

NEWS

TIME Interconnect Technology Limited Announces FY2021 Annual Results

28 Jun 2021



TIME Interconnect Technology Limited

匯聚科技有限公司

(Stock Code: 1729)

TIME Interconnect Technology Limited Announces FY2021 Annual Results
Revenue Increased by 8.2% to HK\$3,008.0 million

Financial Highlights

	For the Year Ended 31 March		
	FY2021 (HK\$ million)	FY2020 (restated) (HK\$ million)	Change
Revenue	3,008.0	2,780.2	+8.2%
Gross profit	580.2	499.6	+16.1%
Gross profit margin (%)	19.3	18.0	+1.3
Total profit for the year	226.6	154.5	+46.7%
Net profit margin (%)	7.5	5.6	+1.9
Total profit for the year – Adjusted (Note)	230.8	173.6	+32.9%
Net profit margin (%) – Adjusted (Note)	7.7	6.2	+1.5
Basic earnings per share (Hong Kong cents)	12.3	8.4	+46.4%

Note: Total profit and net profit margin are calculated by excluding the extreme transaction expense.

(Hong Kong, 28 Jun 2021) – **TIME Interconnect Technology Limited** ("**TIME Interconnect**", Stock Code: 1729, with its subsidiaries collectively referred to as the "**Group**") is pleased to announce its annual results for the year ended 31 March 2021 ("**FY2021**").

In FY2021, the COVID-19 pandemic had a more negative impact on economic activities than anticipated. Greater scarring from the larger-than-anticipated hit to economic activities have shown during the lockdown and persistent social distancing, and a negative impact has been made on productivity as surviving businesses have to spend efforts to enhance workplace safety and hygiene standards. For economies still struggling to control infection rates, the need for continued lockdown and social distancing will take an additional toll on economic activities. Meanwhile, since Joe Biden has been elected the new president of the United States in November last year, he has been busy coping with the epidemic and recovering the economy of its own country. Hence, the Sino-U.S. trade war seems to have eased, which has given the economy a chance to breath. Now, with the introduction of vaccines, countries around the world are vigorously urging people to get vaccinate and actively introducing economic recovery measures. The market is looking forward to economic recovery.

In order to cope with the changes and uncertainties of the external environment and ensure continued growth of the Group's business, a "Strategic Business Development Task Force" (the "Task Force")

has been set up under the executive office of TIME Interconnect Technology Group on 1 September 2020. The Task Force is led by the Group's Chief Executive Officer (the "CEO") and its main responsibilities are to formulate long-term business strategies for the Group, accelerate the development of new markets and strategic customers for both cable assembly and networking cables business. It is expected that the Task Force can make use of the Group's business advantages and resources of different business units to create positive synergy. In addition, the Group has engaged doctoral consultants to enhance its internal technology and product development capabilities. The Group continued to pay great efforts in solidifying its customer base by developing relationships with leading international customers and further enhancing the business relationships with existing customers. During FY2021, the Group has successfully captured new customers and carried out the fundamental works for cooperation. In the meantime, the Group has pushed forward to improve its research and development capabilities and improve its product mix, so as to elevate the Group's overall competitiveness and seize the huge opportunities generating from the arrival of this generation 5G networking technology.

The acquisition of Linkz Cables Limited and its subsidiaries (the "Target Group"), a long established networking cables manufacturer with its manufacturing facilities located in the PRC, was completed on 30 June 2020. The Target Group has over 27 years of business operation and currently owns three sizable industrial complexes situated in Shanghai and Kunshan City, Jiangsu Province, PRC. It is certified as the first market share ranking of the PRC networking cables market by the China Electronic Components Association. It has technical know-how in the next generation networking cables, such as Cat 8 cables, PoE, hybrid cables and compatibility with the HDBaseT standard. The Target Group has distinct customer base as compared with the Group and its major customers are reputable multinational corporations that have presence in the PRC. With the successful acquisition, the Group's revenue base has been significantly enlarged and its risk of customer concentration has been mitigated by merging with the diverse customer base of the Target Group. The Company believes that the acquisition can better position the Group and the Target Group to capture the evolving opportunities brought by the rapid development of 5G technology, and strategically improves the Group's defence position amid the global economic uncertainties. The expanded business scale after the completion of the acquisition provides the Group a broader and more diversified revenue stream and enhances its profit source.

In addition, the Target Group's wholly-owned subsidiary Linkz Industries (Suzhou) Limited ("Linkz Ind (Suzhou)") has achieved ISO14064 accreditation on environmental control in July 2020, being the first wire and cable company in Asia to receive the Greenhouse Gas verification from UL, one of the world's leading safety science companies.

