

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::HALF YEARLY RESULTS

Issuer & Securities

Issuer/ Manager

VALUETRONICS HOLDINGS LIMITED

Securities

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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:

Condensed Interim Consolidated Financial Statements and Dividend Announcement for the Six Months Ended 30 September 2021.

Additional Details

For Financial Period Ended

30/09/2021

Attachments

[VHL 1HFY2022 Results.pdf](#)

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VALUETRONICS HOLDINGS LIMITED
(Incorporated in Bermuda)
(Co. Reg. No: 38813)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

**A. CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30
SEPTEMBER 2021**

	Note	The Group		
		6 months ended 30 September		
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	Change %
Revenue	6	1,014,522	1,094,917	-7.3
Cost of sales		(870,906)	(909,002)	-4.2
Gross profit		143,616	185,915	-22.8
Selling and distribution expenses		(11,719)	(13,645)	-14.1
Administrative expenses		(75,283)	(79,721)	-5.6
Other income and gains, net		7,404	11,416	-35.1
Operating profit		64,018	103,965	-38.4
Finance costs		(293)	(339)	-13.6
Profit before income tax		63,725	103,626	-38.5
Income tax expense	9	(7,091)	(12,134)	-41.6
Profit for the period		56,634	91,492	-38.1
Attributable to:				
Owners of the Company		56,634	91,492	-38.1
Earnings per share for profit attributable to owners of the Company for the period				
		HK cents	HK cents	
- Basic	10	13.0	21.0	-38.1
- Diluted	10	13.0	21.0	-38.1

B. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	The Group		
	6 months ended 30 September		
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	Change %
Profit for the period	56,634	91,492	-38.1
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	4,735	3,478	36.1
Total comprehensive income for the period	61,369	94,970	-35.4
Attributable to:			
Owners of the Company	61,369	94,970	-35.4

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note	The Group		The Company	
		At 30.9.2021 (Unaudited)	At 31.3.2021 (Audited)	At 30.9.2021 (Unaudited)	At 31.3.2021 (Audited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	312,178	288,137	-	-
Right-of-use assets		48,254	49,789	-	-
Interests in subsidiaries		-	-	83,330	83,330
Financial assets at fair value	7	22,666	24,000	-	-
Others		29,945	14,940	-	-
Total non-current assets		413,043	376,866	83,330	83,330
Current assets					
Inventories		248,155	214,080	-	-
Trade receivables		531,607	490,509	-	-
Other receivables and prepayments		40,266	30,696	310	268
Due from subsidiaries		-	-	436,511	434,524
Cash and cash equivalents		936,681	1,129,446	581	1,641
Total current assets		1,756,709	1,864,731	437,402	436,433
Total assets		2,169,752	2,241,597	520,732	519,763
EQUITY					
Share capital	14	43,563	43,563	43,563	43,563
Treasury shares		(18)	(18)	(18)	(18)
Reserves		1,297,205	1,303,548	476,810	475,761
Total equity		1,340,750	1,347,093	520,355	519,306
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities		5,074	5,074	-	-
Total non-current liabilities		5,074	5,074	-	-
Current liabilities					
Trade payables		332,362	365,181	-	-
Other payables and accruals		409,854	446,212	377	457
Contract liabilities		24,682	24,191	-	-
Current income tax liabilities		57,030	53,846	-	-
Total current liabilities		823,928	889,430	377	457
Total liabilities		829,002	894,504	377	457
Total equity and liabilities		2,169,752	2,241,597	520,732	519,763
Net current assets		932,781	975,301	437,025	435,976
Total assets less current liabilities		1,345,824	1,352,167	520,355	519,306

