

Financial Statements and Related Announcement::First Quarter Results

Issuer & Securities

Issuer/ Manager	VALUETRONICS HOLDINGS LIMITED
Securities	VALUETRONICS HOLDINGS LIMITED - BMG9316Y1084 - BN2
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Announcement Details

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For Financial Period Ended	30/06/2014
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VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda)
(Co. Reg. No: 38813)

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2014**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) A statement of profit or loss and statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Profit or Loss for the period ended 30 June 2014

	The Group		
	3 months ended 30 June		
	2014	2013	Change
	HK\$'000	HK\$'000	%
Revenue	626,620	611,233	2.5
Cost of sales	(546,359)	(532,381)	2.6
Gross profit	80,261	78,852	1.8
Other income	1,712	2,508	-31.7
Selling and distribution costs	(8,785)	(11,568)	-24.1
Administrative expenses	(34,190)	(29,943)	14.2
Net other operating expenses	(308)	(406)	-24.1
Profit from operations	38,690	39,443	-1.9
Finance costs	(226)	(158)	43.0
Profit before tax	38,464	39,285	-2.1
Income tax expense	(4,605)	(6,011)	-23.4
Profit for the period	33,859	33,274	1.8
Attributable to:			
Owners of the Company	33,859	33,274	1.8

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2014

	The Group		
	3 months ended 30 June		
	2014	2013	Change
	HK\$'000	HK\$'000	%
Profit for the period	33,859	33,274	1.8
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations *	(4,210)	2,892	-245.6
Other comprehensive income for the period, net of tax	(4,210)	2,892	-245.6
Total comprehensive income for the period	29,649	36,166	-18.0
Attributable to:			
Owners of the Company	29,649	36,166	-18.0

*: Representing exchange differences on translating the Group's PRC subsidiaries reporting currency in Renminbi (depreciation of Renminbi against Hong Kong Dollar in Q1 FY2015 as compared to appreciation of Renminbi against Hong Kong Dollar in Q1 FY2014)

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

	The Group	
	3 months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	9,271	10,542
Amortisation of land use rights	125	123
Losses on disposals of property, plant and equipment	2	59
Interest income	(435)	(216)
Bank charges	226	158
Net exchange gains	(407)	(899)
Net fair value losses on derivative financial instruments (Note)	308	406

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

1(b)(i) A 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 June 2014

	The Group		The Company	
	At 30.6.2014	At 31.3.2014	At 30.6.2014	At 31.3.2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Land use rights	20,327	20,941	-	-
Property, plant and equipment	172,282	181,681	-	-
Investments in subsidiaries	-	-	83,330	83,330
Available-for-sale financial assets	11,699	11,789	-	-
Club membership, at cost	250	256	-	-
Total non-current assets	204,558	214,667	83,330	83,330
Current assets				
Inventories	263,054	198,874	-	-
Trade receivables	673,096	517,213	-	-
Land use rights	491	503	-	-
Prepayments, deposits and other receivables	23,722	12,340	77	175
Due from subsidiaries	-	-	209,746	209,885
Bank and cash balances	440,998	477,934	2,265	1,646
Total current assets	1,401,361	1,206,864	212,088	211,706
Total assets	1,605,919	1,421,531	295,418	295,036
EQUITY				
Share capital	36,898	36,838	36,898	36,838
Reserves	720,993	689,729	257,924	257,758
Equity attributable to owners of the Company	757,891	726,567	294,822	294,596
Total equity	757,891	726,567	294,822	294,596
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	2,627	2,627	-	-
Total non-current liabilities	2,627	2,627	-	-
Current liabilities				
Trade payables	481,995	354,022	-	-
Accruals, other payables and deposits received	334,506	314,060	596	440
Current tax liabilities	25,721	21,384	-	-
Derivative financial instruments	3,179	2,871	-	-
Total current liabilities	845,401	692,337	596	440
Total liabilities	848,028	694,964	596	440
Total equity and liabilities	1,605,919	1,421,531	295,418	295,036
Net current assets	555,960	514,527	211,492	211,266
Total assets less current liabilities	760,518	729,194	294,822	294,596

