

**VALUETRONICS HOLDINGS LIMITED**

(Incorporated in Bermuda)

(Co. Reg. No: 38813)

**THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2010****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS****1(a) An income statement (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 31 December 2009**

	The Group			The Group		
	9 months ended 31 December			3 months ended 31 December		
	2009	2008	Change	2009	2008	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue	829,115	800,774	3.5	291,591	247,866	17.6
Cost of Sales	(701,987)	(658,345)	6.6	(247,443)	(209,269)	18.2
Gross Profit	127,128	142,429	-10.7	44,148	38,597	14.4
Other income	2,629	3,761	-30.1	198	578	-65.7
Selling and distribution costs	(30,816)	(17,102)	80.2	(11,512)	(5,366)	114.5
Administrative expenses	(46,705)	(52,885)	-11.7	(17,363)	(17,167)	1.1
Net other operating loss	(9,976)	(12,430)	-19.7	-	(2,223)	-100
Profit From Operations	42,260	63,773	-33.7	15,471	14,419	7.3
Finance costs	(488)	(359)	35.9	(188)	(141)	33.3
Profit Before Tax	41,772	63,414	-34.1	15,283	14,278	7.0
Income tax expense	(5,007)	(7,651)	-34.6	(1,779)	(1,755)	1.4
Profit for the period	36,765	55,763	-34.1	13,504	12,523	7.8
Attributable to:						
Owners of the Company	36,765	55,763	-34.1	13,504	12,523	7.8
Minority interests	-	-	-	-	-	-

**Consolidated Statement of Comprehensive Income for the period ended 31 December 2009**

	The Group			The Group		
	9 months ended 31 December			3 months ended 31 December		
	2009	2008	Change	2009	2008	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Profit for the period	36,765	55,763	-34.1	13,504	12,523	7.8
Other comprehensive income:						
Net fair value changes of available-for-sale financial assets	1,553	-	N.M.	910	-	N.M.
Other comprehensive income for the period, net of tax	1,553	-	N.M.	910	-	N.M.
Total comprehensive income for the period	38,318	55,763	-31.3	14,414	12,523	15.1
Total comprehensive income attributable to:						
Owners of the Company	38,318	55,763	-31.3	14,414	12,523	15.1
Minority interests	-	-	-	-	-	-

**Note:**

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

	The Group		The Group	
	9 months ended 31 December		3 months ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	17,242	14,541	5,986	6,039
Amortisation of prepaid land lease payments and land use rights	358	358	119	119
Loss/(Gain) on disposals of property, plant and equipment	11	-	(5)	-
Allowance for doubtful debts	9,976	2,430	-	2,223
Interest income	(711)	(2,218)	(233)	(658)
Interest expenses	1	1	1	1
Bank charges	487	358	187	140
Net exchange loss	249	2,223	1,301	1,557
Impairment loss recognised in respect of flash floods that occurred on 13 June 2008 at the Danshui plant	-	10,000	-	-

**1(b)(i) A balance sheet (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 31 December 2009

	The Group		The Company	
	At 31.12.2009	At 31.3.2009	At 31.12.2009	At 31.3.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Prepaid land lease payments and land use rights	24,207	24,565	-	-
Property, plant and equipment	161,573	160,068	-	-
Investments in subsidiaries	-	-	83,330	83,330
Club membership, at cost	200	200	-	-
Long term receivables	1,495	1,610	-	-
	187,475	186,443	83,330	83,330
<b>Current assets</b>				
Available-for-sale financial assets (Note 1)	15,092	13,539	-	-
Inventories	105,697	67,074	-	-
Trade receivables	272,822	102,419	-	-
Prepaid land lease payments and land use rights	545	545	-	-
Prepayments, deposits and other receivables	8,511	10,200	-	-
Long term receivables – current portion (Note 2)	690	1,150	-	-
Due from subsidiaries	-	-	115,095	132,941
Current tax assets	-	3,209	-	-
Bank and cash balances	113,658	153,483	72	258
	517,015	351,619	115,167	133,199
<b>Total assets</b>	704,490	538,062	198,497	216,529
<b>Current liabilities</b>				
Trade payables	208,618	77,221	-	-
Accruals, other payables and deposits received	139,174	129,746	289	573
Current tax liabilities	5,984	4,478	-	-
	353,776	211,445	289	573
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,126	3,126	-	-
<b>Total liabilities</b>	356,902	214,571	289	573
	347,588	323,491	198,208	215,956
<b>Equity attributable to owners of the Company</b>				
Share capital	35,500	35,500	35,500	35,500
Treasury share	(1,853)	(2,176)	(1,853)	(2,176)
Reserves	313,954	290,180	164,561	182,632
	347,601	323,504	198,208	215,956
<b>Minority interests</b>	(13)	(13)	-	-
<b>Total equity</b>	347,588	323,491	198,208	215,956

