

## Media Release

# Valuetronics' FY2022 results affected by severe global components shortage

- The Group's newly constructed Vietnam campus in Vinh Phuc Province has commenced mass production in the last quarter of FY2022, following the successful completion of ISO and customer audits
- Proposes a Final Dividend of HK 10 cents per share<sup>1</sup> and together with the Interim Dividend of HK 4 cents per share paid in December 2021, the aggregate dividend for FY2022 amounts to HK 14 cents per share

**Singapore, 26 May 2022** – 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, announced the results for its financial year ended 31 March 2022 (“FY2022”) today.

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented:

***“While the components shortage and supply chain problem could last beyond 2022 and continue to affect our profit margins, we are cautiously optimistic to remain profitable for FY2023, given our track record and strong fundamentals, which is supported by our strong balance sheet. We will continue our prudent and calibrated approach, by adopting various measures to mitigate the challenging operating***

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<sup>1</sup> Subject to shareholders’ approval at the upcoming Annual General Meeting.

*environment and continuing to invest in our capabilities and operational excellence initiatives for the longer term. With our Vietnam campus now operational, we are well positioned to offer existing and new global customers a regional manufacturing footprint to meet their diversified needs.”*

## Dividend

After taking into account the Company’s FY2022 results performance and the challenging business environment, the Board of the Company is recommending a Final Dividend of HK 10 cents per share for FY2022 (FY2021: HK 16 cents per share).

Together with the Interim Dividend of HK 4 cents per share paid out by the Company in December 2021, the aggregate dividend for FY2022 amounts to HK 14 cents per share (FY2021: HK 21 cents per share). The aggregate dividend amount is approximately 53.4% of the net profit attributable to shareholders for FY2022.

## Financial Highlights

|   | Year ended 31 March |              |              |
|---|---------------------|--------------|--------------|
| HK\$’M  | 2022                | 2021         | % Change     |
| Revenue   | 2,027.4             | 2,281.5      | -11.1        |
| Gross Profit  | 274.8               | 386.2        | -28.8        |
| Gross Profit Margin                                     | 13.6%               | 16.9%        | -3.3%pt      |
| <b>Net Profit attributable to owners of the Company</b> | <b>113.5</b>        | <b>187.1</b> | <b>-39.3</b> |

As previously highlighted in the Group’s FY2021 annual report and FY2022 interim announcement, severe shortages of certain key electronic components have affected the Group’s ability to meet orders, leading to a decline in revenue and a corresponding decrease in profit. The Group’s revenue decreased by 11.1% to HK\$2,027.4 million in FY2022 from HK\$2,281.5 million in the financial year ended 31 March 2021 (“FY2021”), and gross profit decreased by 28.8% to HK\$274.8 million (FY2021: HK\$386.2 million). The Group’s gross profit margin also decreased from 16.9% to 13.6%, eroded by higher component prices due to tight supply, and China’s increased labour and operating costs, under an appreciating Renminbi.

| Segmental Revenue                           |         |         |          |
|---|---------|---------|----------|
| HK\$'M                                      | FY2022  | FY2021  | % Change |
| Consumer Electronics ("CE")                 | 706.9   | 680.7   | 3.8      |
| Industrial & Commercial Electronics ("ICE") | 1,320.5 | 1,600.8 | -17.5    |
| Total                                       | 2,027.4 | 2,281.5 | -11.1    |

The Group's CE segment's revenue rose by 3.8% to HK\$706.9 million in FY2022 (FY2021: HK\$680.7 million), mainly due to a rebound of orders from smart lighting customers. The Group's ICE revenue however, decreased by 17.5% to HK\$1,320.5 million in FY2022 (FY2021: HK\$1,600.8 million) due to the significant drop in sales to the Group's auto customer as switched over production from the Group's factory to another vendor in North America. Furthermore, the shortage of key electronic components also affected order fulfilment for certain ICE customers.

