VARITRONIX

VARITRONIX INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 710)

2011 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Financial Highlights

HK$ million	2011	2010
Turnover	2,131	2,256
Profit attributable to shareholders	168	210
Basic earnings per share	51.9 HK cents	65.1 HK cents
Total dividend per share	26.5 HK cents	26.5 HK cents

On behalf of Varitronix International Limited (the "Company") and its subsidiaries ("Varitronix" or the "Group"), I present the Group's results for the year ended 31 December 2011.

During the year under review, turnover of HK$2,131 million was recorded, representing a decrease of 6% as compared to the HK$2,256 million reported in 2010. Profit from operations was HK$188 million, down 30% when compared to the HK$268 million reported in the previous year. Profit attributable to shareholders was HK$168 million, a decrease of 20% as compared to HK$210 million in 2010. The decrease in net profit is mainly attributable to the worsening business environment in the fourth quarter of 2011.

The overall gross profit margin was 23%, a rise of 3% as compared to the year 2010. In the face of natural disasters and huge cost pressures on operations in China, the management team successfully elevated the gross profit margin by means of tightened internal controls, improvements in process technology and adjustments in the product mix throughout the year. Orders for high-end automotive displays expanded and thus the average selling price rose correspondingly. During the period under review, the Group's cash flow remained stable. As the Group has lowered its gearing ratio through repayments of its bank loans and has raised the inventory level of some critical components after the tsunami in Japan, the cash balance was reduced to HK$391 million from HK$431 million.

Dividends

The Board of Directors (the "Board") has recommended a final dividend of 15.5 HK cents per share (2010: 21.0 HK cents). Together with the interim dividend of 11.0 HK cents (2010: 5.5 HK cents), the total dividend for 2011 amounted to 26.5 HK cents per share (2010: 26.5 HK cents) which is at the same level as last year, representing a dividend payout ratio of 51%. This year's level of dividend payment reflects our strong cash flow position and our commitment to reflect the value achieved for our shareholders through dividend returns.

Review

Automotive Display Business

Revenue from the Group's automotive display business was HK$1,211 million, representing an increase of 1% as compared to 2010. The automotive display business generated 57% of the Group's total turnover. Europe is the largest automotive display market for the Group, based on its revenue contributed in 2011.

The first three quarters of 2011 recorded strong sales revenue. It was only when the debt crisis broke out in Europe in the fourth quarter that market sentiment was adversely affected. Customers' confidence became shaky, and as a result they tended to minimise the inventory levels. Orders that would normally have been placed according to schedule were postponed. Customers preferred to reserve their orders to a more suitable time when the market returned to normal. Consequently, the Group's revenue from this business sector was affected in the fourth quarter.

Competition remained strong for the automotive display business in South Korea, where revenue dropped 42% as compared to 2010. Nonetheless, this is still the Group's second largest automotive display market other than Europe. The Group views South Korea as an important market, and is committed to improving quality and service standards so as to strengthen its competitive advantage.

The Group has accumulated five years' experience in the China automotive market, and we have established a strong foothold in the high-end automotive display sector. In 2011, the PRC automotive display business contributed 8% to the Group's overall turnover. Subsequent to the rapid growth in 2009 and 2010, it is generally estimated that the PRC automotive industry will continue to develop along a more gently rising trend. As long as the demand in China is sustained, especially the demand for high-end automobiles, the Group is well positioned to expand in this region in the coming few years.

The first TFT (Thin Film Transistor) automotive project reached the mass production stage in 2011, signifying a new product market for the Group. The Group's positioning in the TFT market is to concentrate on high-end TFT automotive projects. Our TFT Team contributes expertise in automotive displays, and provides professional service to customers. To date, the Group has acquired more new TFT automotive projects.

Industrial Display Business

The turnover from the industrial display business was HK$920 million, representing a 3% decrease as compared to 2010. This business contributed 43% of total turnover in 2011. The industrial display business was also affected by the negative impact of the European debt crisis and the declining economy. Although enquiries for new projects in the fourth quarter of 2011 became fewer, order postponement was not serious. This demonstrates that the Group has chosen the right way to develop the industrial display business in parallel with the automotive display business.