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 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

Details of any collateral**None**

1(c) A 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 June 2014

	The Group	
	3 months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations:		
Profit before tax	38,464	39,285
Adjustments for :		
Equity-settled share-based payments	964	1,009
Depreciation	9,271	10,542
Amortisation of land use rights	125	123
Losses on disposals of property, plant and equipment	2	59
Interest income	(435)	(216)
Net fair value losses on derivative financial instruments	308	406
Operating profit before working capital changes	48,699	51,208
Increase in inventories	(64,180)	(79,428)
Increase in trade receivables	(155,883)	(125,527)
Increase in prepayments, deposits and other receivables	(11,382)	(5,073)
Increase in trade payables	127,973	317,023
Increase in accruals, other payables and deposits received	20,446	20,321
Cash(used in)/generated from operations	(34,327)	178,524
Income tax paid	(268)	(598)
Net cash (used in)/generated from operating activities	(34,595)	177,926
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,212)	(4,402)
Proceeds from disposals of property, plant and equipment	14	-
Interest received	435	216
Net cash used in investing activities	(1,763)	(4,186)
Cash flows from financing activities		
Proceeds from shares issued in exercise of share options	711	-
Net cash generated from financing activities	711	-
Net (decrease)/increase in cash and cash equivalents	(35,647)	173,740
Effect of foreign exchange rate changes	(1,289)	926
Cash and cash equivalents at beginning of the period	477,934	221,579
Cash and cash equivalents at end of the period	440,998	396,245

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 for the period ended 30 June 2014

The Group	Attributable to owners of the Company							Total equity
	Reserves							
	Share capital	Share premium	Share-based payment reserve	Translation reserve	Statutory reserve (Note)	Retained earnings	Total reserves	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2014	36,838	102,011	5,655	27,327	2,461	552,275	689,729	726,567
Total comprehensive income for the period	-	-	-	(4,210)	-	33,859	29,649	29,649
Issue of shares on exercise of share options	60	651	-	-	-	-	651	711
Transfer of share premium upon exercise of share options	-	228	(228)	-	-	-	-	-
Share-based payments	-	-	964	-	-	-	964	964
Changes in equity for the period	60	879	736	(4,210)	-	33,859	31,264	31,324
Balance at 30 June 2014	36,898	102,890	6,391	23,117	2,461	586,134	720,993	757,891
Balance at 1 April 2013	36,004	91,867	6,649	22,753	1,596	433,358	556,223	592,227
Total comprehensive income for the period	-	-	-	2,892	-	33,274	36,166	36,166
Share-based payments	-	-	1,009	-	-	-	1,009	1,009
Changes in equity for the period	-	-	1,009	2,892	-	33,274	37,175	37,175
Balance at 30 June 2013	36,004	91,867	7,658	25,645	1,596	466,632	593,398	629,402

The Company	Reserves						Total equity
	Share capital	Share premium	Share-based payment reserve	Contributed surplus	Retained earnings	Total reserves	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2014	36,838	102,011	5,655	67,239	82,853	257,758	294,596
Total comprehensive income for the period	-	-	-	-	(1,449)	(1,449)	(1,449)
Issue of shares on exercise of share options	60	651	-	-	-	651	711
Transfer to share premium upon exercise of share options	-	228	(228)	-	-	-	-
Share-based payments	-	-	964	-	-	964	964
Changes in equity for the period	60	879	736	-	(1,449)	166	226
Balance at 30 June 2014	36,898	102,890	6,391	67,239	81,404	257,924	294,822
Balance at 1 April 2013	36,004	91,867	6,649	67,239	31,046	196,801	232,805
Total comprehensive income for the period	-	-	-	-	(1,634)	(1,634)	(1,634)
Share-based payments	-	-	1,009	-	-	1,009	1,009
Changes in equity for the period	-	-	1,009	-	(1,634)	(625)	(625)
Balance at 30 June 2013	36,004	91,867	7,658	67,239	29,412	196,176	232,180

Note : 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.

Refer to 1(d)(iii) for the movement of share capital.

