

VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda)
(Co. Reg. No: 38813)

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2017**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 June 2017

	The Group		
	3 months ended 30 June		
	2017	2016	Change
	HK\$'000	HK\$'000	%
Revenue	695,678	477,497	45.7
Cost of sales	(591,341)	(400,889)	47.5
Gross profit	104,337	76,608	36.2
Selling and distribution expenses	(10,151)	(8,060)	25.9
Administrative expenses	(40,036)	(36,144)	10.8
Other income and gains, net	1,383	1,970	-29.8
Operating profit	55,533	34,374	61.6
Finance costs	(284)	(151)	88.1
Profit before income tax	55,249	34,223	61.4
Income tax expense	(6,505)	(4,637)	40.3
Profit for the period	48,744	29,586	64.8
Attributable to:			
Owners of the Company	48,744	29,586	64.8

Consolidated Statement of Comprehensive Income for the period ended 30 June 2017

	The Group		
	3 months ended 30 June		
	2017	2016	Change
	HK\$'000	HK\$'000	%
Profit for the period	48,744	29,586	64.8
Other comprehensive loss, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	-	-	-
Total comprehensive income for the period	48,744	29,586	64.8
Attributable to:			
Owners of the Company	48,744	29,586	64.8

Note:

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

	The Group	
	3 months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	7,366	8,222
Amortisation on land use rights	110	117
(Gains)/losses on disposals of property, plant and equipment	(75)	331
Interest income	(2,211)	(1,202)
Bank charges	284	151
Net exchange losses/(gains)	1,281	(345)

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 June 2017

	The Group		The Company	
	At 30.6.2017	At 31.3.2017	At 30.6.2017	At 31.3.2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Land use rights	17,333	17,443	-	-
Property, plant and equipment	152,300	157,133	-	-
Interests in subsidiaries	-	-	83,330	83,330
Available-for-sale financial assets	47,012	17,142	-	-
Others*	49,974	16,161	-	-
Total non-current assets	266,619	207,879	83,330	83,330
Current assets				
Inventories	358,116	291,864	-	-
Trade receivables	562,562	486,275	-	-
Other receivables and prepayments	31,428	29,296	233	328
Due from subsidiaries	-	-	369,044	366,439
Available-for-sale financial assets	48,142	54,762	-	-
Cash and bank deposits	719,333	752,941	2,440	1,760
Total current assets	1,719,581	1,615,138	371,717	368,527
Total assets	1,986,200	1,823,017	455,047	451,857
EQUITY				
Share capital	42,385	38,439	42,385	38,439
Treasury shares	(8,298)	(8,268)	(8,298)	(8,268)
Reserves	957,066	908,403	420,436	421,232
Total equity	991,153	938,574	454,523	451,403
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	3,294	3,294	-	-
Total non-current liabilities	3,294	3,294	-	-
Current liabilities				
Trade payables	570,102	484,708	-	-
Other payables and accruals	384,899	365,849	524	454
Current income tax liabilities	36,752	30,592	-	-
Total current liabilities	991,753	881,149	524	454
Total liabilities	995,047	884,443	524	454
Total equity and liabilities	1,986,200	1,823,017	455,047	451,857
Net current assets	727,828	733,989	371,193	368,073
Total assets less current liabilities	994,447	941,868	454,523	451,403

* Balance included deposits paid for the purchase of property, plant and equipment of HK\$49.8 million (31 March 2017: HK\$15.9 million).

