKFRSs, 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 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- HK(Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*

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

The amendment to HKAS 39 and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the interpretation's conclusions were consistent with the accounting policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy has a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a controlling interest in a subsidiary to third party or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The amendment introduced by the Improvement to HKFRSs (2009) omnibus standard in respect of HKAS 17, *Leases* has had no material impact on the Group's financial statements as the Group has concluded that the classification of the interest in leasehold land as operating lease remains appropriate and the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

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 business 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. 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 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

	2010	*2009*
	HK$'000	HK$'000
Continuing operations		
Hong Kong and the PRC (place of domicile)	**667,900**	681,299
Europe	**750,638**	566,834
Korea	**478,196**	334,929
North America	**168,159**	117,711
Others	**190,958**	116,399
	2,255,851	1,817,172
Discontinued operation		
The PRC	**-**	223,500
Consolidated turnover	**2,255,851**	2,040,672

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

	2010	*2009*
	HK$'000	HK$'000
France	**172,896**	119,340
Germany	**186,197**	122,581
United Kingdom	**47,547**	47,403
Other European countries	**343,998**	277,510
	750,638	566,834

(ii) Group's specified non-current assets

	2010	*2009*
	HK$'000	HK$'000
Continuing operations		
Hong Kong and the PRC (place of domicile)	**317,199**	354,845
Germany	**97,533**	95,782
Korea	**4,372**	3,602
Others	**3,830**	4,394
	422,934	458,623

There were no specified non-current assets held as of 31 December 2010 and 2009 in respect of the discontinued operation.

4. Other operating income

	2010	*2009*
	HK$'000	HK$'000
Continuing operations		
Dividend income from listed equity securities	**626**	9,178
Interest income from listed debt securities	**299**	570
Interest income from unlisted debt securities	**6,185**	5,765
Other interest income	**3,378**	9,112
Rental income under operating leases	**-**	14,494
Net gain/(loss) on sale of fixed assets:		
- properties	**1,828**	6,076
- other fixed assets	**324**	(18,174)
Net loss on disposal of subsidiaries *	**(1,215)**	(18,504)
Available-for-sale securities: reclassified from equity on disposal	**2,618**	78
Net realised and unrealised gains on trading securities	**84,561**	38,387
Unrealised gains on derivative financial assets	**86**	15,249
Exchange (loss)/gain	**(9,146)**	2,011
Other income	**4,048**	2,270
	93,592	66,512
Discontinued operation		
Interest income	**37**	133
Exchange loss	**(2,764)**	(413)
	(2,727)	(280)
	90,865	66,232

* During the year ended 31 December 2010, the Group disposed of its 100% 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$1,215,000, which mainly comprised the foreign exchange loss recognised in equity in previous years and recognised in the profit or loss in the current year.

During the year ended 31 December 2009, 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

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

	2010	*2009*
	HK$'000	HK$'000
(a) Finance costs		
Continuing operations		
Interest on bank advances and other borrowings wholly repayable within five years	**3,358**	3,514
	========	========
Discontinued operation		
Interest on bank advances and other borrowings wholly repayable within five years	**-**	716
	========	========
(b) Impairment losses (written-back)/recognised		
Continuing operations		
Trade and other receivables		
- in respect of doubtful debts	**(99)**	(163)
- in respect of sales returns provision	**(707)**	(1,348)
Inventories	**20,581**	(668)
	========	========
Discontinued operation		
Fixed assets	**-**	1,059
Trade and other receivables	**-**	103,104
Inventories	**-**	150,867
	========	========
(c) Other items		
Continuing operations		
Cost of inventories	**1,797,867**	1,519,891
Auditors' remuneration	**3,472**	3,637
Research and development costs	**101,149**	78,799
Operating lease charges: minimum lease payments		
- hire of assets (including property rentals)	**3,047**	15,209
Contributions to defined contribution retirement plans	**10,378**	8,679
Equity-settled share-based payment expenses	**2,543**	-
	========	=======
Discontinued operation		
Cost of inventories	**-**	223,278
Operating lease charges: minimum lease payments		
- hire of assets (including property rentals)	**-**	1,678
	========	========

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2010	*2009*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	**16,882**	3,089
Under/(over)-provision in respect of prior years	**11,340**	(1,418)
	28,222	1,671
Current tax - Overseas		
Provision for the year	**15,887**	4,639
	15,887	4,639
Deferred tax		
Origination and reversal of temporary differences	**2,826**	4,902
	46,935	11,212

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 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.

