



## **TIME Interconnect Technology Limited**

滙聚科技有限公司

(Stock Code: 1729.HK)

### **TIME Interconnect Technology Limited Announces 2020 Interim Results**

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#### ***Keep enhancing business operations to capitalise on an eventual market turnaround***

**(Hong Kong, 30th November 2020)** – TIME Interconnect Technology Limited ("TIME Interconnect", Stock Code: 1729.HK, with its subsidiaries collectively referred to as the "Group") is pleased to announce its interim results for the six-month period ended 30 September 2020 (the "**Reporting Period**").

During the Reporting Period, the pace of global economic growth has continued to slow down due to the Sino-U.S. trade war, which also led to depreciation of Renminbi. Meanwhile, the COVID-19 pandemic has had a more negative impact on economic activities in the Reporting Period than anticipated. In order to cope with the changes and uncertainties of the external environment, the Group has set up a "Strategic Business Development Task Force", whose main responsibilities are to formulate long-term business strategies for the Group, accelerate the development of new markets and strategic customers. In addition, the Group has reintegrated internal resources, hired doctoral consultants to enhance its internal technology and product development capabilities, and pay great efforts in solidifying its customer base. With the above efforts, the Group was able to report solid operating results during the Reporting Period, in spite of the challenges in the macro-economy environment and the difficulties brought by RMB depreciation.

During the six months ended 30 September 2020, although the Group recorded revenue amounting to HK\$1,441.7 million, representing a decrease of 5.4% as compared with HK\$1,523.9 million for the six months ended 30 September 2019 (the "same period last year"), gross profit for the Reporting Period was HK\$303.8 million, an increase of 7.9% compared to the HK\$281.4 million recorded in the previous financial period. Operating profit for the Reporting Period was HK\$190.2 million, representing an increase of 15.0%, as compared with HK\$165.4 million for the same period last year, with the operating profit margin improved 2.3% to 13.2% for the Reporting Period. 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 medical equipment sector and the industrial equipment sector.

Basic earnings per share for the Reporting Period was HK7.1 cents as compared to HK5.4 cents in the same

period last year.

## **Business Review**

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

Business Sector	Six Months Ended 30 September				
	Turnover (HK\$ million)			Share of Turnover	
	2020	2019	Changes	2020	2019
<b>Cable assembly</b>					
Data centre	367.9	396.5	-7.2%	25.5%	26.0%
Telecommunication	308.7	313.0	-1.4%	21.4%	20.5%
Medical equipment	93.5	65.4	+43.0%	6.5%	4.3%
Industrial equipment	37.9	26.9	+40.9%	2.6%	1.8%
<b>Networking cables</b>	633.7	722.1	-12.2%	44.0%	47.4%
<b>Total</b>	<b>1,441.7</b>	<b>1,523.9</b>	<b>-5.4%</b>	<b>100%</b>	<b>100%</b>

### **Data Centre**

The shipments of the data centre sector resumed to the normal level prior to the Sino-U.S. trade war since May 2019. Even the revenue of data centre sector has decreased by 7.2% to HK\$367.9 million for the Reporting Period as compared to HK\$396.5 million for the same period last year, the orders of this sector still maintained at a high shipment level during the Reporting period, remaining the highest revenue sector in the cable assembly business.

### **Telecommunication**

For the telecommunication sector, it recorded a slight decline of revenue from HK\$313.0 million in the same period last year to HK\$308.7 million for the Reporting Period, representing a decrease of 1.4%. Although the RMB depreciation has led to the drop of revenue, the Group noticed that orders of new 5G products have increased gradually and the profit margin has been improved as these new 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 the Reporting Period was HK\$93.5 million, representing a substantial increase of 43.0% as compared with HK\$65.4 million for the same period last year.

### **Industrial Equipment**

For the industrial equipment sector, the Group has 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 increased by 40.9% from HK\$26.9 million for the same period last year to HK\$37.9 million for the Reporting Period.

### **Networking cables**

As the impact of COVID-19 pandemic was longer than originally expected, the revenue of networking cables for the Reporting Period was HK\$633.7 million, representing a decrease of 12.2% as compared with HK\$722.1 million for the same period last year. The COVID-19 pandemic has seriously affected the global economic activities as the major overseas markets being in lockdown, and many companies have to adopt work from home policies or no-pay leave arrangements. The flow of people and logistics have been restricted. As a result, some new projects were on hold and customer demand reduced. Fortunately, PRC is one of the fastest market to reopen, where the recovery from the sharp contraction in the first quarter is underway. The demand from PRC customers remained relatively stable and there was no significant decrease or cancellation of sales orders from customers.

### **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 the next-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 will be significantly enlarged and its risk of customer concentration will be 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.

For **telecommunication sector**, the PRC has continuously made great efforts to accelerate the research and development of 5G technology. 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. It is expected the sales order will increase and benefit the telecommunication sector.

For **data centre sector**, since the additional tariffs issue had been resolved, the shipments of the data centre sector were back to the normal level prior to the Sino-U.S. trade war. As the development of 5G will boost the application of big data, IoT, internet gaming and video streaming through cloud platform, the Group remains positive on the continuous growth of the business of the data centre sector.

As for the **medical equipment sector**, since the COVID-19 broke out across the world, 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 the coming few months. 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 R&D capabilities.

For the **industrial equipment sector**, the Group has strived to grasp different business opportunities in order to minimise the risks and uncertainties involved in the unstable economies. In addition to the big trial order that the Group received from a new prestigious customer in March 2020, the Group has become one of the four first tier suppliers of Huawei's intelligent automotive solution BU. 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 is going to set up a new business unit – **Robotics Business Unit**. In order to better develop this new business, the Group is collaborating with a well-known robot customer, who owns a leading artificial intelligence (“AI”) technology, and has set up a new wholly-owned subsidiary “TIME Robotics Technology (Shanghai) Limited” 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. The Group believes that this new business can create many possibilities and lead the Group to another new stage.

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.

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#### **About TIME Interconnect Technology Limited**

TIME Interconnect Technology Limited is a well-established supplier of custom cable assemblies with more than 20 years of experience in the cable assembly industry. The Group primarily manufactures and supplies a wide variety of copper and optical fibre cable assemblies which are produced in accordance with the specifications and designs of individual customer. The products of the Group are used by a number of established PRC and international customers in a variety of market sectors including 5G telecommunications, data centre, industrial and medical equipment.