Bright Communications International Limited
智升公關有限公司

To: Business Editor
[For Immediate Release]

TIME Interconnect Technology Limited
匯聚科技有限公司
(Stock Code: 1729)

TIME Interconnect Technology Limited Announces FY2020 Annual Results

Revenue Increased by 9.5% to HK$1,438.8 million

Financial Highlights

	For the Year Ended 31 March		
	FY2020 *(HK$ million)*	**FY2019** *(HK$ million)*	**Change**
Revenue	1,438.8	1,314.4	+9.5%
Gross profit	305.1	279.3	+9.2%
Gross profit margin (%)	21.2	21.2	0.0
Total profit for the year	128.1	122.9	+4.2%
Net profit margin (%)	8.9	9.4	-0.5
Total profit for the year – Adjusted (Note)	147.2	122.9	+19.8%
Net profit margin (%) – Adjusted (Note)	10.2	9.4	+0.8
Earnings per share (Hong Kong cents)	7.0	6.7	+4.5%

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

(Hong Kong, 23 June 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 annual results for the year ended 31 March 2020 ("**FY2020**").

In FY2020, the Sino-U.S. trade war has caused the overall slowdown of global economic market. The trade and tariff disputes between the United States and China caused further impact on the telecommunication and industrial equipment sector. Meanwhile, the trade war also lead to the depreciation of Renminbi, which has affected the Group's telecommunication, medical equipment and industrial equipment sectors, and led to the revenue drop of these sectors in FY2020.

On the other hand, due to the outbreak of COVID-19, the Group's production capacity has dropped temporarily as the PRC government announced the temporary lockdown in various provinces since January 2020 to avoid the spreading of the pandemic. Following the end of the extended Chinese New Year holiday on 10 February 2020, the Group's production facilities begun resuming in phases and finally resumed full operations since mid-March 2020. Fortunately, the demand from customers remained relatively stable and there was no significant decrease or cancellation of sales orders from customers. The Group has proactively liaised with customers to adjust the delivery schedule in order to minimise the impact, and the delayed delivery schedule for those sales orders resumed normal in April 2020.

Despite all these challenges and difficulties, the Group recorded encouraging results for the year ended 31 March 2020. The Group's revenue for FY2020 was HK$1,438.8 million, an increase of HK$124.4 million or 9.5% as compared to the previous financial year. Operating profit increased by HK$32.4 million or 22.0%, and operating profit margin improved from 1.3% to 12.5% in FY2020. The increase of revenue and profit were mainly attributable to having resolved the additional tariff issues. The Group also achieved favourable results benefiting from the new production factory acquired in 2019 in order to prepare for business expansion and production lines extension. The Group has kept expanding its customer base to capture the rising business opportunities from the telecommunication equipment, data centre and medical equipment industries.

In FY2020, the Group achieved recognition on its business operations, and received two Certificates of Merit presented by the 2019 Hong Kong Awards for Industries (HKAI), in the categories of "Smart Productivity" and "Upgrading and Transformation", in recognition of the Group's outstanding performance and achievements in enhancing its competitiveness in various aspects.

The basic and diluted earnings per share for the year were HK 7.0 cents and HK 6.9 cents respectively. The board of directors recommend to declare a final dividend of HK1.5 cents per share (FY2019: HK2 cents), amounting to a total of approximately HK$27.6 million.

Business Review

The Group's revenue for FY2020 increased by HK$124.4 million to HK$1,438.8 million from $1,314.4 million in FY2019, which represented an increase 9.5% as compared to last financial year. The increase in revenue was mainly driven by the substantially increased sales in data centre, which was attained by having resolved the additional tariffs issues and the additional production capacity made available from the acquisition of the new production factory.

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

Business Sector	**For the Year Ended 31 March**				
	Turnover *(HK$ million)*			**Share of Turnover**	
	FY2020	FY2019	Change	FY2020	FY2019
Data centre	698.8	462.9	51.0%	48.6%	35.2%
Telecommunication	565.8	650.9	-13.1%	39.3%	49.5%
Medical equipment	126.3	138.0	-8.5%	8.8%	10.5%
Industrial equipment	47.9	62.6	-23.5%	3.3%	4.8%
Total	**1,438.8**	**1,314.4**	**9.5%**	**100%**	**100%**

Data Centre

In April 2019, the Group has changed the supply source away from China for the certain major components of products to be shipped to the United States for avoidance of the additional tariffs. The shipments of the data centre sector resumed to the normal level prior to the Sino-U.S. trade war since May 2019, and the previous backlog orders have also been shipped out progressively during the year. The revenue has substantially increased by 51.0% to HK$698.8 million for FY2020 as compared to HK$462.9 million for the last year. It was also a record high of revenue of this sector.