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 June 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 June 2017		As at 31 March 2017	
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 June 2017

	The Group	
	3 months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before income tax	55,249	34,223
Adjustments for :		
Share-based compensation	1,749	1,390
Depreciation on property, plant and equipment	7,366	8,222
Amortisation on land use rights	110	117
(Gains)/losses on disposals of property, plant and equipment	(75)	331
Interest income	(2,211)	(1,202)
	62,188	43,081
Changes in working capital:		
Increase in inventories	(66,252)	(51,188)
Increase in trade receivables	(76,287)	(33,730)
Increase in other receivables and prepayments	(841)	(3,388)
Increase in trade payables	85,394	80,511
Increase in other payables and accruals	19,050	12,556
Net cash generated from operations	23,252	47,842
Income tax paid	(345)	(277)
Net cash generated from operating activities	22,907	47,565
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,255)	(1,881)
Proceeds from disposals of property, plant and equipment	75	959
Purchase of available-for-sale financial assets	(31,000)	-
Redemption of available-for-sale financial assets	7,750	8,046
Interest received	2,211	1,202
Net cash (used in)/generated from investing activities	(58,219)	8,326
Cash flows from financing activities		
Proceeds from shares issued in exercise of share options	2,086	-
Net cash generated from financing activities	2,086	-
Net (decrease)/increase in cash and cash equivalents	(33,226)	55,891
Effect of foreign exchange rate changes	(382)	(212)
Cash and cash equivalents at beginning of the period	752,941	689,260
Cash and cash equivalents at end of the period	719,333	744,939

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 June 2017

The Group	Attributable to the owners of the Company									
	Share capital	Treasury share	Reserves						Total reserves	Total equity
			Share premium	Share-based compensation reserve	Currency translation reserve	Statutory reserve (Note)	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	-	-	-	-	-	-	48,744	48,744	48,744	
Issue of shares on exercise of share options	92	-	1,994	-	-	-	-	1,994	2,086	
Transfer to share premium upon exercise of share options	-	-	1,182	(1,182)	-	-	-	-	-	
Issue of bonus issues	3,854	(30)	(3,824)	-	-	-	-	(3,824)	-	
Share-based compensation	-	-	-	1,749	-	-	-	1,749	1,749	
Changes in equity for the period	3,946	(30)	(648)	567	-	-	48,744	48,663	52,579	
Balance at 30 June 2017	42,385	(8,298)	130,143	10,909	14,219	3,427	798,368	957,066	991,153	
Balance at 1 April 2016	38,014	(1,980)	120,522	7,829	18,359	3,063	671,492	821,265	857,299	
Total comprehensive income for the period	-	-	-	-	-	-	29,586	29,586	29,586	
Share-based compensation	-	-	-	1,390	-	-	-	1,390	1,390	
Changes in equity for the period	-	-	-	1,390	-	-	29,586	30,976	30,976	
Balance at 30 June 2016	38,014	(1,980)	120,522	9,219	18,359	3,063	701,078	852,241	888,275	

The Company	Reserves							Total equity
	Share capital	Treasury Share	Share premium	Share-based compensation 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 2017	38,439	(8,268)	130,791	10,342	67,239	212,860	421,232	451,403
Total comprehensive income for the period	-	-	-	-	-	(715)	(715)	(715)
Issue of shares on exercise of share options	92	-	1,994	-	-	-	1,994	2,086
Transfer to share premium upon exercise of share options	-	-	1,182	(1,182)	-	-	-	-
Issue of bonus issues	3,854	(30)	(3,824)	-	-	-	(3,824)	-
Share-based compensation	-	-	-	1,749	-	-	1,749	1,749
Changes in equity for the period	3,946	(30)	(648)	567	-	(715)	(796)	3,120
Balance at 30 June 2017	42,385	(8,298)	130,143	10,909	67,239	212,145	420,436	454,523
Balance at 1 April 2016	38,014	(1,980)	120,522	7,829	67,239	189,544	385,134	421,168
Total comprehensive income for the period	-	-	-	-	-	(2,017)	(2,017)	(2,017)
Share-based compensation	-	-	-	1,390	-	-	1,390	1,390
Changes in equity for the period	-	-	-	1,390	-	(2,017)	(627)	(627)
Balance at 30 June 2016	38,014	(1,980)	120,522	9,219	67,239	187,527	384,507	420,541

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 also 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 June 2017, the number of ordinary shares in issue was 423,845,117 of which 3,343,780 were held by the Company as treasury shares. The share capital was HK\$42.4 million.

