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Second Quarter Results * Financial Statement And Related Announcement

* Asterisks denote mandatory information

Name of Announcer *	VALUETRONICS HOLDINGS LIMITED
Company Registration No.	38813
Announcement submitted on behalf of	VALUETRONICS HOLDINGS LIMITED
Announcement is submitted with respect to *	VALUETRONICS HOLDINGS LIMITED
Announcement is submitted by *	Tse Chong Hing
Designation *	Chairman & Managing Director
Date & Time of Broadcast	08-Nov-2011 07:10:22
Announcement No.	00003

>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2011
Description	PLEASE SEE ATTACHED

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VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda)

(Co. Reg. No: 38813)

SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.****Consolidated Income Statement for the period ended 30 September 2011**

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2011	2010	Change	2011	2010	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	1,154,159	914,025	26.3	627,074	518,906	20.8
Cost of sales	(982,502)	(771,864)	27.3	(539,582)	(442,671)	21.9
Gross profit	171,657	142,161	20.7	87,492	76,235	14.8
Other income	6,161	5,862	5.1	3,871	2,113	83.2
Selling and distribution costs	(44,429)	(31,915)	39.2	(25,740)	(17,022)	51.2
Administrative expenses	(64,704)	(45,398)	42.5	(34,590)	(24,942)	38.7
Net other operating gain/(loss)	3,588	(327)	-1,197.2	3,588	953	276.5
Profit from operations	72,273	70,383	2.7	34,621	37,337	-7.3
Finance costs	(814)	(408)	99.5	(333)	(209)	59.3
Profit before tax	71,459	69,975	2.1	34,288	37,128	-7.6
Income tax expense	(11,044)	(8,397)	31.5	(5,521)	(4,454)	24.0
Profit for the period	60,415	61,578	-1.9	28,767	32,674	-12.0
Attributable to:						
Owners of the Company	60,415	61,578	-1.9	28,767	32,674	-12.0

Consolidated Statement of Comprehensive Income for the period ended 30 September 2011

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2011	2010	Change	2011	2010	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Profit for the period	60,415	61,578	-1.9	28,767	32,674	-12.0
Other comprehensive income:						
Exchange differences on translating foreign operations	5,164	-	N/A	2,692	-	N/A
Net fair value changes of available-for-sale financial assets	-	125	-100.0	-	80	-100.0
Other comprehensive income for the period, net of tax	5,164	125	4,031.2	2,692	80	3,265.0
Total comprehensive income for the period	65,579	61,703	6.3	31,459	32,754	-4.0
Total comprehensive income attributable to:						
Owners of the Company	65,579	61,703	6.3	31,459	32,754	-4.0

Note:

The Group's profit before tax is arrived at after charging / (crediting):

	The Group		The Group	
	6 months ended 30 September		3 months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation (Note 1)	20,253	14,257	10,617	7,346
Amortisation of prepaid land lease payments and land use rights	237	192	118	96
Gain on disposals of property, plant and equipment	(89)	(886)	(131)	(886)
Interest income	(85)	(243)	(49)	(136)
Interest expenses	164	4	3	3
Bank charges	650	404	330	206
Net exchange gains (Note 2)	(2,047)	(2,211)	(1,551)	(135)
Net fair value losses/(gains) on derivative financial instruments (Note 3)	100	327	100	(953)
Write-back of provision for impairment for loss on assets in respect of flash flood (Note 4)	(3,688)	-	(3,688)	-

Note 1: Higher depreciation during the period was mainly due to higher depreciation for new property, plant and equipment acquired during the second half of the financial year ended 31 March 2011.

Note 2: Net exchange gains mainly resulted from settlements of United State dollars during the period.

Note 3: The Group entered into certain foreign exchange forward contracts to hedge against its exposure to Japanese Yen (last period: Japanese Yen and Renminbi) during the period. The net fair value losses/(gains) on derivative financial instruments represented the unrealised losses/(gains) and mark-to-market values of these contracts as at period end date.

Note 4: In June 2008, the flash flood in Southern China affected the Danshui Plant of the Group and resulted in provision for impairment for loss on assets, which amounted to HK\$10 million. The claim process with insurance company has been concluded during the period ended 30 September 2011. After taking into account of the compensations received and the claim amounts, which were determined based on the final adjustor report, an over-provision of HK\$3.7 million was written back during the period.