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

(Unaudited) The Group	Attributable to the owners of the Company								
	Reserves							Total reserves	Total equity
	Share capital	Treasury share	Share premium	Share-based payment reserve	Currency translation reserve	Statutory reserve	Retained earnings		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2021	43,563	(18)	164,515	12,254	19,746	5,244	1,101,789	1,303,548	1,347,093
Total comprehensive income for the period	-	-	-	-	4,735	-	56,634	61,369	61,369
Dividends paid (note 11)	-	-	-	-	-	-	(69,700)	(69,700)	(69,700)
Share-based compensation	-	-	-	1,988	-	-	-	1,988	1,988
Forfeiture of share option	-	-	-	(541)	-	-	541	-	-
Changes in equity for the period	-	-	-	1,447	4,735	-	(12,525)	(6,343)	(6,343)
Balance at 30 September 2021	43,563	(18)	164,515	13,701	24,481	5,244	1,089,264	1,297,205	1,340,750
Balance at 1 April 2020	43,563	(2,272)	163,918	9,116	14,747	4,818	997,712	1,190,311	1,231,602
Total comprehensive income for the period	-	-	-	-	3,478	-	91,492	94,970	94,970
Dividends paid (note 11)	-	-	-	-	-	-	(60,900)	(60,900)	(60,900)
Share-based compensation	-	-	-	2,321	-	-	-	2,321	2,321
Changes in equity for the period	-	-	-	2,321	3,478	-	30,592	36,391	36,391
Balance at 30 September 2020	43,563	(2,272)	163,918	11,437	18,225	4,818	1,028,304	1,226,702	1,267,993

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 (CONT'D)

(Unaudited) The Company	Reserves							Total equity
	Share capital	Treasury Share	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 2021	43,563	(18)	164,515	12,254	67,239	231,753	475,761	519,306
Total comprehensive income for the period	-	-	-	-	-	68,761	68,761	68,761
Dividends paid (note 11)	-	-	-	-	-	(69,700)	(69,700)	(69,700)
Share-based compensation	-	-	-	1,988	-	-	1,988	1,988
Forfeiture of share option	-	-	-	(541)	-	541	-	-
Changes in equity for the period	-	-	-	1,447	-	(398)	1,049	1,049
Balance at 30 September 2021	43,563	(18)	164,515	13,701	67,239	231,355	476,810	520,355
Balance at 1 April 2020	43,563	(2,272)	163,918	9,116	67,239	224,221	464,494	505,785
Total comprehensive income for the period	-	-	-	-	-	141	141	141
Dividends paid (note 11)	-	-	-	-	-	(60,900)	(60,900)	(60,900)
Share-based compensation	-	-	-	2,321	-	-	2,321	2,321
Changes in equity for the period	-	-	-	2,321	-	(60,759)	(58,438)	(58,438)
Balance at 30 September 2020	43,563	(2,272)	163,918	11,437	67,239	163,462	406,056	447,347

E. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	The Group	
	6 months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before income tax	63,725	103,626
Adjustments for :		
Amortisation of the right-of-use assets	1,246	1,974
Depreciation on property, plant and equipment	28,051	27,605
Loss on disposals of property, plant and equipment	232	335
Share-based compensation	1,988	2,321
Interest income, net	(1,070)	(4,241)
	94,172	131,620
Changes in working capital:		
Inventories	(34,075)	17,712
Trade receivables	(41,098)	(187,068)
Other receivables and prepayments	(3,709)	8,852
Trade payables	(32,819)	142,330
Other payables and accruals and contract liabilities	(35,867)	21,620
Net cash (used in) / generated from operations	(53,396)	135,066
Income tax paid	(3,849)	(3,514)
Interest elements of lease payments	-	(48)
Net cash (used in) / generated from operating activities	(57,245)	131,504
Cash flows from investing activities		
Purchase of property, plant and equipment	(72,710)	(34,965)
Proceeds from disposals of property, plant and equipment	1,354	547
Proceeds from returns on financial assets at fair value	1,334	-
Redemption of financial assets at fair value	-	38,630
Interest received	1,070	4,289
Net cash (used in) / generated from investing activities	(68,952)	8,501
Cash flows from financing activities		
Dividend paid	(69,700)	(60,900)
Principal elements of lease payments	-	(638)
Net cash used in financing activities	(69,700)	(61,538)
Net (decrease) / increase in cash and cash equivalents	(195,897)	78,467
Effect of foreign exchange rate changes	3,132	763
Cash and cash equivalents at beginning of the period	1,129,446	1,053,096
Cash and cash equivalents at end of the period	936,681	1,132,326

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

Valuetronics Holdings Limited (the “Company”) (Registration number: 38813) was incorporated in Bermuda on 18 August 2006 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its principal place of business is Unit 9-11, 7/F., Technology Park, No. 18 On Lai Street, Shatin, New Territories, Hong Kong. The Company’s shares are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). These condensed interim consolidated financial statements as at and for the six months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the Group). The Group is a vertically integrated Electronics Manufacturing Services (“EMS”) provider.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 16 to the annual financial statements for the year ended 31 March 2021.