In spite of the challenges in the macro-economy environment, the Group still reported solid operating results. During FY2021, the Group recorded revenue amounting to HK\$3,008.0 million, representing an increase of HK\$227.8 million or 8.2% as compared with HK\$2,780.2 million (restated) for FY2020. Operating profit of FY2021 was HK\$320.6 million, representing an increase of HK\$42.4 million or 15.2%, as compared with HK\$278.2 million (restated) for the previous financial year, with the operating profit margin improved 0.7% to 10.7% for FY2021. The increase of operating profit was mainly attributable to the improvement of profit margin of new 5G products in the telecommunication sector and the increase in revenue from the data centre sector, the medical equipment sector and the industrial equipment sector. Net profit of FY2021 was HK\$226.6 million, representing an increase of HK\$72.1 million or 46.7%, as compared with HK\$154.5 million (restated) for the previous financial year, with the net profit margin improved 1.9% from 5.6% (restated) to 7.5% for FY2021. As compared to the net profit amounting to HK\$128.1 million for the year ended 31 March 2020 as disclosed in the 2020 annual report of the Company, the net profit of FY2021 reported a significant increase of HK\$98.5 million or 76.9%.

The basic earnings per share for the year was HK 12.3 cents. The board of directors recommend to declare a final dividend of HK1.5 cents per share (FY2020: HK1.5 cents), amounting to a total of approximately HK\$27.6 million.

Business Review

The Group's revenue in FY2021 increased by HK\$227.8 million to HK\$3,008.0 million from \$2,780.2 million (restated) in the previous financial year, which represented an increase of 8.2% as compared to previous financial year. The increase in revenue was mainly driven by the substantially increased sales in data centre, medical equipment and industrial equipment sector.

The Group's turnover by business division is as follows:

Business Sector	For the Year Ended 31 March				
	Turnover (HK\$ million)			Share of Turnover	
	FY2021	FY2020 (restated)	Changes	FY2021	FY2020 (restated)
Cable assembly					
Data centre	811.6	698.8	16.1%	27.0%	25.1%
Telecommunication	568.1	565.8	0.4%	18.9%	20.4%
Medical equipment	181.7	126.3	43.9%	6.0%	4.5%
Industrial equipment	94.1	47.8	96.9%	3.1%	1.7%
	1,655.5	1,438.7	15.1%	55.0%	51.7%
Networking cables					
Cat 5/5e cables	226.3	221.0	2.4%	7.5%	7.9%
Cat 6/6A cables	1,001.2	934.6	7.1%	33.3%	33.6%
Cat 7/7A cables	44.7	100.1	-55.3%	1.5%	3.6%
Others	80.3	85.8	-6.4%	2.7%	3.1%
	1,352.5	1,341.5	0.8%	45.0%	48.3%
Total	3,008.0	2,780.2	8.2%	100.0%	100.0%

Data Centre

The Group had resolved the additional tariffs issue by procuring the "Country of origin and Marking Ruling" from the U.S. Customs and Border Protection for data centre sector's products last year. The shipments of the data centre sector resumed to the normal level prior to the Sino-U.S. trade war since May 2019. The revenue of data centre sector has significantly increased by HK\$112.8 million or 16.1% to HK\$811.6 million for FY2021 as compared to HK\$698.8 million for the previous financial year, the orders of this sector still maintained at a high shipment level during the year, and it is remaining the highest revenue sector in the cable assembly business.

Telecommunication

It recorded a slight increase of revenue from HK\$565.8 million in the previous financial year to HK\$568.1 million for FY2021, representing an increase of HK\$2.3 million or 0.4%. Although the revenue increase was not much, orders of new 5G products have increased gradually and the profit margin has improved as these new 5G products carry a better margin.

Medical Equipment

The outbreak of COVID-19 has stimulated an increase in medical equipment cables orders. In the early stage of the epidemic, the order level has increased by two to three times than normal from some of the customers. The revenue of medical equipment sector for FY2021 was HK\$181.7 million,

representing a substantial increase of HK\$55.4 million or 43.9% as compared to HK\$126.3 million for the previous financial year.

Industrial Equipment

In order to minimise the risks and uncertainties in the unstable economic environment, the Group has striven to grasp different business opportunities. For example, in March 2020, the Group successfully gained trial orders from a new prestigious customer, which has become one of the Group's major revenue contributors in this sector. The revenue of industrial equipment sector substantially increased by HK\$46.3 million or 96.9% from HK\$47.8 million (restated) for the previous financial year to HK\$94.1 million for FY2021.

Networking cables

As the impact of the COVID-19 pandemic has been lasting for a longer time than originally expected, the revenue of networking cables sector for FY2021 was HK\$1,352.5 million, representing only a slight increase of HK\$11.0 million or 0.8% as compared with HK\$1,341.5 million (restated) for the previous financial year.

