Valuetronics

VALUETRONICS HOLDINGS LIMITED

ANNUAL REPORT 2019

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CORPORATE PROFILE

At Valuetronics, we believe we are amongst an emerging breed of Electronics Manufacturing Services ("EMS") providers, which focus on a proactive engagement with the market so as to understand market trends and initiate product-oriented solutions to meet the ever-changing needs of customers.

Established in 1992 and headquartered in Hong Kong, Valuetronics was listed on the SGX Mainboard in 2007. Over the years, Valuetronics has grown to an integrated EMS provider with principal business segments ranging from Consumer Electronics ("CE") Products to Industrial and Commercial Electronics ("ICE") Products covering smart lighting products, printers, temperature sensing devices, communication products, automotive products and medical equipments.

Our proactive philosophy in customer engagement leverages on our Design and Development ("D&D") capabilities, supported by integrated manufacturing capabilities from plastic tool fabrication and injection molding, metal stamping and machining, to surface mount technology and full turnkey finished product assembly. As a one-stop manufacturing solution provider, we are set apart from traditional EMS providers. Our capability in providing vertical integrated services under one roof gives our customers the advantage of a faster time-to-market, better quality control, and most importantly, a competitive total cost of ownership.

Our wide product and customer range from emerging enterprises to top global multinational corporations is a testimony to the success in adopting this philosophy. It also further highlights our ability to accommodate customers' requirement for various volume mix, complexity and industrial standards, while demonstrating our spectrum of competence. By constantly focusing on their objectives, priorities and needs, we continue to develop long-term relationships with our global customers in the consumer, commercial, industrial, automotive and medical equipment industries.

Today, we are a premier design, manufacturing partner for the world's leading brands in various sectors, which span across a wide geographical region that covers America, Europe and the Asia Pacific. At Valuetronics, we deliver not just products, but total solutions that meet the needs of our diverse client base.

CHAIRMAN'S **STATEMENT**

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the annual report of Valuetronics Holdings Limited ("Valuetronics" or the "Group") for the financial year ended 31 March 2019 ("FY2019").

LOOKING BACK ON FY2019

Despite an uncertain macro environment, Valuetronics' revenue has remained relatively stable, with a slight decrease of 0.9% and achieving HK$2.83 billion in FY2019 as compared to HK$2.85 billion in the financial year ended 31 March 2018 ("FY2018"). Net profit attributable to shareholders for FY2019 also dropped marginally by 2.6% to HK$199.5 million from HK$204.7 million in FY2018.

The FY2019 revenue was affected by a 16.9% decrease in the Consumer Electronics ("CE") segment revenue to HK$1,161.2 million, due a slowdown in demand from the Group's smart lighting customer. The CE decrease was partially offset by a 14.6% increase in revenue to HK$1,667.6 million for the Industrial and Commercial Electronics ("ICE") segment, which was due to the increase in demand from ICE customers in the printer and automotive sectors as well as the addition of new ICE customers that featured Internet-of-Things ("IoT") products.

The Group's overall gross profit margin increased to 15.2% in FY2019 as compared to 14.5% in FY2018, with increased contribution from the ICE segment. The Group continued to achieve strong operating cashflows for FY2019 and had cash and bank deposits of HK$930.4 million as at 31 March 2019. Our cash reserves were built up for times like this, as this strategic asset will help us to better navigate current macro-environment and operating challenges, as well as fund our overseas expansion and future possible M&A opportunities. On an overall basis, the net asset value per share rose from HK$2.5 as at 31 March 2018 to HK$2.7 as at 31 March 2019.

MACRO-ENVIRONMENT AND CHALLENGES AHEAD

The US-China trade tensions, which has been escalating since January 2018, has created a high level of uncertainty in the macro-environment in which the Group operates in and this carries with it some unpredictable risks which may affect our operations. Around 43.5% of the Group's revenue is shipped to the US and around half of it, is now subject to the 25% tariff imposed by the US. In relation to this, the Group has noticed that more and more customers are deploying diversified procurement strategies such as adopting and/or evaluating the options of assembling their products out of China in order to mitigate the impact of the US tariffs.

After two years of electronic component shortages due to supplier capacity constraints and increased demand for electronic components from different segments across industries, we have seen the situation relatively easing in FY2019. Manufacturers of passive components have started to normalise their ordering lead times and prices have started to stabilise. However, the electronics industry still faces uncertainties, this time brought on by escalating US-China trade tensions. The imposition and raising of US tariffs on certain made-in-China products and the threat of an outright trade war will be destabilising for the world economy.

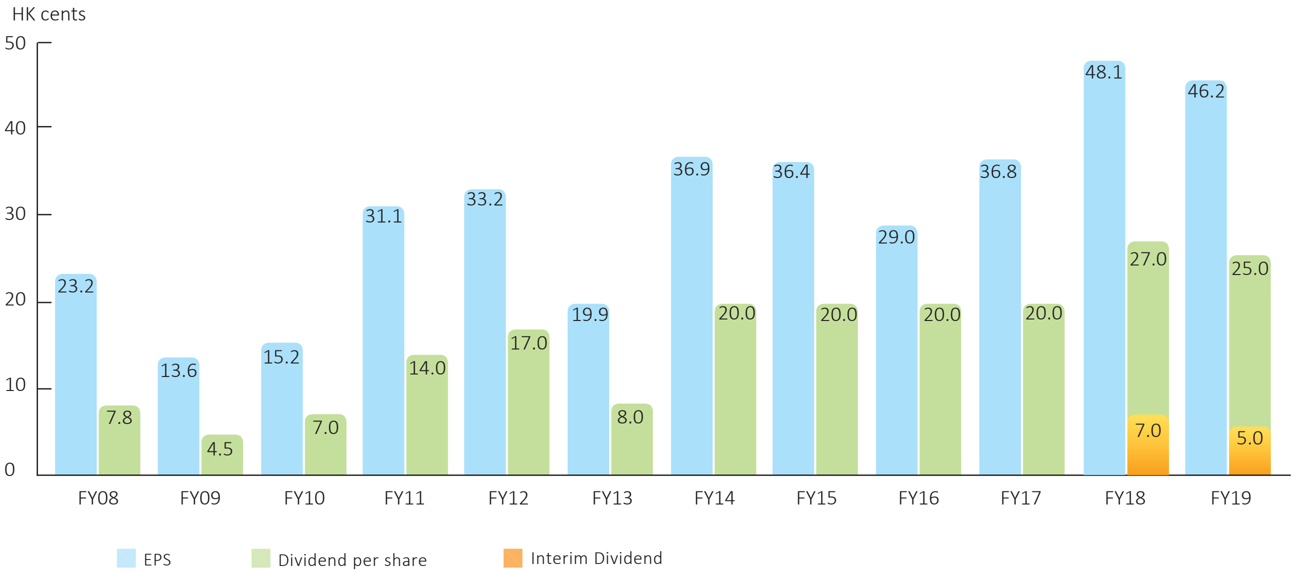
The Chinese Renminbi has depreciated quite a bit since the trade-tensions started, this has however helped to alleviate part of the increased cost that our customers are facing. As a value-added manufacturing partner, we will be working closely with our customers for solutions to help them mitigate the impact of US-China trade tariffs, including offering manufacturing solutions outside China.

EXPANDING BEYOND CHINA

The Group will also continue with its corporate development strategy to expand its manufacturing footprint beyond China. With the impact of the US tariffs on China, finding a secondary low cost manufacturing base has been a top priority. The Group has identified Vietnam for setting up the Group's first manufacturing site outside China, and is currently working closely with one of its customers to explore manufacturing solutions at a leased site in Vietnam. Having a Vietnam option in place allows the Group to assist its customers with their diversified procurement strategies.

CHAIRMAN'S STATEMENT

EARNINGS PER SHARE (EPS) AND DIVIDENDS PER SHARE



The Group may consider expanding its Vietnam production capacity by building its own manufacturing facility should there be increasing demands from our customers for geographic diversification or if the US-China trade relations further worsen.

At the same time, apart from expanding its manufacturing footprints to Vietnam, the Group is also looking into expanding into North America, through the exploration of M&A opportunities. Having a manufacturing presence in the US will allow the Group to be closer to its North American customers and to reach out to new customers to strategically expand its customer base and product portfolio.

SUSTAINABILITY

In alignment to SGX-ST's Listing Rules – Sustainability Reporting Guide and with reference to the Global Reporting Initiative ("GRI") Standards (2016), this marks the second year in which the Group is showcasing its sustainability efforts through the sustainability report. For shareholders who are interested in understanding the Group's sustainability efforts, the report will be made publicly available through Valuetronics' website and SGXNet in July 2019.

DIVIDEND

Through the years since its listing to date, Valuetronics has always sought to share its accomplishments with its shareholders. The Group has a formal dividend policy for declaring 30% – 50% of net profit after tax as normal dividends. Together with the addition of special dividends, the total dividend payout for the last few years has been more than 50%.

For FY2019, the Board would like to recommend a Final Dividend of 15 HK cents per share and a Special Dividend of 5 HK cents per share, which will be subjected to the approval of shareholders at our upcoming Annual General Meeting. This is in addition to the Interim Dividend of 5 HK cents per share announced in November 2018 that was paid out later in December 2018. Thus, the aggregate dividend for FY2019 is 25 HK cents per share, as compared to 27 HK cents per share in FY2018.

CLOSING REMARKS

The recent macro-environment uncertainties though challenging, is not the first time that Valuetronics has had to weather through tough operating conditions since our listing in 2007. Despite our strong fundamentals as a company, we have also been bolstered by the strong support of our various stakeholders. I would like to express my gratitude and thanks to the Board of Directors for their guidance and counsel. I would also like to thank our management and staff for their dedication and commitment towards helping the Company to achieve its goals and greater success. Finally, I would like to thank our shareholders for their steadfast faith and support, as we continue to work towards creating sustainable value for all stakeholders.

