

Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results

Issuer & Securities

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

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Additional Details

For Financial Period Ended	30/09/2018
Attachments	📎 VHL FY2019Q2 Results.pdf Total size =501K

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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 2018**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 September 2018

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2018	2017	Change	2018	2017	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	1,420,228	1,421,377	-0.1	716,248	725,699	-1.3
Cost of sales	(1,210,385)	(1,212,193)	-0.1	(609,190)	(620,852)	-1.9
Gross profit	209,843	209,184	0.3	107,058	104,847	2.1
Selling and distribution expenses	(20,253)	(18,266)	10.9	(9,349)	(8,115)	15.2
Administrative expenses	(81,449)	(82,140)	-0.8	(40,599)	(42,104)	-3.6
Other income and gains, net	12,594	4,731	166.2	7,151	3,348	113.6
Net other operating loss	(13,610)	-	NM	(13,610)	-	NM
Operating profit	107,125	113,509	-5.6	50,651	57,976	-12.6
Finance costs	(316)	(381)	-17.1	(133)	(97)	37.1
Profit before income tax	106,809	113,128	-5.6	50,518	57,879	-12.7
Income tax expense	(12,832)	(13,562)	-5.4	(6,198)	(7,057)	-12.2
Profit for the period	93,977	99,566	-5.6	44,320	50,822	-12.8
Attributable to:						
Owners of the Company	93,977	99,566	-5.6	44,320	50,822	-12.8

Consolidated Statement of Comprehensive Income for the period ended 30 September 2018

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2018	2017	Change	2018	2017	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Profit for the period	93,977	99,566	-5.6	44,320	50,822	-12.8
Other comprehensive (expense)/ income, net of tax:						
<i>Items that may be reclassified to profit or loss:</i>						
Currency translation differences*	(6,457)	3,484	-285.3	(5,004)	3,484	-243.6
Total comprehensive income for the period	87,520	103,050	-15.1	39,316	54,306	-27.6
Attributable to:						
Owners of the Company	87,520	103,050	-15.1	39,316	54,306	-27.6

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

Note:

NM: Not meaningful

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

	The Group		The Group	
	6 months ended 30 September		3 months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	21,723	16,263	10,878	8,897
Amortisation of land use rights	237	222	117	112
Gains on disposals of property, plant and equipment	(397)	(340)	(211)	(265)
Interest income	(5,909)	(4,717)	(3,373)	(2,506)
Bank charges	316	381	133	97
Net exchange (gains) / losses	(2,756)	1,584	(2,212)	303
Impairment loss recognised in respect of flash floods that occurred on 17 September 2018 at the Danshui Plant	13,610	-	13,610	-

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 September 2018

	The Group		The Company	
	At 30.9.2018	At 31.3.2018	At 30.9.2018	At 31.3.2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Land use rights	17,082	18,673	-	-
Property, plant and equipment	205,087	209,648	-	-
Interests in subsidiaries	-	-	83,330	83,330
Available-for-sale financial assets	50,030	50,430	-	-
Others	13,645	15,676	-	-
Total non-current assets	285,844	294,427	83,330	83,330
Current assets				
Inventories	392,594	385,637	-	-
Trade receivables	494,712	582,814	-	-
Other receivables and prepayments	39,975	34,799	351	365
Due from subsidiaries	-	-	316,014	395,622
Cash and bank deposits	798,219	671,087	248	337
Total current assets	1,725,500	1,674,337	316,613	396,324
Total assets	2,011,344	1,968,764	399,943	479,654
EQUITY				
Share capital	43,401	43,240	43,401	43,240
Treasury shares	(2,272)	(8,298)	(2,272)	(8,298)
Reserves	1,030,407	1,027,018	358,479	444,054
Total equity	1,071,536	1,061,960	399,608	478,996
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	7,332	7,332	-	-
Total non-current liabilities	7,332	7,332	-	-
Current liabilities				
Trade payables	514,358	482,893	-	-
Other payables and accruals	373,031	382,552	335	658
Current income tax liabilities	45,087	34,027	-	-
Total current liabilities	932,476	899,472	335	658
Total liabilities	939,808	906,804	335	658
Total equity and liabilities	2,011,344	1,968,764	399,943	479,654
Net current assets	793,024	774,865	316,278	395,666
Total assets less current liabilities	1,078,868	1,069,292	399,608	478,996