Note 1: Available-for-sale financial assets are measured at fair value.

Note 2: Allowance for doubtful debts of HK\$460,000 was made for potential payment default by one of the vocational schools.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

As at 31 December 2009		As at 31 March 2009	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
nil	nil	nil	nil

**Amount repayable after one year**

As at 31 December 2009		As at 31 March 2009	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
nil	nil	nil	nil

**Details of any collateral****None**

**1(c) A cash flow statement (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 31 December 2009**

	The Group		The Group	
	9 months ended 31 December		3 months ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>				
Profit before tax	41,772	63,414	15,283	14,278
Adjustments for :				
Amortisation of prepaid land lease payments and land use rights	358	358	119	119
Share-based payments expenses	1,607	289	724	123
Depreciation	17,242	14,541	5,986	6,039
Loss/(Gain) on disposals of property, plant and equipment	11	-	(5)	-
Allowance for doubtful debts	9,976	2,430	-	2,223
Interest expenses	1	1	1	1
Interest income	(711)	(2,218)	(233)	(658)
<b>Operating profit before working capital changes</b>	<b>70,256</b>	<b>78,815</b>	<b>21,875</b>	<b>22,125</b>
Decrease/(Increase) in long term receivables	115	(630)	-	-
(Increase)/Decrease in inventories	(38,623)	10,327	(18,199)	32,358
(Increase)/Decrease in trade receivables	(179,919)	(27,062)	4,487	59,988
Increase in bills receivables	-	(1,380)	-	(230)
Decrease/(Increase) in prepayments, deposits and other receivables	1,689	(13,611)	2,062	(8,817)
Increase/(Decrease) in trade payables	131,397	(8,455)	5,383	(71,206)
Increase in accruals, other payables and deposits received	9,428	1,575	9,929	1,938
<b>Cash (used in)/generated from operations</b>	<b>(5,657)</b>	<b>39,579</b>	<b>25,537</b>	<b>36,156</b>
Income tax(paid)/refund	(292)	(519)	71	(519)
Interest paid	(1)	(1)	(1)	(1)
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,950)</b>	<b>39,059</b>	<b>25,607</b>	<b>35,636</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(18,758)	(64,695)	(9,094)	(4,907)
Purchase of available-for-sale financial assets (Note 1)	(11,625)	(39,000)	-	-
Proceeds from disposals of available-for-sale financial assets	11,625	27,250	-	3,850
Interest received	711	2,218	233	658
<b>Net cash used in investing activities</b>	<b>(18,047)</b>	<b>(74,227)</b>	<b>(8,861)</b>	<b>(399)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(15,828)	(27,690)	-	-
Purchase of treasury shares	-	(2,176)	-	(1,537)
<b>Net cash used in financing activities</b>	<b>(15,828)</b>	<b>(29,866)</b>	<b>-</b>	<b>(1,537)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(39,825)</b>	<b>(65,034)</b>	<b>16,746</b>	<b>33,700</b>
Cash and cash equivalents at beginning of the period	153,483	181,691	96,912	82,957
Cash and cash equivalents at end of the period	<b>113,658</b>	<b>116,657</b>	<b>113,658</b>	<b>116,657</b>

Note 1: Being placements of principal protected deposits.

