

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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Submitted By (Co./ Ind. Name)

Tse Chong Hing

Designation

Chairman and Managing Director

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please see attached.

Additional Details

For Financial Period Ended

30/06/2019

Attachments

[VHL%201QFY2020%20Results.pdf](#)

Total size =144K MB

VALUETRONICS HOLDINGS LIMITED

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

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2019**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 Income Statement for the period ended 30 June 2019

	The Group		
	3 months ended 30 June		
	2019	2018	Change
	HK\$'000	HK\$'000	%
Revenue	654,327	703,980	-7.1
Cost of sales	(555,315)	(601,195)	-7.6
Gross profit	99,012	102,785	-3.7
Selling and distribution expenses	(8,731)	(10,904)	-19.9
Administrative expenses	(43,490)	(40,850)	6.5
Other income and gains, net	7,790	5,443	43.1
Operating profit	54,581	56,474	-3.4
Finance costs	(211)	(183)	15.3
Profit before income tax	54,370	56,291	-3.4
Income tax expense	(6,246)	(6,634)	-5.8
Profit for the period	48,124	49,657	-3.1
Attributable to:			
Owners of the Company	48,124	49,657	-3.1

Consolidated Statement of Comprehensive Income for the period ended 30 June 2019

	The Group		
	3 months ended 30 June		
	2019	2018	Change
	HK\$'000	HK\$'000	%
Profit for the period	48,124	49,657	-3.1
Other comprehensive loss, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences*	(2,428)	(1,453)	67.1
Total comprehensive income for the period	45,696	48,204	-5.2
Attributable to:			
Owners of the Company	45,696	48,204	-5.2

* Representing exchange differences on translating the Group's subsidiaries in the PRC arising from the depreciation of Renminbi.

Note:

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

	The Group	
	3 months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Depreciation expense	12,733	10,845
Amortisation on land use rights	113	120
Losses / (gains) on disposals of property, plant and equipment	111	(186)
Interest income	(5,703)	(2,536)
Finance costs	211	183
Net exchange gains	(375)	(544)

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 2019

	The Group		The Company	
	At 30.6.2019	At 31.3.2019	At 30.6.2019	At 31.3.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Land use rights	16,453	17,154	-	-
Property, plant and equipment	212,624	209,808	-	-
Right-of use assets	3,184	-	-	-
Interests in subsidiaries	-	-	83,330	83,330
Financial assets at fair value	22,400	61,830	-	-
Others	28,077	28,867	-	-
Total non-current assets	282,738	317,659	83,330	83,330
Current assets				
Inventories	257,492	302,046	-	-
Trade receivables	506,264	436,832	-	-
Other receivables and prepayments	24,451	26,385	236	369
Due from subsidiaries	-	-	412,649	411,868
Financial assets at fair value	38,630	-	-	-
Cash and bank deposits	992,967	930,445	57	165
Total current assets	1,819,804	1,695,708	412,942	412,402
Total assets	2,102,542	2,013,367	496,272	495,732
EQUITY				
Share capital	43,401	43,401	43,401	43,401
Treasury shares	(2,272)	(2,272)	(2,272)	(2,272)
Reserves	1,165,033	1,118,153	454,790	454,274
Total equity	1,206,162	1,159,282	495,919	495,403
LIABILITIES				
Non-current liabilities				
Lease liabilities	1,967	-	-	-
Deferred income tax liabilities	8,918	8,918	-	-
Total non-current liabilities	10,885	8,918	-	-
Current liabilities				
Trade payables	411,005	391,503	-	-
Other payables and accruals	375,676	355,734	353	329
Contract liabilities	51,720	53,963	-	-
Lease liabilities	1,236	-	-	-
Current income tax liabilities	45,858	43,967	-	-
Total current liabilities	885,495	845,167	353	329
Total liabilities	896,380	854,085	353	329
Total equity and liabilities	2,102,542	2,013,367	496,272	495,732
Net current assets	934,309	850,541	412,589	412,073
Total assets less current liabilities	1,217,047	1,168,200	495,919	495,403

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 2019		As at 31 March 2019	
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 2019		As at 31 March 2019	
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 2019

