



[Press Release]

Varitronix Announces Results for 2006 With Good Order Flows Expected in 2007

2006 Results Highlights

- Turnover: HK\$1,867 million (2005: \$1,980 million)
- Profit from operations: HK\$200 million (2005 Loss: HK\$167 million)
- Profit attributable to shareholders: HK\$173 million (2005 Loss: HK\$179 million)
- Final dividend per share: 24 HK cents (2005: 28 HK cents)

[19 April 2007 - Hong Kong] Varitronix International Limited and its subsidiaries ("Varitronix" or the "Group"/ Stock code: 710) today announced its 2006 results. During the year under review, the Group recorded a turnover of HK\$1,867 million as compared to last year's HK\$1,980 million. Profit from operations was HK\$200 million and profit attributable to shareholders was HK\$173 million, compared to a loss in 2005 which was due to certain impairment losses, write-offs and provisions.

The Board of Directors recommended a final dividend of 24 HK cents per share (2005: 28 HK cents per share). Combined with the 2006 interim dividend of 9 HK cents per share, the total dividend for the year amounted to 33 HK cents per share (2005: 38 HK cents per share), representing a payout ratio of 61%.

Business Review

Sales in Europe achieved a historic high of HK\$703 million in 2006, representing growth of 11% from HK\$636 million in 2005. Sales in this region accounted for 38% of the Group's turnover and remained the Group's second-largest sales contributor. The robust sales in Europe were driven by the automotive sector, as well as the industrial/ consumer sector with applications for high-end white goods. In the second half of 2006, sales in Europe amounted to HK\$356 million, representing 3% growth from the first half of 2006 and 15% growth from the second half of 2005.

Sales in North America amounted to HK\$110 million in 2006, representing a 24% growth from HK\$88 million in 2005. Sales in this region accounted for 6% of the Group's turnover. Varitronix has extended its sales and technical service network to the Midwest from the existing office in Los Angeles to meet the growing demand from automotive, industrial and medical equipment customers.

Sales in the PRC and Hong Kong amounted to HK\$744 million in 2006, representing a decline of 10% from HK\$828 million in 2005. Sales in this region accounted for 40% of the Group's turnover. The full-year decline was due to the year-on-year decline in the first half of the year. After Varitronix repositioned itself in the telecom sector, and has now become a preferred supplier for numerous non-major branded mobile handset makers, sales in this region recovered in the second half of 2006.



Future Development

To meet the growing demand and ensure the Group has adequate room for future expansion, the construction of a new plant in Nanling, Shenzhen (adjacent to the existing production plant) was completed and production will commence in the second quarter.

The Group has developed Improved Black Nematic (IBN) display technology with high contrast, high resolution and high temperature tolerance. It is especially suited for outdoor use and is particularly compatible with the strict requirements of automotive applications. The new technology is undergoing fine-tuning and it is expected to be a key product of 2007.

The Group established business relationships in Japan in 2006 and such efforts have started to generate orders. There are three potential target segments in Japan: automotive, industrial and consumer products. It is the Group's strategy to actively promote advanced, high-end display technologies in this market that values high technology and high quality.

To conclude, Mr Tony Tsoi, Chief Executive Officer of Varitronix, remarked: "2006 witnessed the use of LCD technology in a widened range of applications from automotive and industrial equipment to white goods and electronic consumer products. This trend has fuelled a strong demand in the market for the Group's products, generating stable order flows."

"Presently, good market sentiments prevail and our sales orders are on the increase," added Mr Tsoi. "We foresee that such favourable conditions will continue. In 2007, our priority will be to keep our costs under control and increase productivity in an efficient manner to cope with the growing demands of our customers."

— End —

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 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.

For queries, please contact Ms Susana Chan (Tel: +852 2197 6153) or Ms Kristin Hsu (Tel: +852 2197 6130) of the Public Relations Department.