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Media Release

Valuetronics achieves FY2020 net profit of HK$178.9 million as COVID-19 pandemic impacts the second half of the year

- Proposes a Final Dividend of 14 HK cents per share[1]. Together with the Interim Dividend of 6 HK cents per share paid in December 2019, the aggregate dividend for FY2020 will amount to 20 HK cents per share.
- Expansion to Vietnam has progressed as planned

Singapore, 3 June 2020 – SGX Mainboard listed Valuetronics Holdings Limited ("Valuetronics", "鸿通电子控股有限公司" or collectively with its subsidiaries, the "Group"), a premier design and manufacturing partner for the world's leading brands in the Consumer Electronics ("CE") and Industrial and Commercial Electronics ("ICE") sectors is pleased to announce that it has achieved a net profit of HK$178.9 million for the financial year ended 31 March 2020 ("FY2020").

Mr Ricky Tse Chong Hing ("谢创兴"), Chairman and Managing Director of Valuetronics commented: ***"With COVID-19 pandemic and the Sino-US trade tensions, the outlook for FY2021 is highly uncertain. This is the toughest business environment we have faced in our operating history and while we try to mitigate its impact, our FY2021 financial results will be adversely affected. Nevertheless, I have confidence in my team and our operating discipline.***

[1] Subject to shareholders' approval at the upcoming Annual General Meeting

Our strong balance sheet has allowed us to build up our Vietnam capacity quickly and this will help us to cater to our customers' changing supply chain needs."

Dividend

Considering its FY2020 results performance, the extremely difficult business environment, and the capital expenditure needs of the Company given its Vietnam expansion, the Board is recommending a Final Dividend of 14 HK cents per share for FY2020, which are subject to shareholders' approval at the Annual General Meeting to be convened. The Company has also paid an Interim Dividend of 6 HK cents per share in December 2019 and in aggregate, the Interim and Final dividends amount to 20 HK cents per share (FY2019: 25 HK cents per share).

The aggregate dividend amount is approximately 48.5% of the net profit attributable to shareholders for FY2020 and is in line with the Company's formal dividend policy of paying out between 30% to 50% of net profit as normal dividends to shareholders.

Financial Highlights

	Year ended 31 March		
HK$'M	**2020**	**2019**	**% Change**
Revenue	2,354.4	2,828.8	-16.8%
Gross Profit	362.8	430.3	-15.7%
Gross Profit Margin	15.4%	15.2%	0.2pt
Net Profit attributable to owners of the Company	178.9	199.5	-10.3%

The Group's FY2020 revenue decreased by 16.8% to HK$2,354.4 million from HK$2,828.8 million in the financial year ended 31 March 2019. Gross profit correspondingly decreased by 15.7% to HK$362.8 million in FY2020 from HK$430.3 million in FY2019, with gross profit margin up 0.2 percentage point to 15.4% for FY2020 due to a change in sales mix for the year under review.

Segmental Revenue			
HK$'M	**FY2020**	**FY2019**	**% Change**
Consumer Electronics ("CE")	916.0	1,161.2	-21.1%
Industrial & Commercial Electronics ("ICE")	1,438.4	1,667.6	-13.7%
Total	2,354.4	2,828.8	-16.8%

The revenue from the CE segment decreased by 21.1% from HK$1,161.2 million in FY2019 to HK$916.0 million in FY2020, mainly due to the slowdown in demand from CE customers.

Similarly, the revenue from the ICE segment decreased by 13.7% from HK$1,667.6 million in FY2019 to HK$1,438.4 million in FY2020, mainly due to the slowdown in demand from ICE customers.

The Group's other income decreased by 7.5% to HK$24.7 million mainly due to the increase in interest income, which was offset by the decrease in net exchange gains. Selling and distribution costs also went down by 36.5% to HK$26.3 million in FY2020 due to the decrease in commission expenses as a result of the revenue decline and the write back of provision of sales returns and claims amounting to HK$4.3 million in FY2020.

On the other hand, administrative expenses decreased by 7.4% from HK$177.2 million in FY2019 to HK$164.1 million in FY2020, mainly due to the cost control measures taken by the Group.

As a result of the abovementioned, net profit in FY2020 for the Group dropped by 10.3% to HK$178.9 million from HK$199.5 million in FY2019. The Group's net profit for FY2020 translates into an earnings per share of approximately HK41.2 cents for FY2020 as compared to HK46.2 cents for FY2019.[2]

[2] Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 434,375,776 shares for FY2020 and 431,535,927 shares for FY2019.