As at 31 March 2017, the number of ordinary shares in issue was 384,388,750 of which 3,039,800 were held by the Company as treasury shares. The share capital was HK\$38.4 million.

SHARE OPTIONS

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

Employee Share Option Scheme	Exercise Price (Note 3)	Balance as at 31.3.2017	Additions	Share options exercised	Adjustment for bonus issues (Note 3)	Lapsed	Balance as at 30.6.2017
(a) Incentive Options (Note 1)	S\$0.369	3,700,000	-	(925,000)	277,500	-	3,052,500
	S\$0.268	6,300,000	-	-	630,000	-	6,930,000
	S\$0.379	3,450,000	-	-	345,000	-	3,795,000
(b) Market Options (Note 2)	S\$0.474	2,175,000	-	-	217,500	-	2,392,500
Total		15,625,000	-	(925,000)	1,470,000	-	16,170,000

As at 30 June 2016, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2016	Additions	Share options exercised	Lapsed	Balance as at 30.6.2016
(a) Incentive Options (Note 1)	S\$0.162	2,200,000	-	-	-	2,200,000
	S\$0.406	5,850,000	-	-	-	5,850,000
	S\$0.295	6,500,000	-	-	-	6,500,000
Total		14,550,000	-	-	-	14,550,000

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 has no outstanding performance shares as at 30 June 2017 and 31 March 2017.

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 423,845,117 and 384,388,750 as at 30 June 2017 and 31 March 2017 respectively.

Total number of treasury shares was 3,343,780 and 3,039,800 as at 30 June 2017 and 31 March 2017 respectively.

Total number of issued shares (excluding treasury shares) was 420,501,337 and 381,348,950 as at 30 June 2017 and 31 March 2017 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.

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 2017. The adoption of the new and revised IFRSs, which are effective for the financial period beginning on 1 April 2017, 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		
	3 months ended 30 June 2017	3 months ended 30 June 2016 (as restated)	3 months ended 30 June 2016 (as previously reported)
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 11.6 cents	HK 7.1 cents	HK 7.8 cents
(b) On a fully diluted basis	HK 11.4 cents	HK 7.0 cents	HK 7.7 cents
Number of ordinary shares in issue (excluding treasury shares)			
Weighted average number of ordinary shares for the purpose of basic earnings per share	420,434,254	417,134,685	379,213,350
Effect of potentially dilutive ordinary shares – Share options	8,208,386	3,667,007	3,333,643
Weighted average number of ordinary shares for the purpose of diluted earnings per share	428,642,640	420,801,692	382,546,993

Note: The Company issued new ordinary shares as a bonus of par value HK\$0.1 each, on the basis of one new share for every ten existing shares (including treasury shares) held by the shareholders of the Company and credited as fully paid at par by way of capitalisation standing to the credit of the share premium account of the Company. The allotment of bonus issue was completed on 5 June 2017. The calculations of basic and diluted earnings per share for the period ended 30 June 2016 are adjusted retrospectively as a result of the bonus issue mentioned above.

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		
	30.06.2017	31.03.2017 (as restated)	31.03.2017 (as previously reported)	30.06.2017	31.03.2017 (as restated)	31.03.2017 (as previously reported)
	HK dollar	HK dollar	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:	2.4	2.2	2.5	1.1	1.1	1.2
Number of ordinary shares in issue excluding treasury shares	420,501,337	419,483,845	381,348,950	420,501,337	419,483,845	381,348,950

Note: The calculations of net asset value per ordinary share for the period ended 31 March 2017 are adjusted retrospectively following the completion of the 1-for-10 bonus issue on 5 June 2017.

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") and industrial and commercial electronics products ("Industrial and Commercial").

Review – 3 months ended 30 June 2017 ("Q1 FY2018") vs 3 months ended 30 June 2016 ("Q1 FY2017")

Revenue

Revenue increased by 45.7% or HK\$218.2 million from HK\$477.5 million in Q1 FY2017 to HK\$695.7 million in Q1 FY2018.