1(b)(i) Statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position as at 30 September 2011

	The Group		The Company	
	At 30.9.2011	At 31.3.2011	At 30.9.2011	At 31.3.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Prepaid land lease payments and land use rights	21,578	20,873	-	-
Property, plant and equipment	226,017	211,538	-	-
Goodwill	10	10	-	-
Investments in subsidiaries	-	-	83,330	83,330
Club membership, at cost	246	238	-	-
	247,851	232,659	83,330	83,330
Current assets				
Inventories	384,100	213,033	-	-
Trade receivables	519,289	430,785	-	-
Prepaid land lease payments and land use rights	237	467	-	-
Prepayments, deposits and other receivables	10,280	18,020	152	259
Long term receivables – current portion	246	238	-	-
Due from subsidiaries	-	-	119,915	170,036
Bank and cash balances	119,913	136,185	282	255
	1,034,065	798,728	120,349	170,550
Total assets	1,281,916	1,031,387	203,679	253,880
Current liabilities				
Trade payables	501,560	302,400	-	-
Accruals, other payables and deposits received	177,928	164,248	222	244
Provisions	18,819	17,337	-	-
Bonus payable to directors	-	14,768	-	-
Derivative financial instruments	100	-	-	-
Current tax liabilities	24,352	14,906	-	-
Bank borrowings	61,526	38,015	-	-
	784,285	551,674	222	244
Non-current liabilities				
Deferred tax liabilities	3,503	3,503	-	-
Total liabilities	787,788	555,177	222	244
	494,128	476,210	203,457	253,636
Equity attributable to owners of the Company				
Share capital	35,830	35,670	35,830	35,670
Treasury shares	-	(778)	-	(778)
Reserves	458,298	441,318	167,627	218,744
Total equity	494,128	476,210	203,457	253,636

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September 2011		As at 31 March 2011	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
61,526	nil	38,015	nil

Amount repayable after one year

As at 30 September 2011		As at 31 March 2011	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
nil	nil	nil	nil

Details of any collateral

None

1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows for the period ended 30 September 2011

	The Group		The Group	
	6 months ended 30 September		3 months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Profit before tax	71,459	69,975	34,288	37,128
Adjustments for :				
Equity-settled share-based payments	1,646	1,238	573	641
Depreciation	20,253	14,257	10,617	7,346
Amortisation of prepaid land lease payments and land use rights	237	192	118	96
Gain on disposals of property, plant and equipment	(89)	(886)	(131)	(886)
Interest expenses	164	4	3	3
Interest income	(85)	(243)	(49)	(136)
Net fair value loss/(gain) on derivative financial instruments	100	327	100	(953)
Awards for Performance Share Plan	(1,451)	(84)	(1,451)	(84)
Operating profit before working capital changes	92,234	84,780	44,068	43,155
Increase in inventories	(171,067)	(144,423)	(62,701)	(32,959)
Increase in trade receivables	(88,504)	(213,274)	(57,105)	(97,094)
Decrease/(increase) in prepayments, deposits and other receivables	7,740	1,116	3,413	(2,766)
Increase in trade payables	199,160	181,894	62,339	57,003
Increase in accruals, other payables and deposits received	13,680	17,555	17,351	6,904
Decrease in bonus payables	(14,768)	-	(14,768)	-
Increase in provision	1,482	12,732	905	12,131
Cash generated from/ (used in) operations	39,957	(59,620)	(6,498)	(13,626)
Income tax paid	(1,598)	(392)	-	(182)
Interest paid	(164)	(4)	(3)	(3)
Net cash generated from/(used in) operating activities	38,195	(60,016)	(6,501)	(13,811)
Cash flows from investing activities				
Purchase of property, plant and equipment	(31,484)	(28,365)	(28,307)	(14,221)
Proceeds from disposal of property, plant and equipment	213	886	30	886
Interest received	85	243	49	136
Net cash used in investing activities	(31,186)	(27,236)	(28,228)	(13,199)
Cash flows from financing activities				
Dividend paid	(49,998)	(24,654)	(49,998)	(24,654)
Net advance of bank and trust receipt loans	23,511	23,592	61,526	23,592
Proceeds from shares issued in exercise of share options	2,142	-	2,142	-
Net cash (used in)/ generated from financing activities	(24,345)	(1,062)	13,670	(1,062)
Net decrease in cash and cash equivalents	(17,336)	(88,314)	(21,059)	(28,072)
Effect of foreign exchange rate changes	1,064	-	814	-
Cash and cash equivalents at beginning of the period	136,185	139,899	140,158	79,657
Cash and cash equivalents at end of the period	119,913	51,585	119,913	51,585