TSE CHONG HING
Chairman and Managing Director

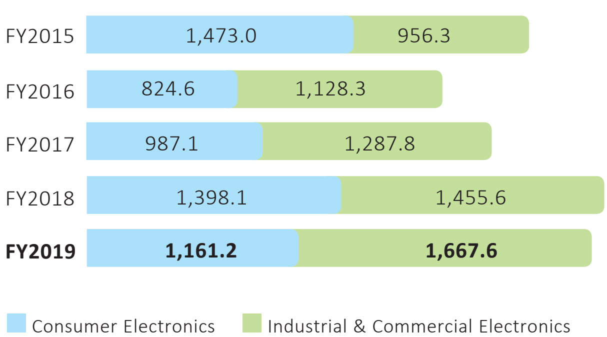
FINANCIAL HIGHLIGHTS

5 YEARS SUMMARY

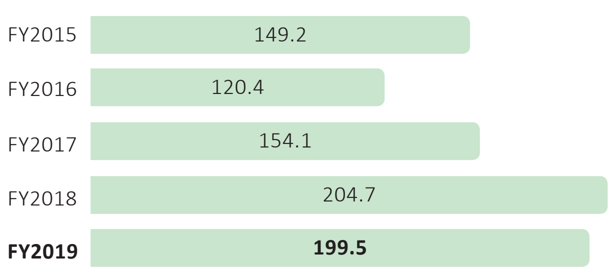
31 March		2015	2016	2017	2018	2019
RESULTS (HK$ MILLION)						
Revenue	Consumer Electronics	1,473.0	824.6	987.1	1,398.1	**1,161.2**
	Industrial & Commercial Electronics	956.3	1,128.3	1,287.8	1,455.6	**1,667.6**
	Total	2,429.3	1,952.9	2,274.9	2,853.7	**2,828.8**
Gross profit		331.4	297.5	341.7	414.6	**430.3**
Profit before tax		167.7	135.7	173.0	229.7	**224.1**
Profit attributable to owners of the Company		149.2	120.4	154.1	204.7	**199.5**
Cash generated from operations		190.0	309.7	169.5	82.5	**417.1**
ASSETS & LIABILITIES (HK$ MILLION)						
Total assets		1,522.7	1,506.0	1,823.0	1,968.8	**2,013.4**
Total liabilities		714.1	648.7	884.4	906.8	**854.1**
Total equity		808.5	857.3	938.6	1,062.0	**1,159.3**
Net cash[1]		505.8	689.3	752.9	671.1	**930.4**
PER SHARE DATA (HK CENTS)						
Earnings per share – basic		36.4	29.0	36.8	48.1	**46.2**
Dividend per share		20.0[2]	20.0[3]	20.0[4]	27.0[5]	**25.0**[6]
Net asset value per share		196.2	205.5	223.7	247.5	**267.5**
KEY RATIOS (%)						
Gross profit margin		13.6%	15.2%	15.0%	14.5%	**15.2%**
Net profit margin[7]		6.1%	6.2%	6.8%	7.2%	**7.1%**
Return on assets		9.8%	8.0%	8.5%	10.4%	**9.9%**
Return on equity		18.5%	14.0%	16.4%	19.3%	**17.2%**
Dividend payout ratio		50.0%	63.0%	54.6%	56.6%	**54.4%**

(1) Net cash is calculated by cash and bank deposits minus bank borrowings and overdrafts
(2) Included special dividend of HK 4 cents
(3) Included special dividend of HK 7 cents
(4) Included special dividend of HK 5 cents
(5) Included interim dividend of HK 7 cents and special dividend of HK 5 cents
(6) Included interim dividend of HK 5 cents and special dividend of HK 5 cents
(7) Net profit margin is calculated by profit attributable to owners of the Company to revenue

REVENUE
HK$ MILLION



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
HK$ MILLION



FINANCIAL REVIEW

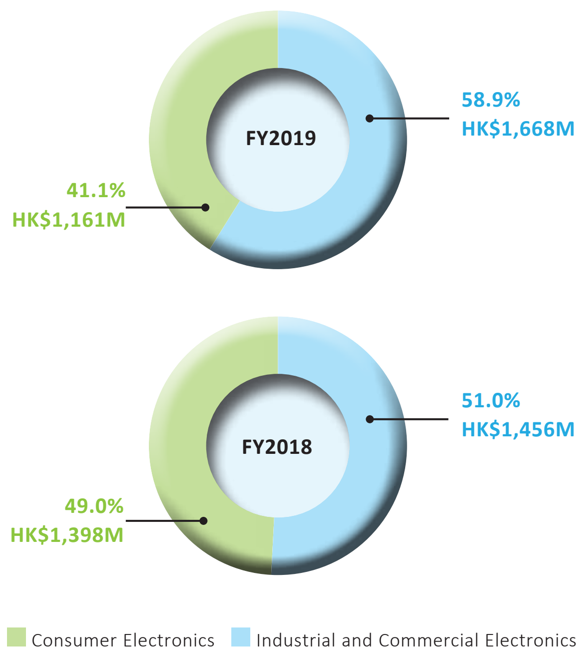
REVENUE

The Group recorded a slight decrease of 0.9% in revenue to HK$2,828.8 million in FY2019 from HK$2,853.7 million in FY2018.

The Group's Consumer Electronic ("CE") segment recorded a 16.9% decrease in revenue to HK$1,161.2 million in FY2019 from HK$1,398.1 million in FY2018, which was solely due to the slowdown in demand for smart lighting products, as the smart lighting customer extended their supply chain outside China.

Industrial and Commercial Electronics ("ICE") revenue recorded an increase of 14.6% in revenue to HK$1,667.6 million in FY2019 from HK$1,455.6 million in FY2018. Growth came from a strong demand from our printer customers, a new version of connectivity modules phased in by our automotive customer, as well as contribution from new customers that featured Internet-of-Things ("IoT") products in FY2019.

REVENUE CONTRIBUTION
HK$ MILLION



GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit for FY2019 increased by 3.8% to HK$430.3 million, with a 0.7 percentage point increase in gross profit margin to 15.2% (FY2018: 14.5%), as the results of change in product and sales mix.

OTHER INCOME AND GAINS, NET

The Group's other income increased by 75.3% to HK$26.7 million in FY2019, which was mainly due to the increase in interest income and net exchange gains.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by 9.4% to HK$41.5 million in FY2019 (FY2018: HK$37.9 million), which was mainly due to the increase in commission expenses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 9.7% to HK$177.2 million in FY2019, which was mainly due to the increase in staff cost.

OTHER OPERATING LOSS, NET

Danshui Factory was affected by a flash flooding in late September 2018, of which the details can be found in our announcements made on 17 September 2018 and 21 September 2018. The Group has made an insurance claim for the damages suffered in the flash flooding. Whilst the Group is working with the insurer's lost adjuster on the insurance claim, taking into account the insurance deductibles and non-recoverable costs, a provision of HK$13.6 million was made during the year.

PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year decreased by 2.6% to HK$199.5 million (FY2018: HK$204.7 million).

DIVIDEND

A final dividend of HK15.0 cents per share and a special dividend of HK5.0 cents per share are proposed for FY2019. Together with the Interim Dividend of HK5.0 cents per share paid in December 2018, aggregate dividend for FY2019 reached HK25.0 cents per share.

FINANCIAL POSITION AND CASH FLOWS

As at 31 March 2019, the Group had net current assets of HK$850.5 million compared to HK$774.9 million as at 31 March 2018. Total assets were recorded at HK$2,013.4 million as at 31 March 2019 (31 March 2018: HK$1,968.8 million) and shareholders' funds of HK$1,159.3 million as at 31 March 2019 (31 March 2018: HK$1,062.0 million).

The Group's trade receivables decreased by HK$146.0 million from HK$582.8 million as at 31 March 2018 to HK$436.8 million as at 31 March 2019. Trade payables decreased by HK$91.4 million from HK$482.9 million as at 31 March 2018 to HK$391.5 million as at 31 March 2019. The Group's inventories decreased by HK$83.6 million from HK$385.6 million as at 31 March 2018 to HK$302.0 million as at 31 March 2019.

The working capital of the Group as at 31 March 2019, which is the sum of trade receivables and inventories less trade payables, was HK$347.3 million, compared to HK$485.5 million as at 31 March 2018. The decrease in net working capital, reflecting the movement in trade receivables, inventories and trade payables, was mainly due to better working capital management, as well as shortened credit term granted to a major customer in response to the Group's working capital investments for building buffer inventories dedicated for that customer. This arrangement shall be revisited periodically with respective to the trend and outlook of the component market.

As at 31 March 2019, the Group had cash and bank deposits of HK$930.4 million, increased from HK$671.1 million as at 31 March 2018. Over 98% of its cash and bank deposits were placed in reputable financial institutions in Hong Kong, with the remaining balance mainly placed in equivalent reputable financial institutions in the PRC. These cash and bank deposits are annually audited by the Group's auditors.

The Group has no bank borrowings as at 31 March 2019 (31 March 2018: Nil).

OPERATIONS REVIEW

Against the backdrop of an uncertain macro-environment, Valuetronics' FY2019 revenue was relatively flat, with a mixed performance across its Consumer Electronics, and Industrial and Commercial Electronics segments.

CONSUMER ELECTRONICS ("CE")

During FY2019, the Group's CE revenue saw a weaker performance due to a slowdown in demand for smart LED lighting products. This is due to the Group's smart LED lighting customer extending their supply chain outside of China. On the other hand, the revenue of consumer lifestyle products remained stable, with no obvious sign or impact resulting from the customer's diversification from China supply chain.

INDUSTRIAL AND COMMERCIAL ELECTRONICS ("ICE")

The Group saw double digit growth in its ICE segment in FY2019, due to the stronger demand for ICE products such as printers, and the phasing in of a new version of connectivity module used in the automotive industry. Additionally, part of the ICE segmental revenue consisted of revenue contribution from new customers that introduced products with IoT features.

PROCESS IMPROVEMENTS

The need to enhance its manufacturing processes, logistics, and quality systems has always been part of Valuetronics' dedicated efforts in continuous process improvement. Some of the recent initiatives include:

AUTOMATION

During FY2019, the Group successfully replaced all its PCBA manufacturing assembly lines that previously used manual insertion and wave soldering, with auto-insertion and selective soldering technology. With the combination of auto-insertion and selective soldering, labour dependency can be reduced whilst simultaneously improving the consistency and quality of the PCBA soldering process.

During the year, the Group also introduced more semi-automated assembly work cells for the manufacturing of automotive products. These semi-automated work cells were developed in-house together with in-house fabricated equipment, and were based on a customised process platform with automation modules such as robotic arms and visual systems. This innovation allowed the Group to cope with the on-going demand for quality under the TS16949 standard, and the high volume of automotive products manufactured.

FY2019 also represented the Group's 9th year in lean manufacturing. In addition to having generic process spot automation, the Group also integrated customised spot automation with streamlined production lines for printer and consumer lifestyle products.

UPGRADED MANUFACTURING EXECUTION SYSTEM ("MES")

The first phase of the MES upgrade started at the end of FY2017 and was completed in FY2018. This upgrade focused on SMT manufacturing, allowing for enhancements such as the Machine Performance Monitoring of utilisation, Overall Equipment Effectiveness ("OEE") and quality of placement. This allows the Group to track the efficiency and quality performance of its machines to ensure optimal use.

The second phase of the MES upgrade kicked off during FY2018 and was completed in FY2019. The enhancements made during this phase included material usage traceability and material set-up validation. This allows the Group to detect errors due to human set-up and trace material usage for timely replenishment.

The Group has also extended its usage of MES beyond shop-floor production management to the monitoring and control of facilities and equipment maintenance, the calibration of jigs, fixtures and tools, as well as matching workers' skill sets against workstation requirements. All in all, the Group's MES not only ensures that optimal performance of its manufacturing facility but also allows for the replication of its entire manufacturing process in a different location.