SHARE OPTIONS

As at 30 June 2014, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2014	Additions	Share options exercised	Lapsed	Balance as at 30.6.2014
(a) Incentive Options (Note 1)	S\$0.150	850,000	-	-	-	850,000
	S\$0.160	50,000	-	-	-	50,000
	S\$0.174	2,712,500	-	-	-	2,712,500
	S\$0.201	4,800,000	-	-	-	4,800,000
	S\$0.162	5,100,000	-	-	-	5,100,000
(b) Market Options (Note 2)	S\$0.215	200,000	-	(200,000)	-	-
	S\$0.184	400,000	-	(400,000)	-	-
Total		14,112,500	-	(600,000)	-	13,512,500

As at 30 June 2013, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2013	Additions	Share options exercised	Lapsed	Balance as at 30.6.2013
(a) Incentive Options (Note 1)	S\$0.144	1,200,000	-	-	-	1,200,000
	S\$0.105	2,500,000	-	-	-	2,500,000
	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
	S\$0.201	5,400,000	-	-	-	5,400,000
(b) Market Options (Note 2)	S\$0.215	200,000	-	-	-	200,000
	S\$0.184	400,000	-	-	-	400,000
Total		18,150,000	-	-	-	18,150,000

Notes:

- (1) The Incentive Options were issued at a discount of not more than 20% to the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the 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 last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the date of grant of the respective Options.

PERFORMANCE SHARE PLAN

As at 30 June 2014, the Company has the following outstanding Performance Shares:

Date of grant	Outstanding at 31.3.2014	Granted	Awarded	Lapsed	Outstanding at 30.6.2014
15 August 2013	700,000	-	-	-	700,000
Total	700,000	-	-	-	700,000

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.

Total number of issued shares (excluding treasury shares)

As at 31 March 2014	368,376,250
Issuance and allotment of shares pursuant to:	
- Employee Share Option Scheme on 29 May 2014	600,000
As at 30 June 2014	<u>368,976,250</u>

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.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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 2014. The adoption of the new and revised IFRSs, which are effective for the financial period beginning on 1 April 2014, 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.

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.

Not applicable.

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	
	3 months ended 30 June 2014	3 months ended 30 June 2013
Earnings per ordinary share based on the net profit for the period		
(a) Based on weighted average number of ordinary shares on issue; and	HK 9.2 cents *	HK 9.2 cents *
(b) On a fully diluted basis	HK 9.0 cents *	HK 9.2 cents *
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	368,593,832	360,038,750
Effect of potentially dilutive ordinary shares – Share options	6,653,760	1,986,504
Weighted average number of ordinary shares for the purpose of diluted earnings per share	375,247,592	362,025,254

*: Rounded to nearest 0.1 Hong Kong cent

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	
	30.6.2014	31.03.2014	30.6.2014	31.03.2014
	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:	205.4	197.2	79.9	80.0
Number of ordinary shares in issue excluding treasury shares	368,976,250	368,376,250	368,976,250	368,376,250

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, which focuses on the design and development of products that meet the ever-changing customers’ needs. We are the preferred choice of some successful global companies involved in consumer electronics as well as 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.

The Group classified its EMS business into 2 reportable segments, namely consumer electronics products (“Consumer Electronics”) and industrial and commercial electronics products (“Industrial and Commercial Electronics”).

Review – 3 months ended 30 June 2014 (“Q1 FY2015”) vs 3 months ended 30 June 2013 (“Q1 FY2014”)**Revenue**

Revenue increased by 2.5% or HK\$15.4 million from HK\$611.2 million in Q1 FY2014 to HK\$626.6 million in Q1 FY2015. The increase was mainly attributable to the growth in Industrial and Commercial Electronics customers offset by a decrease in Consumer Electronics customers.

Industrial and Commercial Electronics revenue increased by 36.4% to HK\$242.7 million (Q1 FY2014: HK\$177.9 million). Such increase was mainly contributed by the increased demand from some of the existing Industrial and Commercial Electronics customers.

Consumer Electronics revenue decreased by 11.4% to HK\$383.9 million (Q1 FY2014: HK\$433.3 million) arising from the slowdown in demand from some of our Consumer Electronics customers.

