



[Press Release]

Varitronix Announces 2011 Annual Results with Optimistic View for 2012

[23 Mar 2012 – Hong Kong] Varitronix International Limited and its subsidiaries (“Varitronix” or the “Group”/ Stock code: 710) today announced its annual results for 2011. For the year ended 31 December 2011, the Group achieved a turnover of HK\$2,131 million, 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 operating 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. 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.

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 the Group’s strong cash flow position.

Business Review

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. 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. Consequently, the Group’s revenue from the automotive display 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. It is still the Group’s second largest automotive display market. The Group is committed to improving quality and service standard for this market, progress is satisfactory so far. The Group has established a strong foothold in the high-end automotive display sector in China. In 2011, the PRC automotive display business contributed 8% to the Group’s overall turnover.

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. 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.

Prospects

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.

The Group will particularly set its eyes in further expanding the potential of the automotive markets in the PRC and Japan, and the industrial market in the United States.

For 2012, Varitronix feels optimistic about the positive moves of its 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 as anticipated, the Group will be able to take on additional orders, fully utilising the expanded production capacity, and thereby accelerating the sales growth momentum.

Mr Tony Tsoi, Chief Executive Officer of Varitronix, added, "The Group is still confident about our future, albeit amid an unstable market. 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. We will strengthen supply chain management after the tsunami in Japan, and we are committed to expanding our human resources capital to prepare for the expansion of new production capacity."

□ End □

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 and QC080000 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.

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