OPERATIONS REVIEW

MANUFACTURING FOOTPRINT EXPANSION OUTSIDE CHINA

The escalating US-China trade tensions remain one of the major concerns for corporations, leading them to deploy a diversified procurement strategy so as to mitigate risks. To match the needs of our customers in this endeavour, the Group has leased a manufacturing site in Vietnam and has been working closely with one of its customers to kick off manufacturing in Vietnam. Machinery, tools, fixtures and testing machines have already been transferred and set up in the Vietnam site, with trial production conducted over the past few months. The Group is pleased to receive the qualification from its customer for the first production line in June 2019. Thereafter, mass production will be carried out and shipments will be shortly be made from Vietnam to the US market.

HUMAN CAPITAL

The economic slowdown in China and more outward investments by Chinese companies has caused some contraction in its manufacturing sector. This has brought some relief to the labour shortage of production workers for manufacturers like Valuetronics. Since the beginning of calendar year 2019, the Group saw production line worker wages remain at status quo, without an increased wage bill driven by a shortage of supply. However, the Group is conscious of the need to systematically reduce its dependency on labour by looking at ways to improve its efficiency. In order to do so, the Group has invested in process automation and lean manufacturing practices over the years.

The Group's efficiency drive has also extended to the area of administration where improvements to the Human Resource Information System has helped to streamline workflow. In China, recruiting and retaining the right talent with the right skillsets has always been a challenge. To raise its overall retention rate, the Group has revamped its salary structure for supervisor grade staff and improved the living environment of staff and workers by upgrading its dormitory infrastructure for a higher level of comfort.

GLOBAL SUPPLY CHAIN

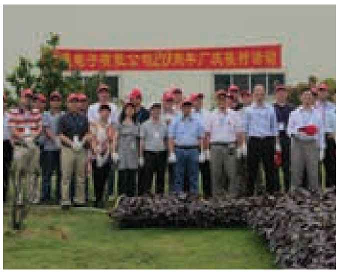
The global component shortage has been an issue in the last financial year, due to the increased demand for components from different segments across industries. This issue however has been relatively eased in FY2019 with some manufacturers of passive electronic component normalising their lead times and stabilising prices.

OUTLOOK

The electronic component shortage which started two years ago has relatively eased off in FY2019, with a normalisation of ordering lead times by passive component manufacturers and stabilised prices. However, escalating US-China trade tensions since January last year, have created an uncertainties in the macro-environment and some unpredictable risks which may affect our operations. To mitigate the impact of US tariffs, the Group customers have started to deploy diversified procurement strategies and consider options which involve the assembly of their products outside of China.

The Group's corporate development strategy to expand its manufacturing footprint beyond China will continue. The Group is currently working closely with one of its customers to explore manufacturing solutions at a leased site in Vietnam. The Vietnam operation is a low cost manufacturing base that can help customers with their diversified procurement strategies to mitigate the impact of US-China trade tariffs. The Group's Vietnam production capacity can be enhanced to become a full-fledged manufacturing facility should there be increasing demand from customers. Apart from Vietnam, the Group is also exploring M&A opportunities in order to expand to North America to be closer to its customers. A manufacturing presence in North America will also allow the Group to reach out to new customers to expand its customer base and product portfolio.

KEY MILESTONES






2017
- Received a 2016 Above & Beyond – Pinnacle Award for Supplier Excellence from Delphi

2015
- Accredited with TS16949 quality management system and acquired first customer in the automative industry

2014
- Adoption of formal dividend policy

2013
- Completed more than 40 in-house Process Automation Projects

2012
- Celebration of 20th anniversary
- Revenue crossed HK$2 billion mark

2011
- Branded electric fans and heaters shipped to US market

2010
- Branded air purifiers shipped to US market
- Implemented Lean Manufacturing Programme to improve production and process automation

2009
- Completed relocation of back office functions including general management, computer and engineering centres to Daya Bay Facility
- Acquired In Vitro Diagnostic ("IVD") medical equipment co-developer and manufacturer and completed pilot shipment of IVD equipment

2008
- Completed construction of the Phase 1 of Daya Bay Facility and commenced systematic project transfers of major customers to the facility

2007
- Listed on SGX-Mainboard
- Commenced construction for the 35,000 sqm production area of Phase 1 of Daya Bay Facility

2003
- Adoption of work cell management and updated to ISO9001:2000

2002
- Use of ROHS equipment and accredited with TL9000

1992
- Incorporated and headquartered in Hong Kong with manufacturing facilities established under the Processing Arrangement in Guangdong Province, PRC

BOARD OF DIRECTORS

MR TSE CHONG HING

Chairman and Managing Director

Tse Chong Hing is the Chairman and Managing Director of our Company. He joined the Group in November 1996 as the Assistant to the then Managing Director. He is responsible for strategic planning and the general management of our Group. Mr Tse has over 25 years of experience in finance and operations management in the electronics manufacturing industry. He is a Practising Member and Fellow of the Hong Kong Institute of Certified Public Accountants. He holds a Diploma in Business Studies from the Hang Seng School of Commerce and a Postgraduate Diploma in Management Studies from the Hong Kong Polytechnic.

MR CHOW KOK KIT

Executive Director

Chow Kok Kit is one of the founders of the Group and an Executive Director of our Company. He is responsible for the design and development ("D&D") as well as purchasing functions of our Group. Mr Chow has over 25 years of experience in the electronics manufacturing industry. He specialises in the D&D of telecommunication and computer products, and holds an Associateship in Mechanical Engineering and a Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic.

BOARD OF DIRECTORS

MR ONG TIEW SIAM

Lead Independent Director

Ong Tiew Siam has more than 40 years of experience in finance, accounting and administration in various industries. He is a fellow member of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors. He also sits on the board of several companies listed on the SGX-ST. Mr Ong holds a Bachelor of Commerce (Accountancy) (Honours) degree from the former Nanyang University.

MS TAN SIOK CHIN

Independent Director

Tan Siok Chin practises as an advocate and solicitor in Singapore. She is a Director of ACIES Law Corporation, a firm of advocates and solicitors, heading its corporate practice group. Ms Tan has over 25 years of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters. Ms Tan is also an independent director of several other public companies listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

MR LOO CHENG GUAN

Independent Director

Loo Cheng Guan is founder and managing director of Vemilion Gate Pte Limited, a private assets advisory firm. Mr Loo also sits on the board of SGX-listed Mirach Energy Limited and Datapulse Technologies Limited as independent director. In addition, he is Chairman of 1Rockstead GIP Fund II Pte Limited, a private equity fund and a director of several private companies, including Amalgam Capital Partners Pte Limited, Brash Asia Pte Limited and Tradeline Technologies Pte Limited. Having more than 25 years of experience in corporate finance, private equity and business management, Mr Loo has spent a significant portion of his career advising on growth strategies, mergers and acquisitions, as well as structuring investments that achieve long-term capital appreciation for investors. He is a member of Singapore Institute of Directors and holds a Bachelor of Economics (Honours) degree and MBA from Monash University in Melbourne.

KEY MANAGEMENT

MR HUNG KAI WING

Director, Honor Tone Limited

Hung Kai Wing is a Director of our Group's principal operating subsidiary, Honor Tone Limited and he joined our Group in March 2000. He is responsible for overseeing the EMS Division. Mr Hung has over 40 years of experience in the electronics manufacturing industry. He holds a Diploma in Small Company Management from the Chinese University of Hong Kong, a Certificate in Operations Planning and Control from the University of Hong Kong, a Certificate in Design of Productive Systems from the University of Hong Kong and a Higher Certificate in Production Engineering from the Hong Kong Polytechnic.

MR WONG HING KWAI

Director, Honor Tone Limited

Wong Hing Kwai is a Director of our Group's principal operating subsidiary, Honor Tone Limited. He is responsible for the overall management of Plastics Division. Mr Wong has over 35 years of experience in plastic injection moulding and holds a Bachelor of Engineering degree from Shanghai Jiao Tong University, PRC.

MR HUANG JIAN YUAN

Vice President, Operations

Huang Jian Yuan joined our Group in September 2007 as Operations Manager and promoted to Vice President, Operations in April 2012. He now oversees the 2 sites of factory operations in our Group. His areas of responsibilities include Production Management, Manufacturing Engineering, Production Control, Warehouse/Logistics, Industrial Engineering, Equipment Engineering and Quality Management.

Mr Huang has more than 25 years of experience in program and operation management with various EMS companies. Prior to joining the Group, he was the director of business units with Beyonics, operations general manager with RTI Tech in Singapore and plant manager with Flextronics China. He holds a Bachelor of Engineering degree from National University of Singapore and a Graduate Diploma in Business Administration with Singapore Institute of Management.

KEY MANAGEMENT

MR LOIC MESTON

Vice President, Business Development

Loic Meston is our Group's Vice President of Business Development. He joined our Group in October 2003 and is based in USA. He is responsible for our Group's business development activities and also provides customer support to our customers located in USA and Europe. He is also responsible for providing our D&D team with market analysis on product trends and regulatory requirements.

Mr Meston has over 20 years of experience in sales, marketing and product development. He holds a degree in engineering from Centrale School of Marseille, France, and a Master of Business Administration degree from the University of Rochester, USA.

MR BRUCE YIP CHU LEUNG

Senior Business Unit Manager (resigned on 21 December 2018)

Bruce Yip was one of our Group's Senior Business Unit Managers and he joined our Group in September 2009. He was responsible for the overall business management for one of the Group's business units.

Mr Yip has over 20 years of experience in program management and business development with various EMS companies. He holds a Master of Business Administration degree from the University of Warwick, UK, a Bachelor degree of Social Science from The Chinese University of Hong Kong.

MR JOSEPH LUI KA HO

Chief Financial Officer

Joseph Lui is our Group's Chief Financial Officer. He joined our Group as Financial Controller in October 2012 and was promoted to Group Financial Controller in November 2013. Since then, Mr Lui has been overseeing the Group's finance and accounting functions, including treasury, tax planning, enterprise risk management, investor relations, internal and external reporting matters of the Group. Mr Lui was promoted to Chief Financial Officer in June 2017.

Prior to joining the Group, Mr Lui was a Senior Audit Manager with PricewaterhouseCoopers from 2003 to 2012 where he first served the Hong Kong office before being seconded to the Beijing office. During his service in PricewaterhouseCoopers, he was involved in a number of successful initial public offerings and overseas mergers and acquisition projects. Mr Lui is a fellow member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He graduated with a Bachelor degree in Commerce from Monash University in Australia.

CORPORATE GOVERNANCE **REPORT**

Valuetronics Holdings Limited (the "Company") and its subsidiaries (together, "the Group") are committed to setting and maintaining high standards of corporate governance within the Group so as to preserve and enhance the interests of all shareholders. The Board and Management firmly believe that good corporate governance is key to the integrity of the Group and fundamental to the long-term sustainability of the Group's business and performance.

This Corporate Governance Report (the "Report") describes the Company's corporate governance practices with reference to each of the principles set out in the Code of Corporate Governance 2012 (the "Code").

