VARITRONIX

[Press Release]

Varitronix Announces 2013 Half-year Results

[9 August 2013 – 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 2013. During the period under review, the Group recorded turnover of HK$1,190 million, representing a 12% increase from the HK$1,060 million reported for the first half of 2012. Profit from operations was HK$118 million, and profit attributable to shareholders was HK$101 million, up 237% and 197% respectively, as compared to the corresponding period in 2012.

The Group's gross profit margin improved from 21.6% to 24.5% during the reporting period. This was attributable mainly to the Group's continued effort to improve production efficiency. At the same time, the depreciation of the Japanese yen during the period lowered the cost of certain raw materials sourced from Japan. These factors combined to achieve the improved profit margin.

The Board of Directors (the "Board") of the Group has recommended an interim dividend of 12.0 HK cents per share (1H 2012: 8.0 HK cents). The payout ratio is 39% (1H 2012: 75%).

Business Review

For the six months ended 30 June 2013, revenue generated by the automotive display business amounted to HK$857 million, representing an increase of 29% as compared with the same period last year. The automotive display business accounts for 72% of the overall revenue. The automotive display business in Europe continued its good performance from the second half of 2012, making a positive impact on the overall results. Sales of TFT displays also contributed to the automotive display revenue growth.

After several years of rebuilding, the business in Korea has now regained its momentum and recorded increased revenue as compared to the same period of last year. In China, Varitronix has positioned its business in joint venture branded cars, which typically sell at a higher price. The Group has benefited from the growth of the high end segment.

The industrial display business generated revenue of HK$333 million for the six-month period under review, down 16% as compared with the corresponding period last year. This business amounted to 28% of total turnover. The industrial display market in Europe was negatively impacted by the slowing economy in the region, with several major customers postponing orders.

The Group's US market mainly focuses on the industrial display business. During the period under review, the Group began to broaden its product range to include more high value products with an aim of increasing gross margin. During this repositioning process, revenue growth in the US may be affected.

Prospects

The high end car market in Europe continues to grow, with strong export sales to developing countries. Therefore, the Group expects its automotive display business in Europe, and TFT automotive display sales in particular, will continue to experience growth.

As the Group's business in South Korea is back on a rising track, it will continue to contribute to the Group's bottom line. While the Group believes there is still room for growth in China, the growth rate will become more moderate. The Group will continue to focus on the mid to high end automotive segment in China.

For the industrial display business in Europe, the Group believes that demand will resume when stock levels decrease after a phase of consolidation. The Group's sales in the second half are poised to improve as a result. In the US, effort will be put into the promotion of more sophisticated and high-value products in order to build a more sustainable customer base. As the US economy is expected to improve, it is believed that the business in the US will also grow with the overall market.

The Group began construction of new production lines in Heyuan, Guangdong last year. Since the beginning of 2013, the Group has begun trial production runs. Despite challenges during the process, the Group is pleased to report that the trial production has been smooth, and the new production lines will be able to operate fully by the end of this year, thus creating extra capacity for new orders.

The development lead time of the automotive display business is long. Hence, Varitronix's business possesses a certain degree of visibility. The Group is confident that its favourable results can be maintained throughout the second half of this year and even into the first half of 2014 due to the following reasons: (1) business growth is expected to continue; (2) extra capacity is in place for new orders; (3) gross margin is expected to continue to improve. Hence, Varitronix is well positioned and on track for future growth.

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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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