

FREQUENTLY ASKED QUESTIONS

1. What progress is Varitronix making with its repositioning in the telecom sector?

Varitronix has repositioned itself in the telecom sector as a part of its long-term strategy to achieve sustainable growth. The Group has become a preferred supplier for numerous non-major branded mobile handset makers. In the fourth quarter of 2006, the majority of revenue from the telecom sector came from non-major branded customers.

2. What impact does the repositioning in the telecom sector have on Varitronix?

The repositioning has significantly widened the customer base, reducing the risks associated with over-reliance on any single customer. The short lead-time for the non-major branded makers has improved the group's payment terms, placing limits on the risks associated with inventories and payments. One of the major challenges facing Varitronix has been to meet the orders on short notice so that the LCD supply can be seamlessly integrated into customers' own supply chains. In response, Varitronix has streamlined its workflow, from material procurement planning to logistics, resulting in a significant improvement in overall delivery capability.

3. What are Varitronix's competitive edges in the automotive sector?

LCD has played an increasing role in the interaction between drivers and their vehicles. The automakers demand stringent quality requirements for LCDs on which driving safety depends. Varitronix's solid business relationships with major auto parts manufacturers are evidence of its long-term commitment to excellent quality. As one of the world's leading automotive LCD suppliers, Varitronix makes a distinct effort to provide high quality products that meet the most stringent automotive requirements, and offers comprehensive technical services and localised market intelligence through its extensive office network. The Group places great emphasis on understanding customers' needs as well as solving their problems, and will continue to extend its network in strategic regions.

4. What are the growth drivers for Varitronix?

Technological advancement leads to the widening of LCD applications for consumer and industrial purposes. The functionality of instruments is getting more and more sophisticated, and the demand for effective interaction has become increasingly important. LCD will become more widely adopted as a platform for such interactions. Advancement for the Group's LCD technology, such as resolution enhancement and the colourization of displays, has boosted the display capability, which helps it serve its function as an interaction platform even better.



Apart from the technological factors, the rise of production in automotive parts and industrial equipment in China has created new business potential for Varitronix. The trend for outsourcing of LCD components in Japan and Korea will also favour the Group's order flows.

With a wide variety of display solutions and cutting-edge technologies, Varitronix will continue to benefit from the favourable industry environment to achieve sustainable growth.

5. China's labour costs have been rising significantly. How does that affect profitability for Varitronix?

While human talent is an important factor in producing quality products and providing superior services, labour costs are not weighted as heavily as low-end assembly factories. Total staff costs accounted for about 12% of the Group's turnover.

As labour costs in China have been increasing, Varitronix has been providing competitive benefits to its staff. The Group will continue to increase its labour force as part of its expansion plan. However, the labour cost per unit of products sold will be controlled, as the Group deploys effective machinery for production.

6. What are the new products in the pipeline?

Leveraging on its innovation and technological know-how, Varitronix has long been one of the leading forces to promote high-performance display solutions. In the pipeline are Improved Black Nematic (IBN) and value-added mid-sized TFT products. IBN is a breakthrough in monochrome display technology that features extremely high contrast ratios, wide viewing angles and an extended temperature range. The Group's mid-sized TFT products will support value-added features such as sunlight readability, high brightness, index matching, anti-reflection and touch panel.

7. What is the finance strategy of Varitronix?

Varitronix has consistently followed a prudent finance strategy and maintained a balanced asset portfolio. On the one hand, the Group has maintained consistent dividend payouts. On the other hand, it has to retain earnings for future development. The Group will continue to look for investment opportunities in LCD and related businesses. At the same time, it will optimise the return on its reserves by investing in liquid securities. Varitronix will continue to maintain a high standard of information disclosure about the holding of its assets.