Telecommunication
For the Group's telecommunication sector, a 13.1% decrease on revenue from HK$650.9 million in the previous financial year to HK$565.8 million for FY2020 was recorded. Besides the RMB depreciation impact, such decrease was mainly attributable to the impact of the United States having added the Group's largest customer to entity list under Export Administration Regulations. Shipment to this customer has in fact been decreasing after the inclusion of this customer in the so-called trade "blacklist" by the United States government, as companies from the United States will not be permitted to sell goods or services to this customer, and the financial effect was quite immediate. The Group has been seeking for any kind of measures to mitigate the impact of trade war on its businesses.

Medical Equipment
The revenue contributed by medical equipment sector recorded a mild decrease in revenue of 8.5% from HK$138.0 million for the previous financial year to HK$126.3 million for FY2020. Such decrease was due to slowdown of orders by the largest medical equipment customer in order to consume the inventory backlog in the first half of the year. Orders have been resumed normal in the second half of the year.

Industrial Equipment
The revenue of industrial equipment sector dropped 23.5% from HK$62.6 million for FY2019 to HK$47.9 million for FY2020. The decrease was mainly due to the turmoil from the Sino-U.S. trade war and the overall slowdown on the growth of the global economy.

Prospect

Looking ahead, the cable assembly industry is expected to sustain growth in the coming years. To meet with the market demand, the Group is striving to enhance its production capacity by acquiring a parcel of industrial land with two industrial buildings for the production, with 34 production lines were installed. 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.

With the rapid development of the 5G cellular network technology in China and the announced 5G network deployment by various mobile operators in the second half of 2019, the Company noted that there will be gradual and large scale replacement of 5G devices and equipment in the coming years, which is expected to drive the demand of cable assembly products. It is expected the sales order from the Group's Customer A will be increased and benefit to the telecommunication sector. In addition, with the signing of the first phase of the trade deal between China and the U.S. in January 2020, China granted tariff exemptions on various types of U.S. goods to support purchases. The easing of the trade war atmosphere will also benefit to the recovery of the global economic market.

Regarding the data centre sector, as aforementioned, the Group has changed its supply source away from China for certain major components of products to be shipped to the U.S. for avoidance of the additional tariffs in April 2019; and procured the "Country of origin and Marking Ruling" from the U.S. Customs and Border Protection for the fibre cable assembly products in February 2019. Accordingly, the fibre cable assembly products will not be subjected to any additional tariffs when importing into the U.S. anymore even though the major components are purchased from China. 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 and optimistic on the continuous growth of the business of data centre sector.

As for the medical equipment sector, the Group noticed that the outbreak of COVID-19 spurred medical cable orders to rise, and the number of new orders received in March 2020 have trebled as a result. In addition, as the epidemic broke out all over the world, the Group expects the demand for medical cables will continue to 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 escalation of the trade tensions between the U.S. and China has brought more uncertainties to the global economy. However, the business of industry equipment sector becomes difficult to predict. In FY2020, the Group has striven to grasp different business opportunities in order to minimise the risks and uncertainties involved in the unstable economies. After many efforts, the Group received HK$7 million trial orders from a new prestigious customer Sany in March 2020, which has become one of its major revenue contributors in this sector. Besides, Huawei's intelligent automotive solution BU was officially established in May 2019 and this will be a part of Information and Communication Technology (ICT) business sectors of Huawei. The Group is honoured to become one of the four first tier suppliers of Huawei in this sector. The Group expects the demand of sales order in this sector will increase gradually for the coming year.

The Group's acquisition of Linkz Cables Limited and its subsidiaries (collectively the "**Target Group**"), a long-established cable manufacturer with its manufacturing facilities located in the PRC, is expected to be completed by the end of June 2020. The Target Group has over 26 years of business operation and currently owns three sizable industrial complexes situated in Shanghai and Kunshan City, Jiangsu Province. It is certified as the first market shareholder of PRC networking cable market by the China Electronic Components Association. It focuses on the manufacturing of different networking cables with copper as the transmission media and has an annual production capacity of approximately 4 million kft of networking cables. The Target Group 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 networking cable products of the Target Group are marketed and sold to large enterprises including multinational corporations and which are usually the end users, such as international networking infrastructure companies, which mainly incorporate the Target Group's products in their networking solutions services. The Target Group sells a small proportion of its products as a majority of the networking cables on the OEM basis. 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. After the successful acquisition, 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 Group 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.

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 telecommunications, data centre, industrial and medical equipment.

This press release is disseminated by Bright Communications International Limited on behalf of TIME Interconnect Technology Limited.

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