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 2018		As at 31 March 2018	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 September 2018		As at 31 March 2018	
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 September 2018

	The Group		The Group	
	6 months ended 30		3 months ended 30	
	September		September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Profit before income tax	106,809	113,128	50,518	57,879
Adjustments for :				
Amortisation of land use rights	237	222	117	112
Depreciation on property, plant and equipment	21,723	16,263	10,878	8,897
Gains on disposals of property, plant and equipment	(397)	(340)	(211)	(265)
Share-based compensation	2,240	2,946	941	1,197
Impairment loss recognised in respect of flash floods	13,610	-	13,610	-
Interest income	(5,909)	(4,717)	(3,373)	(2,506)
	138,313	127,502	72,480	65,314
Changes in working capital:				
Increase in inventories	(15,429)	(124,490)	(34,263)	(58,238)
Decrease / (increase) in trade receivables	88,102	(102,515)	145,350	(26,228)
(Increase) / decrease in prepayments, deposits and other receivables	(5,176)	(955)	573	(114)
Increase / (decrease) in trade payables	31,465	100,151	(23,994)	14,757
(Decrease) / increase in accruals, other payables and deposits received	(14,659)	8,964	(26,703)	(10,086)
Net cash generated from / (used in) operations	222,616	8,657	133,443	(14,595)
Income tax paid	(782)	(377)	(149)	(32)
Net cash generated from / (used in) operating activities	221,834	8,280	133,294	(14,627)
Cash flows from investing activities				
Purchase of property, plant and equipment	(20,484)	(61,033)	(15,466)	(23,778)
Proceeds from disposals of property, plant and equipment	431	365	244	290
Purchase of available-for-sale financial assets	-	(31,000)	-	-
Redemption of available-for-sale financial assets	-	17,262	-	9,512
Interest received	5,909	4,717	3,373	2,506
Net cash used in investing activities	(14,144)	(69,689)	(11,849)	(11,470)
Cash flows from financing activities				
Purchase of treasury shares	(3,884)	-	(3,884)	-
Dividend paid	(85,724)	(84,100)	(85,724)	(84,100)
Proceeds from shares issued in exercise of share options	9,424	19,910	9,424	17,824
Net cash used in financing activities	(80,184)	(64,190)	(80,184)	(66,276)
Net increase / (decrease) in cash and cash equivalents	127,506	(125,599)	41,261	(92,373)
Effect of foreign exchange rate changes	(374)	141	(204)	523
Cash and cash equivalents at beginning of the period	671,087	752,941	757,162	719,333
Cash and cash equivalents at end of the period	798,219	627,483	798,219	627,483

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 September 2018

The Group	Attributable to the owners of the Company								
	Reserves								Total equity
	Share capital	Treasury share	Share premium	Share-based payment reserve	Currency 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	HK\$'000	
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	-	-	-	-	(6,457)	-	93,977	87,520	87,520
Dividends paid	-	-	-	-	-	-	(85,724)	(85,724)	(85,724)
Issue of shares on exercise of share options	161	-	9,263	-	-	-	-	9,263	9,424
Transfer to share premium upon exercise of share options	-	9,910	(5,412)	(4,498)	-	-	-	(9,910)	-
Share-based compensation	-	-	-	2,240	-	-	-	2,240	2,240
Lapse of share options	-	-	-	(356)	-	-	356	-	-
Purchase of treasury shares	-	(3,884)	-	-	-	-	-	-	(3,884)
Changes in equity for the period	161	6,026	3,851	(2,614)	(6,457)	-	8,609	3,389	9,576
Balance at 30 September 2018	43,401	(2,272)	158,916	4,120	15,114	4,099	848,158	1,030,407	1,071,536
Balance at 1 April 2017	38,439	(8,268)	130,791	10,342	14,219	3,427	749,624	908,403	938,574
Total comprehensive income for the period	-	-	-	-	3,484	-	99,566	103,050	103,050
Dividends paid	-	-	-	-	-	-	(84,100)	(84,100)	(84,100)
Issue of shares on exercise of share options	947	-	18,963	-	-	-	-	18,963	19,910
Transfer to share premium upon exercise of share options	-	-	9,135	(9,135)	-	-	-	-	-
Issue of bonus issues	3,854	(30)	(3,824)	-	-	-	-	(3,824)	-
Share-based compensation	-	-	-	2,946	-	-	-	2,946	2,946
Changes in equity for the period	4,801	(30)	24,274	(6,189)	3,484	-	15,466	37,035	41,806
Balance at 30 September 2017	43,240	(8,298)	155,065	4,153	17,703	3,427	765,090	945,438	980,380

