

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 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 September 2019

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2019	2018	Change	2019	2018	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	1,367,101	1,420,228	-3.7	712,774	716,248	-0.5
Cost of sales	(1,161,167)	(1,210,385)	-4.1	(605,852)	(609,190)	-0.5
Gross profit	205,934	209,843	-1.9	106,922	107,058	-0.5
Selling and distribution expenses	(14,913)	(20,253)	-26.4	(6,182)	(9,349)	-33.9
Administrative expenses	(87,314)	(81,449)	7.2	(43,824)	(40,599)	7.9
Other income and gains, net	13,739	12,594	9.1	5,949	7,151	-16.8
Net other operating loss	-	(13,610)	-100.0	-	(13,610)	-100.0
Operating profit	117,446	107,125	9.6	62,865	50,651	24.1
Finance costs	(433)	(316)	37.0	(222)	(133)	66.9
Profit before income tax	117,013	106,809	9.6	62,643	50,518	24.0
Income tax expense	(12,919)	(12,832)	0.7	(6,673)	(6,198)	7.7
Profit for the period	104,094	93,977	10.8	55,970	44,320	26.3
Attributable to:						
Owners of the Company	104,094	93,977	10.8	55,970	44,320	26.3

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

	The Group			The Group		
	6 months ended 30 September			3 months ended 30 September		
	2019	2018	Change	2019	2018	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Profit for the period	104,094	93,977	10.8	55,970	44,320	26.3
Other comprehensive (expense)/ income, net of tax:						
<i>Items that may be reclassified to profit or loss:</i>						
Currency translation differences*	(4,868)	(6,457)	-24.6	(2,440)	(5,004)	-51.2
Total comprehensive income for the period	99,226	87,520	13.4	53,530	39,316	36.2
Attributable to:						
Owners of the Company	99,226	87,520	13.4	53,530	39,316	36.2

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

Note:

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

	The Group		The Group	
	6 months ended 30 September		3 months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation expense	25,582	21,723	12,849	10,878
Amortisation of land use rights	221	237	108	117
Losses / (gains) on disposals of property, plant and equipment	107	(397)	(4)	(211)
Interest income	(11,418)	(5,909)	(5,715)	(3,373)
Finance costs	433	316	222	133
Net exchange (gains) / losses	(79)	(2,756)	296	(2,212)
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 2019

	The Group		The Company	
	At 30.9.2019	At 31.3.2019	At 30.9.2019	At 31.3.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Land use rights	15,759	17,154	-	-
Property, plant and equipment	199,350	209,808	-	-
Right-of-use assets	2,866	-	-	-
Interests in subsidiaries	-	-	83,330	83,330
Financial assets at fair value	21,600	61,830	-	-
Others	30,663	28,867	-	-
Total non-current assets	270,238	317,659	83,330	83,330
Current assets				
Inventories	214,319	302,046	-	-
Trade receivables	559,940	436,832	-	-
Other receivables and prepayments	26,896	26,385	312	369
Due from subsidiaries	-	-	329,379	411,868
Financial assets at fair value	38,630	-	-	-
Cash and bank deposits	1,028,280	930,445	1,499	165
Total current assets	1,868,065	1,695,708	331,190	412,402
Total assets	2,138,303	2,013,367	414,520	495,732
EQUITY				
Share capital	43,563	43,401	43,563	43,401
Treasury shares	(2,272)	(2,272)	(2,272)	(2,272)
Reserves	1,136,202	1,118,153	372,901	454,274
Total equity	1,177,493	1,159,282	414,192	495,403
LIABILITIES				
Non-current liabilities				
Lease liabilities	1,649	-	-	-
Deferred income tax liabilities	8,918	8,918	-	-
Total non-current liabilities	10,567	8,918	-	-
Current liabilities				
Trade payables	447,499	391,503	-	-
Other payables and accruals	400,276	355,734	328	329
Contract liabilities	49,256	53,963	-	-
Lease liabilities	1,250	-	-	-
Current income tax liabilities	51,962	43,967	-	-
Total current liabilities	950,243	845,167	328	329
Total liabilities	960,810	854,085	328	329
Total equity and liabilities	2,138,303	2,013,367	414,520	495,732
Net current assets	917,822	850,541	330,862	412,073
Total assets less current liabilities	1,188,060	1,168,200	414,192	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 September 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 September 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 September 2019