Industrial and Commercial Electronics revenue increased by 21.3% to HK\$379.2 million (Q1 FY2017: HK\$312.5 million). Such increase was mainly contributed by the increase in demand from some of our Industrial and Commercial Electronics customers.

Consumer Electronics revenue increased by 91.8% to HK\$316.5 million (Q1 FY2017: HK\$165.0 million), which was mainly due to the introduction of new products, smart LED lighting products with Internet of Things ("IOT") features.

Gross profit and gross profit margin

Gross profit increased by 36.2% to HK\$104.3 million (Q1 FY2017: HK\$76.6 million) while gross profit margin decreased to 15.0% (Q1 FY2017: 16.0%). It was mainly due to a change in product sales mix during the period.

Other income and gains, net

Other income decreased by 29.8% to HK\$1.4 million. Such decrease was mainly due to the increase in interest income offset by the increase in net exchange losses.

Selling and distribution expenses

Selling and distribution expenses increased by 25.9% to HK\$10.2 million. Such increase was mainly due to the increase in revenue.

Administrative expenses

Administrative expenses increased by 10.8% to HK\$40.0 million. Such increase was mainly due to the increase in staff cost and travelling expenses.

Profit for the period

As a result of the above, profit for the period increased by 64.8% to HK\$48.7 million. (Q1 FY2017: HK\$29.6 million).

Financial position and cash flows

As at 30 June 2017, the Group had net current assets of HK\$727.8 million (31 March 2017: HK\$734.0 million), total assets of HK\$1,986.2 million (31 March 2017: HK\$1,823.0 million) and shareholders' funds of HK\$991.2 million (31 March 2017: HK\$938.6 million).

The Group's trade receivables increased by HK\$76.3 million from HK\$486.3 million as at 31 March 2017 to HK\$562.6 million as at 30 June 2017. The Group's trade payables increased by HK\$85.4 million from HK\$484.7 million as at 31 March 2017 to HK\$570.1 million as at 30 June 2017. The Group's inventories increased by HK\$66.2 million from HK\$291.9 million as at 31 March 2017 to HK\$358.1 million as at 30 June 2017.

The working capital of the Group as at 30 June 2017, which is the sum of trade receivables and inventories less trade payables, was HK\$350.6 million (31 March 2017: HK\$293.5 million). The increase in net working capital, reflecting the movement in trade receivables, inventories and trade payables, was in line with the revenue growth during the period.

The Group had no bank borrowings as at 30 June 2017 (31 March 2017: Nil).

As at 30 June 2017, the Group had cash and cash equivalents of HK\$719.3 (31 March 2017: HK\$752.9 million) after the net cash spent on the investments in available-for-sale financial assets of HK\$23.3 million during the period. Over 93% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong. For the remaining balance, mainly in PRC, 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.

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.

Valuetronics continued the strong performance across all segments in Q1 FY2018, revenue increased by 45.7% and profit attributable to owners of the Company rose 64.8%.

Strong growth in CE segment in Q1 FY2018 was mainly driven by the smart LED lighting products with IOT features. We remain optimistic on the growth prospects of the smart LED lighting products as IOT devices gain more popularity.

ICE segment delivered double digital revenue growth in Q1 FY2018 with increased demands from in-car connectivity modules used in the automotive industry and printers. The Group has acquired its first automotive customer in FY2016, and started supplying in-car connectivity modules to one of their automaker customers. Recently, the Group has successfully been qualified by another automaker served by this automotive customer.

We will continue to ride on our successful penetration into the automotive industry to pursue further opportunities in this industry and expand our product portfolio and customer base by providing vertical integrated services with our design and development capabilities.

Like most manufacturers, we are operating in an uncertain macro-economic environment. We remain mindful of the impact on our overall business environment; in particular we are vulnerable to fluctuations to raw material price and lead time in procurement.

Barring unforeseen circumstances, the directors expect the Group to remain profitable for the financial year ending 31 March 2018.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded for Q1 FY2018.

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 June 2017 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
11 August 2017

Chow Kok Kit
Executive Director