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Media Release

Valuetronics remains profitable in 1HFY2021 with net profit of HK$91.5 million and Interim Dividend of 5 HK cents declared despite COVID-19 pandemic effects

Singapore, 11 November 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$91.5 million for the six months ended 30 September 2020 (“**1HFY2021**”).

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented: ***“Our 1HFY2021 results reflect the impact of the COVID-19 pandemic and the resultant slowdown in demand from certain customers, and there is still no end in sight given the new waves of infection in several countries. Furthermore, the Sino-US trade tensions have caused certain customers to transfer their production for the US end-market from us to other suppliers in North America and ASEAN and we will see the negative impact of this in our next financial year. Nevertheless, despite these uncertain and challenging times, we remain steadfast in our efforts to weather this extremely tough business environment, supported by our dedicated staff and strong balance sheet.”***

Interim Dividend

Taking into account its 1HFY2021 results performance, the extremely uncertain business environment, and the capital expenditure needs of the Company given its Vietnam expansion, the Board is recommending an Interim Dividend of 5 HK cents per share for 1HFY2021 (1HFY2020: 6 HK per share), which is payable on 8 December 2020.

Financial Highlights

	6 months ended 30 September		
HK$'M	**2020**	**2019**	**% Change**
Revenue	1,094.9	1,367.1	-19.9
Gross Profit	185.9	205.9	-9.7
Gross Profit Margin	17.0%	15.1%	1.9% pt
Net Profit attributable to owners of the Company	91.5	104.1	-12.1

The Group's 1HFY2021 revenue decreased by 19.9% to HK$1,094.9 million from HK$1,367.1 million for the six months ended 30 September 2019 ("**1HFY2020**"). Gross profit correspondingly decreased by 9.7% to HK$185.9 million in 1HFY2021 (1HFY2020: HK$205.9 million), with gross profit margin up 1.9 percentage point to 17.0% for 1HFY2021 due to a change in product sales mix for the period under review.

Segmental Revenue			
HK$'M	**1HFY2021**	**1HFY2020**	**% Change**
Consumer Electronics ("**CE**")	365.1	568.7	-35.8
Industrial & Commercial Electronics ("**ICE**")	729.8	798.4	-8.6
Total	1,094.9	1,367.1	-19.9

The revenue from the CE segment decreased by 35.8% from HK$568.7 million in 1HFY2020 to HK$365.1 million in 1HFY2021 due to reduced demand under the COVID-19 pandemic.

The revenue from the ICE segment decreased by 8.6% from HK$798.4 million in 1HFY2020 to HK$729.8 million in 1HFY2021, mainly due to the decrease in demand from some of the ICE customers. Despite a significant drop in sales to auto customers which was resulted from the declines in global vehicle production, these impacts were partly offset by the relatively stable revenue contribution from a printer customer which benefited from e-commerce sales, as well as a sensing devices customer which benefited from its product's application in logistics industry.

The Group's other income decreased by 16.9% to HK$11.4 million mainly due to the decrease in interest income after several rounds of interest rate cuts. Selling and distribution costs also went down by 8.5% to HK$13.6 million in 1HFY2021 due to the decrease in revenue and corresponding commission expenses.

On the other hand, administrative expenses decreased by 8.7% from HK$87.3 million in 1HFY2020 to HK$79.7 million in 1HFY2021, mainly due to more stringent cost control measures put in place by Management.

As a result of the abovementioned, net profit in 1HFY2021 for the Group dropped 12.1% to HK$91.5 million from HK$104.1 million in 1HFY2020. The Group's net profit also translates into an earnings per share of approximately HK21.0 cents for 1HFY2021 as compared to HK24.0 cents for 1HFY2020.[1]

[1] Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 435,000,837 shares for 1HFY2021 and 433,741,848 shares for 1HFY2020.

Resilient Financial Position

As at 30 September 2020, the Group's financial position stays resilient with a net asset value per share (excluding treasury shares) of HK$2.9 (31 March 2020: HK$2.8)[2]. The Group has net current assets of HK$936.4 million (31 March 2020: HK$902.4 million), total assets of HK$2,220.2 million (31 March 2020: HK$2,013.5 million) and a shareholders' fund of HK$1,268.0 million (31 March 2020: HK$1,231.6 million).

Additionally, the Group continues to have no bank borrowings as at 30 September 2020 and is supported by strong operating cash flows and its cash and bank deposits of HK$1,132.3 million (31 March 2020: HK$1,053.1 million).

Business Outlook

The Group's China factories were able to fill up their workforce since the start of the financial year ending 31 March 2021 ("**FY2021**") following the gradual release of stringent travel restrictions in China.

However, the continued COVID-19 pandemic situation in Europe and North America continues to weaken customer demand from both CE and ICE segments, with the exception of printers and sensing devices customers.

The construction of the Group's Vietnam campus has started in July 2020, and its 4,000 square meters leased factory, which is just a few miles away from the Vietnam campus, has also commenced production during the period. This has provided an immediate solution to the Group's customers who are seeking to diversify their procurement chain outside China. A few existing customers are already in different stages of production transfer from the Group's China site to the Vietnam site.

[2] NAV per share calculated on the basis of 435,000,873 shares as at 30 September 2020 and 31 March 2020.

Meanwhile, to mitigate the increasing risk of Sino-US trade tensions, some customers in the auto industry and CE segment continued their planned transfer of their production for the US end-market from China to North America and ASEAN. This switchover to other suppliers in these regions is expected to complete in FY2021, and the Group expects the negative impact of this switchover to be reflected in the financial year ending 31 March 2022 ("**FY2022**").

Barring unforeseen circumstances, the Group expects to remain profitable for FY2021. However, the far-from-over COVID-19 pandemic and Sino-US trade tensions continue to make the outlook of the near term beyond FY2021 highly uncertain.

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, FTSE ST China and FTSE Global MicroCap 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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