These condensed interim consolidated financial statements have been presented in thousands of HK dollar (“HK\$”) unless otherwise stated.

The condensed interim consolidated financial statements have not been audited or reviewed by the Company’s auditors.

2 Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2021 has been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed interim financial statements do not include all the information required for a complete set of financial statements. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

3 Accounting policies

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the financial year ended 31 March 2021, as described in those annual financial statements.

(a) Adoption of new and amended standards

The Group has adopted the following new/revised standards and amendments to standards which are mandatory for the financial year beginning on or after 1 April 2021:

- Amendments to IFRS 9, IAS 39, Interest Rate Benchmark Reform – Phase 2
IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 16 Covid-19-related Rent Concessions

The adoption of the above does not have any significant impact to the results and financial position of the Group and the Company.

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3 Accounting policies (Continued)

(b) New standards and interpretations not yet effective

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 April 2022 or later periods, but have not been early adopted by the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
Amendments to IAS 8	Definition of Accounting Estimates ⁽²⁾
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽²⁾
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁽¹⁾
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁽¹⁾
Amendments to IFRS 3	Reference to the Conceptual Framework ⁽¹⁾
IFRS 17	Insurance Contracts ⁽²⁾
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁽²⁾
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾
Annual Improvements 2018–2020 cycle ⁽¹⁾	

⁽¹⁾ Effective for the accounting period beginning on or after 1 April 2022

⁽²⁾ Effective for the accounting period beginning on or after 1 April 2023

⁽³⁾ Effective date to be determined

4 Estimates

The preparation of condensed interim consolidated financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were mostly same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

5 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2021.

There have been no significant changes in any risk management policies since the year ended 31 March 2021.

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6 Revenue and segment information

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

During the period the Group has two reportable segments as follows:

- Consumer Electronics – consumer electronics products
- Industrial and Commercial Electronics – industrial and commercial electronics products

(Unaudited)	Consumer Electronics HK\$'000	Industrial and Commercial Electronics HK\$'000	Total HK\$'000
For the six months ended 30 September 2021			
Revenue (from external customers)	319,388	695,134	1,014,522
Timing of revenue recognition			
- at a point in time	319,246	690,703	1,009,949
- over time	142	4,431	4,573
Segment profit	26,807	108,949	135,756
 (Unaudited)			
For the six months ended 30 September 2020			
Revenue (from external customers)	365,129	729,788	1,094,917
Timing of revenue recognition			
- at a point in time	364,244	719,857	1,084,101
- over time	885	9,931	10,816
Segment profit	40,889	131,938	172,827

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6 Revenue and segment information (Continued)

The revenue from external parties reported is measured in a manner consistent with that in the condensed interim consolidated income statement.

Reconciliation of segment profit to profit for the period:

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Segment profit	135,756	172,827
Unallocated corporate expenses		
- staff costs	(62,635)	(68,900)
- income tax expense	(7,091)	(12,134)
- others	(9,396)	(301)
Profit for the period	56,634	91,492

Geographical information:

	Revenue		Non-current assets (other than financial instruments)	
	For the six months ended 30 September		As at 30 September 2021	As at 31 March 2021
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
United States of America	356,677	439,321	-	-
PRC	260,155	287,243	158,393	175,480
Poland	96,195	61,749	-	-
Hong Kong	70,306	47,457	16,269	16,271
Netherlands	62,044	34,360	-	-
Indonesia	28,228	88,884	-	-
Germany	25,011	23,040	-	-
South Korea	10,679	13,550	-	-
Vietnam	10,644	13,031	215,715	161,115
France	5,620	15,905	-	-
Other countries	88,963	70,377	-	-
Total	1,014,522	1,094,917	390,377	352,866

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7 Fair value measurement of financial instruments

The table below analyses the Group's financial instruments carried at fair value as at 30 September 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2021 (Unaudited)				
Financial assets at fair value through profit or loss("FVPL")	-	-	22,666	22,666
At 31 March 2021 (Audited)				
Financial assets at FVPL	-	-	24,000	24,000

There were no transfers between different levels during the six months ended 30 September 2021.

The carrying amounts of the Group's current financial assets including cash and cash equivalents, and trade and other receivables, and the Group's current financial liabilities including trade and other payables, approximate their fair values.