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statements of Changes in Equity

The Group	Attributable to the owners of the Company									
	Reserves									Total equity
	Share capital	Treasury shares	Share premium	Share-based payment reserve	Translation reserve	Statutory reserve (note 1)	Investment revaluation reserve	Retained earnings	Total reserves	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2011	35,670	(778)	87,244	3,566	14,588	749	-	335,171	441,318	476,210
Total comprehensive income for the period	-	-	-	-	5,164	-	-	60,415	65,579	65,579
Issue of shares on exercise of share options	160	-	1,982	-	-	-	-	-	1,982	2,142
Share-based payments	-	-	-	1,646	-	-	-	-	1,646	1,646
Awards of Performance Share Plan	-	-	-	(1,451)	-	-	-	-	(1,451)	(1,451)
Awards from treasury shares	-	778	-	(778)	-	-	-	-	(778)	-
Dividend paid	-	-	-	-	-	-	-	(49,998)	(49,998)	(49,998)
Balance at 30 September 2011	35,830	-	89,226	2,983	19,752	749	-	345,588	458,298	494,128
Balance at 1 April 2010	35,500	(1,853)	85,591	2,458	10,541	383	(484)	238,146	336,635	370,282
Total comprehensive income for the period	-	-	-	-	-	-	125	61,578	61,703	61,703
Share-based payments	-	-	-	1,238	-	-	-	-	1,238	1,238
Awards from treasury shares	-	1,075	-	(1,075)	-	-	-	-	(1,075)	-
Awards of Performance Share Plan	-	-	-	(84)	-	-	-	-	(84)	(84)
Dividend paid	-	-	-	-	-	-	-	(24,654)	(24,654)	(24,654)
Balance at 30 September 2010	35,500	(778)	85,591	2,537	10,541	383	(359)	275,070	373,763	408,485

The Company	Reserves							Total
	Share capital	Treasury shares	Share premium	Share-based payment reserve	Contributed surplus	Retained earnings	Total reserves	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2011	35,670	(778)	87,244	3,566	67,239	60,695	218,744	253,636
Total comprehensive income for the period	-	-	-	-	-	(2,518)	(2,518)	(2,518)
Issue of shares on exercise of share options	160	-	1,982	-	-	-	1,982	2,142
Share-based payments	-	-	-	1,646	-	-	1,646	1,646
Awards from treasury shares	-	778	-	(778)	-	-	(778)	-
Awards for Performance Share Plan	-	-	-	(1,451)	-	-	(1,451)	(1,451)
Dividend paid	-	-	-	-	-	(49,998)	(49,998)	(49,998)
Balance at 30 September 2011	35,830	-	89,226	2,983	67,239	8,179	167,627	203,457
Balance at 1 April 2010	35,500	(1,853)	85,591	2,458	67,239	50,290	205,578	239,225
Total comprehensive income for the period	-	-	-	-	-	(2,296)	(2,296)	(2,296)
Share-based payments	-	-	-	1,238	-	-	1,238	1,238
Awards from treasury shares	-	1,075	-	(1,075)	-	-	(1,075)	-
Awards for Performance Share Plan	-	-	-	(84)	-	-	(84)	(84)
Dividend paid	-	-	-	-	-	(24,654)	(24,654)	(24,654)
Balance at 30 September 2010	35,500	(778)	85,591	2,537	67,239	23,340	178,707	213,429

Note 1: In accordance with the relevant PRC regulations, the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, repurchase of shares, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company issued and allotted 1,600,000 new ordinary shares (30 September 2010: Nil) since the end of the previous period reported on. As at 30 September 2011, the share capital (excluding treasury shares) of the Company comprises 358,300,000 shares (30 September 2010: 356,700,000)