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 2018	43,240	(8,298)	155,065	6,734	67,239	215,016	444,054	478,996
Total comprehensive income for the period	-	-	-	-	-	(1,444)	(1,444)	(1,444)
Dividends paid	-	-	-	-	-	(85,724)	(85,724)	(85,724)
Issue of shares on exercise of share options	161	-	9,263	-	-	-	9,263	9,424
Transfer to share premium upon exercise of share options	-	9,910	(5,412)	(4,498)	-	-	(9,910)	-
Share-based compensation	-	-	-	2,240	-	-	2,240	2,240
Lapse of share options	-	-	-	(356)	-	356	-	-
Purchase of treasury shares	-	(3,884)	-	-	-	-	-	(3,884)
Changes in equity for the period	161	6,026	3,851	(2,614)	-	(86,812)	(85,575)	(79,388)
Balance at 30 September 2018	43,401	(2,272)	158,916	4,120	67,239	128,204	358,479	399,608
Balance at 1 April 2017	38,439	(8,268)	130,791	10,342	67,239	212,860	421,232	451,403
Total comprehensive income for the period	-	-	-	-	-	530	530	530
Dividends paid	-	-	-	-	-	(84,100)	(84,100)	(84,100)
Issue of shares on exercise of share options	947	-	18,963	-	-	-	18,963	19,910
Transfer to share premium upon exercise of share options	-	-	9,135	(9,135)	-	-	-	-
Issue of bonus issues	3,854	(30)	(3,824)	-	-	-	(3,824)	-
Share-based compensation	-	-	-	2,946	-	-	2,946	2,946
Changes in equity for the period	4,801	(30)	24,274	(6,189)	-	(83,570)	(65,485)	(60,714)
Balance at 30 September 2017	43,240	(8,298)	155,065	4,153	67,239	129,290	355,747	390,689

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 held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

As at 30 September 2018, 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 31 March 2018 and 30 September 2017, 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 September 2018 and 30 September 2017.

SHARE OPTIONS

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

Employee Share Option Scheme	Exercise Price (Note 3)	Balance as at 31.3.2018	Additions	Share options exercised	Lapsed	Balance as at 30.9.2018
(a) Incentive Options (Note 1)	S\$0.268	3,767,500	-	(3,657,500)	(82,500)	27,500
	S\$0.379	3,795,000	-	(1,677,500)	(225,500)	1,892,000
	S\$0.701	3,245,000	-	-	(150,000)	3,095,000
	S\$0.530	-	2,890,000	-	-	2,890,000
(b) Market Options (Note 2)	S\$0.474	55,000	-	(55,000)	-	-
Total		10,862,500	2,890,000	(5,390,000)	(458,000)	7,904,500

As at 30 September 2017, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2017	Additions	Adjustment for bonus issues (Note 3)	Share options exercised	Balance as at 30.9.2017
(a) Incentive Options (Note 1)	S\$0.369	3,700,000	-	277,500	(3,977,500)	-
	S\$0.268	6,300,000	-	630,000	(3,162,500)	3,767,500
	S\$0.379	3,450,000	-	345,000	-	3,795,000
	S\$0.701	-	3,245,000	-	-	3,245,000
(b) Market Options (Note 2)	S\$0.474	2,175,000	-	217,500	(2,337,500)	55,000
Total		15,625,000	3,245,000	1,470,000	(9,477,500)	10,862,500

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.

- (3) 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.

PERFORMANCE SHARE PLAN

The Company have no outstanding performance shares as at 30 September 2018 and 31 March 2018.

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 and 432,397,617 as at 30 September 2018 and 31 March 2018 respectively.

Total number of treasury shares was 630,000 and 3,343,780 as at 30 September 2018 and 31 March 2018 respectively.

Total number of issued shares (excluding treasury shares) was 433,378,337 and 429,053,837 as at 30 September 2018 and 31 March 2018 respectively.