Europe and North America are the key markets for the industrial display business with applications covering electricity meters, white goods, medical products and industrial equipment. This business is characterised by small quantity, high quality and stable selling price. Fluctuations in this sector are comparatively small. It is a stable revenue source even during an uncertain market situation.

Key Growth Strategies

The Group is still confident about our future albeit amid an unstable market. We believe if we can deploy appropriate strategies, our business foundation will become even stronger than before.

(1) **Proactive Development Strategy:** When facing unclear prospects, and under an environment where the cost of materials fluctuates and wages are ever rising, and with the continuing appreciation of the Renminbi, manufacturers have already taken cost control into their daily routine, and Varitronix is no exception. Nevertheless, if we are determined to grow strong in a highly competitive environment, we need to have a long-term vision and employ proactive market strategies. In 2012, the Group will continue to invest in extensive automation projects aiming at strengthening its competitiveness by reducing labour demand and improving quality and output. Additionally, we consider it a favourable time for machine acquisition during a period of economic downturn.

(2) **Supply Chain Management:** In 2011, natural disasters such as the tsunami in Japan and the 2011 Thailand floods created a worldwide shortage in the supply of critical components. In particular, the tsunami in Japan temporarily affected the supply of some of the Group’s critical components. This highlighted the importance of maintaining close relationships with suppliers, and of the need to build up the inventory of such critical materials in order to minimise the impact on production during such a situation.

(3) **Team Expansion:** During the uncertainty of the current market situation, some factories in Guangdong area may need to reduce their scale of manufacturing. The Group is committed to expanding its human resources capital at this opportunity. On the one hand it is prepared for the expansion of new production capacity and on the other, the expanded engineering manpower will help to fulfill extra demand during the next market turnaround.

Prospects

Business Trends

Despite a fall in orders during the fourth quarter of 2011, business recovery was favourable at the beginning of 2012. Orders started to return when market uncertainty subsided following a gradual stabilisation of the economic situation in Europe and the US.

Moving into 2012, orders for automotive displays have increased. Through years of cooperation, the Group has established solid relationships with major international customers and the ups and downs of the market have only strengthened the level of mutual trust between us. The Group is confident that these major customers will continue to place orders that will enter into mass production in one to two years’ time, which will lock in future revenues at a stable level, and further increase the Group's share in the automotive display market.

The industrial display business remains stable at the beginning of 2012 with a favourable level of orders.

Market Development

The Asian market is expected to continue to grow and the Group has already set the automotive markets in China and Japan as its targets for development. Despite the fact that the rate of growth became slower in the China automotive market in 2011, moderate growth is still expected in the future. With its positioning in the mid- to high-end automobile category, the Group will seek to strengthen its foothold in the China market with excellence in quality and service.

The Group made its way into the Japanese automotive display market a few years ago, and the fruits of our efforts could be seen in 2011. We believe that various conditions have matured, which makes 2012 a good time to further increase the Group's share in the Japanese automotive display market. We will allocate resources accordingly to meet the demand of this market.

Steady development is expected in the US market in 2012. As the majority of customers in this market are in the industrial sector, the impact of market fluctuations has been insignificant. Furthermore, through careful planning by the management of our US sales office, both the business and our customers are being developed in a diversified and balanced way. We therefore believe that the US market still has room for growth and will become one of our main targets for development.

Factory Expansion

The Group is already a leader in the design and manufacture of automotive and industrial displays, and we believe that there is still a large demand for passive LCDs. We therefore expect a positive outlook for this business. Construction of a new factory is in progress with new production lines coming into operation in early 2013 to further boost production capacity and product quality.

Technological Extension

In terms of LCD technology, development is well under way for sophisticated displays with improved contrast, duty ratio, viewing angles, response time, etc., with an aim to improve the current levels of cost and quality.

The Group has determined to allocate more resources to technological research in order to widen the applications for LCD technology. The Group sees capacitive touch panels as an area with potential, as what is mainly used in notepad computers and smart phones now could penetrate every aspect of our daily lives in the future. The Group will set its target on industrial and automotive grade touch panels and has already established a dedicated unit to develop this business.