As at 30 September 2011, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2011	Additions	Share options exercised	Balance as at 30.9.2011
(a) Incentive Options (Note 1)	S\$0.225	800,000	-	(800,000)	-
	S\$0.175	400,000	-	(300,000)	100,000
	S\$0.144	1,200,000	-	-	1,200,000
	S\$0.105	2,750,000	-	-	2,750,000
	S\$0.150	2,400,000	-	-	2,400,000
	S\$0.160	1,150,000	-	-	1,150,000
	S\$0.174	-	4,900,000	-	4,900,000
(b) Market Options (Note 2)	S\$0.215	800,000	-	(500,000)	300,000
	S\$0.184	600,000	-	-	600,000
Total		10,100,000	4,900,000	(1,600,000)	13,400,000

As as 30 September 2010, the Company has the following outstanding share options :

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2010	Additions	Options cancelled (Note 3)	Balance as at 30.9.2010
(a) Incentive Options (Note 1)	S\$0.225	800,000	-	-	800,000
	S\$0.175	900,000	-	(100,000)	800,000
	S\$0.144	2,400,000	-	-	2,400,000
	S\$0.105	2,750,000	-	-	2,750,000
	S\$0.150	-	2,400,000	-	2,400,000
(b) Market Options (Note 2)	S\$0.215	1,000,000	-	(100,000)	900,000
	S\$0.184	-	600,000	-	600,000
Total		7,850,000	3,000,000	(200,000)	10,650,000

As at 30 September 2011, no shares were held as treasury shares (30 September 2010: 1,174,600 shares). The said 1,174,600 treasury shares were transferred during the period to satisfy the issue of shares under the Company's Employee Share Option Scheme and Performance Share Plan.

Notes:

- (1) The Incentive Options were issued at a discount of not more than 20% to the average of the respective last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant of the respective Options.
- (2) The Market Options were issued at the market price which was equal to the average of the respective last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant of the respective Options.
- (3) Cancelled due to resignation of staff

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Issued Ordinary Shares	Number of Shares	
	As at 30.9.2011	As at 31.3.2011
Total number of issued shares	358,300,000	356,700,000
Total number of treasury shares	-	(1,174,600)
Total number of issued shares excluding treasury shares	358,300,000	355,525,400

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Number of Shares
	Total number of treasury shares as at 31 March 2011
Transferred to employees to fulfil obligations under Performance Share Plan	(1,174,600)
Total number of treasury shares as at 30 September 2011	-

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the year ended 31 March 2011, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") which are relevant to the Group's operations and became effective for the financial year beginning 1 April 2011.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new and revised International Financial Reporting Standards ("IFRSs"), which are effective for the financial year beginning 1 April 2011, did not result in significant changes to the Group's accounting policies or have any material impact on the Group's and the Company's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	The Group	
	6 months ended 30 September 2011	6 months ended 30 September 2010
Earnings per ordinary share for the period based on the net profit for the period		
(a) Based on weighted average number of ordinary shares on issue; and	HK 16.9 cents	HK 17.5 cents
(b) On a fully diluted basis	N/A	N/A
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	356,457,137	352,743,800
Effect of potentially dilutive ordinary shares – Share options	N/A	N/A
Weighted average number of ordinary shares	356,457,137	352,743,800

Notes

The calculation of basic earnings per share for the period ended 30 September 2011 is based on profit attributable to owners of the Company of approximately HK\$60.4 million (30 September 2010: HK\$61.6 million) divided by the weighted average number of ordinary shares of 356,457,137 (30 September 2009: 352,743,800) in issue during the period.

There were no diluted earnings per share for both the periods ended 30 September 2011 and 30 September 2010 as there were no dilutive shares for these periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	30.9.2011	31.03.2011	30.9.2011	31.03.2011
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on issued share capital excluding treasury shares at the end of the period:	137.9	133.9	56.8	71.3
Number of ordinary shares in issue excluding treasury shares	358,300,000	355,525,400	358,300,000	355,525,400

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Valuetronics is an Electronic Manufacturing Service ("EMS") provider focusing on the design and development of products that meet the ever-changing needs of customers. We are the preferred choice of certain successful global companies for Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") services, with core competencies ranging from tool fabrication, injection moulding, metal stamping, machining, surface mount technology ("SMT") and finished product assembly on full turnkey basis. In 2010, Valuetronics has enhanced its existing business model and extended its value chain through its acquisitions of exclusive brand licensing agreements to use the "Whirlpool", "Maytag" and "Amana" brands, for a portfolio of home comfort appliances, which included portable air purifiers, portable electric fans and portable heaters in the North American market.