**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.**

**Statements of Changes in Equity**

The Group	Attributable to the owners of the Company												
	Share capital	Treasury shares	Reserves							Total reserves	Total	Minority Interests	Total equity
			Share premium	Share-based payment reserve	Translation reserve	Statutory reserve (note 1)	Investment revaluation reserve	Retained earnings					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2009	35,500	(2,176)	85,591	571	10,484	242	(2,061)	195,353	290,180	323,504	(13)	323,491	
Total comprehensive income for the period	-	-	-	-	-	-	1,553	36,765	38,318	38,318	-	38,318	
Share-based payments	-	-	-	1,607	-	-	-	-	1,607	1,607	-	1,607	
Issue of treasury share as awards	-	323	-	(323)	-	-	-	-	(323)	-	-	-	
Final dividend paid in respect of the previous financial year	-	-	-	-	-	-	-	(15,828)	(15,828)	(15,828)	-	(15,828)	
<b>Balance at 31 December 2009</b>	<b>35,500</b>	<b>(1,853)</b>	<b>85,591</b>	<b>1,855</b>	<b>10,484</b>	<b>242</b>	<b>(508)</b>	<b>216,290</b>	<b>313,954</b>	<b>347,601</b>	<b>(13)</b>	<b>347,588</b>	
Balance at 1 April 2008	35,500	-	85,591	130	6,141	94	-	170,127	262,083	297,583	-	297,583	
Total comprehensive income for the period	-	-	-	-	-	-	(1,652)	55,763	54,111	54,111	-	54,111	
Share-based payments	-	-	-	289	-	-	-	-	289	289	-	289	
Final dividend paid in respect of the previous financial year	-	-	-	-	-	-	-	(27,690)	(27,690)	(27,690)	-	(27,690)	
Purchase of treasury shares	-	(2,176)	-	-	-	-	-	-	-	(2,176)	-	(2,176)	
<b>Balance at 31 December 2008</b>	<b>35,500</b>	<b>(2,176)</b>	<b>85,591</b>	<b>419</b>	<b>6,141</b>	<b>94</b>	<b>(1,652)</b>	<b>198,200</b>	<b>288,793</b>	<b>322,117</b>	<b>-</b>	<b>322,117</b>	

The Company	Reserves							Total
	Share capital	Treasury shares	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 2009	35,500	(2,176)	85,591	571	67,239	29,231	182,632	215,956
Total comprehensive income for the period	-	-	-	-	-	(3,527)	(3,527)	(3,527)
Share-based payments	-	-	-	1,607	-	-	1,607	1,607
Issue of treasury share as awards	-	323	-	(323)	-	-	(323)	-
Final dividend paid in respect of the previous financial year	-	-	-	-	-	(15,828)	(15,828)	(15,828)
<b>Balance at 31 December 2009</b>	<b>35,500</b>	<b>(1,853)</b>	<b>85,591</b>	<b>1,855</b>	<b>67,239</b>	<b>9,876</b>	<b>164,561</b>	<b>198,208</b>
Balance at 1 April 2008	35,500	-	85,591	130	67,239	27,697	180,657	216,157
Total comprehensive income for the period	-	-	-	-	-	(3,503)	(3,503)	(3,503)
Share-based payments	-	-	-	289	-	-	289	289
Final dividend paid in respect of the previous financial year	-	-	-	-	-	(27,690)	(27,690)	(27,690)
Purchase of treasury shares	-	(2,176)	-	-	-	-	-	(2,176)
<b>Balance at 31 December 2008</b>	<b>35,500</b>	<b>(2,176)</b>	<b>85,591</b>	<b>419</b>	<b>67,239</b>	<b>(3,496)</b>	<b>149,753</b>	<b>183,077</b>

Note 1: The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior years' losses of the PRC 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 on. As at 31 December 2009, the share capital of the Company comprises 355,000,000 shares.