Summary

Results in the fourth quarter were affected by the European debt crisis, but fortunately the impact was controllable. Marching into 2012, we feel optimistic about the positive moves of our customers. The Group's leading position in the automotive and industrial display markets remains strong. 2012 is particularly crucial for the Group, as a new factory will be completed at the end of the year. If demand for automotive and industrial displays remains high, the Group will be able to take on additional orders, fully utilising the expanded production capacity, and thereby accelerating the sales growth momentum.

Acknowledgements

The year 2011 was without doubt difficult, but for 2012 the Group remains optimistic. I would like to take this opportunity to thank our shareholders, customers, suppliers and our loyal staff members. The manufacturing industry is full of challenges and I am grateful for my fellow comrades who are willing to take part in this industry. Only with your support can our industry develop in a steady and concrete way.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 23 March 2012

Consolidated income statement
For the year ended 31 December 2011

	Note	***2011*** **HK$'000**	*2010* HK$'000
Continuing operations			
Turnover	3	**2,131,410**	2,255,851
Other operating income	4	**23,483**	93,592
Change in inventories of finished goods and work in progress		**25,519**	27,170
Raw materials and consumables used		**(1,366,117)**	(1,481,128)
Staff costs		**(312,027)**	(307,408)
Depreciation		**(95,135)**	(95,354)
Other operating expenses		**(219,268)**	(224,793)
Profit from operations		**187,865**	267,930
Finance costs	5(a)	**(1,754)**	(3,358)
Share of profits less losses of associates		**8,932**	2,210
Profit before taxation	5	**195,043**	266,782
Income tax	6	**(27,016)**	(46,935)
Profit for the year from continuing operations		**168,027**	219,847
Discontinued operation			
Loss for the year from discontinued operation	7	**-**	(9,652)
Profit for the year		**168,027**	210,195
Attributable to:			
Equity shareholders of the Company		**168,027**	210,496
Non-controlling interests		**-**	(301)
Profit for the year		**168,027**	210,195
Dividends	8		
Interim dividend declared during the year		**35,656**	17,788
Final dividend proposed after the end of the reporting period		**50,243**	67,919
		85,899	85,707

Consolidated income statement *(continued)*
For the year ended 31 December 2011

	Note	***2011*** **HK$'000**	*2010* HK$'000
Earnings per share	9		
Basic			
- from continuing and discontinued operations		**51.9 cents**	65.1 cents
- from continuing operations		**51.9 cents**	68.1 cents
- from discontinued operation		**- cent**	(3.0) cents
Diluted			
- from continuing and discontinued operations		**51.3 cents**	65.1 cents
- from continuing operations		**51.3 cents**	68.1 cents
- from discontinued operation		**- cent**	(3.0) cents

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	2011	*2010*
	HK$'000	HK$'000
Profit for the year	**168,027**	210,195
Other comprehensive income for the year (after tax and reclassification adjustments):		
Foreign currency translation adjustments: net movement in the exchange reserve	**15,167**	4,614
Available-for-sale securities: net movement in the fair value reserve	**(5,797)**	2,068
Total comprehensive income for the year from continuing operations	**177,397**	216,877
Discontinued operation		
Foreign currency translation adjustment:		
- release of exchange reserve on deconsolidation	**-**	(6,026)
Total comprehensive income for the year	**177,397**	210,851
Attributable to:		
Equity shareholders of the Company	**177,397**	211,152
Non-controlling interests	**-**	(301)
Total comprehensive income for the year	**177,397**	210,851

Consolidated statement of financial position

At 31 December 2011

	Note	***2011***	*2010*
		HK$'000	HK$'000
Non-current assets			
Fixed assets			
- Property, plant and equipment		**264,723**	315,441
- Interest in leasehold land held for own use		**14,284**	5,588
		279,007	321,029
Interest in associates		**107,673**	101,905
Loans receivable		**71,918**	70,201
Other financial assets		**203,519**	186,083
Deferred tax assets		**237**	213
		662,354	679,431
Current assets			
Trading securities		**138,516**	232,856
Inventories		**335,675**	285,774
Trade and other receivables	10	**437,611**	471,745
Current tax recoverable		**2,845**	1,224
Cash and cash equivalents		**391,479**	431,331
		1,306,126	1,422,930
Current liabilities			
Bank loans		**153,511**	177,842
Trade and other payables	11	**363,751**	529,552
Current tax payable		**12,910**	32,081
		530,172	739,475
Net current assets		**775,954**	683,455
Total assets less current liabilities		**1,438,308**	1,362,886
Non-current liabilities			
Other payables		**2,214**	3,186
Deferred tax liabilities		**155**	3,123
NET ASSETS		**1,435,939**	1,356,577

