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## Media Release

# Valuetronics' Q2FY2020 net profit rose 26.3% to HK\$56.0 million with Interim Dividend of 6 HK cents declared

- Q2FY2020 revenue remained relatively stable with a slight 0.5% decrease to HK\$712.8 million
- Consumer Electronics (“CE”) revenue increased by 10.4% to HK\$327.8 million, whereas Industrial Commercial Electronics (“ICE”) revenue fell by 8.2% to HK\$385.0 million in Q2FY2020

Singapore, 13 November 2019 – 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 three months ended 30 September 2019 (“Q2FY2020”) rose by 26.3% to HK\$56.0 million.

### Financial Highlights

HK\$'M	3 months ended 30 September		
	2019	2018	% Change
Revenue	712.8	716.2	-0.5
Gross Profit	106.9	107.1	-0.5
Gross Profit Margin	15.0%	14.9%	0.1% pt
<b>Net Profit attributable to owners of the Company</b>	<b>56.0</b>	<b>44.3</b>	<b>26.3</b>

**Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics** commented: “Our expansion into Vietnam and plans to build our own facility there will give those customers that need to diversify their supply chain from China, a workable alternative option.”

The Group’s revenue decreased slightly by 0.5% from HK\$716.2 million for the three months ended 30 September 2018 (“**Q2FY2019**”) to HK\$712.8 million in Q2FY2020. On a half-year basis, the Group’s revenue also decreased slightly by 3.7% from HK\$1,420.2 million for the six months ended 30 September 2018 (“**1HFY2019**”) to HK\$1,367.1 million for the six months ended 30 September 2019 (“**1HFY2020**”).

<b>Segmental Revenue</b>			
<b>HK\$’M</b>	<b>Q2FY2020</b>	<b>Q2FY2019</b>	<b>% Change</b>
Consumer Electronics (“ <b>CE</b> ”)	327.8	296.9	10.4
Industrial & Commercial Electronics (“ <b>ICE</b> ”)	385.0	419.3	-8.2
Total	712.8	716.2	-0.5

The Group’s CE segmental revenue increased by 10.4% to HK\$327.8 million in Q2FY2020 from HK\$296.9 million in Q2FY2019. The increase was mainly due to the increased sales of consumer lifestyle products during the quarter as compared to lower CE revenue in Q2FY2019 which was affected by the production disruptions caused by the flash flooding at the Danshui plant due to Super Typhoon Mangkhut.

However, the Group’s ICE segmental revenue decreased by 8.2% to HK\$385.0 million in Q2FY2020 from HK\$419.3 million in Q2FY2019. The decrease was mainly contributed by the decrease in demand from some ICE customers.

The Group's gross profit for Q2FY2020 decreased slightly by 0.5% to HK\$106.9 million from HK\$107.1 million in Q2FY2019 while the overall gross profit margin remained consistent at 15.0%.

Other income decreased by 16.8% to HK\$5.9 million in Q2FY2020, mainly due to the net exchange losses which were offset by the increase in interest income. Selling and distribution expenses decreased by 33.9% to HK\$6.2 million in Q2FY2020, mainly due to the write back of a provision for sales returns which amounted to HK\$2.7 million.

As a result of the above, and the one-off provision of HK\$13.6 million related to the flash flooding at the Danshui plant incurred in Q2 FY2019, the Group's net profit for Q2FY2020 increased by 26.3% to HK\$56.0 million from HK\$44.3 million in Q2FY2019, and 1H2020 net profit increased by 10.8% to HK\$104.1 million.

### **Healthy Financial Position**

As at 30 September 2019, the Group had net current assets of HK\$917.8 million (31 March 2019: HK\$850.5 million), total assets of HK\$2,138.3 million (31 March 2019: HK\$2,013.4 million) and shareholders' funds of HK\$1,177.5 million (31 March 2019: HK\$1,159.3 million). The Group also has zero debt, and cash and bank deposits of HK\$1,028.3 million as at 30 September 2019 (31 March 2019: HK\$930.4 million).

### **Interim Dividend**

The Board has declared an Interim Dividend of 6 HK cents per share, which is payable on 10 December 2019.

### **Business Outlook**

Escalated trade tensions have resulted in customers deploying diversified procurement strategies outside of China. With more products falling into the expanding tariff list, it is

inevitable that the Group's revenue will further be impacted when more customers diversify their product assembly outside China.

In anticipation of such customers' changing needs in this challenging environment, the Group had in early 2019 embarked on an expansion plan to expand its manufacturing footprint to Vietnam to provide customers with an alternate manufacturing platform outside China. As disclosed in its announcement on the Group's Vietnam operation dated 17 October 2019, the Group's first leased manufacturing facility in Vietnam has begun mass production in June 2019 and shipments have since been made from Vietnam to the US market. The Group has also leased a standard factory with an approximate 4,000 square meters of floor area to cater for customers' increasing demands which cannot be fulfilled in the Group's first facility in Vietnam. This standard factory would allow the Group to ramp up its integrated manufacturing capability in Vietnam by first quarter of calendar year 2020.

In addition, the Group will be entering into a sub-lease agreement with a Japanese consortium managed Industrial Park to acquire the land use right for around 50,000 square meters of land to build the Group's own Vietnam manufacturing campus, which could serve the Group's medium to long term needs for extra capacity in Vietnam. The infrastructure development of the Vietnam campus will be divided into two phases, with the first phase expected to be completed by the first half of calendar year 2021.

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ending 31 March 2020.

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 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 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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