8 Profit before taxation

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

	For the six months ended 30 September	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Income		
Interest income	(1,070)	(4,289)
Expenses		
Depreciation on property, plant and equipment	28,051	27,605
Amortisation of right-of-use assets	1,246	1,974
Finance costs	293	339
Other income and gains, net		
Loss on disposal of property, plant and equipment	232	335
Net exchange gains	(2,942)	(769)
Reversal of impairment loss recognised in respect of flash floods that occurred on 17 September 2018 at the Danshui Plant	-	(1,634)

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9 Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current tax charge		
- Hong Kong profits tax	5,444	10,566
- PRC enterprise income tax	1,647	1,568
Deferred tax credit	-	-
	<u>7,091</u>	<u>12,134</u>

10 Earnings per share

	For the six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
Earnings per ordinary share based on the net profit for the period (HK cents)		
- Based on weighted average number of ordinary shares on issue	13.0	21.0
- On a fully diluted basis	13.0	21.0
Number of ordinary shares in issue (excluding treasury shares)		
- Weighted average number of ordinary shares for the purpose of basic earnings per share	435,625,837	435,000,837
- Effect of potentially dilutive ordinary shares – Share options	365,574	149,188
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>435,991,411</u>	<u>435,150,025</u>

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

11 Dividends

	For the six months ended 30 September	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Final dividend attributable to the previous financial year, paid of HK\$16.0 cents (for the six months ended 30 September 2020: HK\$14.0 cents) per ordinary share	69,700	60,900

(a) Current Financial Period Reported On

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in HK cents)	HK 4 cents per ordinary share
Tax Rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in HK cents)	HK 5 cents per ordinary share
Tax Rate	Not applicable

(c) Date payable

The interim dividend will be paid on 3 December 2021.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 24 November 2021 for the preparation of dividend warrants.

Duly completed and registrable transfers received by the Company's Share Transfer Agent, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544, up to the close of business at 5.00 p.m. on 23 November 2021 will be registered to determine shareholders' entitlements to the interim dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 23 November 2021 will be entitled to the interim dividend.

(e) If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

Not applicable.

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12 Net asset value

	The Group		The Company	
	As at 30 September 2021 (Unaudited) HK\$	As at 31 March 2021 (Audited) HK\$	As at 30 September 2021 (Unaudited) HK\$	As at 31 March 2021 (Audited) HK\$
Net asset value per ordinary share based on issued share capital excluding treasury shares at the end of the period	3.1	3.1	1.2	1.2
Number of ordinary shares in issue excluding treasury shares	435,625,837	435,625,837	435,625,837	435,625,837

13 Property, plant and equipment

During the six months ended 30 September 2021, the additions to property, plant and equipment of the Group was HK\$51,844,000 (corresponding period in 2020: HK\$33,460,000).

14 Share capital

There were no changes in the Company's issued share capital during the period 1 April 2021 to 30 September 2021.

As at 30 September 2021 and 31 March 2021, the number of ordinary shares in issue was 435,630,837 of which 5,000 were held by the Company as treasury shares (equivalent to 0.001% of the total number of issued shares excluding treasury shares of 435,625,837). The share capital was HK\$43.6 million.

As at 30 September 2020, the number of ordinary shares in issue was 435,630,837 of which 630,000 were held by the Company as treasury shares (equivalent to 0.14% of the total number of issued shares excluding treasury shares of 435,000,837). The share capital was HK\$43.6 million.

There was no subsidiary holding as at 30 September 2021, 31 March 2021 and 30 September 2020.

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

(a) Share options

As at 30 September 2021, the Company has the following outstanding share options:

<u>Employee Share Option Scheme</u>	<u>Exercise Price</u>	<u>As at 31 March 2021</u> (Audited)	<u>Share options forfeited</u>	<u>As at 30 September 2021</u> (Unaudited)
Incentive Options (Note)	S\$0.268*	27,500	-	27,500
	S\$0.379*	132,000	-	132,000
	S\$0.701	3,095,000	(200,000)	2,895,000
	S\$0.530	2,245,000	-	2,245,000
	S\$0.570	3,195,000	(100,000)	3,095,000
	S\$0.460	2,500,000	(100,000)	2,400,000
Total		11,194,500	(400,000)	10,794,500

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

14 Share capital (Continued)

(a) Share options (Continued)

As at 30 September 2020, the Company has the following outstanding share options:

<u>Employee Share Option Scheme</u>	<u>Exercise Price</u>	<u>As at 31 March 2020</u> (Audited)	<u>Share options exercised</u>	<u>As at 30 September 2020</u> (Unaudited)
Incentive Options (Note)	S\$0.268*	27,500	-	27,500
	S\$0.379*	187,000	-	187,000
	S\$0.701	3,095,000	-	3,095,000
	S\$0.530	2,890,000	-	2,890,000
	S\$0.570	3,295,000	-	3,295,000
Total		<u>9,494,500</u>	<u>-</u>	<u>9,494,500</u>

* 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.

