

 [Print this page](#)
**First Quarter Results \* Financial Statement And Related Announcement**

\* Asterisks denote mandatory information

Name of Announcer *	VALUETRONICS HOLDINGS LIMITED
Company Registration No.	38813
Announcement submitted on behalf of	VALUETRONICS HOLDINGS LIMITED
Announcement is submitted with respect to *	VALUETRONICS HOLDINGS LIMITED
Announcement is submitted by *	Tse Chong Hing
Designation *	Chairman & Managing Director
Date & Time of Broadcast	07-Aug-2012 07:28:48
Announcement No.	00002

**>> Announcement Details**

The details of the announcement start here ...

For the Financial Period Ended *	30-06-2012
----------------------------------	------------

Description	PLEASE SEE ATTACHED
-------------	---------------------

**Attachments**
 [Valuetronics-1QFY13-Results.pdf](#)

Total size = **148K**  
(2048K size limit recommended)

[Close Window](#)

**VALUETRONICS HOLDINGS LIMITED**

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

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement and a 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 2012**

	The Group		
	3 months ended 30 June		
	2012	2011	Change
	HK\$'000	HK\$'000	%
<b>Revenue</b>	634,500	527,085	20.4
Cost of sales	(560,101)	(442,920)	26.5
<b>Gross profit</b>	<b>74,399</b>	<b>84,165</b>	<b>-11.6</b>
Other income	2,312	2,290	1.0
Selling and distribution costs	(13,791)	(18,689)	-26.2
Administrative expenses	(31,862)	(30,114)	5.8
Other operating losses	(248)	-	NM
<b>Profit from operations</b>	<b>30,810</b>	<b>37,652</b>	<b>-18.2</b>
Finance costs	(518)	(481)	7.7
<b>Profit before tax</b>	<b>30,292</b>	<b>37,171</b>	<b>-18.5</b>
Income tax expense	(4,562)	(5,523)	-17.4
<b>Profit for the period</b>	<b>25,730</b>	<b>31,648</b>	<b>-18.7</b>
<b>Attributable to:</b>			
Owners of the Company	25,730	31,648	-18.7

**Note:**

NM: Not meaningful

## Consolidated Statement of Comprehensive Income for the period ended 30 June 2012

	The Group		
	3 months ended 30 June		
	2012	2011	Change
	HK\$'000	HK\$'000	%
<b>Profit for the period</b>	<b>25,730</b>	<b>31,648</b>	<b>-18.7</b>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations	-	2,472	NM
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>2,472</b>	<b>NM</b>
<b>Total comprehensive income for the period</b>	<b>25,730</b>	<b>34,120</b>	<b>-24.6</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	25,730	34,120	-24.6

**Note:**

NM: Not meaningful

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

	The Group	
	3 months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Depreciation (Note 1)	11,266	9,636
Amortisation of land use rights	124	119
Provision for impairment loss on long term receivables	248	-
Loss on disposals of property, plant and equipment	37	42
Interest income	(229)	(36)
Interest expenses	118	161
Bank charges	400	320
Net realized exchange gains (Note 2)	(657)	(496)

Note 1: Higher depreciation for the period ended 30 June 2012 was mainly due to higher depreciation effects for new property, plant and equipment during the period.

Note 2: Net realized exchange gains mainly resulted from translation of United State dollars to Hong Kong dollars during the period.

**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 2012**

	The Group		The Company	
	At 30.6.2012	At 31.3.2012	At 30.6.2012	At 31.3.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Land use rights	21,137	21,261	-	-
Property, plant and equipment	218,113	222,689	-	-
Goodwill	10	10	-	-
Investments in subsidiaries	-	-	83,330	83,330
Club membership, at cost	248	248	-	-
	239,508	244,208	83,330	83,330
<b>Current assets</b>				
Inventories	289,043	204,090	-	-
Trade receivables	618,257	508,120	-	-
Land use rights	487	487	-	-
Prepayments, deposits and other receivables	13,963	12,503	58	227
Long term receivables – current portion	-	248	-	-
Due from subsidiaries	-	-	183,337	183,781
Bank and cash balances	276,121	263,730	108	329
	1,197,871	989,178	183,503	184,337
<b>Total assets</b>	1,437,379	1,233,386	266,833	267,667
<b>Current liabilities</b>				
Trade payables	555,359	393,835	-	-
Accruals, other payables and deposits received	246,421	232,102	271	394
Current tax liabilities	16,475	15,130	-	-
Bank borrowings	12,000	9,000	-	-
	830,255	650,067	271	394
<b>Non-current liabilities</b>				
Bank borrowings	8,000	11,000	-	-
Deferred tax liabilities	3,944	3,944	-	-
	11,944	14,944	-	-
<b>Total liabilities</b>	842,199	665,011	271	394
	595,180	568,375	266,562	267,273
<b>Equity attributable to owners of the Company</b>				
Share capital	35,860	35,860	35,860	35,860
Reserves	559,320	532,515	230,702	231,413
<b>Total equity</b>	595,180	568,375	266,562	267,273

