



[Press Release]

Varitronix Announces 2012 Half-year Results

[15 Aug 2012 – 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 2012. The Group recorded a turnover of HK\$1,060 million, representing a 2% decrease from the HK\$1,076 million reported for the same period in 2011. Profit from operations was HK\$35 million, and profit attributable to shareholders was HK\$34 million, down 68% and 65% respectively, as compared to the corresponding period in 2011.

The drop in turnover for the first-half period was attributed to the worsening global economy. Despite significant growth in orders from the PRC and Japanese automotive display customers, the decrease of European orders affected the profit performance of the Group, as these European orders are usually higher in profit margin. Another reason for the decrease in profit is a provision for the decline in value of the Group’s investment in Hydix Technologies Co., Ltd. in Korea, a company specializing in the manufacture of TFT panels.

The Board of Directors (the “Board”) has recommended an interim dividend of 8.0 HK cents per share (2011: 11.0 HK cents). The payout ratio is equal to 75% (2011: 36%).

Business Review

For the six months ended 30 June 2012, revenue generated by the automotive display business amounted to HK\$662 million, representing an increase of 8% as compared with the same period last year. The business contributed 63% to the Group’s total turnover.

Though the Group’s automotive display business in Europe showed encouraging signs of recovery at the beginning of 2012. However, this trend could not be sustained in the second quarter of 2012. The South Korean automotive display business remained stable compared to the same period last year. Automotive display turnover in the PRC demonstrated significant growth. In Japan, the Group managed to accelerate its development of the automotive market, recording satisfactory results for the first half of this year.

The industrial display business generated revenue of HK\$398 million for the six months ending 30 June 2012, down 14% as compared with the corresponding period last year. This business amounted to 37% of total turnover. Economy in a number of European countries worsened starting from the second quarter of this year. Under such conditions, the industrial display business failed to sustain its growth trend and experienced a notable decrease in sales. The

United States is an important industrial display market for the Group. Its performance was stable during the reporting period. In Japan, the Group started to win some industrial display orders. The industrial display sector remains an area with good potential there.

Prospects

Crippled by the Euro debt crisis, the European market is unlikely to improve significantly in the near term. As a result, sales of automotive and industrial display equipment in the region will be negatively impacted. In Mainland China, the Group's automotive display business is expected to see further scope for growth. Internal improvement projects have yielded positive results to bolster customer confidence in South Korea. In the foreseeable future, this market is expected to experience steady progress. In Japan, the Group has started to supply to key customers in mass volume. The Group will continue to commit resources to Japan and lay a solid foundation.

According to Mr Tony Tsoi, CEO of Varitronix, "Facing slower business due to the current economic downturn, clients' common practice now is to confirm an order only when market acceptance is ascertained. Varitronix needs to accept relatively late orders as customers seek to shorten delivery time. Unavoidably, our operating risk will be higher, and we need to be vigilant at all times for sudden changes in the business environment."

In response to the uncertainties surrounding the European and US economies, the Group will take measures to enhance its competitiveness in the near term through (1) stringent cost controls to improve cost effectiveness and production efficiency, (2) continued capital investments to optimize production equipment, and (3) continued efforts to develop markets for new products, such as TFT and touch-panel displays.

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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 (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 for more information.

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