The Board confirms that it has adhered and complied with the principles and guidelines set out in the Code, other than deviations in respect of the following:

(i) Guideline 1.7

(ii) Guideline 3.1

(iii) Guideline 8.4

(iv) Guideline 9.2

(v) Guideline 14.3

(vi) Guideline 16.1

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company and the Group. In addition to its statutory duties and responsibilities, the Board also performs the following key functions:

(a) Provide entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) Review business plans and approve key strategic and operational matters, financial and funding decisions;

(c) Review and monitor financial performance;

(d) Oversee processes for evaluating the adequacy of internal controls and risk management, including financial reporting, operational, information technology and compliance risks;

(e) Set the Company's values and standards (including ethical standards); and

(f) Assume responsibility for corporate governance and sustainability issues.

The approval of the Board is required for any matter which is likely to have a material impact on the Group's operating divisions and/or financial positions as well as matters other than in the ordinary course of business.

The Group has in place internal guidelines on matters that require Board approval, including the appointment of Directors, major funding and investment proposals, and material capital expenditures and disposal of assets, corporate or financial restructuring, share issuance and buy-back, dividends and corporate strategies.

The Board objectively discharges its duties and responsibilities at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE **REPORT**

The Board is supported by a number of committees who assist in the discharge of its responsibilities and to enhance the Group's corporate governance framework. These committees comprise the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which have been delegated with specific authority and function. Each Board Committee functions within its own defined terms of reference and procedures. Board Committees are chaired by Independent Directors.

The Board conducts regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full-year results and to keep the Board updated on business activities and the overall business environment in which the Group operates. Regular meetings are scheduled in advance to facilitate the attendance of all Directors. Ad-hoc meetings are held as and when required to address significant issues that may arise. The Company's Bye-Laws provide for meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously.

The number of Board and Board Committee meetings held during the financial year are set out below:

Meeting of	**Board**	**AC**	**NC**	**RC**
No. of meetings held in FY2019	4	4	1	1
Executive Directors				
Tse Chong Hing	4	*4	*1	*1
Chow Kok Kit	4	*4	*1	*1
Independent Directors				
Ong Tiew Siam	4	4	1	1
Loo Cheng Guan	4	4	1	1
Tan Siok Chin	4	4	1	1

* Executive Directors are invited to attend all Board Committee meetings.

The Company has an induction program for newly appointed Directors to familiarize themselves with the Group's business, operations, relevant rules, regulation and governance practices as well as their duties as directors. Site visits to the Group's manufacturing facilities are conducted to brief new Directors on the Group's operations and business.

Newly appointed Directors who do not have prior experience as a director of a company listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), are also required to attend relevant training courses organized by the Singapore Institute of Directors ("SID").

Annual site visits to the Group's manufacturing facilities are conducted to provide Directors with updates and understanding of the Group's business operations. During such visits, Directors interact with key management personnel who brief the Directors on the Group's facilities, development, products and business operations.

The Board recognizes the importance of ongoing director education and to facilitate this process all Directors are encouraged to keep updated on developments relevant to the Company's business and, changes in laws and regulations. All Directors are encouraged to attend relevant courses, seminars, talks organized by regulatory bodies and professional institutions, such as the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"), SID, the Singapore Stock Exchange ("SGX") and public accounting firms, at the Company's expense.

The Company Secretary provides the Board with updates on changes to Listing Rules, Corporate Governance and other regulatory requirements, on a regular basis.

The Company does not issue formal letters to Directors setting out their duties and obligations, upon appointment, as Directors having consented to act, are bound by legislative and regulatory requirements.

CORPORATE GOVERNANCE **REPORT**

Principle 2: Board Composition and Guidance

The Board currently comprises two Executive Directors and three Independent Directors. Accordingly, more than half of the Board is made up of Independent Directors, including one female Director.

Executive Directors

Mr Tse Chong Hing	–	Chairman & Managing Director
Mr Chow Kok Kit	–	Executive Director

Independent Non-Executive Directors

Mr Ong Tiew Siam	–	Lead Independent Director & Chairman of Audit Committee
Ms Tan Siok Chin	–	Chairman of Remuneration Committee
Mr Loo Cheng Guan	–	Chairman of Nominating Committee

The Board considers its current Board structure, size and composition appropriate for the Group's present scope and nature of operations. The Board as a group, possesses the appropriate balance and diversity of skills, experience, knowledge and gender to provide the Company with the requisite core competencies such as accounting, business, management, financial, legal and industry knowledge.

In compliance with the Code, Independent Directors form more than half the Board. The independence of Directors is reviewed by the NC on an annual basis. Based on its assessment, the NC has determined that none of the Independent Directors has any relationship with the Company, its related corporations, its 10% shareholders, or its officers that could interfere, or reasonably perceived to interfere, with the exercise of the Director's independent business judgement.

In addition, the NC is tasked on annual basis, to assess the independence of any Director who has served on the Board beyond 9 years, to particular rigorous review. To facilitate Board renewal, the NC has determined that the length of office of an Independent Director should not exceed 9 years. None of the Independent Directors have served on the Board beyond 9 years from the date of his/her first appointment.

Independent and Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. They are encouraged to constructively challenge and help develop proposals on strategy. Their views and opinions provide alternative perspectives to the Group's business. When challenging proposals or decisions, they individually bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Independent and Non-Executive Directors communicate amongst themselves both formally at scheduled meetings without the presence of Management and, informally via email or telephone on matters concerning the Company.

Principle 3: Chairman and Chief Executive Officer

The Company has not adopted a dual leadership structure whereby there is a separate Chief Executive Officer and Chairman of the Board. The duties of the Chairman of the Board and the Managing Director of the Company are both assumed by Mr Tse Chong Hing. The Board, with the concurrence of the NC, is of the view that vesting the roles of Chairman of the Board and the Managing Director in the same person, who is knowledgeable in the business of the Group, provides strong and consistent leadership, facilitates effective planning and execution of long-term business strategies and ensures that the decision-making process of the Group would not be unnecessarily hindered. The Chairman is deeply involved in both management and operations of the Company and thoroughly understands the Group's business.

The Chairman –

- leads the Board to ensure its effectiveness on all aspects of its role;

- sets the agenda and ensures that Directors receive complete, adequate and timely information;

CORPORATE GOVERNANCE **REPORT**

- ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promotes a culture of openness and debate at the Board;
- ensures effective communication with shareholders;
- encourages constructive relations within the Board and between the Board and Management;
- facilitates the effective contribution of Non-Executive Directors in particular; and
- promotes high standards of corporate governance.

Mr Ong Tiew Siam has been appointed Lead Independent Director ("LID") to address shareholders' concerns on issues that cannot be appropriately dealt with by the Chairman and Managing Director or the Chief Financial Officer. When necessary, he facilitates meetings or discussions with the other Non-Executive Directors on board matters and provides his feedback to the Chairman after such meetings.

His other specific roles as LID are as follows:

(a) acts as liaison between the Non-Executive Directors and the Chairman and Managing Director and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;

(b) advises the Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Non-Executive Directors to effectively and responsibly perform their duties; and

(c) assists the Board and Company officers in ensuring compliance with and implementation of corporate governance practices.

Principles 4: Board Membership

The NC is regulated by a set of written terms of reference and comprises three Directors, all of whom are independent. The NC is chaired by an independent Director, Mr Loo Cheng Guan and its members comprise Ms Tan Siok Chin and Mr Ong Tiew Siam.

The NC Chairman is not associated with any substantial shareholder of the Company.

The responsibilities of the NC are as follows:

(a) to review the structure, size, composition, diversity and skills of the Board;

(b) to determine and assess the independence of Directors;

(c) to make recommendations to the Board on all board appointments;

(d) to recommend the nomination of Directors retiring by rotation to be put forward for re-election;

(e) to review Board succession plans for Directors, in particular, the Chairman and the Executive Directors;

(f) to review the training and professional development programs for the Board;

(g) to assess the effectiveness of the Board as a whole and the contribution of each of the Directors to the effectiveness of the Board; and

(h) to determine if a Director who has multiple board representations is able to carry out and/or has adequately carried out his duties as a Director of the Company.

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New appointments to the Board are first considered and reviewed by the NC. Potential candidates are sourced through contacts or, recommendations from Directors. An external consultant may be engaged to source for qualified candidates, if required. The NC evaluates the suitability of candidates taking into account, his/her character, knowledge, skills, experience and, his/her ability and willingness to commit time to the Company, before making recommendation to the Board for approval.

The Bye-laws of the Company require all Directors to submit themselves for re-election at once in every three years. In particular, one-third of the Directors retire annually by rotation at every Annual General Meeting ("AGM") and newly appointed Directors are required to submit themselves for re-election at the AGM next following their appointment.

The NC has adopted internal guidelines to address competing time commitments of Directors who serve on multiple boards and have other principal commitments. The Board has determined that a Director should serve on not more than six boards of listed companies. The NC has considered, and is of the opinion, that the limit of six board representations held by the Directors of the Company would not be impede the time allocated in carrying out their duties/obligations to the Company. At present, no Director has reached the limit set by the Board.

The Company's Bye-laws provide for the appointment of alternate directors. In compliance with the Code, the Company generally avoids the appointment of alternate directors and should any appointment be made, it will be for limited periods only. No alternate director was appointed in FY2019.

The NC has adopted the Code's definition of "independent" for the review of Directors' independence. This review is conducted annually and, as and when required for any transaction in which any Director may have an interest. In its annual review for FY2019, the NC has determined Mr Ong Tiew Siam, Mr Loo Cheng Guan and Ms Tan Siok Chin to be independent.

Key information of Directors as at 28 June 2019 is set out below:

Name	**Date of First Appointment**	**Date of Last Re-election**	**Directorships or Chairmanships in Other Listed Companies**		**Other Principal Commitments**
			Present	**Past (Preceding 5 Years)**	
Tse Chong Hing	25 Aug 2006	25 Jul 2016	Chairman & Managing Director of Valuetronics Holdings Limited	Nil	–
Chow Kok Kit	25 Aug 2006	24 Jul 2017	Executive Director of Valuetronics Holdings Limited	Nil	–
Tan Siok Chin	22 Jul 2014	24 Jul 2017	Independent Chairman of Design Studio Group Limited Independent Director of Cosmosteel Holdings Limited	Nil	Director of ACIES Law Corporation
Ong Tiew Siam	22 Jul 2014	23 Jul 2018	Independent Director of CSC Holdings Limited	Independent Director of: Tat Hong Holdings Limited Design Studio Group Limited Fung Choi Media Group Limited (Liquidated)	–

CORPORATE GOVERNANCE **REPORT**

Name	Date of First Appointment	Date of Last Re-election	Directorships or Chairmanships in Other Listed Companies		Other Principal Commitments
Loo Cheng Guan	24 Jul 2015	25 Jul 2016	Independent Director of: Datapulse Technology Limited Mirach Energy Limited	2011 – May 2015: Executive Director & May – November 2015: Non-Executive Director of C&G Environmental Protection Holdings Limited Independent Director of Advance SCT Limited	–

The profiles of Board members are set out on pages 9 and 10 of the Annual Report.