	The Group	
	3 months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before income tax	54,370	56,291
Adjustments for :		
Amortisation on land use rights	113	120
Depreciation expense	12,733	10,845
Losses / (gains) on disposals of property, plant and equipment	111	(186)
Share-based compensation	1,184	1,299
Interest expense	40	-
Interest income	(5,703)	(2,536)
	62,848	65,833
Changes in working capital:		
Inventories	44,554	18,834
Trade receivables	(69,432)	(57,248)
Other receivables and prepayments and contract assets	2,716	(5,749)
Trade payables	19,502	55,459
Other payables and accruals and contract liabilities	17,699	12,044
Net cash generated from operations	77,887	89,173
Income tax paid	(3,907)	(633)
Interest elements of lease payments	(40)	-
Net cash generated from operating activities	73,940	88,540
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,564)	(5,018)
Proceeds from disposals of property, plant and equipment	11	187
Changes in short-term bank deposits	155,000	116,256
Interest received	5,703	2,536
Net cash generated from investing activities	143,150	113,961
Cash flows from financing activities		
Principal elements of lease payments	(296)	-
Net cash used in financing activities	(296)	-
Net increase in cash and cash equivalents	216,794	202,501
Effect of foreign exchange rate changes	728	(170)
Cash and cash equivalents at beginning of the period	775,445	554,831
Cash and cash equivalents at end of the period	992,967	757,162

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 2019

The Group	Attributable to the owners of the Company									
	Share capital	Treasury share	Reserves						Total reserves	Total equity
			Share premium	Share-based compensation reserve	Currency translation reserve	Statutory reserve (Note)	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2019	43,401	(2,272)	158,916	6,418	16,455	4,523	931,841	1,118,153	1,159,282	
Total comprehensive income for the period	-	-	-	-	(2,428)	-	48,124	45,696	45,696	
Share-based compensation	-	-	-	1,184	-	-	-	1,184	1,184	
Changes in equity for the period	-	-	-	1,184	(2,428)	-	48,124	46,880	46,880	
Balance at 30 June 2019	43,401	(2,272)	158,916	7,602	14,027	4,523	979,965	1,165,033	1,206,162	
Balance at 1 April 2018	43,240	(8,298)	155,065	6,734	21,571	4,099	839,549	1,027,018	1,061,960	
Total comprehensive income for the period	-	-	-	-	(1,453)	-	49,657	48,204	48,204	
Share-based compensation	-	-	-	1,299	-	-	-	1,299	1,299	
Changes in equity for the period	-	-	-	1,299	(1,453)	-	49,657	49,503	49,503	
Balance at 30 June 2018	43,240	(8,298)	155,065	8,033	20,118	4,099	889,206	1,076,521	1,111,463	

The Company	Reserves							Total equity
	Share capital	Treasury Share	Share premium	Share-based compensation 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 2019	43,401	(2,272)	158,916	6,418	67,239	221,701	454,274	495,403
Total comprehensive income for the period	-	-	-	-	-	(668)	(668)	(668)
Share-based compensation	-	-	-	1,184	-	-	1,184	1,184
Changes in equity for the period	-	-	-	1,184	-	(668)	516	516
Balance at 30 June 2019	43,401	(2,272)	158,916	7,602	67,239	221,033	454,790	495,919
Balance at 1 April 2018	43,240	(8,298)	155,065	6,734	67,239	215,016	444,054	478,996
Total comprehensive income for the period	-	-	-	-	-	(644)	(644)	(644)
Share-based compensation	-	-	-	1,299	-	-	1,299	1,299
Changes in equity for the period	-	-	-	1,299	-	(644)	655	655
Balance at 30 June 2018	43,240	(8,298)	155,065	8,033	67,239	214,372	444,709	479,651

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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.

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.

SHARE CAPITAL

There were no changes in the Company's issued share capital during the period 1 April 2019 to 30 June 2019.

As at 30 June 2019 and 31 March 2019, the number of ordinary shares in issue was 434,008,337 of which 630,000 were held by the Company as treasury shares (equivalent to 0.15% of the total number of issued shares excluding treasury shares of 433,378,337). The share capital was \$43.4 million.