Consolidated statement of financial position *(continued)*
At 31 December 2011

	Note	***2011***	*2010*
		HK$'000	HK$'000
CAPITAL AND RESERVES			
Share capital		**81,036**	80,856
Reserves		**1,354,659**	1,267,223
Total equity attributable to equity shareholders of the Company		**1,435,695**	1,348,079
Non-controlling interests		**244**	8,498
TOTAL EQUITY		**1,435,939**	1,356,577

Notes:

1. Basis of preparation

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2011 but are extracted therefrom.

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

The accounting policies used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2010 except the changes mentioned in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009) , *Related party disclosures*
- Improvements to HKFRSs (2010)

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

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. Turnover and segment reporting

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays and related products.

(a) Operating segment

The Group manages its business as a single unit and, accordingly, the design, manufacture and sale of liquid crystal displays and related products is the only reporting segment and virtually all of the turnover and operating profits is derived from this business segment. The financial information is already presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no separate business segment information is disclosed.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined that a single operating segment exists based on this internal reporting.

The Board assesses the performance of the operating segments based on turnover which is consistent with that in the financial information. Other information, being the total assets excluding deferred tax, 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

	2011	*2010*
	HK$'000	HK$'000
Europe	**886,000**	750,638
Hong Kong and the PRC (place of domicile)	**566,542**	667,900
Korea	**278,384**	478,196
America	**264,081**	241,921
Others	**136,403**	117,196
Consolidated turnover	**2,131,410**	2,255,851

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

	2011 HK$'000	2010 HK$'000
France	**224,786**	172,896
Germany	**149,958**	186,197
Italy	**71,288**	60,410
United Kingdom	**65,484**	47,547
Other European countries	**374,484**	283,588
	886,000	750,638

(ii) Group's specified non-current assets

	2011 HK$'000	2010 HK$'000
Hong Kong and the PRC (place of domicile)	**275,649**	317,199
Germany	**103,935**	97,533
Korea	**3,738**	4,372
Others	**3,358**	3,830
	386,680	422,934

4. Other operating income

	2011 HK$'000	2010 HK$'000
Continuing operations		
Dividend income from listed equity securities	**12,522**	626
Interest income from listed debt securities	**1,621**	299
Interest income from unlisted debt securities	**6,318**	6,185
Other interest income	**1,378**	3,378
Reversal of liabilities recognised in respect of a disposal of a subsidiary (note 7)	**83,860**	-
Net (loss)/gain on disposal of fixed assets	**(992)**	2,152
Net gain/(loss) on disposal of subsidiaries *	**36,689**	(1,215)
Available-for-sale securities: reclassified from equity on disposal	**-**	2,618
Net realised and unrealised (losses)/gains on trading securities	**(135,000)**	84,561
Unrealised gains on derivative financial assets	**-**	86
Exchange loss	**(4,848)**	(9,146)
Other income	**21,935**	4,048
	23,483	93,592
Discontinued operation		
Interest income	**-**	37
Exchange loss	**-**	(2,764)
	-	(2,727)
	23,483	90,865

* During the year ended 31 December 2011, the Group has disposed of its 100% interests in a subsidiary which held unlisted equity securities at a consideration of HK$38,750,000 which resulted a net gain of HK$37,385,000 in the profit or loss.

During the year ended 31 December 2011, the Group has also disposed of its equity interest in certain subsidiaries which were dormant with insignificant assets and liabilities. The disposals were made with a resultant loss on disposal amounting to HK$696,000. Upon the completion of disposal, the Group has obtained a waiver from the non-controlling interests on the net assets of a disposed subsidiary attributable to the non-controlling interests. Such waiver relating to net assets amounted to HK$8,254,000 and transferred to retained earnings directly within equity.

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.