Note:

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.

(b) Performance share plan

The Company has no outstanding performance shares as at 30 September 2021, 31 March 2021 and 30 September 2020.

15 Capital commitments

The Group has the following capital commitments at the end of the financial period:

	<u>As at 30 September 2021</u> (Unaudited) HK\$'000	<u>As at 31 March 2021</u> (Audited) HK\$'000
Acquisition of property, plant and equipment - contracted but not provided for	<u>35,580</u>	<u>56,793</u>

16 Related party transactions

In addition to those disclosed elsewhere in these financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties and the balances arising from related party transactions in the ordinary course of business and negotiated on terms mutually agreed with these related parties.

F. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

16 Related party transactions (Continued)

(a) Transactions with related parties:

	The Group	
	For the six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Purchases of goods from		
- Nicecon Limited (note)	1,989	1,985
Purchases of services from		
- Concord Building Co., Ltd (note)	726	756

(b) Balances with related parties:

	The Group	
	As at 30	As at 31
	September 2021	March 2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade payables		
- Nicecon Limited (note)	924	1,283
Other payables and accruals		
- Concord Building Co., Ltd (note)	624	882

Note: beneficially owned by brothers of executive directors of the Company.

17 Aggregate amount of group's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand

<u>As at 30 September 2021</u>		<u>As at 31 March 2021</u>	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

(b) Amount repayable after one year

<u>As at 30 September 2021</u>		<u>As at 31 March 2021</u>	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

(c) Details of any collateral

None.

18 Subsequent event

There is no known subsequent event which has led to adjustment on this set of condensed interim consolidated financial statements.

G. OTHER INFORMATION

- 1 **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 Electronics” or “ICE”).

Review – 6 months ended 30 September 2021 (“1H FY2022”) vs 6 months ended 30 September 2020 (“1H FY2021”)

Revenue

As highlighted in the FY2021 annual report, severe shortages of certain key electronic components have affected the Group’s ability to meet orders, leading to a decline in revenue and corresponding decrease in profit. Revenue decreased by 7.3% or HK\$80.4 million from HK\$1,094.9 million in 1H FY2021 to HK\$1,014.5 million in 1H FY2022.

Consumer Electronics revenue decreased by 12.5% to HK\$319.4 million (1H FY2021: HK\$365.1 million) mainly due to cancellation and deferral of customer orders as a result of components shortage.

Industrial and Commercial Electronics revenue decreased by 4.8% to HK\$695.1 million (1H FY2021: HK\$729.8 million). There was significant drop in sales to the auto customer caused by its production switch-over from Group’s factory to another vendor in North America. The components shortage also affected orders fulfilment for certain ICE customers. These negative impacts were partly offset by the revenue growth from a printer customer which benefits from e-commerce sales; and a sensing devices customer which benefits from its product’s application in logistics industry.

Gross profit and gross profit margin

Gross profit decreased by 22.8% to HK\$143.6 million (1H FY2021: HK\$185.9 million) while gross profit margin decreased to 14.2% (1H FY2021: 17.0%). The gross profit margin was eroded by higher component prices due to tight supply, and increased labour and operating cost in China under the Renminbi appreciation.

Other income and gains, net

Other income decreased by 35.1% to HK\$7.4 million (1H FY2021: HK\$11.4 million). The decrease was mainly due to the decrease in interest income under the low interest rate environment during the period.

Selling and distribution expenses

Selling and distribution expenses decreased by 14.1% to HK\$11.7 million (1H FY2021: HK\$13.6 million). Such decrease was mainly due to decrease in commission expenses as the result of decline in revenue.

G. OTHER INFORMATION (CONT'D)

Administrative expenses

Administrative expenses decreased by 5.6% to HK\$75.3 million (1H FY2021: HK\$79.7 million) and this was mainly due to more stringent cost control measures put in place by Management.

Profit for the period

As a result of the above, the net profit for the period decreased by 38.1% to HK\$56.6 million (1H FY2021: HK\$91.5 million).