As at 30 June 2018, the number of ordinary shares in issue was 432,397,617 of which 3,343,780 were held by the Company as treasury shares (equivalent to 0.78% of the total number of issued shares excluding treasury shares of 429,053,837). The share capital was \$43.2 million.

There was no subsidiary holding as at 30 June 2019 and 2018.

SHARE OPTIONS

As at 30 June 2019, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2019	Share options exercised	Balance as at 30.6.2019
Incentive Options (Note 1)	S\$0.268*	27,500	-	27,500
	S\$0.379*	1,809,500	-	1,809,500
	S\$0.701	3,095,000	-	3,095,000
	S\$0.530	2,890,000	-	2,890,000
Total		7,822,000	-	7,822,000

As at 30 June 2018, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2018	Share options exercised	Balance as at 30.6.2018
(a) Incentive Options (Note 1)	S\$0.268*	3,767,500	-	3,767,500
	S\$0.379*	3,795,000	-	3,795,000
	S\$0.701	3,245,000	-	3,245,000
(b) Market Options (Note 2)	S\$0.474*	55,000	-	55,000
Total		10,862,500	-	10,862,500

* Following the completion of the 1-for-10 bonus issue on 5 June 2017, the number of outstanding share options held by each holder would be adjusted upward by 10% and their respective exercise prices would be adjusted downward by 10% as a result.

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

The Company has no outstanding performance shares as at 30 June 2019 and 31 March 2019.

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 was 434,008,337 as at 30 June 2019 and 31 March 2019.

Total number of treasury shares was 630,000 as at 30 June 2019 and 31 March 2019.

Total number of issued shares (excluding treasury shares) was 433,378,337 as at 30 June 2019 and 31 March 2019.

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.

Except as disclosed in item 5 regarding the adoption of International Financial Reporting Standard ("IFRS") 16 "Leases" for the financial year beginning on 1 April 2019, there were no significant changes in 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 2019.

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 Group adopted IFRS 16 Leases that is effective for annual periods beginning on or after 1 January 2019.

The Group adopted the specific transitional approach and the comparative information for the year ended 31 March 2019 was not restated. All right-of-use assets have been measured at the amount of the leased liability (adjusted for any previously recognised prepaid or accrued lease expenses relating to that lease).

Under IFRS 16, qualifying lease payments were capitalized to the balance sheet as right-of-use assets and depreciated over the shorter of the lease term and the useful life of the right-of-use asset. The changes of net assets and net profit of the Group have been insignificant for the period ended 30 June 2019.

Leasees could present cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by International Accounting Standard 7 Statement of Cash Flows. The Group has opted to include the interest paid as part of operating activities. Cash payments for the principal portion for lease liability are included in financing activities. The adoption of IFRS 16 did not have a material impact on net cash flows.

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 2019	3 months ended 30 June 2018
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 11.1 cents	HK 11.6 cents
(b) On a fully diluted basis	HK 11.1 cents	HK 11.5 cents
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	433,378,337	429,053,837
Effect of potentially dilutive ordinary shares – Share options	719,607	4,294,796
Weighted average number of ordinary shares for the purpose of diluted earnings per share	434,097,944	433,348,633

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	
	30.06.2019	31.03.2019	30.06.2019	31.03.2019
	HK dollar	HK dollar	HK dollar	HK dollar
Net asset value per ordinary share based on issued share capital excluding treasury shares at the end of the period:	2.8	2.7	1.1	1.1
Number of ordinary shares in issue excluding treasury shares	433,378,337	433,378,337	433,378,337	433,378,337

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" or "CE") and industrial and commercial electronics products ("Industrial and Commercial" or "ICE").

Review – 3 months ended 30 June 2019 ("Q1 FY2020") vs 3 months ended 30 June 2018 ("Q1 FY2019")

Revenue

Revenue decreased by 7.1% or HK\$49.7 million from HK\$704.0 million in Q1 FY2019 to HK\$654.3 million in Q1 FY2020, due to the weakened consumer and business confidence under the uncertain macro-environment.