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.

The company used 3,779,280 treasury shares during the current financial period towards the issuance of 3,779,280 shares on exercise of share options.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2018. The adoption of the new and revised IFRSs, which are effective for the financial period beginning on 1 April 2018, 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	
	6 months ended 30 September 2018	6 months ended 30 September 2017
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 21.9 cents	HK 23.6 cents
(b) On a fully diluted basis	HK 21.8 cents	HK 23.4 cents
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	429,703,586	422,043,594
Effect of potentially dilutive ordinary shares – Share options	686,743	4,057,222
Weighted average number of ordinary shares for the purpose of diluted earnings per share	430,390,329	426,100,816

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	
	30.09.2018	31.03.2018	30.09.2018	31.03.2018
	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	2.5	2.5	0.9	1.1
Number of ordinary shares in issue excluding treasury shares	433,378,337	429,053,837	433,378,337	429,053,837

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 September 2018 (“Q2 FY2019”) vs 3 months ended 30 September 2017 (“Q2 FY2018”)**Revenue**

Revenue decreased by 1.3% or HK\$9.5 million from HK\$725.7 million in Q2 FY2018 to HK\$716.2 million in Q2 FY2019.

Industrial and Commercial Electronics (“ICE”) revenue increased by 21.4% to HK\$419.3 million (Q2 FY2018: HK\$345.3 million). Such increase was mainly contributed by the increase in demand from some of our Industrial and Commercial Electronics customers.

Consumer Electronics (“CE”) revenue decreased by 22.0% to HK\$296.9 million (Q2 FY2018: HK\$380.4 million), which was mainly due to the slowdown in demand from our Consumer Electronics customer in the smart lighting business, and the production disruptions of Group’s factory located in Danshui Town, Guangdong Province, PRC (“Danshui Factory”) in late September caused by the flash flooding from Super Typhoon Mangkhut, partially offset by the increased sales of consumer lifestyle products.

Gross profit and gross profit margin

Gross profit increased by 2.1% to HK\$107.1 million (Q2 FY2018: HK\$104.8 million), while gross profit margin improved to 14.9% (Q2 FY2018: 14.4%) as the results of change in product sales mix during the period.

Other income and gains, net

Other income increased by 113.6% to HK\$7.2 million (Q2 FY2018: HK\$3.3 million). Such increase was mainly due to the increase in net exchange gains and interest income.

Selling and distribution expenses

Selling and distribution expenses increased by 15.2% to HK\$9.3 million (Q2 FY2018: HK\$8.1 million). Such increase was mainly due to the increase in commission expenses.

Administrative expenses

Administrative expenses decreased by 3.6% to HK\$40.6 million (Q2 FY2018: HK\$42.1 million).

Net other operating loss

Danshui Factory was affected by a flash flooding in late September 2018, details of which can be found in our announcements made on 17 September 2018 and 21 September 2018. The Group has made an insurance claim for the damages suffered in the flash flooding. Whilst the Group is working with the insurer’s lost adjuster on the insurance claim, taking into account the insurance deductibles and non-recoverable costs, a provision of HKD13.6 million was made during the period.

Profit for the period

As a result of the above, the net profit for the period decreased by 12.8% to HK\$44.3 million (Q2 FY2018: HK\$50.8 million).

Review – 6 months ended 30 September 2018 (“1H FY2019”) vs 6 months ended 30 September 2017 (“1H FY2018”)**Revenue**

Revenue decreased by 0.1% or HK\$1.2 million from HK\$1,421.4 million in 1H FY2018 to HK\$1,420.2 million in 1H FY2019.

Industrial and Commercial Electronics revenue increased by 18.2% to HK\$856.1 million (1H FY2018: HK\$724.5 million), mainly attributed to the increase in demand from some of our Industrial and Commercial customers.

Consumer Electronics revenue decreased by 19.1% to HK\$564.1 million (1H FY2018: HK\$696.9 million), which was mainly due to the slowdown in demand from our Consumer Electronics customer in the smart lighting business, and the production disruptions of Group’s factory located in Danshui Factory in late September caused by the flash flooding from Super Typhoon Mangkhut, partially offset by the increased sales of consumer lifestyle products.