As at 31 December 2009, the Company has the following outstanding share options:

Employee Share Option Scheme ("ESOS")	Exercise Price	Balance as at 31.3.2009	Additions	Options cancelled (Note 5)	Balance as at 31.12.2009
(a) Incentive Options	S\$0.225	800,000	-	-	800,000
(Note 1)	S\$0.175	900,000	-	-	900,000
(Note 2)	S\$0.144	2,400,000	-	-	2,400,000
(Note 3)	S\$0.105	-	2,750,000	-	2,750,000
(b) Market Options (Note 4)	S\$0.215	1,000,000	-	-	1,000,000
Total		5,100,000	2,750,000	-	7,850,000

As at 31 December 2008, the Company has the following outstanding share options:

Employee Share Option Scheme ("ESOS")	Exercise Price	Balance as at 31.3.2008	Additions	Options cancelled (Note 5)	Balance as at 30.9.2008
(a) Incentive Options	S\$0.225	1,000,000	-	200,000	800,000
(Note 1)	S\$0.175	-	900,000	-	900,000
(Note 2)	S\$0.144	-	2,400,000	-	2,400,000
(b) Market Options (Note 4)	S\$0.215	-	1,000,000	-	1,000,000
Total		1,000,000	4,300,000	200,000	5,100,000

As at 31 December 2009, 2,797,000 shares were held as treasury shares (31 December 2008:3,277,000 shares)

**Notes:**

- (1) The Incentive Options were issued at 18.6% discount of the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding 8 July 2008, the date of grant of the Options.
- (2) The Incentive Options were issued at 19.6% discount of the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding 27 August 2008, the date of grant of the Options.
- (3) The Incentive Options were issued at 16.7% discount of the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding 12 August 2009, the date of grant of the Options.
- (4) 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 8 July 2008, the date of grant of the Options.
- (5) Cancelled due to resignation of staff.

**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 31.12.2009	As at 31.3.2009
Total number of issued shares	355,000,000	355,000,000
Total number of treasury shares	(2,797,000)	(3,277,000)
<b>Total number of issued shares excluding treasury shares</b>	<b>352,203,000</b>	<b>351,723,000</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.**

	Number of Shares
Total number of treasury shares as at 31 March 2009	3,277,000
Transferred to employees to fulfil obligations under Performance Share Plan	(480,000)
Total number of treasury shares as at 31 December 2009	2,797,000

**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 under note 5, the Group has adopted the same accounting policies and methods of computation for the current reporting period as those used in preparing the audited consolidated financial statements for the year ended 31 March 2009.

**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.**

In current period, the Group and the Company have adopted the following new and revised International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") that were effective from 1 January 2009.

IAS 1 (Revised)	Presentation of Financial Statements
IFRS 8	Operating Segments

The adoption of the above IFRS and IAS did not result in any substantial change to the Group's and the Company's accounting policies nor any significant impact on the financial statement.

The main impact from the application of IAS 1 (Revised) related to a change of presentation of all non-owner changes in the equity in a Statement of Comprehensive Income. This change does not affect the recognition and measurement of the entity's transactions. The 'Balance Sheets' and 'Consolidated Cash Flow Statement' have been re-titled to 'Statements of Financial Position' and 'Consolidated Statement of Cash Flows' respectively.

**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	
	9 months ended 31 December 2009	9 months ended 31 December 2008
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	HK10.4 cents	HK 15.9 cents
(b) On a fully diluted basis	N/A	N/A
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	351,883,000	351,723,000
Effect of potentially dilutive ordinary shares – Share options	N/A	N/A
Weighted average number of ordinary shares	351,883,000	351,723,000

**Notes**

The calculation of basic earnings per share for the 9 months period ended 31 December 2009 is based on profit attributable to owners of the Company of approximately HK\$36.8 million (31 December 2008: HK\$55.8 million) divided by the weighted average number of ordinary shares of 351,883,000 (31 December 2008: 351,723,000) in issue during the period.

