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Media Release

Valuetronics' Q2FY2015 net profit hits HK\$36.3 million

- Demand slowdown in Consumer Electronics segment, especially from LED lighting business
- Continued strong growth in Industrial and Commercial Electronics segment
- Gross profit margins remained stable at 13.1% for the quarter and 12.9% for the half-year

Singapore, 5 November 2014 – 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 2014 (“Q2FY2015”) was HK\$36.3 million, a 8.4% decrease from the previous corresponding quarter (“Q2FY2014”).

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented: ***“Our focus on developing the ICE segment has certainly paid off. I am pleased with the increased revenue from the ICE segment for this second quarter despite the slowdown in demand from some of our CE customers.”***

Q2FY2015 Financial Highlights

HK\$'M (Unless otherwise stated)	3 months ended 30 September			6 months ended 30 September		
	Q2FY2015	Q2FY2014	% Change	1HFY2015	1HFY2014	% Change
Revenue	627.6	632.0	(0.7)	1,254.2	1,243.3	0.9
Gross Profit	82.0	84.0	(2.4)	162.3	162.9	(0.4)
Net Profit attributable to owners of the Company	36.3	39.6	(8.4)	70.2	72.9	(3.7)

The Group's revenue for Q2FY2015 decreased slightly by 0.7% or HK\$4.4 million from HK\$632.0 million for Q2FY2014 to HK\$627.6 million in Q2FY2015, mainly due to the slowdown in demand from some CE customers.

Segmental Revenue						
HK\$'M	Q2FY2015	Q2FY2014	% Change	1HFY2015	1HFY2014	% Change
Consumer Electronics	402.4	451.7	(10.9)	786.3	885.0	(11.2)
Industrial & Commercial Electronics	225.2	180.3	24.9	467.9	358.3	30.6
Total	627.6	632.0	(0.7)	1,254.2	1,243.3	0.9

In Q2FY2015, ICE segmental revenue increased by 24.9% to HK\$225.2 million from HK\$180.3 million in Q2FY2014. However, this was offset by a 10.9% decrease in CE segmental revenue from HK\$451.7 million in Q2FY2014 to HK\$402.4 million due to the slowdown in demand from some of the CE customers.

For the six months ended 30 September 2014 (“1HFY2015”), CE revenue decreased by 11.2% to HK\$786.3 million from HK\$885.0 million in the previous corresponding interim period (“1HFY2014”) mainly due to the slowdown in demand from some of the Group’s CE customers, while ICE revenue increased by 30.6% to HK\$467.9 million from HK\$358.3 million in 1HFY2014 due to an increase in demand from some of the ICE customers.

The Group’s gross profit for Q2FY2015 decreased by 2.4% to HK\$82.0 million from HK\$84.0 million in Q2FY2014, while its gross profit margin remained stable at around 13%.

Selling and distribution costs remained the same at HK\$10.8 million for Q2FY2015. Administrative expenses increased by 16.7% to HK\$35.9 million in Q2FY2015 mainly due to the increase in staff costs.

As a result of the above, net profit attributable to shareholders for Q2FY2015 decreased slightly by 8.4% to HK\$36.3 million from HK\$39.6 million in Q2FY2014.

As at 30 September 2014, Valuetronics has a net asset value per share of HK194.6 cents (31 March 2014: HK197.2 cents), total assets of HK\$1,521.1 million (31 March 2014: HK\$1,421.5 million) and shareholders’ funds of HK\$729.3 million (31 March 2014: HK\$726.6 million). The Group had cash and cash equivalents of HK\$429.6 million (31 March 2014: HK\$477.9 million) following the distribution of cash dividend of HK\$74.6 million and continues to have zero debt.

Business Outlook

During Q2FY2015, the Group continued to benefit from the growth and visibility of demand from its ICE customers.

The Group however, did not see growth in its CE segment as business conditions in the segment continued to remain challenging, especially in the LED lighting business. Customers in CE segment continued their aggressive pricing strategies in introducing lower priced products, and such a trend is unlikely be reversed in the near future. Besides cutting prices, some brand owners in the LED lighting business are also making plans for major restructuring of their business activities in the light of the challenging business economics.

During Q2FY2015, the Group encountered price pressure from CE customers, especially for the LED lighting products, which are under intense price competition. Such pricing pressures will continue to adversely impact the Group's margins, and this impact cannot be fully offset by greater in-house operational efficiency and supply chain productivity.

To mitigate margin erosion in the CE segment from further affecting the Group's overall performance, Valuetronics will stay alert amidst fast changing trends and proactively manage its reliance on this segment.

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ended 31 March 2015.

End.

About Valuetronics Holdings Limited

Valuetronics is a premier design and manufacturing partner for the world's leading brands. The Group's customer base covers the industrial and commercial electronics, medical equipment and consumer electronics industries, which span across a wide geographical region that covers America, Europe and the Asia Pacific. The Group's customers include OEMs and ODMs as well as international brand owners. 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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