Gross profit and gross profit margin

Gross profit increased slightly by 0.3% to HK\$209.8 million (1H FY2018: HK\$209.2 million) while gross profit margin improved to 14.8% (1H FY2018: 14.7%) as the results of change in product sales mix during the period.

Other income and gains, net

Other income increased by 166.2% to HK\$12.6 million (Q2 FY2018: HK\$4.7 million). Such increase was mainly due to the increase in net exchange gains and interest income.

Selling and distribution expenses

Selling and distribution expenses increased by 10.9% to HK\$20.3 million (Q2 FY2018: HK\$18.3 million), such increase was mainly due to the increase in commission expenses.

Administrative expenses

Administrative expenses decreased slightly by 0.8% to HK\$81.4 million (Q2 FY2018: HK\$82.1 million)

Net other operating loss

Danshui Factory was affected by a flash flooding in late September 2018, details of which can be found in our announcements made on 17 September 2018 and 21 September 2018. The Group has made an insurance claim for the damages suffered in the flash flooding. Whilst the Group is working with the insurer’s lost adjuster on the insurance claim, taking into account the insurance deductibles and non-recoverable costs, a provision of HKD13.6 million was made during the period.

Profit for the period

As a result of the above, the net profit for the period decreased by 5.6% to HK\$94.0 million (1H FY2018: HK\$99.6 million).

Financial position and cash flows

As at 30 September 2018, the Group had net current assets of HK\$793.0 million (31 March 2018: HK\$774.9 million), total assets of HK\$2,011.3 million (31 March 2018: HK\$1,968.8 million) and shareholders’ funds of HK\$1,071.5 million (31 March 2018: HK\$1,062.0 million).

The Group's trade receivables decreased by HK\$88.1 million from HK\$582.8 million as at 31 March 2018 to HK\$494.7 million as at 30 September 2018. The Group's trade payables increased by HK\$31.5 million from HK\$482.9 million as at 31 March 2018 to HK\$514.4 million as at 30 September 2018. The Group's inventories increased by HK\$7.0 million from HK\$385.6 million as at 31 March 2018 to HK\$392.6 million as at 30 September 2018.

The working capital of the Group as at 30 September 2018, which is the sum of trade receivables and inventories less trade payables, was HK\$372.9 million (31 March 2018: HK\$485.5 million). The decrease in net working capital, reflecting the movement in trade receivables, inventories and trade payables, was mainly due to better working capital management.

The Group had no bank borrowings as at 30 September 2018 (31 March 2018: Nil).

As at 30 September 2018, the Group had cash and cash equivalents of HK\$798.2 million (31 March 2018: HK\$671.1 million) after the distribution of cash dividend of HK\$85.7 million during the period. Over 92% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong. The remaining balance of cash and cash equivalents, mainly in PRC, were placed in reputable financial institutions. The cash and cash equivalents are annually audited by the Group's auditors, PricewaterhouseCoopers.

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.

With mixed performance in CE and ICE segments, revenue remained flat quarter on quarter. ICE segment revenue continued double-digit growth, benefitting from the strong performance from our printer and automotive customers. CE segment reported a revenue decline in Q2FY19 (as compared to Q2FY18) due to weak performance in the smart lighting products notwithstanding a 11.1% increase in revenue as compared to Q1FY19, and the production disruptions of Danshui Factory in late September caused by the flash flooding.

On the components supply, we are seeing some relief in the supply chain challenges with passive electronic components as lead time normalised and pricing stabilised.

As a manufacturer with global sales, the Group is operating in an uncertain macro-economic environment caused by geo-political and trade tensions. The trade tension, if escalated, could potentially undermine the global economy and impact the supply chains of companies serving US market. Whilst there is no material immediate direct economic impact on us at this juncture, we cannot rule out indirect and consequential impact on us if the trade tensions were to escalate. We have been working with customers in evaluating various measures to mitigate impact of tariffs on goods imported to US market including options of assembly of products outside China.

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ending 31 March 2019.

11. Dividend**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Yes.

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in HK cents)	HK 7 cents per ordinary share
Tax Rate	Not applicable

(c) Date payable

The interim dividend will be paid on 10 December 2018.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 26 November 2018 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 2018 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 2018 will be entitled to the interim dividend.

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

Not applicable.

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 September 2018 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 November 2018

Chow Kok Kit
Executive Director