**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 2012		As at 31 March 2012	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
12,000	Nil	9,000	Nil

**Amount repayable after one year**

As at 30 June 2012		As at 31 March 2012	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
8,000	Nil	11,000	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 2012**

	The Group	
	3 months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	30,292	37,171
Adjustments for :		
Provision for impairment loss on long term receivables	248	-
Amortisation of land use rights	124	119
Equity-settled share-based payments	1,075	1,073
Depreciation	11,266	9,636
Loss on disposals of property, plant and equipment	37	42
Interest expenses	118	161
Interest income	(229)	(36)
<b>Operating profit before working capital changes</b>	<b>42,931</b>	<b>48,166</b>
Increase in inventories	(84,953)	(108,366)
Increase in trade receivables	(110,137)	(31,399)
(Increase)/decrease in prepayments, deposits and other receivables	(1,460)	4,327
Increase in trade payables	161,524	136,821
Increase/(decrease) in accruals, other payables and deposits received	14,319	(3,094)
<b>Cash generated from operations</b>	<b>22,224</b>	<b>46,455</b>
Income tax paid	(3,217)	(1,598)
Interest paid	(118)	(161)
<b>Net cash generated from operating activities</b>	<b>18,889</b>	<b>44,696</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,727)	(3,177)
Proceeds from disposal of property, plant and equipment	-	183
Interest received	229	36
<b>Net cash used in investing activities</b>	<b>(6,498)</b>	<b>(2,958)</b>
<b>Cash flows from financing activities</b>		
Net repayment of trust receipt loans	-	(38,015)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(38,015)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,391</b>	<b>3,723</b>
<b>Effect of foreign exchange rate changes</b>	<b>-</b>	<b>250</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>263,730</b>	<b>136,185</b>
<b>Cash and cash equivalents at end of the period</b>	<b>276,121</b>	<b>140,158</b>

**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**

The Group	Attributable to the owners of the Company									
	Share capital	Treasury shares	Reserves					Retained earnings	Total reserves	Total equity
			Share premium	Share-based payment reserve	Translation reserve	Statutory reserve (note 1)				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2012	35,860	-	90,283	4,411	21,202	1,198	415,421	532,515	568,375	
Total comprehensive income for the period	-	-	-	-	-	-	25,730	25,730	25,730	
Share-based payments	-	-	-	1,075	-	-	-	1,075	1,075	
<b>Balance at 30 June 2012</b>	<b>35,860</b>	<b>-</b>	<b>90,283</b>	<b>5,486</b>	<b>21,202</b>	<b>1,198</b>	<b>441,151</b>	<b>559,320</b>	<b>595,180</b>	
Balance at 1 April 2011	35,670	(778)	87,244	3,566	14,588	749	335,171	441,318	476,210	
Total comprehensive income for the period	-	-	-	-	2,472	-	31,648	34,120	34,120	
Share-based payments	-	-	-	1,073	-	-	-	1,073	1,073	
<b>Balance at 30 June 2011</b>	<b>35,670</b>	<b>(778)</b>	<b>87,244</b>	<b>4,639</b>	<b>17,060</b>	<b>749</b>	<b>366,819</b>	<b>476,511</b>	<b>511,403</b>	

