



[Press Release]

## Varitronix Announces 2013 Annual Results

[20 March 2014 – Hong Kong] Varitronix International Limited and its subsidiaries (“Varitronix” or the “Group”/ Stock code: 710) announced its annual results for 2013. For the year ended 31 December 2013, the Group achieved a turnover of HK\$2,604 million, representing an increase of 17% as compared to HK\$2,222 million in 2012. EBITDA\* was HK\$459 million, the highest level in the Group’s 35 years of history and also 71% higher than the HK\$269 million recorded for the previous year. Profit attributable to shareholders was HK\$243 million, compared to HK\$171 million in 2012, there was an increase of 42%. Gross profit margin for the year increased to 26% from 21% in 2012.

The Group was able to achieve satisfactory results in 2013. New production lines started operation in phases during the second half of 2013, the Group managed to increase capacity for receiving more orders, which brought about a positive impact on sales performance. During the year under review, the depreciation of the Japanese yen lowered the cost of certain raw materials. These factors, together with improved production efficiency and design of high value products, contributed to an improved gross profit margin.

As at 31 December 2013, the cash balance of the Group was HK\$555 million, compared to HK\$464 million at the end of 2012. The Group’s gearing ratio, being total bank loans over net assets, was 17% as at 31 December 2013.

The Board of Directors (the “Board”) has recommended a final dividend of 38.0 HK cents per share (2012: 20.0 HK cents). Together with the interim dividend of 12.0 HK cents (2012: 8.0 HK cents), the total dividend for 2013 amounted to 50.0 HK cents per share (2012: 28.0 HK cents), representing a dividend payout ratio of 67%, higher than the payout ratio of 53% in 2012. This year’s level of dividend payment reflects the strength of the Group’s cash flow position.

### Business Review

For the year under review, the automotive display business generated revenue of HK\$1,819 million, an increase of 30% over that of 2012. The automotive display business represented 70% of the Group’s total turnover.

Europe is still the largest contributor to the automotive display business. The automotive manufacturing industry in Europe developed steadily in 2013. Apart from monochrome display orders, the Thin Film Transistor (TFT) display business grew remarkably in the region. China is considered to be the market with the strongest growth momentum for the Group’s automotive display business. A sustaining growth pattern will be formed for the business in China. The automotive display business in South Korea was back on a rising track in 2013. The Group has successfully won more orders from existing and new customers. In Japan, sales for the automotive display business continued to grow and recorded a notable increase. It is believed the contribution from the Japanese market will become more visible in future years.

Turnover from the industrial display business was HK\$785 million. This business contributed 30% of the total turnover of the Group. Turnover of the industrial display business for the first half of 2013 decreased 16% as compared with the corresponding period in 2012. In the second half of 2013, sales performance improved rapidly and the total turnover for the whole of 2013 approximately corresponded to that of 2012.

The industrial display business can be seen as a barometer of the economy in Europe. As the economic situation in Europe became more stable in the second half of 2013, orders from industrial customers increased accordingly. For the year under review, effort was made to reposition the business in the US to develop more high value product business. This has affected the growth of sales revenue for the time being. It is expected the Group's advantage in the US market will be further solidified after the repositioning exercise, and the scope of business will be expanded.

### Prospects

Varitronix saw considerable growth in the production ratio of high value display products last year. Given the excellent prospects for the automotive industry, the Group sees upward potential for profit margins driven by its high value products in the future. In the sale of automotive display products, the automotive industries in emerging markets such as China, India and Brazil are rich in potential. With strong domestic demand there, Varitronix will take these countries as its target markets to increase sales and drive growth in turnover.

There was an encouraging improvement in the growth rate of the industrial display products business in the second half of 2013, and the Group expects the favourable conditions to continue into 2014.

TFT and touch panel displays are considered the Group's product segment with promising growth potential. There has also been an increase in the number of enquiries relevant to these applications. Varitronix will actively expand the customer base for these products.

Two new production lines have added to the Group's production capacity. There is still room for the application of monochrome display products. With regard to higher value products, Varitronix will continue to invest in equipment to enhance efficiency and performance, and aim at increasing the share of high value products in the product mix.

In the process of developing the automotive display business over the past few years, Varitronix has acquired a technological edge in design, production, quality control systems and after-sales service. Based on its longstanding relationship with the automotive customers, the Group may go into developing other automotive parts apart from display products, either through organic growth or acquisitions.

□ End □

- ✧ EBITDA means profit for the year plus the following to the extent deducted in calculating such profit for the year: finance costs, income tax, depreciation, impairment loss on non-listed available-for-sale equity securities, loss on disposal of non-listed available-for-sale equity securities and associated loans receivable and net gain on disposal of fixed assets.

### **About Varitronix**

Established in 1978, Varitronix is one of the world's leading manufacturers of small-to-medium-sized liquid crystal displays (LCD). Varitronix serves customers around the world through its extensive sales network. Its manufacturing base is located in Heyuan, Guangdong Province. Varitronix holds ISO 9001, TS 16949, ISO 14001, QC080000 and OHSAS18000 accreditation. The Company has been listed on The Stock Exchange of Hong Kong since 1991 (stock code: 710). Please visit [www.varitronix.com](http://www.varitronix.com) for more information.

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