Prospect

Looking ahead, the cable assembly industry is expected to sustain growth in the coming years. To meet the market demand, the Group is striving to enhance its production capacity by acquiring a parcel of industrial land with two industrial buildings for its production. The management remains confident that the Group's enlarged production capacity and well-established business fundamentals would enable it to capture the market opportunities upon the arrival of this generation 5G network. In the meantime, with the successful acquisition of networking cables business (engaged by Linkz Cables Limited and its subsidiaries), the Group's revenue base has been significantly enlarged and its risk of customer concentration has been mitigated by merging with the diverse customer base of the Target Group. Moreover, the Company believes that the acquisition can better position the Group and the Target Group to capture the evolving opportunities brought by the rapid development of 5G technology, and strategically improves the Group's defence position amid the global economic uncertainties. The expanded business scale after the completion of the acquisition provides the Group a broader and more diversified revenue stream and enhances its profit source.

In April 2021, the Ministry of Industry and Information Technology of the PRC stated that the country has initially built the world's largest 5G mobile network. With the rapid development of the 5G cellular network technology in the PRC and the 5G network deployment announced by various mobile operators in the second half of 2019, the Group noted that there will be gradual and largescale replacement of 5G devices and equipment in the coming years, which is expected to drive the demand of cable assembly products. The PRC has continuously made great efforts to accelerate the research and development of 5G technology, it is expected the sales order from the Group's Customer A will continue to increase and benefit the telecommunication sector. In addition, the COVID-19 pandemic has changed many economic activities. For example, companies are forced to work from home and increase online meetings during the lockdown period and persistent social distancing, which will directly increase the application and demand of network communication.

Huawei recently predicted that, the utilisation rate of cloud technology in the companies around the world will reach 85% by 2025. In cloud computing, the computing storage network must be placed in the data centre, therefore, the growing cloud technology is expected to drive the development of data centre. At the same time, as the development of 5G will boost the application of big data, IoT, internet gaming and video streaming through cloud platform. So for data centre sector, as the additional tariffs issue had been resolved, the fibre cable assembly products will

not be subjected to any additional tariffs when importing into the United States anymore. The shipments of the data centre sector were back to the normal level prior to the Sino-U.S. trade war. The Group remains very positive on the continuous growth of the business of data centre sector.

Although the COVID-19 vaccines have been available, and countries vigorously urged people to get vaccinated, the epidemic is still severe or has rebounded due to the mutation of the virus, and the number of confirmed cases and deaths is still on the rise in the near future. As for the medical equipment sector, the Group expects the demand for medical cables will last for a while and it will continue to bring positive impact to the Group's medical cables orders in this year. Moving ahead, the Group believes that this sector will maintain its dynamic pace of growth, considering the arising demand from the medical equipment market. To catch up with the trend, the Group will continue to enhance its medical equipment customers base, as well as to strengthen its research and development capabilities.

On the other hand, with the introduction of vaccines, and the economic recovery measures successively launched by the countries, it is expected that the market will rebound significantly. The Group noticed that the orders in industrial equipment sector has been increased in recent months. For the industrial equipment sector, the Group has striven to grasp different business opportunities in order to minimise the risks and uncertainties involved in the unstable economies. Moving ahead, the Group expects the demand for sales order in this sector will increase gradually for the coming year.

In addition to the cable assembly and networking cables business units, the Group set up a new business unit – Robotics Business Unit. Whilst it is challenging, robotics business is a new endeavour of the Group. In order to better develop this new business, the Group has set up a new wholly-owned subsidiary "TIME Robotics Technology (Shanghai) Limited" ("Shanghai TIME") in Shanghai. It carries a flexible manufacturing setup, provides digitised supply chain management and high-level product traceability. The Group is also building a new team for robotic product assembly and developing related manufacturing capabilities in vertical integration. Even this new business is still in a developing stage, but the Group believes that this new business can create many possibilities and lead the Group to another new stage.

The pandemic is impacting the business operations of various enterprises in different manner and disrupting the way we live, work and learn. As a reputable customised interconnect solutions supplier, the Group remain committed to fighting against COVID-19 and protecting and supporting its people, as well as its valued customers, partners and communities. Over the past several months, the Group have mobilized across the Hong Kong office and China factories to respond to the pandemic, by focusing on the safety of its staff, manufacturing continuity and providing solutions to support the customers' response. Its factories are in full operation to receive the incoming deliveries from suppliers and making outgoing shipments to customers. The Group is closely monitoring the potential adverse impact on supply chain continuity to support its global customers who depend on its products. Moving ahead, the Group will continue to stay alert to the changes in economic environment and take prompt and decisive actions to maintain the Group's competitiveness and sustainability. Meanwhile, the Group will keep enhancing its business operations, so that it is fully capable to capitalise on an eventual market turnaround.