Review – Q2 FY2012 (3 months ended 30 September 2011) vs Q2 FY2011 (3 months ended 30 September 2010)

Revenue

Revenue increased by 20.8% or HK\$108.2 million from HK\$518.9 million in Q2 FY2011 to HK\$627.1 million in Q2 FY2012. Such increase was mainly attributable to the significant growth from one of the Group's OEM customers. Our Licensing business also saw growth and recorded HK\$32.8 million sales in Q2 FY2012, an increase of 429.0% from Q2 FY2011 of HK\$6.2 million.

OEM revenue increased by 16.6% to HK\$498.5 million (Q2 FY2011: HK\$427.6 million), which was mainly contributed by the significant increase in demand from one of our major OEM customers.

ODM revenue increased by 12.6% to HK\$95.8 million (Q2 FY2011: HK\$85.1 million), which was mainly attributable to the steady growth from one of our major ODM customers.

Gross profit and gross profit margin

Gross profit increased by 14.8% to HK\$87.5 million (Q2 FY2011: HK\$76.2 million) and gross profit margin declined slightly to 14.0% (Q2 FY2011: 14.7%). Such change in gross profit margin was mainly due to the change in product sales mix during the period.

Other income

Other income increased by 83.2% to HK\$3.9 million (Q2 FY2011: HK\$2.1 million), which was mainly due to the increase in net exchange gains of HK\$1.4 million and increase in tooling income of HK\$0.6 million.

Selling and distribution costs

Selling and distribution costs increased by 51.2% to HK\$25.7 million (Q2 FY2011: HK\$17.0 million). Such increase was mainly contributed by the full quarter effect of the Licensing business, which included salaries and allowances for our marketing staff, sales commissions payable to our sales representatives and other advertising and promotional expenses.

Administrative expenses

Administrative expenses increased by 38.7% to HK\$34.6 million (Q2 FY2011: HK\$24.9 million), which was mainly contributed by the increase in salaries and bonus for our administrative and corporate employees as well as the full quarter effect of staff costs and the higher number of headcounts for the Licensing business as compared to the same period last year.

Net other operating gain / (loss)

Net other operating gain mainly represents the write-back of provision for impairment for loss on assets of HK\$3.7 million (Q2 FY2011: Nil) with respect to the flash flood incident in 2008.

The Group entered into certain foreign exchange forward contracts to hedge against its exposure to Japanese Yen during Q2 FY2012 (Q2 FY2011: Japanese Yen and Renminbi). The net fair value losses of HK\$0.1 million (Q2 FY2011: gain of HK\$1 million) on derivative financial instruments represented the unrealized losses (Q2 FY2011: gain) and changes to the mark-to-market values of these contracts as at period end date.

Profit before tax

As a result of the above, the profit before tax of Q2 FY2012 decreased by 7.6% to HK\$34.3 million (Q2 FY2011: HK\$37.1 million).

Review – 1H FY2012 (6 months ended 30 September 2011) vs 1H FY2011 (6 months ended 30 September 2010)**Revenue**

Six months revenue ended 30 September 2011 (“1H FY2012”) increased by 26.3% or HK\$240.2 million from HK\$914.0 million (“1H FY2011”) to HK\$1,154.2 million. Such increase was mainly attributable to the significant growth from one of the Group’s OEM customers as well as steady revenue contributions from the Licensing business, which recorded HK\$46.9 million sales in 1H FY2012 (1H FY2011: HK\$10.2 million).

OEM revenue increased by 25.0% to HK\$943.0 million (1H FY2011: HK\$754.2 million), which was mainly contributed by the significant increase in demand from one of our major OEM customers.

ODM revenue increased by 9.8% to HK\$164.3 million (1H FY2011: HK\$149.6 million), which was mainly attributable to the steady growth from one of our major ODM customers.

Gross profit and gross profit margin

Gross profit increased by 20.7% to HK\$171.7 million (1H FY2011: HK\$142.2 million) and gross profit margin slightly decreased by 0.7% to 14.9% (1H FY2011: 15.6%). Such change in gross profit margin was mainly due to the change in product sales mix during the period.