	The Group		The Group	
	6 months ended 30 September		3 months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Profit before income tax	117,013	106,809	62,643	50,518
Adjustments for :				
Amortisation of land use rights	221	237	108	117
Depreciation expense	25,582	21,723	12,849	10,878
Losses / (gains) on disposals of property, plant and equipment	107	(397)	(4)	(211)
Share-based compensation	2,170	2,240	986	941
Impairment loss recognised in respect of flash floods	-	13,610	-	13,610
Interest expense	77	-	37	-
Interest income	(11,418)	(5,909)	(5,715)	(3,373)
	133,752	138,313	70,904	72,480
Changes in working capital:				
Inventories	87,727	(15,429)	43,173	(34,263)
Trade receivables	(123,108)	88,102	(53,676)	145,350
Other receivables and prepayments and contract assets	(2,323)	(5,176)	(5,039)	573
Trade payables	55,996	31,465	36,494	(23,994)
Other payables and accruals and contract liabilities	39,835	(14,659)	22,136	(26,703)
Net cash generated from operations	191,879	222,616	113,992	133,443
Income tax paid	(3,919)	(782)	(12)	(149)
Interest elements of lease payments	(77)	-	(37)	-
Net cash generated from operating activities	187,883	221,834	113,943	133,294
Cash flows from investing activities				
Purchase of property, plant and equipment	(18,994)	(20,484)	(1,430)	(15,466)
Proceeds from disposals of property, plant and equipment	15	431	4	244
Interest received	11,418	5,909	5,715	3,373
Net cash (used in) / generated from investing activities	(7,561)	(14,144)	4,289	(11,849)
Cash flows from financing activities				
Purchase of treasury shares	-	(3,884)	-	(3,884)
Dividend paid	(86,676)	(85,724)	(86,676)	(85,724)
Proceeds from shares issued in exercise of share options	3,491	9,424	3,491	9,424
Principal elements of lease payments	(584)	-	(288)	-
Net cash used in financing activities	(83,769)	(80,184)	(83,473)	(80,184)
Net increase in cash and cash equivalents	96,553	127,506	34,759	41,261
Effect of foreign exchange rate changes	1,282	(374)	554	(204)
Cash and cash equivalents at beginning of the period	930,445	671,087	992,967	757,162
Cash and cash equivalents at end of the period	1,028,280	798,219	1,028,280	798,219

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 2019

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 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	-	-	-	-	(4,868)	-	104,094	99,226	99,226
Dividends paid	-	-	-	-	-	-	(86,676)	(86,676)	(86,676)
Issue of shares on exercise of share options	162	-	3,329	-	-	-	-	3,329	3,491
Transfer to share premium upon exercise of share options	-	-	1,711	(1,711)	-	-	-	-	-
Share-based compensation	-	-	-	2,170	-	-	-	2,170	2,170
Changes in equity for the period	162	-	5,040	459	(4,868)	-	17,418	18,049	18,211
Balance at 30 September 2019	43,563	(2,272)	163,956	6,877	11,587	4,523	949,259	1,136,202	1,177,493
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

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 2019	43,401	(2,272)	158,916	6,418	67,239	221,701	454,274	495,403
Total comprehensive income for the period	-	-	-	-	-	(196)	(196)	(196)
Dividends paid	-	-	-	-	-	(86,676)	(86,676)	(86,676)
Issue of shares on exercise of share options	162	-	3,329	-	-	-	3,329	3,491
Transfer to share premium upon exercise of share options	-	-	1,711	(1,711)	-	-	-	-
Share-based compensation	-	-	-	2,170	-	-	2,170	2,170
Changes in equity for the period	162	-	5,040	459	-	(86,872)	(81,373)	(81,211)
Balance at 30 September 2019	43,563	(2,272)	163,956	6,877	67,239	134,829	372,901	414,192
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

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.

SHARE CAPITAL

As at 30 September 2019, 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 \$43.6 million.

As at 31 March 2019 and 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.