There were no diluted earnings per share for both the 9 months periods ended 31 December 2009 and 31 December 2008 as there were no dilutive shares for these periods.

**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	
	31.12.2009	31.03.2009	31.12.2009	31.03.2009
	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:	98.7	92.0	56.3	61.4
Number of ordinary shares in issue excluding treasury shares	352,203,000	351,723,000	352,203,000	351,723,000

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 focusing on designing and developing products that meet the ever-changing needs of customers. We are the preferred choice of certain successful global companies for total value chain management including Original Equipment Manufacturing ("OEM") and Original Design Manufacturing ("ODM") with core competencies ranging from tool fabrication, injection moulding, metal stamping, machining, surface mount technology ("SMT") and finished product assembly on full turnkey basis.

**Review – 3Q FY2010 (3 months ended 31 December 2009) vs 3Q FY2009 (3 months ended 31 December 2008)**

**Revenue**

The general market sentiment has continued to improve as more customers restocked their inventories during the quarter. This had contributed to revenue increase of HK\$43.7 million or 17.6% to HK\$291.6 million for 3Q FY2010 as compared to HK\$247.9 million for the previous corresponding quarter under review.

OEM revenue increased by 19.3% to HK\$245.4 million (3Q FY2009: HK\$205.7 million) as a result of the increased demand from some major customers.

ODM revenue increased by 9.6% to HK\$46.2 million (3Q FY2009: HK\$42.2 million) mainly from additional sales from new ODM projects for a Fortune 500 MNC customer.

**Gross profit and gross profit margin**

Gross profit increased by 14.4% to HK\$44.1 million (3Q FY2009: HK\$38.6 million) and gross profit margin decreased by 0.5% to 15.1% (3Q FY2009: 15.6%). The decrease in gross profit margin was mainly due to change in sales mix.

**Other income**

Other income decreased by 65.7% to HK\$0.2 million (3Q FY2009: HK\$0.6 million). This was mainly due to a 64.6% decrease in interest income received to HK\$0.2 million (3Q FY2009: HK\$0.7 million).

**Selling and distribution costs**

Selling and distribution costs increased by 114.5% to HK\$11.5 million (3Q FY2009: HK\$5.4 million). This was mainly due to increased air freight costs as the restocking orders came with a shorter than usual lead time, as well as an increase in sales and marketing spend and sales commissions paid to our sales representatives.

### **Administrative expenses**

Administrative expenses increased slightly by 1.1% to HK\$17.4 million (3Q FY2009: HK\$17.2 million) which was attributed by increased staff costs and travelling expenses.

### **Profit before tax**

As a result of the above, on a quarter-on-quarter basis, profit before tax increased by 7% to HK\$15.3 million (3Q FY2009: HK\$14.3 million).

### **Review – 9 months FY2010 (9 months ended 31 December 2009) vs 9 months FY2009 (9 months ended 31 December 2008)**

#### **Revenue**

Nine months revenue ended 31 December 2009 (“9 months FY2010”) increased by 3.5% or HK\$28.3 million from HK\$800.8 million (“9 months FY2009”) to HK\$829.1 million. The increase in revenue was attributable to continued restocking of inventories by our major customers since 2Q FY2010 and additional sales from new ODM projects for a Fortune 500 MNC customer.

OEM revenue slightly decreased by 1.2% to HK\$656.0 million (9 months FY2009: HK\$663.9 million) which was mainly due to the restocking activities in 2Q and 3Q FY2010 which had substantially narrowed the loss of revenue in 1Q FY2010 whereby lower customers orders in light of the gloomy economic climate at that time.

ODM revenue increased by 26.5% to HK\$173.1 million (9 months FY2009: HK\$136.9 million) which was mainly contributed by additional sales from the new ODM projects for a Fortune 500 MNC customer.