Other income

Other income increased by 5.1% to HK\$6.2 million (1H FY2011: HK\$5.9 million), which was mainly due to the increase in tooling income of HK\$0.5 million.

Selling and distribution costs

Selling and distribution costs increased by 39.2% to HK\$44.4 million (1H FY2011: HK\$31.9 million). Such increase was mainly contributed by the full period effect of the Licensing business, which included salaries and allowances for our marketing staff, sales commissions payable to our sales representatives and other advertising and promotional expenses.

Administrative expenses

Administrative expenses increased by 42.5% to HK\$64.7 million (1H FY2011: HK\$45.4 million), mainly contributed by the increase in salaries and bonus for our administrative and corporate employees as well as the full period effect of staff costs and the higher number of headcounts for the Licensing business as compared to the same period last year.

Net other operating gain / (loss)

Net other operating gain mainly represents the write-back of provision for impairment for loss on assets of HK\$3.7 million (Q2 FY2011: Nil) with respect to the flash flood incident in 2008.

The Group entered into certain foreign exchange forward contracts to hedge against its exposure to Japanese Yen (1H FY2011: Japanese Yen and Renminbi) during the period. The net fair value losses on derivative financial instruments represented the unrealized losses and changes to the mark-to-market values of these contracts as at period end date.

Profit before tax

As a result of the above, the profit before tax of 1H FY2012 increased by 2.1% to HK\$71.5 million (1H FY2011: HK\$70.0 million).

Financial position

The Group's inventories increased by HK\$171.1 million from HK\$213.0 million as at 31 March 2011 to HK\$384.1 million as at 30 September 2011. The increase in balance was in line with the growth in one of our OEM customers' demand.

The Group's trade receivables increased by HK\$88.5 million from HK\$430.8 million as at 31 March 2011 to HK\$519.3 million as at 30 September 2011. This is in line with the significant growth in sales to one of our major OEM customers.

The Group's trade payables increased from HK\$302.4 million as at 31 March 2010 to HK\$501.6 million as at 30 September 2011. The increase in trade payable resulted from the overall growth in purchase to cope with the increase in sales orders and demand from customers during the period.

Statement of cash flows

Cash and cash equivalents held by the Group stood at HK\$119.9 million as at 30 September 2011 (31 March 2011: HK\$136.2 million). This was mainly contributed by the higher working capital requirements for the purpose of additional inventories, trade payables and trade receivables as well as the additions of machineries to cope with the increase in revenue and orders during the period.

The Group currently places most of its cash as bank deposits with reputable financial institutions in Hong Kong.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Consumer demand in major markets that the Group have business linkages with continue to remain subdued. In particular, Europe and the United States continue to face high unemployment and anaemic economic growth. Of late, world manufacturing is slowing down, and has added further uncertainties to the already challenging business conditions.

During Q2 FY2012, the Group experienced slow down in demand from some of its OEM and ODM customers, which was compensated by the continuous strong growth momentum from one of its OEM customer. The mass production for a number of new OEM customers is expected to commence in early 2012.

The Licensing business continued to grow and contributed HK\$46.9 million to the Group's revenue during 1H FY2012. The sales and marketing team is continuing their efforts to explore and penetrate major retailers with our existing product portfolio, which included air purifiers, fans and heaters.

The Group will continue to remain vigilant in monitoring market developments and will continue with our efforts in improving our business fundamentals, which include our design and development capabilities, production efficiencies and inventory management.

Barring unforeseen circumstances, we are confident that the Group will be profitable in FY2012.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Parties Transactions

The Company does not have a Shareholders' Mandate for Interested Person Transactions ("IPTs"). The IPTs for period ended 30 September 2011 was below the 3% threshold of the Group's audited Net Tangible Assets as of 31 March 2011.

BY ORDER OF THE BOARD

TSE Chong Hing

**Chairman and Managing Director
8 November 2011**

Confirmation By Directors Pursuant to Clause 705(5) of the Listing Manual of SGX-ST.

We, Tse Chong Hing and Chow Kok Kit, being two of the Directors of Valuetronics Holdings Limited (the "Company"), confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the period ended 30 September 2011 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of
Valuetronics Holdings Limited

Tse Chong Hing
Chairman and Managing Director

Chow Kok Kit
Executive Director