The Company	Reserves							
	Share capital	Treasury shares	Share premium	Share-based payment reserve	Contributed surplus	Retained earnings	Total reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2012	35,860	-	90,283	4,411	67,239	69,480	231,413	267,273
Total comprehensive income for the period	-	-	-	-	-	(1,786)	(1,786)	(1,786)
Share-based payments	-	-	-	1,075	-	-	1,075	1,075
<b>Balance at 30 June 2012</b>	<b>35,860</b>	<b>-</b>	<b>90,283</b>	<b>5,486</b>	<b>67,239</b>	<b>67,694</b>	<b>230,702</b>	<b>266,562</b>
Balance at 1 April 2011	35,670	(778)	87,244	3,566	67,239	60,695	218,744	253,636
Total comprehensive income for the period	-	-	-	-	-	(1,891)	(1,891)	(1,891)
Share-based payments	-	-	-	1,073	-	-	1,073	1,073
<b>Balance at 30 June 2011</b>	<b>35,670</b>	<b>(778)</b>	<b>87,244</b>	<b>4,639</b>	<b>67,239</b>	<b>58,804</b>	<b>217,926</b>	<b>252,818</b>

Note 1: 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, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

There were no changes in the Company's share capital since the end of the previous period reported. As at 30 June 2012, the share capital of the Company comprises 358,600,000 shares (30 June 2011: 356,700,000 shares).

There were no changes in the Company's share options since the end of the previous period reported. As at 30 June 2012, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2012	Additions	Share options exercised	Balance as at 30.6.2012
(a) Incentive Options (Note 1)	S\$0.175	100,000	-	-	100,000
	S\$0.144	1,200,000	-	-	1,200,000
	S\$0.105	2,750,000	-	-	2,750,000
	S\$0.150	2,400,000	-	-	2,400,000
	S\$0.160	1,150,000	-	-	1,150,000
	S\$0.174	4,900,000	-	-	4,900,000
(b) Market Options (Note 2)	S\$0.215	200,000	-	-	200,000
	S\$0.184	400,000	-	-	400,000
Total		13,100,000	-	-	13,100,000

As at 30 June 2011, the Company has the following outstanding share options:

Employee Share Option Scheme	Exercise Price	Balance as at 31.3.2011	Additions	Share options exercised	Balance as at 30.6.2011
(a) Incentive Options (Note 1)	S\$0.225	800,000	-	-	800,000
	S\$0.175	400,000	-	-	400,000
	S\$0.144	1,200,000	-	-	1,200,000
	S\$0.105	2,750,000	-	-	2,750,000
	S\$0.150	2,400,000	-	-	2,400,000
	S\$0.160	1,150,000	-	-	1,150,000
(b) Market Options (Note 2)	S\$0.215	800,000	-	-	800,000
	S\$0.184	600,000	-	-	600,000
Total		10,100,000	-	-	10,100,000

As at 30 June 2012, no shares were held as treasury shares (30 June 2011: 1,174,600 shares). There were no treasury shares transferred during the period under the Company's Employee Share Option Scheme and Performance Share Plan.

**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.



- 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.**

Issued Ordinary Shares	Number of Shares	
	As at 30.6.2012	As at 31.3.2012
Total number of issued shares	358,600,000	358,600,000
Total number of treasury shares	-	-
<b>Total number of issued shares excluding treasury shares</b>	<b>358,600,000</b>	<b>358,600,000</b>

- 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.**

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 2012, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") which are relevant to the Group's operations and became effective for the financial year beginning 1 April 2012.

- 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 adoption of the new and revised International Financial Reporting Standards ("IFRSs"), which are effective for the financial year beginning 1 April 2012, 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.

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 2012	3 months ended 30 June 2011
Earnings per ordinary share for the period based on the net profit for the period		
(a) Based on weighted average number of ordinary shares on issue; and	HK 7.2 cents	HK 8.9 cents
(b) On a fully diluted basis	HK 7.1 cents	HK 8.8 cents
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	358,600,000	355,525,400
Effect of potentially dilutive ordinary shares – Share options	4,866,263	5,287,950
Weighted average number of ordinary shares for the purpose of diluted earnings per share	363,466,263	360,813,350

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	
	30.6.2012	31.03.2012	30.6.2012	31.03.2012
	HK cents	HK cents	HK cents	HK cents
Net asset value per ordinary share based on issued share capital excluding treasury shares at the end of the period:	166.0	158.5	74.3	74.5
Number of ordinary shares in issue excluding treasury shares	358,600,000	358,600,000	358,600,000	358,600,000

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 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. In 2010, Valuetronics has further enhanced its existing business model and extended its value chain through its acquisitions of exclusive brand licensing agreements. These agreements grant Valuetronics exclusive rights to use the "Whirlpool", "Maytag" and "Amana" brands, for a portfolio of home comfort appliances such as air purifiers, fans and heaters in North America.

