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Media Release

Valuetronics declares Interim Dividend of 5 HK cents per share for 1HFY2019

- Industrial and Commercial Electronics ("ICE") revenue grew 21.4% to HK$419.3 million with strong performance from printer and automotive customers
- Consumer Electronics ("CE") revenue rose 11.1% in Q2FY2018 compared to the preceding Q1FY2019 to HK$296.9 million
- 1HFY2019 net profit fell by HK$5.6 million despite recording a provision of HK$13.6 million related to the flash flooding at Danshui Factory in late September 2018
- Strong free cash flows continue to raise the Group's cash and bank deposits to HK$798.2 million as at 30 September 2018 from HK$671.1 million as at 31 March 2018

Singapore, 12 November 2018 – SGX Mainboard listed Valuetronics Holdings Limited ("Valuetronics", "鴻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 2018 ("Q2FY2019") has decreased by 12.8% to HK$44.3 million on the back of a slight decrease in revenue of 1.3% to HK$716.2 million, and a provision of HK$13.6 million related to the flash flooding at Danshui Factory in late September 2018.

Financial Highlights

	3 months ended 30 September		
HK$'M	**2018**	**2017**	**% Change**
Revenue	716.2	725.7	-1.3
Gross Profit	107.1	104.8	2.1
Gross Profit Margin	14.9%	14.4%	0.5% pt
Net Profit attributable to owners of the Company	44.3	50.8	-12.8

Mr Ricky Tse Chong Hing ("谢创兴"), Chairman and Managing Director of Valuetronics commented: "In Q2FY2019, our CE segment was affected by a weaker performance in the smart lighting business as compared to Q2FY2018, and the disruption to production at our Danshui Factory due to flash flooding caused by Super Typhoon Manghut. However, we saw an 11.1% increase in CE revenue in Q2FY2019 as compared to Q1FY2019. Our ICE segment on the other hand, has managed to grow, backed by increased demand from our printer and automotive customers. To reward our shareholders for their continued support, the Board declares an interim dividend of 5 HK cents for 1HFY2019."

The Group's revenue decreased by 1.3% from HK$725.7 million for the three months ended 30 September 2017 ("Q2FY2018") to HK$716.2 million in Q2FY2019. On a half year basis, revenue only decreased by 0.1% to HK$1,420.2 million for the six months ended 30 September 2018 ("1HFY2019")

Segmental Revenue			
HK$'M	**Q2FY2019**	**Q2FY2018**	**% Change**
Consumer Electronics ("CE")	296.9	380.4	-22.0
Industrial & Commercial Electronics ("ICE")	419.3	345.3	21.4
Total	716.2	725.7	-1.3

In Q2FY2019, the CE segmental revenue decreased by 22% to HK$296.9 million in Q2FY2019 from HK$380.4 million in Q2FY2018. The decrease was mainly attributable to the slowdown in demand from its CE customer in the smart lighting business and the production disruptions of

Danshui Factory in late September caused by the flash flooding from Super Typhoon Mangkhut, which is partially offset by the increased sales of consumer lifestyle products. When compared to the first quarter ended 30 June 2018 (“Q1FY2019”), CE segment revenue rose 11.1% from HK$267.2 million to HK$296.9 million.

The ICE segmental revenue continued its strong growth with a 21.4% rise to HK$419.3 million in Q2FY2019 from HK$345.3 million in Q2FY2018. The increase was mainly contributed by the increase in demand from some ICE customers, which included printer and automotive customers.

The Group’s gross profit for Q2FY2019 increased by 2.1% to HK$107.1 million from HK$104.8 million in Q2FY2018. Gross profit margin also improved to 14.9% in Q2FY2019 from 14.4% in Q2FY2018, which was mainly due to a change in product sales mix during the period in under review.

Other income increased by 113.6% to HK$7.2 million in Q2FY2019 which was mainly due to the increase in net exchange gains and interest income.

Selling and distribution expenses increased by 15.2% to HK$9.3 million in Q2FY2019 mainly due to the increase in commission expenses, whereas administrative expenses decreased by 3.6% to HK$40.6 million in Q2FY2019 as compared to HK$42.1 million in Q2FY2018.

The Group is making an insurance claim for damages at its Danshui Factory due to flash flashing caused by Super Typhoon Mangkhut in late September, details of which can be found in the Group’s announcements made on 17 September 2018 and 21 September 2018. While the Group is working with the insurer's lost adjuster on the claim, a provision of HK$13.6 million was made during the period for the insurance deductibles and non-recoverable costs.

As a result of the above, the Group's net profit in Q2FY2019 decreased by 12.8% to HK$44.3 million from HK$50.8 million in Q2FY2018. For 1HFY2019, the Group's net profit slightly decreased by 5.6% to HK$94.0 million.

Healthy Financial Position

As at 30 September 2018, the Group had net current assets of HK$793.0 million (31 March 2018: HK$774.9 million), total assets of HK$2,011.3 million (31 March 2018: HK$1,968.8 million) and shareholders' funds of HK$1,071.5 million (31 March 2018: HK$1,062.0 million). The Group had zero debt and cash and bank deposits of HK$798.2 million as at 30 September 2018 (31 March 2018: HK$671.1 million).

Interim Dividend

The Board has declared an Interim Dividend of 5 HK cents per share, which is payable on 10 December 2018.

Business Outlook

With a mixed performance in CE and ICE segments, revenue for the Group remained flat on a quarter on quarter basis. The ICE segment revenue continued its double-digit growth, benefitting from strong performance from the printer and automotive customers. In comparison with Q2FY2018, the CE segment reported a revenue decline in Q2FY2019 due to the weak performance in smart lighting products, notwithstanding an 11% increase in revenue as compared to Q1FY2018 and the production disruption of the Group's Danshui Factory in late September caused by flash flooding due to Super Typhoon Mangkhut.

In terms of supply chain challenges in the area of component supply, the Group is seeing some relief with the normalisation of lead times and stabilisation of prices in passive electronic components.

As a manufacturer with global sales, the Group is operating in an uncertain macro-economic environment caused by geo-political and trade tensions. The US – China trade tensions, if escalated, could potentially undermine the global economy and impact the supply chains of companies serving US market. Whilst there is no material immediate direct impact on Valuetronics at this juncture, indirect and consequential impact on the Group cannot be ruled out if trade tensions were to escalate. In order to mitigate impact of tariffs on goods imported to US market, the Group has been working with customers in evaluating various measures, including the option of product assembly outside of China.

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ending 31 March 2019.

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 ST Singapore Shariah 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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