Financial position and cash flows

As at 30 September 2021, the Group had net current assets of HK\$932.8 million (31 March 2021: HK\$975.3 million), total assets of HK\$2,169.8 million (31 March 2021: HK\$2,241.6 million) and shareholders' funds of HK\$1,340.8 million (31 March 2021: HK\$1,347.1 million).

The Group's trade receivables increased by HK\$41.1 million from HK\$490.5 million as at 31 March 2021 to HK\$531.6 million as at 30 September 2021. The Group's trade payables decreased by HK\$32.8 million from HK\$365.2 million as at 31 March 2021 to HK\$332.4 million as at 30 September 2021. The Group's inventories increased by HK\$34.1 million from HK\$214.1 million as at 31 March 2021 to HK\$248.2 million as at 30 September 2021.

The working capital of the Group as at 30 September 2021, which is the sum of trade receivables and inventories less trade payables, was HK\$447.4 million (31 March 2021: HK\$339.4 million). The increase in working capital was partially attributed to the global components shortage situation, the Group needed to procure certain components from spot buy dealers on cash basis or under a shorter credit term as compared to procurement from standard vendors. The components shortage also led to reduced flexibility throughout the supply chain and longer inventory turnover period. The increased in trade receivables was due to the change in sales mix with higher revenue contribution from those customers with longer credit term.

The Group had no bank borrowings as at 30 September 2021 (31 March 2021: Nil).

As at 30 September 2021, the Group had cash and cash equivalents of HK\$936.7 million (31 March 2021: HK\$1,129.4 million). Over 93% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong and Singapore. For the remaining balance, mainly in PRC and Vietnam, 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, PricewaterhouseCoopers.

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

Not applicable. No forecast or prospect statement was previously disclosed to shareholders.

3 Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable as the Group's latest audited financial statements for the financial year ended 31 March 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

G. OTHER INFORMATION (CONT'D)

4 **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 operating period and the next 12 months**

During the six-month period ended 30 September 2021 ("1HFY2022"), the Group's operations was adversely affected by the global components shortage which resulted in price surges and prolonged order lead times for a wide range of electronic components. Additionally, the ongoing COVID-19 pandemic continues to disrupt the capacity of the electronic component industry, and hence worsens component availability.

The Group expects the global components shortage to continue to affect its ability to timely fulfill its customers' orders, and together with the strong Renminbi and increasing operating cost in China, these factors will continue to erode the Group's profit margin in the near term. The Group will however continue its efforts to attempt to mitigate these adverse impacts, including securing new business opportunities, identifying new sources of supply, qualifying alternative parts, and negotiating new prices with customers.

Despite the surge in COVID-19 cases in Vietnam, the Group's Vietnam expansion remained on track. The Group's newly constructed Vietnam campus in Vinh Phuc Province was granted with a fire inspection certificate from the local government during 1HFY2022, and this was followed by selected products of two existing customers being put to trial production. The Group expects mass production at its Vietnam campus to commence by the last quarter of the year ending 31 March 2022 ("FY2022") following the satisfactory completion of ISO and customer audits, barring a new wave of COVID-19 infections leading to a lockdown in Vinh Phuc Province causing disruptions to the Group's production schedule.

The Vietnam campus provides scalable capacity for meeting the diversified needs of global customers and a solution to cope with the Sino-US trade situation. There have been positive responses from potential customers regarding the Group's regional manufacturing footprint strategy, these include a hardware provider for retail chain stores, and a customer providing cooling solutions for high performance computing environments. We are in the midst of finalizing business terms with these potential customers, and subject to the constraints in supply chain which may affect the production ramp-up, the Group remains cautiously optimistic in gaining revenue from these new opportunities from the financial year ending 31 March 2023 ("FY2023") onwards.

With the shortage of electronic components affecting the timely fulfillment of customers' orders, the escalating materials cost, compounded with the rising operating costs in China, the Group's financial results for FY2022 is expected to be significantly lower compared to the financial year ended 31 March 2021 ("FY2021").

5 **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) of the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"). If not IPT mandate has been obtained, a statement to that effect.**

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

6 **Confirmation by the Company Pursuant to Rule 720(1) of the Listing Manual of SGX-ST**

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.

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL OF SGX-ST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim consolidated financial statements for the half year ended 30 September 2021 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
10 November 2021

Chow Kok Kit
Executive Director