

Media Release

Valuetronics' FY2023 net profit rose 8.3% to HK\$123.0 million

- Net profit growth was driven by recovery in the Group's Industrial and Commercial Electronics segment, and increase in interest income
- FY2023 Revenue dips 0.7% due to soft Consumer Electronics demand
- Proposes a Final Dividend of HK 10 cents per share and a Special Dividend of HK 6 cents per share¹; together with the Interim Dividend of HK 4 cents per share paid in December 2022, the aggregate dividend for FY2023 amounts to HK 20 cents per share, representing a dividend payout ratio of 68%

Singapore, 30 May 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 financial year ended 31 March 2023 (“FY2023”) grew 8.3% to HK\$123.0 million from HK\$113.5 million in the previous corresponding financial year (“FY2022”).

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented: *“The Vietnam campus has been steadily ramping up its production capacity. Towards the end of FY2023, we successfully commenced production with two new customers, including a hardware provider for retail chain stores and a customer providing cooling solutions for high-performance computing environments. Additionally, we recently secured two more new customers, one of which*

¹ Subject to shareholders’ approval at the upcoming Annual General Meeting.

supplies electronic products to a leading global entertainment conglomerate, while the other is a network access solutions provider based in Canada. These successful customer acquisitions demonstrate the effectiveness of our regional manufacturing strategy, which aims to create diversified supply chains that leverage the cost advantages of lower labour rates across various Asian countries. Despite the challenging macroeconomic environment, we maintain confident in our ability to navigate forward.”

Dividend

After taking the Company’s FY2023 results performance and the challenging business environment into account, the Board of the Company is recommending a Final Dividend of HK 10 cents per share and a Special Dividend of HK 6 cents per share for FY2023 (FY2022: Final Dividend of HK 10 cents per share).

Together with the Interim Dividend of HK 4 cents per share paid out by the Company in December 2022, the aggregate dividend for FY2023 amounts to HK 20 cents per share (FY2022: Aggregate Dividend of HK 14 cents per share). The aggregate dividend amount is approximately 68% of the net profit attributable to shareholders for FY2023.

Financial Highlights

HK\$’M	Financial Year ended 31 March		
	2023	2022	% Change
Revenue	2,013.7	2,027.4	-0.7
Gross Profit	261.7	274.8	-4.8
Gross Profit Margin	13.0%	13.6%	-0.6% pt
Net Profit attributable to owners of the Company	123.0	113.5	8.3

Revenue for FY2023 decreased slightly by 0.7% to HK\$2,013.7 million (FY2022: HK\$2,027.4 million), whereas gross profit decreased by 4.8% to HK\$261.7 million (FY2022: HK\$274.8 million) due to the severe component shortage in the first half of FY2022, which resulted in increased component prices and a decline in the gross profit margin on a full year basis. However, the Group experienced a recovery in the gross profit margin in the second half of FY2023 as there has been some respite in the component shortage.

Segmental Revenue			
HK\$'M	FY2023	FY2022	% Change
Consumer Electronics ("CE")	433.4	706.9	-38.7
Industrial & Commercial Electronics ("ICE")	1,580.3	1,320.5	19.7
Total	2,013.7	2,027.4	-0.7

The ICE segment's revenue rose by 19.7% to HK\$1,580.3 million (FY2022: HK\$1,320.5 million), mainly due to the increase in demand from some of the Group's ICE customers, including several new customers. This was offset by a dip in CE revenue by 38.7% to HK\$433.4 million (FY2022: HK\$706.9 million), largely due to softening demand in end-markets.

The Group's other income jumped 117.5% to HK\$32.0 million (FY2022: HK\$14.7 million) as interest income was boosted from the U.S. Fed's raising of interest rates several times during the year. Selling and distribution expenses increased slightly by 1.1% to HK\$21.9 million (FY2022: HK\$21.6 million), while administrative expenses for FY2023 decreased by 1.9% to HK\$138.9 million (FY2022: HK\$141.6 million).

As a result of the above, net profit in FY2023 increased by 8.3% to HK\$123.0M (FY2022: HK\$113.5M), which translates into an earnings per share of approximately HK 29.1 cents for FY2023 as compared to HK 26.1 cents for FY2022.²

Resilient Financial Position

As at 31 March 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 2022: HK\$3.2)³, net current assets of HK\$993.3 million (31 March 2022: HK\$962.1 million), total assets of HK\$2,075.9 million (31 March 2022: HK\$2,095.7 million), and shareholders' equity of HK\$1,362.0 million (31 March 2022: HK\$1,368.6 million).

² Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 416,974,497 shares for FY2023 and 422,556,132 shares for FY2022.

³ NAV per share calculated on the basis of 413,906,337 shares as at 31 March 2023 and 431,914,737 shares as at 31 March 2022.

Furthermore, the Group continues to have no bank borrowings as at 31 March 2023 and is supported by its strong operating cash flows, with cash and cash equivalents of HK\$1,009.9 million (31 March 2022: HK\$936.7 million).

Business Outlook

The Group continues to operate in a challenging macro-environment, with interest rate hikes and rising inflationary pressures continuing to impact consumer spending patterns. In addition, geopolitical tensions, including the ongoing Russia-Ukraine conflict, and the potential ramifications of the US regional banking crisis, also continue to generate cautious market sentiments.

The Group continues to face these challenges in its business, as customers have deferred orders to manage inventory levels in response to weakened market demand, which has led to an adverse impact on the Group's revenue. Furthermore, despite some respite in the component shortage problem faced by the industry compared to last year, significant reductions in component costs and improvements in lead time did not materialise. In fact, these challenges in the component supply chain are expected to persist and will continue to exert pressure on the Group's gross profit margins in the financial year ending 31 March 2024 ("FY2024").

Despite the challenging environment, the Group's strategic decision to establish a manufacturing site in Vietnam has yielded positive results. Through its regional manufacturing footprint strategy, the Group has attracted new customers seeking to diversify their supply chains while benefiting from lower labour costs in different countries across Asia. This move has positioned the Group well to capitalise on evolving global supply chain dynamics in its customer acquisition strategy. Towards the end of FY2023, the Group has successfully commenced initial shipments to two new customers, namely, a hardware provider for retail chain stores and a customer providing cooling solutions for high performance computing environments. The Group foresees a full year revenue contribution from these two new customers in FY2024 and they will also contribute to the diversification of the Group's revenue streams.

As part of its continued customer acquisition efforts, the Group has recently secured an additional two new customers. One of these customers supplies electronic products to leading global entertainment conglomerate, whilst another customer is a network access solutions provider based in Canada. Their

initial shipments are scheduled to commence in the second half of FY2024, and the Group expects to ramp up production for these two new customers in the financial year ending on 31 March 2025 ("FY2025"). These new customer acquisitions demonstrate Valuetronics' continued success in expanding its customer base and ability to effectively serve diverse industries.

Despite the challenges ahead, the Group maintains confident in its ability to navigate its way forward with its strong balance sheet, diverse customer base, and proven track record of operational excellence. The Group remains steadfast in its customer acquisition efforts and 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\$65 million has been utilised to repurchase an aggregate of 22 million company shares, and the Group intends to continue with this 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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