Resilient Financial Position

As at 31 March 2020, the Group's financial position remains stable and resilient with a net asset value per share (excluding treasury shares) of HK$2.8 (31 March 2019: HK$2.7)[3]. The Group has net current assets of HK$902.4 million (31 March 2019: HK$850.5 million), total assets of HK$2,013.5 million (31 March 2019: HK$2,013.4 million) and a shareholders' fund of HK$1,231.6 million (31 March 2019: HK$1,159.3 million).

In addition, the Group continues to have no bank borrowings as at 31 March 2020 and is supported by strong operating cash flows and its cash and bank deposits of HK$1,053.1 million (31 March 2019: HK$930.4 million).

Business Outlook

In view of the global COVID-19 pandemic, escalating Sino-US trade tension and overall global economic downturn, the Group is encountering the toughest business environment since its operating history.

The outbreak of COVID-19 in China which surfaced in late January 2020, led the Chinese government to defer resumption of factory production and impose stringent measures like the screening of travel histories and quarantine requirements for returning employees outside of Guangdong province. This constrained the supply of manpower which lead to a slower than normal recovery of production capacity after Chinese New Year.

While the Group's China operations started to gradually normalise in mid-March 2020, the COVID-19 pandemic worsened in Europe and North America. Since then, some of the Company's customers have temporarily shut down their operations in response to the mandatory social and economic "lockdowns" instituted by their respective governments. This

[3] NAV per share calculated on the basis of 435,000,873 shares as at 31 March 2020 and 433,378,337 shares as at 31 March 2019.

created an adverse demand-side shock which affected orders across all the Group’s segments since March 2020.

In addition, with the conflict between US and China over the origin of the pandemic fanning broader tensions on trade and technology, and the Trump Administration continues to push US companies to move their supply chains out of China. In FY2020, approximately 39% of the Group’s revenue was shipped to the US and although the phase one of the US – China trade deal was signed in January 2020, a large majority of the Group’s US shipments were still subjected to tariffs ranging from 7.5% to 25%.

This escalating trade tensions have also resulted in customers accelerating their diversified procurement strategies outside China. Several customers have indicated that they will start diversifying productions between the Group’s China plant and Vietnam plant; while some customers in the auto industry and Consumer Electronics segment have plans to switch over to other suppliers in North America to serve the US market in the financial year ended 31 March 2021 (“FY2021”).

Meanwhile, the Group’s expansion to Vietnam has progressed as planned. Following the commencement of mass production in June 2019 at the Group’s first leased manufacturing facility in Hanoi, the Group has successfully launched the trial production in its second facility located at a 4,000 square meters leased standard factory in May 2020. In November 2019, the Group signed a sub-lease agreement to acquire a 52,541 square meter piece of land in an industrial park run by a Japanese group, for the development of the Group’s own Vietnam campus which is expected to commence mass production by the last quarter of the financial year ended 31 March 2022 (“FY2022”). With the new Vietnam campus and existing leased facilities, the Group is well positioned to cater to the evolving supply chain needs of customers. The CAPEX for the construction of Vietnam campus is estimated to be around HK$200 million and will be financed using internal cash resources.

With COVID-19 pandemic and the Sino-US trade tensions, the Group is facing an unprecedented crisis that is affecting the entire world and making the outlook for FY2021 highly uncertain. Although a series of precautionary and control measures for lowering operating costs are being undertaken to mitigate the impact, the Group's FY2021 financial results are expected to be significantly lower compared with FY2020.

End.

Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About Valuetronics Holdings Limited

Valuetronics Holdings Limited was listed on the SGX Mainboard in 2007 and is currently a constituent stock on the FTSE ST Small Cap and FTSE ST China Indices. Valuetronics is an Electronic Manufacturing Service ("EMS") provider which focuses on the design and development of products that meet the ever-changing needs of customers. It is the preferred choice of several successful global companies that are involved in consumer electronics and industrial and commercial electronics products, with core competencies ranging from tool fabrication, injection moulding, metal stamping, machining, surface mount technology ("SMT") and finished product assembly on full turnkey basis. Valuetronics' EMS business is classified into two reportable segments namely consumer electronics products and industrial and commercial electronics products. Headquartered in Hong Kong, the Group's main manufacturing facility is located in Long Shan 2nd Road, Western District of Science and Technology Park, Dayawan Economy and Technology Development District, Huizhou City, Guangdong Province, PRC.

For more information, please visit http://www.valuetronics.com.hk

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