Valuetronics Holdings Limited
Unit 9-11, 7/F, Technology Park
No. 18 On Lai Street, Shatin,
New Territories, Hong Kong
Tel: (852) 2790 8278
Fax: (852) 2304 1851
www.valuetronics.com.hk

Media Release - For Immediate Release

VALUETRONICS BENEFITS FROM CUSTOMER RESTOCKING ACTIVITIES CONTINUING IN THIRD QUARTER AS NET PROFIT AFTER TAX GREW 7.8% to HK$13.5 MILLION

- *Overall revenue grew as a result of the major customers' restocking activities which began in 2Q FY2010*
- *Gross profit improved on the back of higher sales contribution on a quarter to quarter basis*
- *More new product concepts were put into development stage by customers for both OEM and ODM segments in 3Q FY2010 - an improved visibility on customers' business*

Financial Highlights (HK$'000)	3 Months ended 31 December			9 Months ended 31 December		
	3Q FY2010	3Q FY2009	% Change	9M FY2010	9M FY2009	% Change
Turnover	291,591	247,866	17.6	829,115	800,774	3.5
Gross Profit	**44,148**	**38,597**	**14.4**	**127,128**	**142,429**	**-10.7**
Net Profit	**13,504**	**12,523**	**7.8**	**36,765**	**55,763**	**-34.1**

Singapore, 9 February 2010 - Mainboard listed Valuetronics Holdings Limited ("Valuetronics", "鸿通电子控股有限公司" or the "Group"), a premier design and manufacturing partner for the world's leading brands in the consumer, commercial and industrial electronics sectors, today announced its nine months financial results for the year ended 31 December 2009 ("9M FY2010"). The Group posted a net profit after tax of HK$36.8 million for 9M FY2010, while net profit after tax improved 7.8% to HK$13.5 million for the quarter ended 31 December 2009 ("3Q FY2010").

Financial Highlights

The Group's revenue for 9M FY2010 was up 3.5% to HK$829.1 million which was led by more customers restocked their inventories since the second quarter ended 30 September 2009 ("2Q FY2010") in light of the continued improving general market sentiment. Consequently, revenue for 3Q FY2010 rose 17.6% to HK$291.6 million, achieved from higher revenue contribution boosted by the increase in customers' orders.

Addressing the Group's financial performance, Mr Ricky Tse Chong Hing, Chairman and Managing Director of Valuetronics Holdings Limited said: ***"While we are seeing an overall improvement in our performance, the restocking activities by few customers in 2Q FY2010 has extended to all our major customers together with new ODM projects awarded."***

Segmental Revenue				
HK$'million	**3Q FY2010**	**3Q FY2009**	**9M FY2010**	**9M FY2009**
OEM	245.4	205.7	656.0	663.9
ODM	46.2	42.2	173.1	136.9

As for the segmental revenue, there is only a slight drop in the 9M FY2010 OEM revenue of 1.2% to HK$656.0 million as a result of the restocking activities starting from 2Q FY2010, which had substantially narrowed the gap of the lower revenue in 1Q FY2010 in light of the weak economic outlook at that time. On the other hand, the OEM revenue for 3Q FY2010 has shown an increase of 19.3% to HK$245.4 million, in tandem with the increase in orders from some major customers.

Revenue from the ODM segment increased by 26.5% to HK$173.1 million in 9M FY2010 and 9.6% to HK$46.2 million in 3Q FY2010. The increase was lifted by additional sales from the new ODM projects to a Fortune 500 MNC customer.

For 9M FY2010, the Group's gross profit decreased by 10.7% to HK$127.1 million, while gross profit for 3Q FY2010 rose 14.4% to HK$44.1 million in line with the higher sales orders. Due to changes in sales mix, gross profit margin for both 9M FY2010 and 3Q FY2010 stood at 15.3% and 15.1% respectively. Comparing on a sequential basis, the 3Q FY2010 gross profit margin was an improvement from the 2Q FY2010 gross profit margin of 14.7%.