5. Profit before taxation

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

	2011	*2010*
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**1,754**	3,358
(b) Impairment losses recognised/(written-back)		
Trade and other receivables		
- in respect of doubtful debts	**1,204**	(99)
- in respect of sales returns provision	**2,733**	(707)
Inventories	**(5,143)**	20,581
(c) Other items		
Cost of inventories	**1,631,132**	1,797,867
Auditors' remuneration	**3,925**	3,472
Research and development costs	**128,722**	101,149
Operating lease charges: minimum lease payments		
- hire of assets (including property rentals)	**2,794**	3,047
Contributions to defined contribution retirement plans	**17,373**	10,378
Equity-settled share-based payment expenses	**3,687**	2,543

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2011	*2010*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	**8,264**	16,882
(Over)/under-provision in respect of prior years	**(3,345)**	11,340
	4,919	28,222
Current tax - Overseas		
Provision for the year	**25,322**	15,887
Over-provision in respect of prior years	**(233)**	-
	25,089	15,887
Deferred tax		
Origination and reversal of temporary differences	**(2,992)**	2,826
	27,016	46,935

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 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.

During the year ended 31 December 2011, the subsidiary reached an agreement with the Inland Revenue Department to settle certain disputes in relation to the years of assessment 2004/05 to 2009/10 based on a revised assessment of the subsidiary's tax liabilities in relation to the relevant years of assessment. Provisions for Hong Kong Profits Tax in relation to the aforesaid years of assessment had been made in prior years and the excessive provision of HK$3,345,000 has been credited to profit or loss upon the settlement of the tax dispute. The directors consider that provisions and tax payments made are sufficient and there was no outstanding tax dispute as at 31 December 2011.

7. Discontinued operation

As disclosed in the Group's financial statements for the year ended 31 December 2010, Varitronix Marketing (China) Limited ("Varitronix Marketing") and Varitronix Pengyuan Electronics Limited ("Varitronix Pengyuan") were placed into liquidation and at that time the directors had recognised a disposal of these companies. At the time of deconsolidating Varitronix Marketing and Varitronix Penyuan from the Group, the Group had recognised a related liability of HK$82,953,000 and no profit or loss on disposal had been recognised.

In August 2011, the liquidation process was concluded upon the declaration of bankruptcy of Varitronix Pengyuan under the relevant legislation. There were no claims made against the Group in the capacity of the then shareholders of Varitronix Pengyuan. The directors consider that the Group is no longer obligated to settle the aforesaid related liability of HK$83,860,000 as being remeasured at the corresponding exchange rate between Hong Kong dollar and Renminbi as of the date of derecognition. Accordingly, the related liability was derecognised and credited to profit or loss during the year ended 31 December 2011.

The results of the discontinued operation for the years ended 31 December 2011 and 2010 are as follows:

	2011	*2010*
	HK$'000	HK$'000
Other operating loss (note 4)	**-**	(2,727)
Staff costs	**-**	(5,984)
Other operating expenses	**-**	(941)
Loss from operation and before taxation	**-**	(9,652)
Income tax	**-**	-
Loss for the year from discontinued operation attributable to equity shareholders of the Company	**-**	(9,652)

8. Dividends

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

	2011	*2010*
	HK$'000	HK$'000
Interim dividend declared and paid of 11.0 HK cents (2010: 5.5 HK cents) per share	**35,656**	17,788
Final dividend proposed after the end of reporting period date of 15.5 HK cents (2010: 21.0 HK cents) per share	**50,243**	67,919
	85,899	85,707

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

	2011	*2010*
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 21.0 HK cents (2010: 1.0 HK cent) per share	**67,919**	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$168,027,000 (2010: HK$210,496,000) and the weighted average number of shares of 323,713,973 shares (2010: 323,422,204 shares) in issue during the year, calculated as follows:

	2011	*2010*
	Profit attributable to equity shareholders HK$'000	Profit/(loss) attributable to equity shareholders HK$'000
Continuing operations	**168,027**	220,148
Discontinued operation	**-**	(9,652)
	168,027	210,496
Weighted average number of ordinary shares	**323,713,973**	323,422,204

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$168,027,000 (2010: HK$210,496,000) and the weighted average number of shares of 327,234,423 shares (2010: 323,422,204 shares), calculated as follows:

