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Media Release

Valuetronics' 1HFY2023 net profit grew 2.2% to HK\$57.9 million

- Proposes an Interim Dividend of HK 4 cents per share

Singapore, 11 November 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, today announced that for six months ended 30 September 2022 (“1HFY2023”) its net profit after tax grew 2.2% to HK\$57.9 million from HK\$56.6 million in the previous corresponding period (“1HFY2022”).

Mr Ricky Tse Chong Hing (“谢创兴”), Chairman and Managing Director of Valuetronics commented: ***“We delivered a set of stable results in 1HFY2023 with 2% profit growth despite the backdrop of a challenging macroeconomic environment. All our facilities in Vietnam are now fully consolidated at our Vietnam campus and this allows us greater operational efficiencies and economies of scale. As more customers are now able to visit our Vietnam campus with global travel resuming, we are confident that we will be able to convert these leads to new business in FY2024. Nevertheless, we are still facing multiple headwinds such as the Russia-Ukraine conflict, rising geopolitical tensions, hiking interest rate, dampening business sentiment and consumer spending.”***

Our strong fundamentals in terms of our manufacturing experience and capabilities in different countries, strong cash flows, and robust balance sheet with zero debt, will help us weather the challenges ahead and put us in a good position to also capture emergent opportunities.”, Mr Tse added.

Interim Dividend

After taking into account the Group's financial performance in 1HFY2023 and the challenging business environment, the Board is recommending an Interim Dividend of HK 4 cents per share for the period (1HFY2022: HK 4 cents per share), which is payable on 2 December 2022.

Financial Highlights

HK\$'M	6 months ended 30 September		
	2022	2021	% Change
Revenue	1,051.5	1,014.5	3.6
Gross Profit	131.2	143.6	-8.6
<i>Gross Profit Margin</i>	12.5%	14.2%	-1.7% pt
Net Profit attributable to owners of the Company	57.9	56.6	2.2

The Group's revenue increased by 3.6% to HK\$1,051.5 million in 1HFY2023 from HK\$1,014.5 million in 1HFY2022, while gross profit decreased by 8.6% to HK\$131.2 million (1HFY2022: HK\$143.6 million). The Group's gross profit margin also decreased from 14.2% to 12.5%, eroded by higher component prices due to tight supply, and the COVID-19 lockdowns of major cities in China which disrupted supply chains and impacted productivity.

Segmental Revenue			
HK\$'M	1HFY2023	1HFY2022	% Change
Consumer Electronics ("CE")	246.0	319.4	-23.0
Industrial & Commercial Electronics ("ICE")	805.5	695.1	15.9
Total	1,051.5	1,014.5	3.6

The Group's ICE revenue grew by 15.9% to HK\$805.5 million in 1HFY2023 (1HFY2022: HK\$695.1 million) due to increased demand from some customers while the CE revenue fell by 23.0% to HK\$246.0 million (1HFY2022: HK\$319.4 million) due to softening demand in end-markets.

The Group's other income increased by 74.6% to HK\$12.9 million (1HFY2022: HK\$7.4 million), which was mainly due to the increase in interest income as the US Fed lifted interest rates several times during the period. Selling and distribution expenses increased slightly by 2.9% to HK\$12.1 million (1HFY2022: HK\$11.7 million), which was in line with the increase in revenue, and administrative expenses fell by 11.4%

to HK\$66.7 million (1HFY2022: HK\$75.3 million), mainly due to stringent cost control measures put in place by Management and the depreciation of the Renminbi.

As a result of the above, the Group's net profit for 1HFY2023 increased by 2.2% to HK\$57.9 million (1HFY2022: HK\$56.6 million), which translates into an earnings per share of approximately HK 13.5 cents (1HFY2022: HK 13.0 cents).¹

Resilient Financial Position

As at 30 September 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 2022: HK\$3.2)², net current assets of HK\$952.4 million (31 March 2022: HK\$962.1 million), total assets of HK\$2,108.7 million (31 March 2022: HK\$2,095.7 million) and shareholders' funds of HK\$1,338.1 million (31 March 2022: HK\$1,368.6 million).

Furthermore, the Group continues to have no bank borrowings as at 30 September 2022 and is supported by its strong operating cash flows, with cash and cash equivalents of HK\$979.3 million (31 March 2022: HK\$936.7 million).

Business Outlook

Valuetronics delivered a set of stable results in 1HFY2023 as it was better able to navigate the challenges presented by the global components shortage by identifying new sources of supply and working with customers in re-engineering products and using alternative parts.

However, macro factors like the Russia-Ukraine conflict, rising geopolitical tensions, and latest US Fed aggressive interest rate hikes to tame inflation, continue to shake business confidence and erode consumer purchasing power, leading to a weakening demand forecast from some of the Group's customers. The Group has been working closely with those affected customers to mitigate the risks associated with this headwind.

¹ Basic earnings per share calculated based on a weighted average number of ordinary shares in issue (excluding treasury shares) of 428,107,266 shares for 1HFY2023 and 435,625,837 shares for 1HFY2022.

² NAV per share calculated on the basis of 420,397,937 shares as at 30 September 2022 and 431,914,737 shares as at 31 March 2022.

With the relaxation of travel restrictions and the resumption of global travel, the Group has been receiving enquires, and hosting visits for potential customers to demonstrate the Group's electronics manufacturing service ("EMS") capabilities in Vietnam. The Group is confident that some of these leads will convert into new business in the financial year ending 31 March 2024 ("FY2024").

Following the completion of customers' qualification and shipment of mass production from Vietnam campus in the fourth quarter of financial year ended 31 March 2022 ("FY2022"), the Group has consolidated its various Vietnam facilities into one campus site since June 2022 to achieve greater economies of scale and operational efficiency.

Apart from investing in EMS capability, Valuetronics also endeavors to build a sustainable future. During the period, the Group has invested approximately HK\$12 million for a solar power system in the China campus. Since the operation of solar power system in July 2022, approximately 20% of the electricity used in the China campus came from this renewable source. This not only led to a saving of 753 tonnes of carbon dioxide up to October 2022, but also established an alternative source of power to deal with potential power shortages in China, should they arise during the reopening of China's economy.

As uncertainty factors such as supply chain disruptions, geopolitical tensions and a weakening in consumer consumption are unlikely to be resolved soon, the Group anticipates potential headwinds ahead. Barring unforeseen circumstances, the Company remains optimistic to be profitable for FY2023, given its strong fundamentals in terms of its manufacturing experience and capabilities in different countries, strong cash flows, and a robust balance sheet that is without debt.

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\$48 million has been utilised to repurchase an aggregate of 16 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, 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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