The Group's other income decreased by 20.0% to HK\$14.7 million (FY2021: HK\$18.4 million) and this was mainly due to the decrease in interest income under the low interest rate environment. Selling and distribution expenses fell by 32.4% to HK\$21.6 million (FY2021: HK\$32.0 million) as commission expenses decreased in line with the decline in revenue, while administration expenses decreased by 13.3% to HK\$141.6 million (FY2021: HK\$163.3 million) due to more stringent cost control measures put in place by management and a decrease in staff costs.

As a result of the above, net profit in FY2022 decreased by 39.3% to HK\$113.5 million (FY2021: HK\$187.1 million), which translates into an earnings per share of approximately HK 26.1 cents for FY2022 as compared to HK 43.0 cents for FY2021.<sup>2</sup>

### Resilient Financial Position

As at 31 March 2022, the Group continues to maintain its resilient financial position with a net asset value per share (excluding treasury shares) of HK\$3.2 (31 March 2021: HK\$3.1)<sup>3</sup>, net current assets of HK\$962.1 million (31 March 2021: HK\$975.3 million), total assets of HK\$2,095.7 million (31 March 2021: HK\$2,241.6 million), and shareholders' equity of HK\$1,368.6 million (31 March 2021: HK\$1,347.1 million).

<sup>2</sup> Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 435,451,270 shares for FY2022 and 435,048,782 shares for FY2021.

<sup>3</sup> NAV per share calculated on the basis of 431,914,737 shares as at 31 March 2022 and 435,625,837 shares as at 31 March 2021.

Furthermore, the Group continues to have no bank borrowings as at 31 March 2022 and is supported by its strong operating cash flows, with cash and cash equivalents of HK\$936.7 million (31 March 2021: HK\$1,129.4 million).

## **Business Outlook**

In FY2022, the Group's operations were adversely affected by the global components shortage like many other electronics manufacturing service providers. This supply problem for a wide range of electronics components resulted in extreme price surges, prolonged order lead times, frequent delivery delinquency and consequential productivity losses.

Furthermore, the ongoing COVID-19 pandemic and lockdowns in major cities further disrupted the capacity and logistics of the electronic component industry, which worsened the situation. While the Group's performance has been affected by these external macro factors, the Group has proactively implemented various mitigation measures. These measures include identifying alternative parts, re-engineering products to lower cost, and leveraging the Group's supply chain knowledge to identify new sources of supply. Despite all these efforts, the Group expects components shortages, together with cost pressures resulting from inflation, to affect its gross profit margin until the global components market is back to normal.

Even with the ongoing COVID-19 pandemic, the Group's Vietnam expansion has remained on track. The Group's newly constructed Vietnam campus in Vinh Phuc Province has commenced mass production for three customers in the last quarter of FY2022, following the successful completion of ISO and customer audits. These mass production projects will serve as a reference for other customers on the readiness and scalability of the Vietnam campus under the Group's regional manufacturing footprint strategy which targets the diversified needs of global customers.

The Group is also preparing for the trial production for its newly acquired ICE customers, including a hardware provider customer for retail chain stores, and a customer providing cooling solutions for high performance computing environments, which is expected to contribute revenue in the financial year ending 31 March 2023 ("FY2023"). Meanwhile, the revenue rebound in the CE segment that was seen in

FY2022, is not expected to continue due to lower customer forecasts and the components shortage problem.

Furthermore, the lockdowns in major cities of China are affecting global supply chains by increasing the backlog of critical components supply and affecting cross border logistics. The ripple effect of supply chain bottlenecks could last beyond 2022. With the components shortage, COVID-19 pandemic, Russia-Ukraine conflict, and US-China trade tensions, the Group is anticipating potential headwinds.

Barring unforeseen circumstances, the Group is cautiously optimistic to remain profitable for FY2023, given its track record and strong fundamentals in terms of capability that is supported by its strong balance sheet.

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 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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