The Group's selling and distribution expenses for 9M FY2010 increased 80.2% to HK$30.8 million. The increase was coupled with the additional air freight costs incurred to support the restocking of orders that came with a shorter than usual lead time starting from 2Q FY2010 and the increase in sales and marketing spend and sales commissions paid to our sales representatives. As part of the ongoing cost management, continuous effort to tighten expenses has led to an 11.7% decrease in administrative expenses to HK$46.7 million for 9M FY2010.

Financial Position

In view of customers' restocking programme, inventory balance for the period increased from HK$67.1 million as at 31 March 2009 to HK$105.7 million as at 31 December 2009.

Trade receivables rose from HK$102.4 million as at 31 March 2009 to HK$272.8 million as at 31 December 2009. Starting from 2Q FY2010, the surge was a result of increased sales and longer payment terms granted to two of the Group's major MNC customers who are currently contributing more than 50% in total to the Group's revenue.

Receivables Days					
	3Q FY2009	**3Q FY2010**	**2Q FY2010**	**9M FY2009**	**9M FY2010**
Days	60	85	79	56	90

"Although our receivables days have increased in tandem with the longer payment terms granted to two of our major customers, it is still within our parameters. We continue to broaden and diversify our customers' base to achieve a more healthy financial position," continued Mr Tse.

The Group's trade payables increased from HK$77.2 million as at 31 March 2009 to HK$208.6 million as at 31 December, in tune with the increase in trade receivables as a result of the Group's continuous efforts to improve its working capital cycle.

Cash and cash equivalents held by the Group stood at HK$113.7 million as at 31 December 2009 compared to HK$153.5 million as at 31 March 2009 which was attributable to higher working capital utilised to support additional inventories and trade receivables during the period. The Group ended with a strong cash position as compared to HK$116.7 million as at 31 December 2008 despite the tougher business environment.

Going Forward

During the quarter, the Group benefitted from Customers' restocking as well as more new product concepts put into development by customers for both OEM and ODM segments improves visibility

"While it is still difficult to determine the full recovery of the global economy, we have a better visibility of our customers' business. This improved visibility will provide us greater assurance on future revenue streams" said Mr Tse.

The Group cautioned that side effects of the China government's stimulus packages implemented during the economic slowdown, such as its pro-agriculture policy which aimed to stem rural to urban migration, has begun to surface. This policy has resulted in a tight supply of workforce in Guangdong province. Should this trend continue after the Chinese New Year, manufacturers like Valuetronics, would need to exercise additional efforts on manpower recruitment. In addition, the Group has to contend with increasing working capital requirements to cover the extended credit periods to customers and to allocate buffer inventories for a spike in demands apart from the abovementioned restocking activities.

Despite such challenges, the Group is confident that it is well positioned to take advantage of the recovery in the global economy as its continued efforts to improve business and financial fundamentals including strengthening design and development, achieving greater productivity gains, maintaining service excellence and vigilance in working capital management.

- End -

Issued for and on behalf of Valuetronics Holdings Limited
by Cogent Communications Pte Ltd, Tel: (65) 6323-1060, Fax: (65) 6222-1210

Ms Celine Ooi, celine@cogentcomms.com (DID: 6323 3623, MOB: 9820 3845)
Mr Roger Poh, roger@cogentcomms.com (DID: 6323 3178, MOB: 9455 2690)

About Valuetronics Holdings Limited

Valuetronics is a premier design and manufacturing partner for the world's leading brands in the consumer and industrial electronics sector. The Group's customer base is predominantly in the telecommunications, industrial and commercial electronics products and consumer electronic products industries which spans across a wide geographical region that covers America, Europe and the Asia-Pacific region.

The Group's customers include OEMs and ODMs as well as international brand owners such as, "DYMO", "TRANSACT", "GRACO", "HEMISPHERE", "HID", "HONEYWELL", "KITCHENAID", "NTT" and "PHILIPS". Headquartered in Hong Kong, the Group's manufacturing facility is located in Danshui Town, Huiyang District, Huizhou City, Guangdong Province, PRC.