

Media Release

Valuetronics' FY2016 net profit hits at HK\$120.4 million and proposes a total dividend of 20 HK cents per share

- Consumer Electronics segment saw a decrease with the exit from mass market LED light bulb business in third quarter and is primed for growth with the acquisition of new customers and products going forward
- Industrial and Commercial Electronics segment continues to see strong growth from existing customers and the new automotive customer for data and media connectivity modules
- Proposes a Final Dividend of 13 HK cents per share and a Special Dividend of 7 HK cents per share, which amounts to approximately 63.0% of net profit attributable to shareholders for FY2016
- Overall gross profit margin has improved from 13.6% from FY2015 to 15.2% in FY2016

Singapore, 25 May 2016 – 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 for the financial year ended 31 March 2016 (“FY2016”) has hit HK\$120.4 million.

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented: ***“Our FY2016 downward adjustment in net profit was mainly due to our phase out and exit from mass market LED light bulbs earlier this year. The difficulties we used to face from depressed margins for mass market LED light bulbs is over and with the conditions in the CE segment had stabilised in the second half of the year, we are primed for growth with the acquisition of new customers and products going forward. At the same time, we are***

seeing further growth from our ICE segment with the new revenue stream from the automotive industry. Our overall gross profit margin has improved to 15.2% as a result of the change to our product mix during the year. “

Dividend

The Board is recommending a Final Dividend of 13 HK cents per share and a Special Dividend of 7 HK cents per share for FY2016, both of which are subject to shareholders' approval at the Annual General Meeting to be convened. In aggregate, the Final and Special dividends amount to approximately 63.0% of the net profit attributable to shareholders for FY2016.

Financial Highlights

	Year ended 31 March		
HK\$'M	2016	2015	% Change
Revenue	1,952.9	2,429.3	(19.6)
Gross Profit	297.5	331.4	(10.2)
Gross Profit Margin	15.2%	13.6%	1.6pts
Net Profit attributable to owners of the Company	120.4	149.2	(19.3)

The Group's revenue decreased by 19.6% from HK\$2,429.3 million in FY2015 to HK\$1,952.9 million in FY2016. Gross profit also correspondingly decreased by 10.2% to HK\$297.5 million in FY2016 from HK\$331.4 million in FY2015. However, the Group's gross profit margin for FY2016 improved to 15.2% from 13.6% for FY2015, mainly due to the change in product sales mix during the year under review.

Segmental Revenue			
HK\$'M	FY2016	FY2015	% Change
Consumer Electronics ("CE")	824.6	1,473.0	(44.0)
Industrial & Commercial Electronics ("ICE")	1,128.3	956.3	18.0
Total	1,952.9	2,429.3	(19.6)

For FY2016, CE segmental revenue decreased by 44.0% from HK\$1,473.0 million in FY2015 to HK\$824.6 million in FY2016, mainly due to the decline in sales of LED lighting products. Mass market LED light bulbs which comprised over 90% of LED lighting products, had reached their end-of-life cycle. In Q3FY2016, the Group completed all the orders of mass market LED light bulbs and has since ceased production of these light bulbs.

The decline in the CE segment was however offset by an 18.0% increase in ICE segmental revenue from HK\$956.3 million in FY2015 to HK\$1,128.3 million in FY2016. The revenue increase in the ICE segment was mainly due to the increase in demand from some ICE customers and the revenue contribution from a new customer in automotive industry.

The Group's selling and distribution costs decreased by 27.1% to HK\$25.3 million in FY2016, mainly due to continuous strict control of marketing expenses and the write-back of provision for sales returns and warranty amounting to HK\$6.3 million. Administrative expenses in FY2016 were HK\$145.7 million, constant with HK\$144.7 million in FY2015.

All in all, the Group's net profit for FY2016 decreased by 19.3% to HK\$120.4 million from HK\$149.2 million in FY2015.

Healthy Financial Position

As at 31 March 2016, the Group remains in a healthy financial position with a net asset value per share (excluding treasury shares) of HK226.1 cents (31 March 2015: HK215.8 cents) and total assets of HK\$1,506.0 million (31 March 2015: HK\$1,522.7 million). The Group's cash and cash equivalents as at 31 March 2016 grew to HK\$689.3 million as compared to HK\$505.8 million as at 31 March 2015. The Group has a strong free cash flow and continues to have zero debt as at 31 March 2016.

Business Outlook

During FY2016, Valuetronics continued to benefit from the widened customer base in its ICE segment, and the significant growth in this segment has mitigated the decline in CE revenue, in particular with regard to mass market LED light bulbs. With the increased weightage in the ICE segment, overall gross profit margin has improved. The Group's working capital remained healthy with operating activities generated a relatively substantial cash flow of HK\$289.3 million for FY2016 (FY2015: HK\$176.6 million), notwithstanding the decline in revenue.

After years of aggressive pricing competition and margin erosion, Valuetronics has completely moved out of the low-margin mass market LED light bulbs business in FY2016 as these products reached the end of their lifecycle. CE revenue in the second half of FY2016 comprised predominantly of products with consumer applications for a portfolio of customers.

The ICE segment continued to deliver solid growth in FY2016, marking the third consecutive year of double digit growth. This growth came from some of the existing customers as well as a new revenue stream from the automotive industry. This follows Valuetronics's earlier accreditation of its quality management system to the TS16949 standard, which is a prerequisite for participating in the automotive supply chain.

During FY2016, Valuetronics acquired its first customer in the automotive industry - one of the world's largest tier-1 automotive system manufacturers with a global footprint. Valuetronics supplies data and media connectivity modules to this customer. The connectivity modules are for portable smartphone/tablets devices and in-car infotainment systems, allowing users to safely access content in their vehicle through emerging infotainment software solutions. As a result, Valuetronics is well positioned to ride on the rise of in-car connectivity as automobile manufacturers respond quickly to consumers' increasing desire to integrate their smartphones and tablets with their vehicles.

Nevertheless, Valuetronics continues to operate in an uncertain macro-economic environment, in common with most manufacturers. The Group remains mindful of the potential impact on its overall business, which may result from a stronger US dollar and a further slowdown in China's economy. Barring unforeseen circumstances, the management expect the Group to remain profitable in the financial year ended 31 March 2017.

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 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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