



[Press Release]

Varitronix Announces 2014 Annual Results

[19 March 2015 – Hong Kong] Varitronix International Limited and its subsidiaries (“Varitronix” or the “Group”/ Stock code: 710) today announced its annual results for 2014. For the year ended 31 December 2014, turnover of HK\$2,613 million was recorded, similar to the HK\$2,604 million recorded in 2013. EBITDA¹ was HK\$395 million, 14% lower than the HK\$459 million recorded for the previous year. Profit attributable to shareholders was HK\$250 million, representing a 3% increase over the HK\$243 million recorded in 2013.

As at 31 December 2014, the cash and fixed deposits balance of the Group was HK\$575 million, compared to HK\$555 million at the end of 2013. The Group’s gearing ratio, being total bank loans over net assets, was 13% as at 31 December 2014, lower than the 17% recorded in the previous year.

The Board of Directors has recommended a final dividend of 30.0 HK cents per share (2013: 38.0 HK cents). Together with the interim dividend of 12.0 HK cents (2013: 12.0 HK cents), the total dividend for 2014 amounted to 42.0 HK cents per share (2013: 50.0 HK cents), representing a dividend payout ratio of 55% (2013: 67%). This year’s 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\$1,816 million, a mild decrease of 0.2% compared to 2013. The automotive display business represents approximately 70% of the Group’s total turnover.

During this same period, the adoption of Thin Film Transistor (TFT) displays by European automotive customers has become common practice. This has not only accelerated sales of the Group’s TFT displays, but also helped to maintain the overall turnover of automotive displays at the similar level as in 2013, amid the deteriorating economy of the Euro Zone in the second half of 2014.

Despite gentler economic growth in China, there is steady development of the automotive industry and hence, the Group’s automotive display sales were also stable here. The Group’s automotive display business in South Korea shrank in scale in 2014, largely attributable to the fierce competition in that market.

However, the Group’s automotive display business grew in other countries in Asia, such as Japan and India. The Japanese market has started to reap a harvest with orders on a steady rise. In India, turnover gradually increased despite the fact that the value of individual orders in that country was still relatively low.

Turnover from the industrial display business was HK\$797 million in 2014, representing an increase of 2% from the previous year. This business contributes approximately 30% of the total turnover of

the Group.

The Group's industrial display business in Europe was mildly affected by the economic situation but turnover was maintained at a similar figure as in 2013. Having undergone a business portfolio restructuring, revenue from the US market rose notably in the first half of 2014 with the rising trend continuing in the second half of the year. Thus, turnover for the whole year demonstrated significant growth.

Prospects

Looking ahead in 2015, Varitronix believes that its European business will not significantly improve. An optimistic projection is that the continent's automotive display business may see limited growth, driven by the continued increase in orders for TFT displays. As for the European industrial display business, its advantage lies in its vastness, diversity and potential for growth. The Group's sales teams will continue to open up markets so that the region's industrial display business will achieve growth in the coming year.

The upward trend in the United States will continue with the industrial display business expected to lead the growth. The projects successfully pitched by the US sales teams last year will ensure revenue streams in the next one to two years.

China's automotive display business will continue its stable growth. However, taking into consideration the considerable scale of China's automotive display business along with the country's slowing pace of economic growth, revenue growth for the region is expected to slow down. Japan will be the new impetus in this business area. Orders from Japan have continued to increase in recent years, and the product technology is slowly moving from low-end to high-value, reflecting the gradual build-up of customers' trust in the Group.

Currently, the Group's display technology is mainly monochrome. Monochrome displays are mature products with limited growth possibilities. However, the Group's leading position in monochrome display market will continue to ensure a steady and substantial revenue stream for the Group in the future. The application of TFT displays in automobiles is mainly in the GPS navigation, temperature control and audio-visual equipment. The trend is expected to continue to grow in the next few years. The Group's TFT display revenues will see substantial growth in revenue.

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- ❖ 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 of listed available-for-sale equity securities, impairment and loss on disposal of non-listed available-for-sale equity securities and associated loans receivable.

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 in China. 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 for more information.

For queries please contact: Ms Susana Chan (Tel: +852 2197 6153 / 9657 3041) of Varitronix Public Relations.