



[Press Release]

Varitronix Interim Results 2006 Steady Business Optimistic Outlook

[1 September 2006 - Hong Kong] Varitronix International Limited and its subsidiaries (“Varitronix” or the “Group”/ Stock code: 710) announced its interim results for the first half of 2006. Highlights are as follows:

- For the six months ended 30 June 2006, the Group recorded turnover of HK\$840 million (1H2005: HK\$1,023 million), representing a decrease of 18% compared to the corresponding period last year.
- During the period under review, profit attributable to equity shareholders was HK\$90 million (1H2005: HK\$98 million), representing an 8% decrease compared to the same period last year.
- Interim dividend per share: 9 HK cents (2005 interim: 10 HK cents).

Review

Varitronix maintained strong performance in the European and the US markets during the first half of 2006. Revenue in Europe was mainly driven by automotive and industrial customers; while the majority of US sales came from customers in the industrial and electronic consumer product sectors.

Since the fourth quarter of 2005, the Group has been evolving its marketing strategy, extending coverage from the “major brand mobile handset” market to include the “non-major brand mobile handset” market. During this transition period, the Group has been offering competitive pricing and superior customer service to build market share amongst its new customer base, resulting in a dip in turnover and profit contribution. Having established relationships with several “non-major brand” customers, the Group believes that business activity will begin to improve in the second half of 2006.

The Group’s business performance in other parts of Asia, particularly Korea, was less than satisfactory. As US-based consumer brands increased their dominance in the portable entertainment device market, this market segment’s contribution to the Group’s turnover declined significantly from the past year. Nevertheless, the Group has now successfully entered new market sectors such as automotive and industrial applications in Asia. Management expects the progress of these projects to be reflected in the second half of this year.

Prospects

Mr Tony Tsoi, Chief Executive Officer of Varitronix, said: “The LCD market continues to grow, with an ever-expanding spectrum of applications. Based on market trends – as well as our own competitive strengths and capabilities – Varitronix will be focusing on our strengths in the Automotive, Home Appliance and Colour Display markets, as well as Mobile Handset Displays for customers in the PRC.”

“Varitronix is one of a few key manufacturers in the automotive display market, and we are leveraging this position from strength to strength. The Group has secured a solid position in the European automotive sector, and we are building upon this foundation to enter other markets, such as the US, Japan, Korea and China,” added Mr Tsoi.

Tackling this goal, the Group has established working relationships with several automotive parts suppliers and distributors in the US, Korea and Japan. In Mainland China, the Group has opened a new sales office in Shanghai to improve its level of service to local and overseas automotive manufacturers.

In addition to traditional use of LCD displays in automobile dashboards, the Group has seen growing demand from a new trend in installing in-cabin audio/video entertainment systems – which represents an attractive business opportunity.

Mr Tsoi concluded, “The automotive display business is one of the Group’s unique strengths, and we are leveraging our position in the market to enhance forward momentum. We expect this sector will be a key area of growth, and we will be making vigorous efforts to expand this business in the future.”

□ End □

About Varitronix

Established in 1978, Varitronix has become one of the world's leading manufacturers of small-to-medium-sized liquid crystal displays (LCDs). Varitronix serves customers around the world through its extensive sales network. Its manufacturing bases are located in Shenzhen and Heyuan, Guangdong Province. Varitronix holds ISO 9001, TS 16949 and ISO 14001 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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