As disclosed in the Group's financial statements for the year ended 31 December 2009, 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. The IRD has raised additional queries on the deductibility of certain trade debt provisions claimed by the subsidiary in the year of assessment 2005/06. Additional tax provision has been made thereon in respect of the tax dispute. The directors consider that provisions and tax payments made for the years of assessment 2004/05 to 2009/10, which are still subject to agreement by the IRD, are sufficient.

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, a 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.

During the year ended 31 December 2010, Varitronix Pengyuan was also placed into liquidation and at this time the directors have recognised a disposal of these companies. At the time of deconsolidating Varitronix Marketing and Varitronix Pengyuan from the Group, the Group has recognised a related liability of HK$82,953,000 and no profit or loss on disposal. Going forward, the directors will follow up on the liquidation progress and adjust this liability as required. However, they consider that the current liability recognised is sufficient to cover any future obligation which is likely to crystallise.

The results of the discontinued operation for the years ended 31 December 2010 and 2009 are as follows:

	2010	*2009*
	HK$'000	HK$'000
Turnover (note 3)	**-**	223,500
Other operating loss (note 4)	**(2,727)**	(280)
Changes in inventories of finished goods	**-**	(15,330)
Raw materials and consumables used	**-**	(207,948)
Staff costs	**(5,984)**	(6,819)
Depreciation	**-**	(388)
Other operating expenses	**(941)**	(277,460)
Loss from operation	**(9,652)**	(284,725)
Finance costs (note 5(a))	**-**	(716)
Loss before taxation (note 5)	**(9,652)**	(285,441)
Income tax	**-**	-
Loss for the year from discontinued operation attributable to equity shareholders of the Company	**(9,652)**	(285,441)

8. Dividends

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

	2010	*2009*
	HK$'000	HK$'000
Interim dividend declared and paid of 5.5 HK cents (2009: 1.0 HK cent) per share	**17,788**	3,234
Final dividend proposed after the end of reporting period of 21.0 HK cents (2009: 1.0 HK cent) per share	**67,919**	3,234
	85,707	6,468

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

	2010 **HK$'000**	*2009* HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent (2009: 1.0 HK cent) per share	**3,234**	3,234
	========	========

9. 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$210,496,000 (2009: loss of HK$268,325,000) and the weighted average number of shares of 323,422,204 shares (2009: 323,422,204 shares) in issue during the year, calculated as follows:

	2010		*2009*	
	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	**220,148**	**323,422,204**	17,116	323,422,204
Discontinued operation	**(9,652)**	**323,422,204**	(285,441)	323,422,204
	210,496	**323,422,204**	(268,325)	323,422,204
	========		========	

There was no movement in the weighted average number of shares in issue during the years ended 31 December 2010 and 2009.

(b) Diluted earnings per share

There was no effect of deemed issue of shares arising from the Company's share option schemes for nil consideration for the years ended 31 December 2010 and 2009. Accordingly, diluted earnings per share is the same as basic earnings per share for both years presented.

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:

	2010	*2009*
	HK$'000	HK$'000
Within 60 days of the invoice issue date	**335,062**	320,340
61 to 90 days after the invoice issue date	**40,903**	88,541
91 to 120 days after the invoice issue date	**19,024**	21,752
More than 120 days but less than 12 months after the invoice issue date	**9,836**	4,478
More than 12 months after the invoice issue date	**-**	61
	404,825	435,172

Trade debtors and bills receivable are due within 60 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:

	2010	*2009*
	HK$'000	HK$'000
Within 60 days of supplier invoice date	**238,082**	308,524
61 to 120 days after supplier invoice date	**69,104**	125,181
More than 120 days but within 12 months after supplier invoice date	**19,216**	8,945
More than 12 months after supplier invoice date	**336**	180
	326,738	442,830

12. Capital commitments

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

	2010	*2009*
	HK$'000	HK$'000
Contracted for	**7,996**	3,026
Authorised but not contracted for	**95**	233
	8,091	3,259

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 was HK$177,842,000 (2009: HK$319,996,000).

DIVIDEND

The Board has recommended declaring a final dividend of 21.0 HK cents (2009: 1.0 HK cent) per share as compared to interim dividend of 5.5 HK cents (2009: 1.0 HK cent) per share representing a total of 26.5 HK cents (2009: 2.0 HK cents) per share for the year ended 2010.

The final dividend will be payable on or around Friday, 8 July 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 27 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 27 May 2011 to Thursday, 2 June 2011 (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 Thursday, 26 May 2011.

OTHERS

Staff

As at 31 December 2010, the Group employed 4,602 staff around the world, of whom 167 were in Hong Kong, 4,397 in the People's Republic of China ("PRC") and 38 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, 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 2010.

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 2010.

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 2010 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 2010 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, 24 March 2011

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.