	2011	*2010*
	Profit attributable to equity shareholders HK$'000	Profit/(loss) attributable to equity shareholders HK$'000
Continuing operations	**168,027**	220,148
Discontinued operation	**-**	(9,652)
	168,027	210,496
Weighted average number of ordinary shares (diluted)	**327,234,423**	323,422,204

(c) Weighted average number of shares

(i) Basic weighted average number of shares

	2011 **Number of shares**	*2010* Number of shares
Issued ordinary shares at 1 January	**323,422,204**	323,422,204
Effect of share options exercised	**291,769**	-
Weighted average number of ordinary shares at 31 December	**323,713,973**	323,422,204

(ii) Diluted weighted average number of shares

	2011 **Number of shares**	*2010* Number of shares
Weighted average number of ordinary shares at 31 December	**323,713,973**	323,422,204
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**3,520,450**	-
Weighted average number of ordinary shares (diluted) at 31 December	**327,234,423**	323,422,204

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:

	2011 **HK$'000**	*2010* HK$'000
Within 60 days of the invoice issue date	**294,504**	335,062
61 to 90 days after the invoice issue date	**70,090**	40,903
91 to 120 days after the invoice issue date	**27,981**	19,024
More than 120 days but less than 12 months after the invoice issue date	**16,298**	9,836
	408,873	404,825

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

11. Trade and other payables

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

	2011	*2010*
	HK$'000	HK$'000
Within 60 days of supplier invoice date	**243,212**	238,082
61 to 120 days after supplier invoice date	**49,425**	69,104
More than 120 days but within 12 months after supplier invoice date	**3,161**	19,216
More than 12 months after supplier invoice date	**282**	336
	296,080	326,738

12. Capital commitments

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

	2011	*2010*
	HK$'000	HK$'000
Contracted for	**9,793**	7,996
Authorised but not contracted for	**354,000**	95
	363,793	8,091

13. Contingent liabilities

Financial guarantees issued

As at the end of the reporting period, the Company has issued guarantees to banks in respect of a banking facilities granted to certain subsidiaries.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued and the facilities drawn down by the subsidiaries is HK$153,511,000 (2010: HK$177,842,000).

DIVIDEND

The Board has recommended declaring a final dividend of 15.5 HK cents (2010: 21.0 HK cents) per share as compared to interim dividend of 11.0 HK cents (2010: 5.5 HK cents) per share representing a total of 26.5 HK cents (2010: 26.5 HK cents) per share for the year ended 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 May 2012 to Friday, 1 June 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM (the "2012 AGM"), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 May 2012.

Subject to the shareholders approving the recommended final dividend at the 2012 AGM of the Company, such dividend will be payable on or around Monday, 9 July 2012 to shareholders whose names appear on the register of members of the Company on Friday, 8 June 2012. To determine eligibility for the final dividend, the register of members of the Company will be closed from Thursday, 7 June 2012 to Friday, 8 June 2012 (both days inclusive), during which period no shares can be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare, of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 June 2012.

OTHERS

Staff

As at 31 December 2011, the Group employed 4,277 staff around the world, of whom 162 were in Hong Kong, 4,077 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.

Liquidity and Financial Resources

As at 31 December 2011, the total equity of the Group was HK$1,436 million (31 December 2010: HK$1,357 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.46 as at 31 December 2011 (31 December 2010: 1.92).

At the year end, the Group held a liquid portfolio of HK$553 million (31 December 2010: HK$695 million) of which HK$391 million (31 December 2010: HK$431 million) was in cash and cash equivalents and HK$162 million (31 December 2010: HK$264 million) in securities. The unsecured interest-bearing bank loans amounted to HK$154 million (31 December 2010: HK$178 million). The gearing ratio (bank loans over net assets) was approximately 11% (31 December 2010: 13%).

The Group's inventory turnover ratio for the year was 5.3 times (2010: 6.4 times). Debtor turnover days for the year was 70.0 days (2010: 65.5 days).

Foreign Currency Exposure

The Group is exposed to foreign currency risk primarily through sales, purchases, loan receivables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily 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 2011.

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 Listing Rules throughout the year ended 31 December 2011.

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 2011 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 2011 have been compared by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

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

Hong Kong, 23 March 2012

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.