Principle 5: Board Performance

The NC has in place a Board performance evaluation process where the effectiveness of the Board as a whole is assessed. This annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes enabled Directors to discharge their duties effectively and to propose changes which may be made to enhance Board effectiveness as a whole.

Performance evaluation for FY2019 was conducted by having all Directors complete a questionnaire covering the following areas –

- Board structure
- Strategy and performance
- Governance – Board Risk Management & Internal Controls
- Board Function – Information to the Board, Board Procedures, CEO/Top Management and Standards of Conduct

In evaluating its performance, the Board also took into account the attendance, contribution and participation of each Director at Board Meetings.

Separate assessments of performance of Board Committees were carried by the AC, RC and NC.

The NC, having reviewed the performance of the Board and Board Committees for FY2019 and determined that the Directors have demonstrated commitment to their roles and contributed effectively to the discharge of their duties.

Peer evaluation of Board members was conducted in FY2019. For this evaluation, each Board member completes a questionnaire in respect of every other Board member. The questionnaire required the evaluator to rate the Director he/she is evaluating based on his/her duties as Director, leadership and communication skills, strategy and risk management capabilities, knowledge and interaction with fellow Directors, Management team, Company Secretary, Auditors and other professionals who render services to the Company.

Based on the feedback received from the Board performance evaluation, the Chairman, in consultation with the NC, proposes, where appropriate, new members to be appointed to the Board or seeks the resignation of directors.

No external facilitator was engaged by the Board for the evaluation.

CORPORATE GOVERNANCE **REPORT**

Principle 6: Access to Information

Management provides the Board with complete and adequate information on a timely basis. Such information includes documents on matters to be discussed at Board meetings, which are circulated to Board members in advance.

The Board is provided with financial statements, management reports and relevant forecast and analysis of the Group on a quarterly basis. The Managing Director also provides updates on the Group's business, prospects and other developments impacting the Group, at scheduled meetings and, whenever circumstances warrant. Such reports enable the Board to be kept abreast of key issues and developments, as well as opportunities and challenges, within the Group and the industry.

All Directors have separate and independent access to the Group's senior management and the Company Secretary. Whenever necessary, Directors and/or, the Board may at the Company's expenses seek independent professional advice in furtherance of their duties.

The Company Secretaries provide secretarial support to the Board and ensure adherence to Board procedures and compliance with relevant rules and regulations, applicable to the Company. The Company Secretary attends all Board and Board Committee meetings. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for fixing remuneration

The RC, is chaired by Ms Tan Siok Chin and and its members comprise Mr Loo Cheng Guan and Mr Ong Tiew Siam. All members of the RC are independent.

The RC is governed by written Terms of Reference which include reviewing and recommending to the Board the following –

(1) the general framework of remuneration for the Board and key management personnel;

(2) long-term incentives and performance-based incentives, including share option scheme and performance share plan;

(3) remuneration of Non-Executive and Independent Directors;

(4) remuneration packages of employees related to Directors or controlling shareholders of the Company; and

(5) the Company's obligations arising in the event of termination of Executive Directors and key management personnel's contracts of services, to ensure that such contracts are fair and reasonable and termination clauses are not overly generous.

The RC may, during its review of remuneration of Directors and key management personnel, seek advice from external remuneration consultants, as and when necessary. No external facilitator had been engaged by the Board to advise on remuneration matters in FY2019.

Principle 8: Level and Mix of Remuneration

Executive Directors' remuneration packages are based on service agreements and the remuneration packages comprise a basic salary component and a variable component. The fixed component is in the form of a base salary and the variable component is based on set performance targets and weightage in respect of Group revenue, profitability, return on equity, total shareholders' return, new products launched, corporate governance and sustainability practices.

The remuneration packages of key management personnel comprise a fixed component and a variable component. The fixed component is in the form of a base salary and the variable component includes performance-based cash incentive bonus and the share-based Valuetronics Employee Share Option Scheme.

In determining specific remuneration packages for each Executive Director and key management personnel, the pay and employment conditions within the same industry and in comparable companies as well as the Company's performance and that of the individual are taken into account.

CORPORATE GOVERNANCE **REPORT**

The RC reviewed the Company's obligations arising in the event of termination of the Executive Directors' and key management's service agreements, to ensure that such agreement contains fair and reasonable termination clauses which are not overly generous. The Board is of the view that as the Group pays an annual incentive bonus based on the performance of the Group/Company (and not on possible future results) and with clear targets set for Executive Directors and key management, "claw back" provisions in the service contracts may not be relevant or, appropriate.

Non-Executive and Independent Directors ("INED") receive Directors' fees, which are subject to shareholders' approval at the AGM. INED's fees comprise a basic fee and, an additional fee for serving on any of the Board Committees. The fees take into account their responsibilities, effort and time accorded in discharging their duties and, market practices.

The fee structure for INEDs comprising the following components:

(1) A basic fee for each INED;

(2) A percentage of basic fee for each additional role on Board Committees; and

(3) Attendance fee for participation in additional/ad-hoc Board/Board Committees meetings.

Principle 9: Disclosure on Remuneration

In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the view that it is not in the interest of the Company to disclose the remuneration of each Director and key management personnel.

A breakdown (in percentage terms) of Directors' remuneration and that of the Group's top 5 key management personnel who are not Directors, for the financial year ended 31 March 2019, falling within broad bands, are set out below –

(A) Directors' remuneration

Name	Salary (%)	Bonus (%)	Fee (%)	Benefits* (%)	Total (%)
Below S$250,000					
Ong Tiew Siam	–	–	100%	–	100%
Tan Siok Chin	–	–	100%	–	100%
Loo Cheng Guan	–	–	100%	–	100%
Between S$2,500,001 – S$2,750,000					
Chow Kok Kit	16%	84%	–	–	100%
Between S$3,500,001 – S$3,750,000					
Tse Chong Hing	15%	85%	–	–	100%

(B) Remuneration of top 5 key management personnel (who are not Directors or, the Managing Director)

Name	Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below S$250,000				
Huang Jian Yuan	77%	6%	17%	100%
Between S$250,001 – S$500,000				
Lui Ka Ho Joseph	64%	11%	25%	100%
Between S$750,001 – S$1,000,000				
Wong Hing Kwai	13%	87%	–	100%
Between S$1,000,001 – S$1,250,000				
Hung Kai Wing	34%	62%	4%	100%
Loic Meston	30%	56%	14%	100%

* Share-based payments are included in the column "Benefits" above.

In FY2019, The annual aggregate remuneration paid to the key management personnel (who are not Directors or, the Managing Director) was approximately S$3,563,000.

(C) Remuneration of immediate family members of a Director or, the Managing Director

There were no employees who were immediate family members of any Director or, the Managing Director, in FY2019.

There were no termination, retirement or post-employment benefits granted to Directors and the top 5 key management personnel (who are not Directors or, the Managing Director).

The Company currently has in place two share schemes in the form of the Valuetronics Share Option Scheme 2017 ("ESOS") and the Valuetronics Performance Share Plan 2017 ("PSP") for eligible employees, including Directors of the Company and the Group. Details of ESOS grants and PSP awards are disclosed in the Report of the Directors.

Details of the Company's ESOS and PSP are set out in pages 74 to 76 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the quarterly and annual financial results to shareholders, the Board seeks to provide shareholders with a detailed, balanced and understandable assessment of the Group's performance, financial position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including without limitation, the Listing Rules of the SGX-ST. Prompt compliance with statutory reporting requirements is one way to maintain shareholders' confidence and trust in the capability and integrity of the Company.

Management provides all members of the Board with appropriate detailed management accounts, forecasts and analysis and relevant information/explanation on a regular basis and/or as and when required, to enable the Board to make informed assessment of the Group's performance, financial position and prospects.

In accordance with SGX-ST's requirements, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The negative assurance statements were backed by written representations of the Managing Director and Chief Financial Officer.

CORPORATE GOVERNANCE **REPORT**

Principle 11: Risk Management and Internal Controls

The Group has established a system of risk management and internal controls to address the financial, operational, compliance and information technology risks of the Group. Management regularly assesses and reviews the Group's business and operational environment to identify areas of significant business, operational and other risks, as well as appropriate measures to control and mitigate these risks.

The primary task of identifying business risks lies with Management, who recommends to the Board, processes for the formulation of policies to mitigate such risks. The Risk Management process which is approved by the Board, includes a combination of measures/controls to reduce or, mitigate the Group's exposure to risks and/or, possible losses.

A Risk Management Committee ("RMC") was established in FY2013, to review the adequacy and effectiveness of risk management activities within the Group. The Group has in place a risk management framework to enhance its risk management capabilities. The key risks facing the Group have been identified and action plans have been put in place to attempt to mitigate these risks. Risks have been identified at the process levels and controls have been put in place to mitigate these risks. Awareness and ownership of risks and controls by the relevant functions are continuously instilled.

Key management staff from the various business units are tasked to assess and manage the risks within the defined risk management framework.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating returns on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The system of internal controls provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

However, the Board recognizes that no system of internal controls can provide absolute assurance against the occurrence of material financial misstatements or losses, poor judgment in decision-making, human errors, fraud or other irregularities.

For FY2019, the Board has received assurance from the Managing Director (equivalent to CEO) and Chief Financial Officer that –

(a) the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management, compliance and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors and External Auditors, and the reviews performed by Management and the RMC for FY2019, the Board, with the concurrence of the AC, is of the opinion that, as at the date of this report, the Group's internal controls, which address the Group's financial, operational, compliance and information technology risks and risk management systems, are effective and adequate in its current business environment.

Principle 12: Audit Committee

The AC comprises three Directors, all whom are independent. The Chairman of the AC is Mr Ong Tiew Siam and its members are Ms Tan Siok Chin and Mr Loo Cheng Guan.

The Chairman and the members of the AC possess relevant accounting or financial management expertise or experience to discharge their responsibilities.

The AC is regulated by a set of written terms of reference, which clearly sets out its authority and duties. The AC has explicit authority to investigate any matters within its terms of reference, full access to and the co-operation by Management, full discretion to invite any Director or Executive Officer to attend its meetings and has been given adequate resources to enable it to discharge its functions.

