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Media Release

Valuetronics' 1HFY2024 net profit rose 42% to HK$82.1 million

- **Declares an Interim Dividend of HK 4 cents per share and a Special Dividend of HK 4 cents per share**
- **New customers have started to contribute revenue**
- **Awarded Joint Winner, Singapore Corporate Governance Award 2023, Small Cap Category; and Joint Winner, Most Transparent Company Award 2023, Technology Category at the Investors Choice Award 2023 ceremony organised by the Securities Investors Association (Singapore) last evening**

Singapore, 9 November 2023 – 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, today announced that its net profit after tax for the six months ended 30 September 2023 ("**1HFY2024**") grew 42% to HK$82.1 million from HK$57.9 million in the previous corresponding period ("**1HFY2023**").

Mr Ricky Tse Chong Hing ("谢创兴"), Chairman and Managing Director of Valuetronics commented: ***"The Board has decided to declare a special dividend in addition to the interim dividend for 1HFY2024 to share with shareholders the higher interest income we have received because of the rise in interest rates. Despite the challenging macro environment, we have managed to onboard customers in new and various sectors who will help to further diversify our revenue. We will continue to leverage our Vietnam and China campuses to provide diversified manufacturing solutions and seize opportunities to acquire new customers."***

Interim Dividend and Special Dividend

After taking into account the Group's financial performance in 1HFY2024 and the challenging macro environment, the Board would like to declare an interim dividend of HKD 4 cents per share. In addition, the Board is also declaring a special interim dividend of HKD 4 cents per share to reward shareholders for their continuous support by sharing the Group's improved interest income due to the higher interest rate environment during this interim period. Both interim and special dividends are payable on 1 December 2023.

Financial Highlights

	6 months ended 30 September		
HK$'M	**2023**	**2022**	**% Change**
Revenue	891.3	1,051.5	-15.2
Gross Profit	138.9	131.2	5.8
Gross Profit Margin	15.6%	12.5%	3.1% pt
Net Profit attributable to owners of the Company	82.1	57.9	42.0

The Group's revenue for 1HFY2024 decreased by 15.2% to HK$891.3 million (1HFY2023: HK$1,051.5 million), whereas gross profit increased by 5.8% to HK$138.9 million (1HFY2023: HK$131.2 million) with gross profit margin increasing to 15.6% (1HFY2023: 12.5%) due to more stable material costs stemming from the relief of component shortage issues. In addition, direct labour costs in China have also normalised due to a more stable labour supply and the depreciation of the Renminbi.

Segmental Revenue			
HK$'M	**1HFY2024**	**1HFY2023**	**% Change**
Consumer Electronics ("CE")	234.7	246.0	-4.6
Industrial & Commercial Electronics ("ICE")	656.6	805.5	-18.5
Total	891.3	1,051.5	-15.2

The Group's ICE revenue decreased by 18.5% to HK$656.6 million (1HFY2023: HK$805.5 million). The Group recorded revenue contribution from several new ICE customers but this impacted by a decrease in demand from some existing ICE customers. CE revenue also decreased by 4.6% to HK$234.7 million (1HFY2023: HK$246.0 million), mainly due to the softening demand in end-markets.

The Group's other income in 1HFY2024 rose 123.0% to HK$28.8 million (1HFY2023: HK$12.9 million), mainly due to the US Fed lifting of interest rates which boosted interest income. Selling and distribution expenses decreased by 13.1% to HK$10.5 million for 1HFY2024 (1HFY2023: HK$12.1 million) in line with the decrease in revenue, while administrative expenses decreased slightly by 1.2% to HK$65.9 million (1HFY2023: HK$66.7 million).

As a result of the above, net profit in 1HFY2024 increased by 42.0% to HK$82.1 million (1HFY2023: HK$57.9 million), which translates into an earnings per share of approximately HK 19.8 cents for 1HFY2024 as compared to HK 13.5 cents for 1HFY2023.[1]

Resilient Financial Position

As at 30 September 2023, the Group continues to maintain its resilient financial position with a net asset value per share (excluding treasury shares) of HK$3.3 (31 March 2023: HK$3.3)[2], net current assets of HK$1,013.8 million (31 March 2023: HK$993.3 million), total assets of HK$2,108.5 million (31 March 2023: HK$2,075.9 million), and shareholders' equity of HK$1,367.0 million (31 March 2023: HK$1,362.0 million).

Furthermore, the Group continues to have no bank borrowings as at 30 September 2023 and is supported by its strong operating cash flows, with cash and cash equivalents of HK$1,143.2 million as at 30 September 2023 (31 March 2023: HK$1,009.9 million).

Business Outlook

The operating environment during this period remains challenging, however certain macroeconomic factors have favoured the Group's cost dynamics. The visibility of the component supply chain has greatly improved, which has led to more stable costs in terms of materials. Direct labour costs and manufacturing overheads in China have also improved following the depreciation of the Renminbi. All these factors have collectively contributed to an improved gross profit margin for the Group and rising interest rates have also had a positive impact on the Group's interest income.

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[1] Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 413,821,109 shares for 1HFY2024 and 428,107,266 shares for 1HFY2023.

[2] NAV per share calculated on the basis of 413,435,637 shares as at 30 September 2023 and 413,906,337 shares as at 31 March 2023.

However, challenges from the macro environment such as high inflation and rising geopolitical tensions, continue to shake business confidence and lead to a weakening revenue contribution from some of the Group's customers. The Group has been working closely with its affected customers to mitigate the risks associated with the weaker business climate for a prolonged period of time.

Nevertheless, the Group's strategic efforts to diversify its customer base have yielded positive results. Customers that were acquired last year, which include a hardware provider for retail chain stores, and a customer providing cooling solutions for high performance computing environments, are now contributing revenue.

The trial production of the two customers acquired earlier this year, which includes a customer supplying electronic products to leading global entertainment conglomerate, and a network access solutions provider based in Canada, is proceeding as scheduled and initial shipments are expected in the second half of 2023, with a full year revenue contribution in the financial year ending on 31 March 2025 ("FY2025").

These new customers come from industries different from the Group's existing customers, underscoring the Group's ability to successfully expand into new sectors. This revenue diversification also allows the Group to better withstand the challenging macroeconomic environment. However, further growing these customers through the allocation of new projects allocation will take time. Therefore, in the short term, their contribution to revenue may not be substantial enough to fully compensate for the revenue decline from existing customers due to the global economic slowdown.

While the Group's half year results illustrate its resilience in effectively navigating these challenging economic conditions, considerable uncertainty surrounding the global economy risks pushing some developed economies into a recession. In response to these challenges, the Group will continue to prioritise customer acquisition efforts and leverage its Vietnam solution to seize new business opportunities, emphasising diversification as a strategic imperative. Barring unforeseen circumstances, the Company expects to remain profitable for FY2024.

To increase shareholders' value and improve the return on equity of the Group, a HK$250 million Share Buyback Program was announced on 28 February 2022. Since then, HK$68 million has been utilised to repurchase an aggregate of 22 million company shares. The Group intends to continue with the Share Buyback Program.

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 Global Micro Cap 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 China 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. The Group's Vietnam manufacturing facility is located at Plot No. C14-15-16-17, Thang Long Industrial Park (Vinh Phuc), Thien Ke Commune, Binh Xuyen District, Vinh Phuc Province, Vietnam.

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

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