



[Press Release]

**Varitronix Strong Underlying Business
Paves Way for Future Development**
~ Dividend payment maintained ~

2005 Results Highlights:

- Underlying business in 2005 performed better than that of 2004
- Strategic decisions paving the way for future development led to non-cash and non-recurring impairment losses, write-offs and provisions. Excluding these special items, the Group recorded a net profit
- Net cash from operating activities: HK\$243 million (2004: HK\$133 million)
- Full-year dividend per share: 38 HK cents (2004: 38 HK cents)

[10 April 2006 - Hong Kong] Varitronix International Limited and its subsidiaries ("Varitronix" or the "Group"/ Stock code: 710) announced its 2005 results, summarised as follows:

- The Group recorded a turnover of HK\$1,980 million for the year ended 31 December 2005 (2004: HK\$2,006 million).
- During the year under review, the Group has made a series of non-recurring impairment losses, write-offs and provisions, the majority of which are non-cash in nature. This has resulted in a loss attributable to shareholders of HK\$179 million for 2005. (2004: Profit of HK\$193 million).
- Excluding these non-recurring and special items, the Group recorded a net profit in 2005.
- Net cash from operating activities in 2005: HK\$243 million (2004: HK\$133 million).
- Liquid funds, net of bank loans and overdrafts in 2005 were HK\$696 million (2004: HK\$722 million), representing a strong funding back-up.
- With the strong and stable financial status, the Board of Directors recommended a final dividend of 28 HK cents per share (same as 2004). Combined with the 2005 interim dividend of 10 HK cents per share, total dividend for the year amounted to 38 HK cents per share (same as 2004).

Mr Tony Tsoi, Chief Executive Officer of Varitronix, said: “The financial and operational performance of the Group in 2005 improved in general. The provisions made were non-recurring and most of them were non-cash in nature, and do not cast a negative impact on the Group’s financial status.”

“The Group decided to relocate the production lines in Malaysia to the PRC, revalue the previous principal place of business in the Tseung Kwan O property and make provisions for the impairment losses of the above and certain investment items. All of these strategic moves are aimed at improving the asset quality, enabling the Group to grow on a more solid foundation.”

Business Status

The Group’s automotive display business recorded satisfactory growth in 2005. Turnover generated from this sector represented a 20% share of the overall turnover in 2005, compared with 16% in 2004. The technological requirement for automotive displays is high, making the entry barrier for this sector relatively higher, but the margin is also more attractive. The Group will further expand its market share at this moment, when certain automotive display suppliers are under consolidation.

In terms of geographic coverage, Asia accounted for 19% of the total turnover in 2005, representing a notable increase from 15% in 2004. This is attributed to the sales increase in Korea and other Asian regions.

It is obvious that the automotive sector and the Asia market are the key growth drivers. The Group is committed to maintaining and enhancing its advantages in these sectors.

Future Development

In 2006, the Group will continue to leverage on its advantage in diversified technologies and product mix. It will maintain its strong positive position in small-volume and high-margin business such as in the automotive and industrial sectors. At the same time, it will continue to expand its high-volume and short-cycle business such as in the telecom and consumer sectors. Moreover, the Group will accelerate its market expansion by strengthening the sales force in growth markets such as the PRC, Asia and the US. In Europe, several new projects initiated in 2005 will bring increased contribution to the Group in the coming years.

In order to meet growing demand and to ensure the Group has adequate room for future expansion, the Group is expanding its production plant in Shenzhen. This construction is to be completed by the end of 2006. Meaningful annual growth of production capacity is expected in the two years following completion of the construction.

In the field of technological development, the Group's unique bistable display technologies, Bistable Cholesteric Display (BCD) and Zenithal Bistable Display (ZBD), are in the early stages of production. Products incorporating BCD have already been rolled out and ZBD will be utilised for supermarket chain shelf labels in the UK. These technologies have great potential for many applications and the Group will expedite the commercialisation process as quickly as possible.

Mr Tsoi continued: "We have moved our production lines to the production plants in Shenzhen and Heyuan in the PRC, and upgraded the production facilities. Under the leadership of new management, market-driven development strategies have been devised and a strong middle management has been formed. By adopting a new logo, we aim to deliver a message both internally and externally that Varitronix will be energized to demonstrate our intrinsic value, and to seize a more sizable share in the market.

"LCD has a wide array of applications. It possesses huge development potential and the business is optimistic. Leveraging on our experience and technological advantage accumulated over the past 28 years and combining this with new visionary management, I am confident that the LCD business will continue to develop and see new milestones achieved."

□ 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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