CORPORATE GOVERNANCE **REPORT**

The key functions of the AC, amongst others, are –

(a) To review with the External Auditors, the scope and results of the external audit, evaluation of the accounting controls, audit reports and any matters which the External Auditors wish to discuss;

(b) To review with the Internal Auditors, their audit plan and reports, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;

(c) To review the quarterly and annual financial statements of the Company and the Group, including announcements to shareholders and the SGX-ST, prior to submission to the Board for approval;

(d) To review and to report to the Board the adequacy and effectiveness of the Group's internal controls, which address the Group's financial, operational, compliance and information technology risks and risk management systems, and any other matters requiring the Board's attention;

(e) To evaluate the Group's system of internal controls with the Internal Auditors and to assess the effectiveness and adequacy of internal accounting and financial control procedures;

(f) To review the Company's Whistle-Blowing Policy and to ensure that arrangements are in place for concerns about possible improprieties in financial reporting or other matters to be raised and investigated, and for appropriate follow-up action to be taken;

(g) To review Interested Person Transactions and to report its findings to the Board;

(h) To conduct annual reviews of the cost effectiveness of the audit, the independence and objectivity of the External Auditors, including the volume of non-audit services provided by the External Auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors before confirming their re-nomination; and

(i) To make recommendations to the Board on the appointment, re-appointment and removal of the External Auditors and to approve their remunerations and terms of engagement.

During the financial year, the AC had reviewed –

- the quarterly and full-year financial statements prior to submission to the Board;
- the annual audit plan of the External Auditors and Internal Auditors and the results of the audit performed by them;
- the effectiveness and adequacy of the Group's internal controls and risk management systems;
- audit and non-audit services rendered by the External Auditors, their independence, re-appointment and remuneration; and
- transactions with interested persons and those not falling within the ambit of Chapter 9 of the Listing Manual of the SGX-ST.

The External Auditors provides the AC with regular updates on changes in accounting standards and issues which have a direct impact on financial statements.

The Company's External Auditors and Internal Auditors report their findings and recommendations to the AC independently. In FY2019, the AC met with the External Auditors and the Internal Auditors twice, to review the Group's accounting, auditing and financial reporting and internal control matters, so as to ensure that an effective system of control is maintained in the Group. The AC has also met with External Auditors and Internal Auditors without the presence of Management.

CORPORATE GOVERNANCE **REPORT**

The Company's External Auditors, PricewaterhouseCoopers ("PwC"), did not provide any non-audit service for FY2019. The aggregate amount of audit service fees paid to PwC for FY2019 was HK$1,346,000.

As PwC is the sole auditor of the Company and its subsidiaries, the Company has complied with Rules 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of audit firms.

In reviewing the nomination of PwC for re-appointment as External Auditors, the AC had considered the adequacy of resources, experience and competence of PwC and, had taken into account the Audit Quality Indicators relating to PwC at firm level and on audit engagement level.

Consideration was also given to –

- the experience of the engagement partner and key team members;
- industry specialization in the consumer and industrial products segment;
- total engagement, supervision and training hours; and
- independence requirements.

Based on the above, the AC has recommended to the Board the nomination of PwC for re-appointment as External Auditors at the forthcoming AGM.

No former partner or director of the External Auditors is a member of the AC.

WHISTLE-BLOWING POLICY

The Company has in place a Whistle-Blowing Policy whereby the staff of the Group and stakeholders can raise in good faith and in confidence, any concerns about possible improprieties relating to business activities, accounting, financial reporting, internal controls and other matters. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action.

The objectives of the Whistle-Blowing Policy are:

- To communicate the Company's expectation of employees of the Group in detecting fraudulent activities or malpractices;
- To guide employees on the course of action when addressing their concerns or suspicions of fraudulent activities or malpractices;
- To provide a process for investigations and management reporting; and
- To establish the policies for protecting whistle-blowers against reprisal by any person internal or external of the Group.

Principle 13: Internal Audit

The Group's internal audit function is outsourced to an independent audit firm, RSM Consulting (Hong Kong) Limited ("IA"). The IA functions according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and is adequately resourced to perform the internal audit effectively.

The IA has unrestricted access to all records, properties, information and receives co-operation from the Board, the AC, Management and staff, as necessary, to effectively discharge its responsibilities. The IA conducts independent reviews, assessment and follow-up audit procedures on the Group's financial, operational, compliance and technology controls, and reports the remediation status to the AC. Reports of the IA are submitted to the AC for review, with copies of these reports extended to the members of the Board and the relevant senior management officers.

CORPORATE GOVERNANCE **REPORT**

The IA had during the course of their audit performed tests over operating effectiveness of certain controls and made some observations on internal controls and proposed recommendations to assist management in mitigate risks and improving operational efficiency and effectiveness in the areas reviewed. Action plans to address these observations have been put in place.

The AC assesses the adequacy and effectiveness of the internal audit function annually.

With the assistance of the IA, the Group has established a risk management framework to continuously monitor, manage and control risks. Management regularly reviews and updates key risks for the Group, and ensures that such risks remain relevant in the context of current economic and operating environment.

The AC is responsible for the appointment, removal, evaluation and compensation of the Internal Auditors.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Group keeps all shareholders informed of developments that would have a material impact on the Group through announcements on SGXNet and on the Company's website at www.valuetronics.com.hk.

Notices of general meetings are issued with the Annual Report or, relevant circulars and sent to shareholders within the prescribed time frame. Such notices are also published in a newspaper and posted on SGXNet and the Company's website.

Every shareholder is entitled to vote in person or by appointing up to two proxies to attend and vote on his or her behalf. With poll voting, shareholders and/or, their proxies are entitled to one vote for every share represented at general meetings.

In compliance with Bermuda law, the Company's Bye-laws does not allow corporations which provide nominee or custodial services to appoint more than two proxies to attend and participate in general meetings as proxies.

Principles 15: Communication with Shareholders

The Board recognises the importance and is aware of its obligations in providing regular, effective and fair communication with shareholders. It provides prompt, consistent and relevant information with regard to the Group's corporate developments and financial performance, which complies with disclosure obligations prescribed under the Code and the SGX-ST Listing Manual. The Group's Investor Relations ("IR") Policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information. The IR Policy is available on the Company's website at www.valuetronics.com.hk.

The Company notifies shareholders in advance on the date of release of its financial results through announcement via SGXNet.

Immediately following its results announcement each quarter, the Company establishes shareholder communication via a series of local and overseas non-deal road shows. Management takes an active role in participating in investor relations activities with the investment community and, meeting regularly with local and foreign institutional shareholders. The various channels of shareholder communication enable the Group to solicit and understand the views of the shareholders. For transparency and non-selective disclosure, materials used in these briefings are publicly disseminated via SGXNet and on the Company's website.

As general meetings are the principal forum for dialogue with shareholders, the Board encourages all shareholders to attend the general meetings, to stay informed of the Group's developments. Shareholders are also given the opportunity to air their views and direct questions to the Board and Board Committees. Annual Reports/Circulars are despatched to shareholders, together with the notice of the general meeting, explanatory notes or a circular on items of special business, within the prescribed time frame. The notices of the general meeting are also advertised in a Singapore newspaper.

Shareholders and the public may also assess financial and annual reports, announcements and, media releases via the Company's website.

DIVIDEND POLICY

The Company has a formal dividend policy which aims to provide its shareholders with a target annual dividend payout of at least 30% of the net profit attributable to shareholders in any financial year, whether as interim and/or final dividend, the declaration and payment of which will be determined at the sole discretion of the Board.

The ordinary dividend recommended, declared or paid in any financial year shall not exceed 50% of the total net profit attributable to shareholders, unless otherwise approved by the Board.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will also take into account, inter alia –

(i) the Group's actual and expected financial performance and financial conditions;

(ii) retained earnings and distributable reserves;

(iii) results of operations and cash flow;

(iv) the level of the Company's debts to equity ratio and return on equity;

(v) the ability of the Company's subsidiaries to make dividend payments to the Company;

(vi) restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements;

(vii) the Group's expected working capital requirements, the Group's expected capital expenditure, future expansion, other investment plans and other funding requirements;

(viii) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which the Board may consider appropriate in the interests of the Company; and

(ix) such other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board continually reviews the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

Principle 16: Conduct of Shareholders' Meetings

Voting in absentia has not been implemented due to concerns on information control and security.

At general meetings, separate resolutions are proposed for each substantially separate issue to avoid bundling of resolutions unless, the resolutions are inter-dependent and linked to form one significant proposal.

Resolutions are voted on by poll and independent scrutineers are appointed to count and verify the results of the poll. The poll results, including the number of votes cast for and against each resolution at the meeting, are released via SGXNet and posted on the Company's website.

The Directors, including the Chairman of the respective Board Committees and the External Auditors attend general meetings to address issues raised by shareholders. The External Auditors is present at the annual general meeting to address shareholders' queries on the conduct of the audit and the preparation and conduct of the auditors' report.

The Company Secretary prepares minutes of general meetings which are available to shareholders present at the relevant meeting, upon request.

CORPORATE GOVERNANCE **REPORT**

SECURITIES TRANSACTIONS

The Group has adopted a policy governing dealings in securities of the Company for Directors, its officers and employees.

The Group's "black-out" period, in compliance with SGX-ST's Listing Rule 1207(19), is that the Directors, officers and other employees of the Group, who have access to price-sensitive and confidential information, should not deal in securities of the Company during the period commencing at least 2 weeks before the announcement of each of the Group's quarterly financial results and one month before the announcement of the Group's full-year results. The black-out period ends on the date of the announcement of the relevant results.

In addition, the Directors and officers of the Group are discouraged from dealing in the Company's securities whilst in possession of price-sensitive information and/or on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTS")

The Group has adopted an internal policy governing procedures for the review and approval of IPTs. The AC has reviewed the rationale and terms of the Group's IPTs and is of the view that the IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Save as disclosed in the consolidated financial statements, the aggregate value of all approved IPTs conducted during the financial year ended 31 March 2019 (excluding transactions less than SG$100,000), are set out below.

Name of interested person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	
	Year ended 31 March 2019 HK$'000	**Year ended 31 March 2018 HK$'000**
Purchase of goods from Nicecon Limited, which is beneficially owned by the brother of Mr. Chow Kok Kit	3,360	1,971

The Company does not have a Shareholders' Mandate for IPTs.

MATERIAL CONTRACTS

Other than as disclosed above, there were no material contracts of the Company or its subsidiaries involving the interests of any Director or controlling shareholder entered into during the financial year that is required to be disclosed under Rule 1207(8).

REPORT OF THE **DIRECTORS**

The Directors of the Company are pleased to present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2019.

1. DIRECTORS AT DATE OF REPORT

The Directors of the Company in office at the date of this report are:

Tse Chong Hing	Chairman and Managing Director
Chow Kok Kit	Executive Director
Ong Tiew Siam	Lead Independent Director
Loo Cheng Guan	Independent Director
Tan Siok Chin	Independent Director

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement the objective of which is to enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or the Group, other than pursuant to the Valuetronics Employee Share Option Scheme and the Valuetronics Employee Share Option Scheme 2017 and the Valuetronics Performance Share Plan and the Valuetronics Performance Share Plan 2017.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in the shares or debentures of the Company and related corporations, either at the beginning or at the end of the financial year.