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

SHARE OPTIONS

As at 30 September 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 30.9.2019
Incentive Options (Note 1)	S\$0.268*	27,500	-	27,500
	S\$0.379*	1,809,500	(1,622,500)	187,000
	S\$0.701	3,095,000	-	3,095,000
	S\$0.530	2,890,000	-	2,890,000
Total		7,822,000	(1,622,500)	6,199,500

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

Employee Share Option Scheme	Exercise Price	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

* 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 have no outstanding performance shares as at 30 September 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 435,630,837 and 434,008,337 as at 30 September 2019 and 31 March 2019 respectively.

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

Total number of issued shares (excluding treasury shares) was 435,000,837 and 433,378,337 as at 30 September 2019 and 31 March 2019 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.

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 Standards ("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 September 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	
	6 months ended 30 September 2019	6 months ended 30 September 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 24.0 cents	HK 21.9 cents
(b) On a fully diluted basis	HK 24.0 cents	HK 21.8 cents
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	433,741,848	429,703,586
Effect of potentially dilutive ordinary shares – Share options	89,424	686,743
Weighted average number of ordinary shares for the purpose of diluted earnings per share	433,831,272	430,390,329

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	
	30.09.2019	31.03.2019	30.09.2019	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	2.7	2.7	1.0	1.1
Number of ordinary shares in issue excluding treasury shares	435,000,837	433,378,337	435,000,837	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 September 2019 (“Q2 FY2020”) vs 3 months ended 30 September 2018 (“Q2 FY2019”)**Revenue**

Revenue decreased slightly by 0.5% or HK\$3.4 million from HK\$716.2 million in Q2 FY2019 to HK\$712.8 million in Q2 FY2020.

Industrial and Commercial Electronics (“ICE”) revenue decreased by 8.2% to HK\$385.0 million (Q2 FY2019: HK\$419.3 million). Such decrease was mainly contributed by the decrease in demand from some of our Industrial and Commercial Electronics customers.

Consumer Electronics (“CE”) revenue increased by 10.4% to HK\$327.8 million (Q2 FY2019: HK\$296.9 million), which was mainly due to the increased sales of consumer lifestyle products in Q2 FY2020, while in corresponding quarter, CE revenue was affected by the production disruptions caused by the flash flooding from Super Typhoon.

Gross profit and gross profit margin

Gross profit decreased by 0.5% to HK\$106.9 million (Q2 FY2019: HK\$107.1 million), while gross profit margin remained consistent at 15.0% (Q2 FY2019: 14.9%).

Other income and gains, net

Other income decreased by 16.8% to HK\$5.9 million (Q2 FY2019: HK\$7.2 million). Such decrease was mainly due to the net exchange losses offset by the increase in interest income.

Selling and distribution expenses

Selling and distribution expenses decreased by 33.9% to HK\$6.2 million (Q2 FY2019: HK\$9.3 million). Such decrease was mainly due to the write back of provision for sales returns amounted to HK\$2.7 million.

Administrative expenses

Administrative expenses increased by 7.9% to HK\$43.8 million (Q2 FY2019: HK\$40.6 million). Such increase was mainly due to the increase in staff cost.

Net other operating loss

The HK\$13.6 million net other operating loss recorded in corresponding period represented the estimated net loss recognised in respect of flash floods that occurred on September 2018 at one of the Group’s manufacturing plants, located in Danshiu, PRC.

Profit for the period

As a result of the above, the net profit for the period increased by 26.3% to HK\$56.0 million (Q2 FY2019: HK\$44.3 million).

Review – 6 months ended 30 September 2019 (“1H FY2020”) vs 6 months ended 30 September 2018 (“1H FY2019”)**Revenue**

Revenue decreased by 3.7% or HK\$53.1 million from HK\$1,420.2 million in 1H FY2019 to HK\$1,367.1 million in 1H FY2020.

Industrial and Commercial Electronics revenue decreased by 6.7% to HK\$798.4 million (1H FY2019: HK\$856.1 million), mainly attributed to the decrease in demand from some of our Industrial and Commercial Electronics customers, while Consumer Electronics revenue increased slightly by 0.8% to HK\$568.7 million (1H FY2019: HK\$564.1 million).

Gross profit and gross profit margin

Gross profit decreased by 1.9% to HK\$205.9 million (1H FY2019: HK\$209.8 million) while gross profit margin improved slightly to 15.1% (1H FY2019: 14.8%).