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

Gross profit decreased by 10.7% to HK\$127.1 million (9 months FY2009: HK\$142.4 million) and gross profit margin decreased by 2.5% to 15.3% (9 months FY2009: 17.8%). The decrease in gross profit margin was mainly due to a change in sales mix.

#### **Other income**

Other income decreased by 30.1% to HK\$2.6 million (9 months FY2009: HK\$3.8 million). This was mainly due to decrease of interest income received by 67.9% to HK\$0.7 million (9 months FY2009: HK\$2.2 million).

#### **Selling and distribution costs**

Selling and distribution costs increased by 80.2% to HK\$30.8 million (9 months FY2009: HK\$17.1 million). This was mainly due to increased air freight costs as the restocking orders came with a shorter than usual lead time since 2Q FY2010 as well as increase in sales and marketing spend and sales commissions paid to our sales representatives.

### **Administrative expenses**

Administrative expenses decreased by 11.7% to HK\$46.7 million (9 months FY2009: HK\$52.9 million). This was mainly due to the Group's continuous effort to tighten expenses as part of ongoing cost management.

### **Net other operating loss**

Period-to-date net other operating loss of HK\$10.0 million was in respect of allowance for doubtful debts. The net other operating loss in the previous period comprised of the one-off estimated assets impairment loss of HK\$10.0 million caused by the flash flood last year and HK\$2.4 million allowance for doubtful debts.

### **Profit before tax**

As a result of the above, on a period-on-period basis, profit before tax decreased by 34.1% to HK\$41.8 million (9 months FY2009: HK\$63.4 million).

### **Financial position**

Available-for-sale financial assets held by the Group increased by HK\$1.6 million from HK\$13.5 million as at 31 March 2009 to HK\$15.1 million as at 31 December 2009, mainly due to increase in fair value of Senior Notes of Citigroup.

The Group's inventory balance increased by HK\$38.6 million from HK\$67.1 million as at 31 March 2009 to HK\$105.7 million as at 31 December 2009. The increase was in line with customer restocking program.

The Group's trade receivables increased by HK\$170.4 million from HK\$102.4 million as at 31 March 2009 to HK\$272.8 million as at 31 December 2009. This is in line with the increased sales and longer payment terms granted to two of the Group's major MNC customers who are currently contributing more than 50% in total to the Group's revenue.

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

### **Statement of cash flow**

Cash and cash equivalents held by the Group stood at HK\$113.7 million as at 31 December 2009 (31 March 2009: HK\$153.5 million) which was mainly due to higher working capital requirements to support additional inventories as well as trade receivables during the period. Despite the tougher business environment, the Group ended with a strong cash position as compared to HK\$116.7 million as of 31 December 2008.

The Group currently has not invested in any financial derivatives and places most of its bank deposits with authorised institutions in Hong Kong which are fully secured by Hong Kong Government's Exchange Fund until the end of 2010.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The 3Q FY2010 results announcement is in line with the prospect statement disclosed to shareholders in 2Q FY2010 results announcement.

**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 the quarter, there were more evidences of re-stocking activities. In addition, there were more new product concepts put in development by customers for both OEM and ODM segments in 3Q FY2010. To-date, even though it is still difficult to determine the full recovery of the global economy, there is a clearer visibility on our customers' business which are showing signs of improvement. This improved visibility will provide greater assurance on future revenue streams.

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

Despite such challenges, we remain confident that the Group is well positioned to take advantage of the recovery in the global economy. We will continue with our efforts to improve our business and financial fundamentals including design and development improvements, achieving greater productivity gains, maintaining service excellence and vigilance in working capital management.

**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/recommended, a statement to that effect.**

No dividend has been declared/recommended for the current financial period reported on.

**BY ORDER OF THE BOARD**

**TSE Chong Hing**

**Chairman and Managing Director**  
**9 February 2010**

**Confirmation By Directors Pursuant to Clause 705(4) of the Listing Manual of SGX-ST.**

We, Tse Chong Hing and Chow Kok Kit, being two 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 3Q FY2010 financial results 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*

**Chow Kok Kit**  
*Executive Director*