	In the name of Directors		Deemed Interest	
	At 1 April 2018	**At 31 March 2019**	**At 1 April 2018**	**At 31 March 2019**
Name of Directors	**Ordinary shares of HK$0.10 each**			
Tse Chong Hing	75,990,411	75,990,411	–	–
Chow Kok Kit	32,000,361	32,000,361	–	–
Ong Tiew Siam	–	–	–	–
Loo Cheng Guan	–	–	–	–
Tan Siok Chin	–	–	–	–

There was no change in Directors' interests between the end of the financial year and 21 April 2019.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for the directors' fees, salaries, bonuses and other benefits as disclosed in the financial statements.

REPORT OF THE DIRECTORS

5. SHARE OPTIONS AND AWARDS

(i) The Valuetronics Employee Share Option Scheme ("ESOS 2007") and the Valuetronics Employee Share Option Scheme 2017 ("ESOS 2017")

The ESOS 2007 was approved by Shareholders at a Special General Meeting ("SGM") on 6 February 2007 and modified at the SGM held on 28 July 2008. ESOS 2007 expired on 6 February 2017 and the new modified ESOS 2017 was approved by Shareholders at SGM on 24 July 2017.

The ESOS 2007 and ESOS 2017 are administered by the Remuneration Committee ("RC") comprising:–

Tan Siok Chin (Chairman)
Ong Tiew Siam
Loo Cheng Guan

Other information regarding the ESOS 2017 is set out below:–

Subject to the absolute discretion of the RC, options may be granted to the following groups of participants under the ESOS 2017:

(a) Group Employees (including Executive Directors but excluding Controlling Shareholders and/or their Associates); and

(b) Non-Executive Directors (including Independent Directors).

Options may be granted by the RC at its discretion with the Exercise Price set at:–

- a price equal to the Market Price; or
- a price which is set at a discount to the Market Price, provided that:
  i. the maximum discount shall not exceed 20% of the Market Price; and
  ii. the Shareholders in general meeting have authorised, in a separate resolution, the making of offers and grants under the ESOS 2017 at a discount not exceeding the maximum discount as aforesaid.

Options granted at the Market Price may be exercised at any time after the first anniversary of the date of the grant. Options granted with the Exercise Price set at a discount to the Market Price may be exercised any time after the second anniversary of the date of grant. All options shall be exercised before the tenth anniversary of the relevant offer date, or such earlier date as may be determined by the RC, failing which all unexercised Options shall immediately lapse and become null and void.

Except as disclosed below, no employee received 5% or more of the total number of shares under options available under the ESOS 2007 and ESOS 2017.

REPORT OF THE **DIRECTORS**

During the financial year, 2,890,000 options to subscribe for shares in the Company were granted to the Company's executives and staff under the ESOS 2017. Pursuant to the exercise of options, the Company issued and allotted 1,610,720 new ordinary shares, and transferred and utilized 3,779,280 treasury shares. 540,500 options were lapsed during the financial year.

As at 31 March 2019, the Company has the following outstanding share options:

Date of grant	Exercise Price	Outstanding at 1 April 2018	Granted	Exercised	Lapsed	Outstanding at 31 March 2019
24 August 2015 (Note 1)	S$0.268*	3,767,500	–	(3,657,500)	(82,000)	27,500
18 August 2016 (Note 1)	S$0.379*	3,795,000	–	(1,677,500)	(308,000)	1,809,500
24 September 2017 (Note 1)	S$0.701	3,245,000	–	–	(150,000)	3,095,000
21 September 2018 (Note 1)	S$0.530	–	2,890,000	–	–	2,890,000
18 August 2016 (Note 2)	S$0.474*	55,000	–	(55,000)	–	–
Total		10,862,500	2,890,000	(5,390,000)	(540,500)	7,822,000

* Following the completion of the 1-for-10 bonus issue on 5 June 2017, the number of outstanding share options held by each holder were adjusted upward by 10% and their respective exercise prices were adjusted downward by 10% as a result.

Notes:

(1) These 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) These 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.

The details of options granted to the Directors (and Controlling Shareholders) of the Company:

Name of participant	Options granted during the financial year	Aggregate options granted since commencement of ESOS 2007 to end of financial year	Aggregate options exercised since commencement of ESOS 2007 to end of financial year	Aggregate options outstanding at end of financial year
Tse Chong Hing	–	3,225,000	(3,225,000)	–
Chow Kok Kit	–	2,800,000	(2,800,000)	–
Ong Tiew Siam	–	–	–	–
Loo Cheng Guan	–	–	–	–
Tan Siok Chin	–	–	–	–
Total	–	6,025,000	(6,025,000)	–

(ii) The Valuetronics Performance Share Plan ("PSP 2008") and the Valuetronics Performance Share Plan 2017 ("PSP 2017")

The PSP 2008 approved by shareholders of the Company on 28 July 2008 was terminated and replaced by the PSP 2017 which was approved by shareholders of the Company on 24 July 2017. The PSP 2017 is in addition to and complementary to the ESOS 2017. The PSP 2017 is intended to further the Company's continuing efforts to reward, retain and motivate Directors and employees to achieve better performance. The PSP 2017 is an incentive plan to provide the Company with the flexibility in tailoring reward and incentive packages to suit individual participants.

The focus of the PSP 2017 is principally to target executives in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance. The number of shares to be awarded under the PSP 2017 is determined by performance targets and/or service conditions and/or significant contributions to the Group ("Share Awards").

REPORT OF THE DIRECTORS

The PSP 2017 is administered by the Remuneration Committee.

Except as disclosed below, no employee received 5% or more of the total number of Share Awards available under the PSP 2008 and PSP 2017.

During the financial year, no Share Awards were granted to the Company's Executive Directors under the PSP 2008 and PSP 2017.

As at 31 March 2019, the Company has no outstanding Share Awards.

The vesting period of the above Share Awards are 1–3 years from the date of grant.

The details of Share Awards granted to the Directors (and Controlling Shareholders) of the Company:

Name of participant	Aggregate awards granted since commencement of PSP 2008 to end of financial year
Tse Chong Hing	3,225,000
Chow Kok Kit	2,800,000
Total	6,025,000

There were no awards granted, released, forfeited or, outstanding, during the financial year.

(iii) Executive Director's entitlement to ESOS 2017 and PSP 2017

Mr. Chow Kok Kit, an Executive Director, has irrevocably and unconditionally renounced his right and/or entitlement to participate in the ESOS 2017 and PSP 2017.

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises three members, all of whom are Independent Directors. The AC members at the date of this report are as follows:–

Ong Tiew Siam (Chairman)
Loo Cheng Guan
Tan Siok Chin

The AC held four meetings since the date of the last Directors' report.

The functions of the AC are disclosed in the Corporate Governance Report.

The AC has full access to and has the co-operation of Management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The External Auditors and Internal Auditors have unrestricted access to the AC.

REPORT OF THE **DIRECTORS**

7. AUDITORS

The Directors of the Company, with the concurrence of the AC, propose the re-appointment of PricewaterhouseCoopers as External Auditors of the Company for the financial year ending 31 March 2020 at the forthcoming AGM.

8. DEVELOPMENTS SUBSEQUENT TO ANNOUNCEMENT OF RESULTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 29 May 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

ON BEHALF OF THE BOARD OF DIRECTORS

TSE CHONG HING
Chairman

CHOW KOK KIT
Executive Director

28 June 2019

STATEMENT BY **DIRECTORS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

In the opinion of the Directors,

(a) The accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 38 to 78, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2019 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

TSE CHONG HING	CHOW KOK KIT
Chairman	*Executive Director*

28 June 2019

INDEPENDENT **AUDITOR'S REPORT**

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF VALUETRONICS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

Opinion

What we have audited

The consolidated financial statements of Valuetronics Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 78, which comprise:

- the consolidated and company statements of financial position as at 31 March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2019, and of the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Net realisable value of inventories
- Accruals and provisions

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INDEPENDENT **AUDITOR'S REPORT**

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories	
Refer to Note 3.8 "Summary of significant accounting policies – Inventories" and Note 5(a) "Critical accounting estimates and judgements – Write-down of inventories" to the consolidated financial statements. At 31 March 2019, the Group held inventories of HK$302,046,000. Inventories are stated at the lower of cost and net realisable value, and the latter is the estimated selling price in the ordinary course of business less estimated costs to completion and those necessary to make the sale. We focused on this area because management applies judgements in determining the net realisable value of inventories based on inspections and analyses of degree of obsolescence on various categories and types of inventories, pricing plans for different products, etc.	Our procedures to obtain evidence over the appropriateness of management's assumptions in determining the net realisable value of inventories included the following. We – evaluated and tested the Group's monitoring controls on analysing slow-moving indicators of inventories such as monthly turnover ratios and bi-weekly consumption forecasts as well as comparing production plan with sales orders, – tested the effectiveness of controls operating across the Group including inspection on physical conditions of materials and products as well as notification for inventories not supported by sales orders with follow-up actions, – attended physical observations at production premises and warehouses to identify any potential obsolescence and damages on the Group's inventories, – assessed the reasonableness and consistency of judgements and assumptions applied by management to write-off inventories which were damaged, obsolete, etc as indicated by inventory records or sales information, and – observed the sales prices from recent sales transactions to support the net realisable value of inventories. Based on the above, we found that the assumptions and judgements applied by management on their assessment of the net realisable value of inventories were supported by the evidence we obtained.
Accruals and provisions	
Refer to Note 3.16, 3.18 "Summary of significant accounting policies – Employee benefits, Provision" and Note 5(b) "Critical accounting estimates and judgements – Provisions" to the consolidated financial statements. At 31 March 2019, the Group had other payables and accruals (including provisions) of HK$355,734,000. Accruals and provisions are liabilities of uncertain timing or amounts. Where the actual outcome in future is different from the original estimate, such differences will impact the carrying value and amount charged/written-back in the period in which such estimate is changed. We focused on this area because management applies judgements in determining the appropriate level of accruals and provisions based on historical data associated with products and services, information provided by customers, etc.	Our procedures to obtain evidence over the appropriateness of management's assumptions in determining the carrying values included the following. We – read the relevant legislations on employee benefits, customer claims on product quality, etc to support the value of legal or contractual obligations, – compared actual settlements to bank payments, – reconciled any reversals with actual unsettled amounts and justifications like lapse of time bars or claim periods, and – identified any events or indicators subsequent to the year-end leading to adjustments on estimated balances at the year-end date. Based on the above, we found that the accruals and provisions were estimated within a reasonable range of outcomes and consistent with the evidences we obtained.

