

CEO Interview

Q: It has been a year since you joined Varitronix. How would you describe your experience?

A: It has been quite a year. A number of company founders who had been with the company from inception decided to retire. We have streamlined the senior management structure to consolidate the decision-making process. Several home-grown managers moved up the organisation chart to take up key management positions.

On the operational front, we completed the transfer of the Hong Kong production facilities to the PRC to enhance production efficiency. We have upgraded the Colour STN production facilities in the Heyuan plant to meet the increasing market demand for colour products. Also, we have identified key business segments and geographical markets for focused expansion, notably the automotive segment and the US and Japanese markets.

I believe my job is to set clear targets for the team to follow, and offer support and provide resources to team members throughout the process.



Q: What was the rationale behind the adoption of a new corporate logo?

A: The design of the original logo was based on an older generation of LCD technology. Changing a corporate logo, especially one that we had used for 28 years, was not an easy decision. We intend this to be more than a cosmetic change. We would like to make a statement, externally and internally, that we are committed to moving with changing technology. The three elementary colours - red, green and blue - inside the new logo symbolise our commitment to colour products. The world is going colour, and Varitronix must go colour as well.

Beauty is in the eye of the beholder. We hope our shareholders agree that the new logo is more modern and dynamic, and better reflects our business direction.

Q: What kind of changes are you bringing to Varitronix?

A: I believe we should stay in constant touch with the market, and listen to what our customers are telling us. In the past several years, we have perhaps lost a step or two by not responding to market changes in a timely and proactive manner.

During the past year, I spent a considerable amount of time in meeting with customers around the world. We have restructured our sales and marketing department to better respond to customer demand.

Varitronix has a long tradition of putting emphasis on research and development, which is one of the key success factors for a technology-driven business such as LCD manufacturing. We have every intention of sustaining our edge in research and development.

Q: What are the strengths of Varitronix?

A: Thanks to the hard work and devotion of Dr Chang and other founders, Varitronix has established a reputation for integrity. Our brand name is well recognised around the world, and stands for solid product quality.



At Varitronix, we position ourselves as a display solution provider, offering a variety of products developed either internally or through collaboration with technology partners. Given our wealth of experience, Varitronix offers not only standard products but also cutting-edge custom-made products. We believe our ability to offer product variety in a flexible manner is an important competitive advantage.

Our technology team comprises more than 80 engineers responsible for research and development, continuous product improvement, production processing, quality management and technical support. Our technical support division provides value-added services including feasibility studies, problem-solving and technical training, in addition to 24-hour technical support worldwide.

Q: What are the growth drivers for the Company?

A: Our extensive network of overseas sales offices has always been an important asset, and we will continue to strengthen our sales force in each of our target markets in order to capture the enormous growth potential of the display industry.

The expansion program of our Shenzhen plant is underway. The gross floor area of our Shenzhen production base will more than double upon completion in late 2006.

Apart from organic growth, we will continue to monitor merger and acquisition targets in an opportunistic manner. Our financial strengths allow us to move swiftly.

Q: How would you describe the prospects for the small-to-medium-sized LCD market?

A: The display industry will benefit from the trend of introducing displays to a wide range of products and from the upgrading of displays from monochrome to colour.

LCD displays will be replacing mechanical displays in equipment such as speedometers in motor vehicles, power meters as well as static displays such as road signs. More LCD displays will be installed in electronic devices such as audio and video products, in blue-tooth devices and 3G telecom products. This is in line with the global trend of increasing information flow and more appealing product design.

Displays used in automotive, industrial and consumer applications are evolving from monochrome to colour to accommodate increasing amounts of text data and graphic information. Future display products are expected to develop on the back of advancing technology and focus on colour displays. We believe the potential for LCD displays is immense.

Q: Does Varitronix have plans to diversify into other businesses?

A: The display industry is vibrant and continues to grow at an exciting pace. We have established a solid market position in the display business and intend to capitalise on our strengths. We do not need to go very far to look for growth.

For example, according to forecasts made by DisplaySearch 2005, worldwide TFT shipment volume for mobile phones is expected to grow by 27% per annum between 2004 and 2009. This is a most exciting new area for Varitronix. Not many people talk about monochrome displays, but they are far from being in decline. The monochrome display market continues to show healthy gains, and we intend to maintain our leadership in this segment.