VARITRONIX

[Press Release]

Varitronix Records Interim Increase in Turnover and Profits for 2011

HK$ million	6 months ended 30 June 2011	6 months ended 30 June 2010
Turnover	1,076	1,059
(Loss)/ Profit attributable to shareholders	98	70
Basic (loss)/ earnings per share	30.38 HK cents	21.72 HK cents
Interim dividend per share	11.0 HK cents	5.5 HK cents

[18 August 2011 – Hong Kong] Varitronix International Limited and its subsidiaries (“Varitronix” or the “Group”/ Stock code: 710) today announced its results for the six-month period ended 30 June 2011. During the period under review, turnover of HK$1,076 million was recorded, representing a 2% increase over the HK$1,059 million reported for the same period in 2010. Profit from operations was HK$111 million, and profit attributable to shareholders was HK$98 million, representing an increase of 41% and 40% respectively as compared to the corresponding period in 2010. The Board of Directors has recommended an interim dividend of 11.0 HK cents per share (2010: 5.5 HK cents).

The half-year result for 2011 was satisfactory with revenue from the automotive display business amounting to over 50% of the Group’s overall turnover. The Group’s gross profit margin improved from the first half of 2010, because the Group is no longer engaged in the mobile phone display business and its revenue for the first half of 2011 was entirely derived from the automotive and industrial display businesses, with higher margins.

For the six months ended 30 June 2011, the revenue generated by the automotive display business amounted to HK$613 million, representing an increase of 9% as compared with the same period last year. This business amounted to 57% of the Group’s total turnover. Europe was the main contributor to this business. When the Japanese automotive makers reduced their production levels due to the earthquake, European automakers reacted quickly to expand their market share. At the same time, the Group managed to secure the necessary materials for production during the material shortage resulting from the disaster in Japan, and this contributed directly to the growth of its business.

Revenue from the Korean automotive display business dropped during the period under review. In response to the strong competition, the Group has taken steps to rebuild the confidence of its Korean customers by means of enhanced quality and customer service.

Revenue derived from the PRC automotive display market increased in the first half of 2011, contributing 5% of total turnover and representing an increase of 138% as compared with the corresponding period of last year. This market has become increasingly more important to the Group.

The industrial display business generated revenue of HK$463 million in the first half of 2011, contributing 43% of total turnover and representing an increase of 16% as compared with the corresponding period of last year. Europe and America are the key markets for this business.

Prospects

The Group believes that the gains made by European automakers at the expense of their Japanese counterparts was a special and one-off event, which may not lead to sustained growth for the European automakers. As the Japanese manufacturers have resumed normal operations and the economy in the Euro Zone remains fragile, development prospects are uncertain and the Group will remain cautious.

China will become an important focus for the Group in the future. Over the years, the Group has built favourable relationships with international auto parts suppliers and with automakers. A strong customer base and a reliable support team has been established in China, which in turn puts it in a good position to further develop the Chinese automotive market.

The Group does not rule out the possibility of industrial production in Europe being negatively affected in future by the debt crisis, and consequently the Group will be fully alert to market changes. On the other hand, the Group possesses a stable industrial customer base in the United States and expects further growth in the US Midwest in particular, its most rapidly developing market in North America.

Mr Tony Tsoi, Chief Executive Officer of Varitronix, commented, “We will continue to bring in more automated processes to augment manual labour skills and to lower cost pressures. In addition to this, we believe that only those manufacturers who can increase prices will excel under unfavourable conditions, and we have made it our aim to become one of them.”

The Group is looking into further expansion as it expects a continued increase in customer demand for the foreseeable future. If implemented, new production capacity will be ready for mass production by the end of 2012 or early 2013.

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About Varitronix

Established in 1978, Varitronix is 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 base is located in Heyuan, Guangdong Province in the PRC. Varitronix holds ISO9001, TS16949, ISO14001, 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 Public Relations.