

Varitronix Announces 2014 Half-year Results

[11 August 2014 – 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 2014. During the period under review, the Group recorded turnover of HK\$1,341 million, representing a 13% increase from the HK\$1,190 million reported for the first half of 2013. Profit from operations was HK\$134 million, and profit attributable to shareholders was HK\$115 million, both up 14%, as compared to the corresponding period in 2013.

The gross profit margin of the Group was 24% in the first-half period of 2014, down slightly compared to that of 2013. The decrease was mainly due to the commencement of depreciation charges and factory overheads. Manufacturers in China face challenges related to rising costs of labour and raw materials, as well as inflation. Management responded to the challenges by optimising production mix, containing labour costs and improving efficiency of automation.

The Board of Directors (the “Board”) has recommended an interim dividend of 12.0 HK cents per share (1H 2013: 12.0 HK cents). The payout ratio is 34% (1H 2013: 39%).

Business Review

For the six months ended 30 June 2014, revenue generated by the automotive display business amounted to HK\$941 million, representing an increase of 10% as compared with the same period last year. This business generated around 70% of the Group’s total turnover. Europe maintained steady performance during the period under review. In terms of overall performance, the growth of the automotive display business in Japan and the United States was more significant, as the business base in these two markets is smaller. The automotive display business in China has achieved satisfactory growth. Sales of mid- to high-end cars remained steady as previous orders progressed to mass production. The Group’s automotive display business in Korea slowed its pace of development in the first half of this year after a period of fast growth, due to cyclical factors and fierce competition.

The industrial display business generated revenue of HK\$400 million for the six-month period under review, up 20% as compared with the corresponding period last year. This business contributed approximately 30% of total turnover. The industrial display business experienced a downturn in the first half of 2013; however, starting from the second half of 2013, this business demonstrated great improvement and that momentum was sustained in the first half of this year. Europe is an important market for the industrial display business. In the beginning of 2014, countries in Europe regained vitality and this had a positive effect on the industrial market. As the figures for the first-half period showed, the US region has completed a repositioning exercise and recorded a significant increase in revenue. The sale of displays for medical and industrial equipment was especially encouraging.

Prospects

The global economy moved steadily ahead in the first half of 2014, though falling short of a

significant upswing. The European market, which remains the focus of the Group's automotive display business, is expected to drive this business segment steadily forward in the second half of the year. The Group remains positive about the Chinese market. China's rapid urbanisation and sustained increases in per capita income benefit the automotive industry. This positive trend will continue to benefit the automotive display business. The automotive display business in Korea is becoming more competitive than in other regions. Varitronix will strive to improve production quality for the benefit of customers and avoid entering into a vicious competitive spiral. The Group enjoys considerable room for growth in Japan and the US. The Group anticipates its sales team can grow market share by mastering the keys to market access.

Management in Varitronix believes that monochrome displays will continue to be widely used in cars. The Group will continue to leverage on its technological edge to maintain its leadership position in this area. At the same time, there is a clear trend of high- and mid-end cars switching to TFT displays. This trend presents a business opportunity if Varitronix can capitalise on it to support business growth, yet can also be a barrier for the Group's future development. Varitronix will take advantage of market niches to expand its TFT business.

The industrial display business saw good progress in the first half of the year and is expected to develop steadily in the second half. Europe's economy is expected to demonstrate slow and steady growth ahead. Accordingly, the Group has invested more manpower resources in the region for the Group's business development there. The industrial display business in the US has performed well. Displays used in medical products will become a source of growth. While the Group's industrial display business still enjoys ample room for expansion in various regions, more resources will be deployed with the aim of building an increasingly larger share of industrial display sales in the next few years.

Whilst there is no tangible sign of substantial growth in terms of revenue in the second-half period based on orders on hand, the Group nonetheless believes it has the right business strategy in place. The management will consider extending business into the areas of other automotive and industrial components through organic growth or acquisitions.

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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.

For queries please contact: Ms Susana Chan (Tel: +852 2197 6153 / 9657 3041) of Public Relations.