In the previous periods, the Group classified its business into 3 reportable segments, namely Original Equipment Manufacturers products ("OEM"), Original Design Manufacturer products ("ODM") and Licensed products ("Licensing"). Due to the high involvement in the designing and manufacturing engineering process of our OEM customers' products, the differentiation between services provided to the OEM and ODM customers is blurring and may not reflect the actual performance of the each business segment. Accordingly, we begin to classify the business segments with reference to the nature and characteristic of market where the product is sold, namely consumer electronics products ("Consumer Electronics"), industrial and commercial electronics products ("Industrial and Commercial Electronics") and Licensing effective from this quarter.

#### **Review – 3 months period ended 30 June 2012 ("Q1 FY2013") vs 3 months period ended 30 June 2011 ("Q1 FY2012")**

##### **Revenue**

Revenue increased by 20.4% or HK\$107.4 million from HK\$527.1 million in Q1 FY2012 to HK\$634.5 million in Q1 FY2013. Such increase was mainly attributable to the significant growth from our major Consumer Electronics customers.

Consumer Electronics revenue increased by 36.9% to HK\$478.9 million (Q1 FY2012: HK\$349.8 million) mainly contributed by the significant increase in demand from our major Consumer Electronics customers.

Industrial and Commercial Electronics revenue decreased by 9.0% to HK\$148.6 million (Q1 FY2012: HK\$163.2 million), mainly due to slow down in demand from some of our Industrial and Commercial Electronics customers.

Licensing business contributed HK\$7.0 million to the revenue in Q1 FY2013 (Q1 FY2012: HK\$14.1 million), representing a decline of 50.4% (see details in Section 10).

##### **Gross profit and gross profit margin**

Gross profit decreased by 11.6% to HK\$74.4 million (Q1 FY2012: HK\$84.2 million) while gross profit margin declined from 16.0% to 11.7%, which was mainly due to the change in product mix during the period.

##### **Other income**

Other income increased by 1.0% to HK\$2.3 million (Q1 FY2012: HK\$2.3 million). The increase was mainly contributed by the net foreign exchange gains by HK\$0.2 million.

**Selling and distribution costs**

Selling and distribution costs decreased by 26.2% to HK\$13.8 million (Q1 FY2012: HK\$18.7 million) owing to decreases in commissions paid to the Group's sales representatives and in promotion and marketing expenses related to the Licensing business.

**Administrative expenses**

Administrative expenses increased by 5.8% to HK\$31.9 million (Q1 FY2012: HK\$30.1 million). The slight increase was due to the increase in salaries and bonus for the Group's administrative and corporate employees during the period.

**Other operating losses**

Other operating losses represent provision for impairment for loss on long term receivables placed with a vocational training school in Anhui Province of the PRC of HK\$0.2 million (Q1 FY2012: Nil).

**Net Profit**

Net profit of the Group for the period decreased by 18.7% to HK\$25.7 million (Q1 FY2012: HK\$31.6 million). The net profit margin for the period was 4.1% (Q1 FY2012: 6.0%).

**Financial position and cash flows**

As at 30 June 2012, the Group had net current assets of HK\$367.6 million (31 March 2012: HK\$339.1 million), total assets of HK\$1,437.4 million (31 March 2012: HK\$1,233.4 million) and shareholders' funds of HK\$595.2 million (31 March 2012: HK\$568.4 million).

The Group's trade receivables increased by HK\$110.2 million from HK\$508.1 million as at 31 March 2012 to HK\$618.3 million as at 30 June 2012. The Group's trade payables increased by HK\$161.6 million from HK\$393.8 million as at 31 March 2012 to HK\$555.4 million as at 30 June 2012. These are in line with the growth in business during the period.

The Group's inventories increased by HK\$84.9 million from HK\$204.1 million as at 31 March 2012 to HK\$289.0 million as at 30 June 2012. This is in line with the revenue growth during the period.

The working capital of the Group as at 30 June 2012, which is the sum of trade receivables and inventories less trade payables, was HK\$351.9 million (31 March 2012: HK\$318.4 million).