Other income and gains, net

Other income increased by 9.7% to HK\$13.7 million (1H FY2019: HK\$12.6 million). Such increase was mainly due to the increase in interest income.

Selling and distribution expenses

Selling and distribution expenses decreased by 26.4% to HK\$14.9 million (1H FY2019: HK\$20.3 million), such decrease was mainly due to decrease in commission expenses and the write back of provision for sales returns amounted to HK\$2.7 million.

Administrative expenses

Administrative expenses increased by 7.2% to HK\$87.3 million (1H FY2019: HK\$81.4 million). Such increase was mainly due to the increase in staff cost.

Net other operating loss

The HK\$13.6 million net other operating loss recorded in corresponding period represented the estimated net loss recognised in respect of flash floods that occurred on September 2018 at one of the Group's manufacturing plants, located in Danshiu, PRC.

Profit for the period

As a result of the above, the net profit for the period increased by 10.8% to HK\$104.1 million (1H FY2019: HK\$94.0 million).

Financial position and cash flows

As at 30 September 2019, the Group had net current assets of HK\$917.8 million (31 March 2019: HK\$850.5 million), total assets of HK\$2,138.3 million (31 March 2019: HK\$2,013.4 million) and shareholders' funds of HK\$1,177.5 million (31 March 2019: HK\$1,159.3 million).

The Group's trade receivables increased by HK\$123.1 million from HK\$436.8 million as at 31 March 2019 to HK\$559.9 million as at 30 September 2019. The Group's trade payables increased by HK\$56.0 million from HK\$391.5 million as at 31 March 2019 to HK\$447.5 million as at 30 September 2019. The Group's inventories decreased by HK\$87.7 million from HK\$302.0 million as at 31 March 2019 to HK\$214.3 million as at 30 September 2019.

The working capital of the Group as at 30 September 2019, which is the sum of trade receivables and inventories less trade payables, was HK\$326.7 million (31 March 2019: HK\$347.3 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 2019 (31 March 2019: Nil).

As at 30 September 2019, the Group had cash and bank deposits of HK\$1,028.3 million (31 March 2019: HK\$930.4 million) after the distribution of cash dividend of HK\$86.7 million during the period. Over 98% of its cash and bank deposits were placed in reputable financial institutions in Hong Kong. The remaining balance of cash and bank deposits, mainly in PRC, were placed in reputable financial institutions. The cash and bank deposits 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.

The trade conflict between the US and China has continued for more than 17 months with the fourth list of tariffs being imposed in September 2019. Such escalated trade tensions have resulted in customers deploying diversified procurement strategies outside of China. With more products falling into the expanding tariff list, it is inevitable that the Group's revenue will further be impacted when more customers diversify their product assembly outside China.

In anticipation of such customers' changing needs in this challenging environment, the Group has in early 2019 embarked on an expansion plan to expand its manufacturing footprint to Vietnam to provide customers with an alternate manufacturing platform outside China. As disclosed in its announcement on the Group's Vietnam operation dated 17 October 2019, the Group's first leased manufacturing facility in Vietnam has begun mass production in June 2019 and shipments have since been made from Vietnam to the US market. The Group has also leased a standard factory with an approximate 4,000 square meters of floor area to cater for customers' increasing demands which cannot be fulfilled in the Group's first facility in Vietnam. This standard factory would allow the Group to ramp up its integrated manufacturing capability in Vietnam by first quarter of calendar year 2020.

In addition, the Group will be entering into a sub-lease agreement with a Japanese consortium managed Industrial Park to acquire the land use right for around 50,000 square meters of land to build the Group's own Vietnam manufacturing campus, which could serve the Group's medium to long term needs for extra capacity in Vietnam. The infrastructure development of the Vietnam campus will be divided into two phases, with the first phase expected to be completed by the first half of calendar year 2021.

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?

Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in HK cents)	HK 6 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 5 cents per ordinary share
Tax Rate	Not applicable

(c) Date payable

The interim dividend will be paid on 10 December 2019.

(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 2019 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 25 November 2019 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 25 November 2019 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 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
13 November 2019

Chow Kok Kit
Executive Director