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Media Release

(For Immediate Release)

VALUETRONICS' REVENUE GREW 25.7% TO HK$552.9 MILLION FOR FIRST HALF FY2009

- ***Net profit declined 23.8% for three months ended 30 September 2008 ("2Q FY2009") to HK$22.2 million. Mainly resulting from a HK$10 million one-off charge for the estimated loss of asset due to flash floods which occurred on 13 June 2008.***

- ***Nonetheless, revenue for 2Q FY2009 rose 25.3% year-on-year to HK$317.8 million on the back of increased contributions mainly from the OEM revenue which rose by 46.0%.***

- ***Gross margin for 1H FY2009 declined to 18.8% from 21.2% in the same period a year ago due to changes in sales mix and an elevated cost of sales due to the rise in commodity price and PRC labour cost.***

Financial Highlights						
	3 months ended 30 Sept			6 months ended 30 Sept		
(HK$ 'm)	2Q FY2009	2Q FY2008	% Change	1H FY2009	1H FY2008	% Change
Revenue	317,787	253,523	25.3	552,908	439,800	25.7
Gross Profit	58,621	53,060	10.5	103,832	93,304	11.3
Net Profit	22,232	29,193	-23.8	43,240	49,234	-12.2

Singapore, 10 November 2008 - 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 and industrial electronics sector, today announced its financial results for the first six months ended 30 September 2008 ("1H FY2009"). The Group's net profit after tax was recorded at approximately HK$43.2 million, after a HK$10 million one-off charge for the estimated loss of asset due to flash floods which occurred on 13 June 2008. This represents a 12.2% decline from HK$49.2 million when compared to the corresponding period a year before ("1H FY2008").

Financial Highlights

Revenue for the Group increased 25.7% from HK$439.8 million in 1H FY2008 to HK$552.9 million in 1H FY2009. The increase was attributed to the rise in revenue in OEM segment. OEM revenue rose 43.4% to HK$458.2 million in 1H FY2009 from HK$319.4 million, as a result of increased demand from major customers. In contrast, ODM revenue decreased 21.3% to HK$94.7 million from HK$120.4 million in 1H FY2008, as revenue from one of our major customers has declined.

Gross profit for 1H FY2009 grew by 11.3% to HK$103.8 million, when compared to HK$93.3 million registered in 1H FY2008 in line with the group's overall revenue growth. Gross profit margins for 1H FY2009 dipped 2.4% to 18.8% from 21.2% in the corresponding period. The decrease in gross profit margin was led by the change in sales mix and an elevated cost of sales due to the rise in commodity price and PRC labour cost.

As at 30 September 2008, other income decreased by 42.1% to HK$3.2 million from HK$5.5 million in the corresponding period last year, due to less interest income earned and realised foreign exchange loss, partially offset by tooling income for the period. Selling and distribution expenses rose by 19.1% to HK$11.7 million, whilst administrative expenses increased by 8.4% to HK$35.7 million, on a year-on-year basis, in line with increase in business activities.

Due to the flash floods on 13 June 2008, the Group recorded a HK$10 million one-off charge for the estimated loss of assets. Consequently, on a year-on-year basis, the Group's overall profit before tax for 1H FY2009 registered a declined of 12.2% to HK$ 49.1 million from HK$ 55.9 million in 1H FY2008. However, profit before income tax (without the one-off charge of HK$10 million incurred from the flash floods at Danshui plant) would have increased by 5.7% to HK$59.1 million on a year-on-year basis.

Commenting on the Group's first six months performance, Mr Ricky Tse Chong Hing, Chairman and Managing Director of Valuetronics commented, ***"Flash floods in June this year caused some operational inconvenience, when both production schedule and equipment were disrupted.***

We managed to resume production operations very quickly this time around. If you take away the one-off impairment caused by the flash floods incident in June, we would have definitely shown a much stronger bottom line" Mr Tse reiterated.

Cash and cash equivalents held by the Group remained strong at approximately HK83.0 million as at 30 September 2008 compared to HK$181.7 million as registered last year. The net decrease in cash and cash equivalents was mainly due to increase in trade receivables, payment of final dividends and payments for the construction of a new plant as well as purchase of machinery and equipment. Additional cash was expended for the purchase of inventory to also replace inventories which were also damaged by the flash flood in June this year.

"We have seen how quickly an unforeseen incident can affect our operational position. I am comforted to see that because of our strong cash and balance sheet positions, we were able to quickly re-stock and resume production without affecting our commitments to our customers. The Board and management continue to take a prudent approach in managing cash cycles and to preserve balance sheet strength," added Mr Tse.

Update on new Daya Bay Site

Since mid-July 2008, some of the projects previously produced in Danshui plant have been transferred to Daya Bay plant where we have a more effective shop floor arrangement to raise productivity. The Group is expediting project transfers from existing Danshui plant to Daya Bay plant in order to raise productivity and avoiding any reoccurrence of flash flooding. Back office functions including general management, computer and engineering centres will also be relocated to Daya Bay plant in 4Q.

Looking Ahead

The operating landscape remains competitive and demanding. While we continuously improve our operational efficiency to contain cost impact of the appreciation of the RMB against USD, rising inflation in the PRC and the newly effective China Labour Contract Law, we foresee the impact of US financial crisis on global markets will undoubtedly affect our revenue growth.

"Given the current situation, one of our major customers recently revised down its forecast for the next six months amidst the slowing growth momentum. While repeating sales momentum of 1H FY2009 in the next half year is very challenging, we are happy to report that some other major customers are speeding up production migrations to China, in order to maintain cost competitiveness in their respective markets and we should benefit from this continued wave of production outsourcing and migration," Mr Tse.

Barring unforeseen circumstances, the directors expect the Group to remain profitable in FY2009.

Provenance Capital Pte. Ltd. was the Issue Manager of the Initial Public Offering of Valuetronics Holdings Limited.

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Issued for and on behalf of Valuetronics Holdings Limited by Cogent Communications Pte Ltd

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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 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.