Gross profit and gross profit margin

Gross profit increased by 1.8% to HK\$80.3 million (Q1 FY2014: HK\$78.9 million) and gross profit margin remained stable at 12.8% (Q1 FY2014: 12.9%).

Other income

Other income decreased by 31.7% to HK\$1.7 million. Such decrease was mainly due to the decrease in net exchange gain.

Selling and distribution costs

Selling and distribution costs decreased by 24.1% to HK\$8.8 million. Such decrease was mainly due to strict control in marketing expenses.

Administrative expenses

Administrative expenses increased by 14.2% to HK\$34.2 million. Such increase was mainly due to the increase in salaries for the Group's employees and repair and maintenance expenses incurred during the period.

Profit for the period

As a result of the above, the net profit for the period increased by 1.8% to HK\$33.9 million (Q1 FY2014: HK\$33.3 million).

Statement of financial position and cash flows

As at 30 June 2014, the Group had net current assets of HK\$556.0 million (31 March 2014: HK\$514.5 million), total assets of HK\$1,605.9 million (31 March 2014: HK\$1,421.5 million) and shareholders' funds of HK\$757.9 million (31 March 2014: HK\$726.6 million).

The Group's trade receivables increased by HK\$155.9 million from HK\$517.2 million as at 31 March 2014 to HK\$673.1 million as at 30 June 2014. The Group's trade payables increased by HK\$128.0 million from HK\$354.0 million as at 31 March 2014 to HK\$482.0 million as at 30 June 2014. The Group's inventories increased by HK\$64.2 million from HK\$198.9 million as at 31 March 2014 to HK\$263.1 million as at 30 June 2014. The working capital of the Group as at 30 June 2014, which is the sum of trade receivables and inventories less trade payables, was HK\$454.2 million (31 March 2014: HK\$362.1 million). These changes are in line with the changes in sales mix during the period.

Owing to the increase in working capital, net cash used in operating activities during the period amounted to HK\$34.6 million (Q1 FY2014: net cash generated from operating activities of HK\$177.9 million). Net cash used in investing activities amounted to HK\$1.8 million (Q1 FY2014: HK\$4.2 million) and net cash generated from financing activities amounted to HK\$0.7 million (Q1 FY2014: Nil). However, total cash increased from HK\$396.2 million as at 30 June 2013 to HK\$441.0 million as at 30 June 2014.

Over 90% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong. For the remaining balance, mainly in PRC, the cash and cash equivalents were placed in equivalent reputable financial institutions. The cash and cash equivalents are annually audited by the Group's auditors.

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.

During Q1 FY2015, the Group continued to benefit from the strong demand and growth from the Industrial and Commercial Electronics customer portfolio. We expect the Industrial and Commercial Electronics segment will continue to benefit from strong demand from existing customers in the next quarter due to the visibility of customer demand. In addition, the Group has secured a new customer in the Industrial and Commercial Electronics segment and shipment to this customer has commenced in Q1 FY2015.

Business conditions for the Consumer Electronics segment were challenging in Q1 FY2015 and will remain challenging. The current uncertainties in the broader China economy have weakened demand. We also see margin erosion as customers rolled out new and more aggressive pricing strategies in introducing mass market products. We are working to maintain margins through greater operational efficiency and supply chain productivity. However, there are limits to cost savings through in-house productivity improvements. Also operational challenges, such as cost pressures, higher labour costs, RMB appreciation and inflation in the PRC are expected to continue and cannot be offset fully by productivity gains.

The Group will continue to remain vigilant in monitoring market developments and will continue with our efforts in improving our fundamentals, which include our design and development capabilities, production efficiencies and inventory management. In addition, the Group will focus the resource to widen its customer and product portfolios in Industrial and Commercial Electronics and to improve its profitability.

Barring unforeseen circumstances the directors expect the Group to remain profitable for the financial year.

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.

No dividend has been declared / recommended for Q1 FY2015.

13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If not IPT mandate has been obtained, a statement to that effect.

The Company does not have a Shareholders' Mandate for IPTs.

14. 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 June 2014 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
12 August 2014

Chow Kok Kit
Executive Director