Industrial and Commercial Electronics revenue decreased by 5.3% to HK\$413.5 million (Q1 FY2019: HK\$436.8 million). Such decrease was mainly contributed by the decrease in demand from some of our Industrial and Commercial Electronics customers.

Consumer Electronics revenue decreased by 9.9% to HK\$240.8 million (Q1 FY2019: HK\$267.2 million). Such decrease was mainly contributed by the decrease in demand from some of our Consumer Electronics customers.

Gross profit and gross profit margin

Gross profit decreased by 3.7% to HK\$99.0 million (Q1 FY2019: HK\$102.8 million) and gross profit margin increased to 15.1% (Q1 FY2019: 14.6%). It was mainly due to a change in product sales mix during the period.

Other income and gains, net

Other income increased by 43.1% to HK\$7.8 million. Such increase was mainly due to the increase in interest income.

Selling and distribution expenses

Selling and distribution expenses decreased by 19.9% to HK\$8.7 million. Such decrease was mainly due to the decrease in revenue and corresponding commission expenses.

Administrative expenses

Administrative expenses increased by 6.5% to HK\$43.5 million (Q1 FY2019: 40.9 million). Such increase was mainly due to the increase in staff cost.

Profit for the period

As a result of the above, profit for the period decreased by 3.1% to HK\$48.1 million. (Q1 FY2019: HK\$49.7 million).

Financial position and cash flows

As at 30 June 2019, the Group had net current assets of HK\$934.3 million (31 March 2019: HK\$850.5 million), total assets of HK\$2,102.5 million (31 March 2019: HK\$2,013.4 million) and shareholders' funds of HK\$1,206.2 million (31 March 2019: HK\$1,159.3 million).

The Group's trade receivables increased by HK\$69.5 million from HK\$436.8 million as at 31 March 2019 to HK\$506.3 million as at 30 June 2019. The Group's trade payables increased by HK\$19.5 million from HK\$391.5 million as at 31 March 2019 to HK\$411.0 million as at 30 June 2019. The Group's inventories decreased by HK\$44.5 million from HK\$302.0 million as at 31 March 2019 to HK\$257.5 million as at 30 June 2019.

The working capital of the Group as at 30 June 2019, which is the sum of trade receivables and inventories less trade payables, was HK\$352.8 million, which is largely consistent with last year (31 March 2019: HK\$347.3 million).

The Group had no bank borrowings as at 30 June 2019 (31 March 2019: Nil).

As at 30 June 2019, the Group had cash and bank deposits of HK\$993.0 million (31 March 2019: HK\$930.4 million). Over 98% of its cash and bank were placed in reputable financial institutions in Hong Kong. For the remaining balance, mainly in PRC, the cash and bank deposits were placed in equivalent reputable financial institutions. The cash and bank deposits 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.

The trade tensions between the US and China are escalating, showing no immediate signs of abatement, and this will continue to affect the Group's operations negatively. For the quarter ended 30 June 2019, approximately 45% of the Group's revenue was shipped to the US and around half of the Group's US shipment from China was subject to 25% tariff imposed on our customers by the US. Recently, the US president has threatened to impose 10% tariffs on the remaining Chinese imports from 1 September 2019. Such escalated trade tensions had resulted in more and more customers deploying diversified procurement strategies, such as adopting and/or evaluating the options of assembling their products out of China.

Meanwhile, the Group's Vietnam expansion plan has progressed as planned. The Group's leased site in Vietnam has been qualified by a customer and the mass production has begun since June 2019, with shipments made from Vietnam to the US market.

Going forward, the Group intends to acquire a plot of land in an industrial park for building its own manufacturing campus in Vietnam. .

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ending 31 March 2020.

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for Q1 FY2020.

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 the Company Pursuant to Rule 720(1) of the Listing Rules of Singapore Exchange Securities Trading Limited

The Company confirms that it has procured undertakings from all its Directors and Executive Officers pursuant to Rule 720(1) of the Listing Rules of the SGX-ST.

15. 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 2019 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
14 August 2019

Chow Kok Kit
Executive Director