As at 30 June 2012, the Group had cash and cash equivalents of HK\$276.1 million owing to better working capital management (31 March 2012: HK\$263.7 million).

The Group's bank borrowings as at 30 June 2012 amounted to HK\$20.0 million (31 March 2012: HK\$20.0 million), arising from term loans for acquisitions of machineries. The net cash as at 30 June 2012, which is equivalent to the net balance of cash and cash equivalents and bank borrowings, amounted to HK\$256.1 million (31 March 2012: HK\$243.7 million).

Cash generated from operations during the period amounted to HK\$18.9 million compared to HK\$44.7 million in Q1 FY2012. The cash used in investing activities amounted to HK\$6.5 million (Q1 FY2012: HK\$3.0 million) and no cash was used in financing activities (Q1 FY2012: cash used of HK\$38.0 million).

**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.**

During Q1 FY2013, the Group continued to benefit from the strong demand and orders from Consumer Electronics brought forward from last quarter, which compensated for the slowdown in demand in Industrial and Commercial Electronics. However, the uncertainties in global economy and the recurring operational challenges, such as costs pressure, higher labour costs and inflation in the PRC, are expected to continue and business conditions for manufacturing industry and the Group will remain challenging in the financial year ending 31 March 2013 ("FY2013").

We commenced our Licensing business in March 2010 when we acquired our first licensing rights to design, manufacture, sell and distribute air purifiers. Shortly, thereafter, in September 2010, we acquired our second licensing rights for fans and heaters. Under these licensing agreements, our Licensing business has exclusive rights to design, manufacture, sell and distribute air purifiers, fans and heaters under Whirlpool, Maytag and Amana brands in the North American market. However, owing to anaemic economic growth in the US and fierce competition, our Licensing business recorded losses in both financial years ended 31 March 2011 and 2012, which amounted to HK\$11.4 million and HK\$23.7 million respectively.

Arising from the challenging and competitive business environment, we faced significant reduction in purchase orders and shrinkage in market penetration in Q1 FY2013. Revenue contribution from our Licensing business decreased from HK\$14.1 million in the previous quarter to HK\$7.0 million. Accompanied by an increase in demand for advertising and promotion subsidies from some of our retailers, it is likely that our Licensing business will incur heavier losses in FY2013. If we continue with the Licensing business, it may cause us to incur significant amount of selling expenses and other ancillary costs arising from an effort to drive the sales of our products as well as to better penetrate into the US markets, without any certainty of improvement in prospects. Taking into account the size of the Licensing business in terms of operations and market share in North America, and our limited resources, to continue with such heavy marketing spend may not be warranted.

When we first entered into the Licensing business, we were fully aware that we would be operating in a highly competitive market place in North America in respect of those three products, namely, air purifiers, fans and heaters. At that time, the United States were also experiencing an economic slowdown. We had hoped that it would gradually recover. However, till today, such recovery continued to be weak. In addition, the adverse backlash from recent developments in the European sovereign risks may further erode consumer confidence in North America. This was already evident as sales of our products had been much weaker than expected in Q1 FY2013.

Accordingly, after a rigorous review of the prospects of the Licensing business, the Group has decided to cease the Licensing business. It is intended that the termination would become effective before end of calendar year 2012. The Licensing business would gradually phase out and incur further losses in FY2013.

As a result of the termination, the Licensing business is expected to incur termination expenditure of about HK\$25 million, which includes termination cost and royalties payable to the licensors as well as severance payments for our employees. In addition, the provision for impairment on the net assets is estimated at HK\$3 million. Altogether, the total termination expenditure is estimated at HK\$28 million and is expected to be recorded in the next quarter. Accordingly, the Group's Q2 FY2013 results would be significantly impacted.

The Group will continue to remain vigilant in monitoring market developments and will continue with our efforts in improving our fundamentals, which include our design and development capabilities, production efficiencies and inventory management. In addition, the Group will actively drive its business development activities so as to widen its customer and product portfolios in Industrial and Commercial Electronics and to improve its profitability.

Despite the cessation of the Licensing business and the related costs expected to be recorded in Q2 FY2013, barring unforeseen circumstances the directors expect the Group to remain profitable for the financial year.

**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 / recommended for Q1 FY2013.

**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 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 3 months period ended 30 June 2012 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*  
7 August 2012

**Chow Kok Kit**  
*Executive Director*