INDEPENDENT **AUDITOR'S REPORT**

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT **AUDITOR'S REPORT**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 June 2019

CONSOLIDATED **INCOME STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	6	**2,828,786**	2,853,667
Cost of sales	9	**(2,398,527)**	(2,439,067)
Gross profit		**430,259**	414,600
Selling and distribution expenses	9	**(41,476)**	(37,919)
Administrative expenses	9	**(177,202)**	(161,497)
Other income and gains, net	7	**26,681**	15,221
Other operating loss, net	8	**(13,610)**	–
Operating profit		**224,652**	230,405
Finance costs		**(600)**	(684)
Profit before income tax		**224,052**	229,721
Income tax expense	12	**(24,572)**	(24,990)
Profit for the year		**199,480**	204,731
Attributable to:			
Owners of the Company		**199,480**	204,731
Earnings per share for profit attributable to owners of the Company for the year		**HK cents**	HK cents
– Basic	13	**46.2**	48.1
– Diluted	13	**46.1**	47.6

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	HK$'000	HK$'000
Profit for the year	**199,480**	204,731
Other comprehensive (loss)/income, net of tax		
Items that may be reclassified to profit or loss		
Currency translation differences	**(5,116)**	7,352
Total comprehensive income for the year	**194,364**	212,083
Attributable to:		
Owners of the Company	**194,364**	212,083

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 MARCH 2019

	Note	Group 2019 HK$'000	Group 2018 HK$'000	Company 2019 HK$'000	Company 2018 HK$'000
ASSETS					
Non-current assets					
Land use rights	15	**17,154**	18,673	**–**	–
Property, plant and equipment	16	**209,808**	209,648	**–**	–
Interests in subsidiaries	17	**–**	–	**83,330**	83,330
Financial assets at fair value	18	**61,830**	–	**–**	–
Available-for-sale financial assets	18	**–**	50,430	**–**	–
Others		**28,867**	15,676	**–**	–
		317,659	294,427	**83,330**	83,330
Current assets					
Inventories	19	**302,046**	385,637	**–**	–
Trade receivables	20	**436,832**	582,814	**–**	–
Other receivables and prepayments		**26,385**	34,799	**369**	365
Due from subsidiaries	17	**–**	–	**411,868**	395,622
Cash and bank deposits	21	**930,445**	671,087	**165**	337
		1,695,708	1,674,337	**412,402**	396,324
Total assets		**2,013,367**	1,968,764	**495,732**	479,654
EQUITY					
Equity attributable to owners of the Company					
Share capital	26	**43,401**	43,240	**43,401**	43,240
Treasury shares	26	**(2,272)**	(8,298)	**(2,272)**	(8,298)
Reserves	28	**1,118,153**	1,027,018	**454,274**	444,054
Total equity		**1,159,282**	1,061,960	**495,403**	478,996
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	22	**8,918**	7,332	**–**	–
Current liabilities					
Trade payables	23	**391,503**	482,893	**–**	–
Other payables and accruals	24	**355,734**	382,552	**329**	658
Contract liabilities	25	**53,963**	–	**–**	–
Current income tax liabilities		**43,967**	34,027	**–**	–
		845,167	899,472	**329**	658
Total liabilities		**854,085**	906,804	**329**	658
Total equity and liabilities		**2,013,367**	1,968,764	**495,732**	479,654

The above statements of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company								
			Reserves						
	Share capital HK$'000 (Note 26)	Treasury shares HK$'000 (Note 26)	Share premium HK$'000 (Note 28(i))	Share-based compensation reserve HK$'000 (Note 28(iii))	Currency translation reserve HK$'000 (Note 28(iv))	Statutory reserve HK$'000 (Note 28(v))	Retained earnings HK$'000	Subtotal HK$'000	Total HK$'000
For the year ended 31 March 2019									
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 year	–	–	–	–	(5,116)	–	199,480	194,364	194,364
Dividends paid (Note 14)	–	–	–	–	–	–	(107,185)	(107,185)	(107,185)
Purchase of treasury shares	–	(3,884)	–	–	–	–	–	–	(3,884)
Issue of shares on exercise of share options (Note 27(a))	161	9,910	3,851	(4,498)	–	–	–	(647)	9,424
Share-based compensation	–	–	–	4,603	–	–	–	4,603	4,603
Lapse of share options	–	–	–	(421)	–	–	421	–	–
Transfer to statutory reserve	–	–	–	–	–	424	(424)	–	–
	161	6,026	3,851	(316)	(5,116)	424	92,292	91,135	97,322
Balance at 31 March 2019	43,401	(2,272)	158,916	6,418	16,455	4,523	931,841	1,118,153	1,159,282

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company								
			Reserves						
	Share capital HK$'000 (Note 26)	Treasury shares HK$'000 (Note 26)	Share premium HK$'000 (Note 28(i))	Share-based compensation reserve HK$'000 (Note 28(iii))	Currency translation reserve HK$'000 (Note 28(iv))	Statutory reserve HK$'000 (Note 28(v))	Retained earnings HK$'000	Subtotal HK$'000	Total HK$'000
For the year ended 31 March 2018									
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 year	–	–	–	–	7,352	–	204,731	212,083	212,083
Dividends paid (Note 14)	–	–	–	–	–	–	(114,134)	(114,134)	(114,134)
Issue of bonus shares (Note 26)	3,853	(30)	(3,823)	–	–	–	–	(3,823)	–
Issue of shares on exercise of share options (Note 27(a))	948	–	18,963	–	–	–	–	18,963	19,911
Transfer to share premium upon exercise of share options	–	–	9,134	(9,134)	–	–	–	–	–
Share-based compensation	–	–	–	5,526	–	–	–	5,526	5,526
Transfer to statutory reserve	–	–	–	–	–	672	(672)	–	–
	4,801	(30)	24,274	(3,608)	7,352	672	89,925	118,615	123,386
Balance at 31 March 2018	43,240	(8,298)	155,065	6,734	21,571	4,099	839,549	1,027,018	1,061,960

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Profit before income tax	224,052	229,721
Adjustments for:		
Amortisation on land use rights	459	462
Depreciation on property, plant and equipment	44,898	37,066
Gain on disposals of property, plant and equipment	(374)	(513)
Share-based compensation	4,603	5,526
Interest income	(14,752)	(8,800)
	258,886	263,462
Changes in working capital:		
Inventories	83,591	(93,773)
Trade receivables	145,982	(96,539)
Other receivables and prepayments	11,509	(5,503)
Trade payables	(91,390)	(1,815)
Other payables and accruals and contract liabilities	8,533	16,703
Net cash generated from operations	417,111	82,535
Income tax paid	(13,046)	(19,006)
Net cash generated from operating activities	404,065	63,529
Cash flows from investing activities		
Purchase of property, plant and equipment	(47,059)	(82,387)
Proceeds from disposals of property, plant and equipment	530	587
Addition of available-for-sale financial assets	–	(42,800)
Redemption of available-for-sale financial assets	–	64,274
Addition of financial assets at fair value	(11,200)	–
Net addition of short-term bank deposits	(38,744)	(116,256)
Interests received	14,752	8,800
Net cash used in investing activities	(81,721)	(167,782)
Cash flows from financing activities		
Purchase of treasury shares	(3,884)	–
Dividends paid	(107,185)	(114,134)
Proceeds from shares issued in exercise of share options	9,424	19,911
Net cash used in financing activities	(101,645)	(94,223)
Net increase/(decrease) in cash and cash equivalents	220,699	(198,476)
Cash and cash equivalents at beginning of the financial year	554,831	752,941
Effect of foreign exchange rate changes	(85)	366
Cash and cash equivalents at end of the financial year	775,445	554,831

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

1 General information

Valuetronics Holdings Limited (the "Company") (Registration number: 38813) was incorporated in Bermuda on 18 August 2006 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Unit 9-11, 7/F., Technology Park, No. 18 On Lai Street, Shatin, New Territories, Hong Kong. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 17 to the financial statements.

These consolidated financial statements have been presented in thousands of HK dollar ("HK$'000"), unless otherwise stated, and is approved for issue by the Board of Directors on 7 June 2019.

2 Basis of preparation

2.1 Compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL") which are measured at fair value.

2.3 New standards, amendments to standards and interpretations

(a) Adoption of new standards, amendments to standards and interpretations

The followings are mandatory for the first time for the financial year beginning 1 April 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 40 Transfers to Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements 2014-2016 cycle

The adoption of the above does not have any significant impact to the results and financial position of the Group and the Company, except for certain impacts from IFRS 9 and IFRS 15 as detailed below.

The Group elects to adopt IFRS 9 and IFRS 15 without restating comparatives. The reclassifications/adjustments arising from their adoption are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening statement of financial position at 1 April 2018.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

2 Basis of preparation (Continued)

2.3 New standards, amendments to standards and interpretations (Continued)

(a) Adoption of new standards, amendments to standards and interpretations (Continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 March 2018 HK$'000**	**IFRS 9 (note (i)) HK$'000**	**IFRS 15 (note (ii)) HK$'000**	**1 April 2018 HK$'000**
Non-current assets				
Financial assets at FVOCI	–	38,630	–	38,630
Financial assets at FVPL	–	11,800	–	11,800
Available-for-sale financial assets	50,430	(50,430)	–	–
Current liabilities				
Other payables and accruals	382,552	–	(63,286)	319,266
Contract liabilities	–	–	63,286	63,286

(i) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 3.7 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The impacts are as follows:

Classification and measurement

On 1 April 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Debentures were reclassified from available-for-sale financial assets to financial assets at FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, debentures with a fair value of HK$38,630,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

Certain other financial assets previously classified as available-for-sale were reclassified from available-for-sale to financial assets at FVPL (HK$11,800,000 as at 1 April 2018). They do not meet the IFRS 9 criteria for classification at amortised cost or FVOCI, because their cash flows do not represent solely payments of principal and interest.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

2 Basis of preparation (Continued)

2.3 New standards, amendments to standards and interpretations (Continued)

(a) Adoption of new standards, amendments to standards and interpretations (Continued)

(i) IFRS 9 Financial Instruments (Continued)

Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables
- other financial assets at amortised cost
- debentures carried at FVOCI

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was immaterial (Note 4.1(b)).

While cash and bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the provisions of IAS 18 "Revenue", IAS 11 "Construction Contracts" and their related interpretations. In accordance with the transitional provisions in IFRS 15, the Group has adopted the modified retrospective approach and has not restated comparatives for the previous financial year.

Contract liabilities in relation to advance payments from customers previously included in other payables and accruals (HK$63,286,000 as at 31 March 2018) are now presented as contract liabilities to reflect the terminology of IFRS 15.

(b) New standards, amendments to standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 April 2018 and have not been early adopted. The Group's assessment of their impacts is set out below.

IFRS 16 Leases

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors.

The Group is a lessee of certain properties which are currently classified as operating leases. The current accounting policy of such leases and the Group's future operating lease commitments are set out in Note 3.21 and Note 29(b) respectively.

The standard will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As for the financial impact in the income statement, rental expenses will be replaced with straight-line depreciation expenses on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the income statement in the initial years of the lease, and a lower total charge during the latter part of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2 Basis of preparation (Continued)

2.3 New standards, amendments to standards and interpretations (Continued)

(b) New standards, amendments to standards and interpretations not yet effective (Continued)

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption.

There are no other new standards, amendments to existing standards or interpretations that are not yet effective and would be expected to have a material impact on these financial statements.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Subsidiaries

(a) Consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Summary of significant accounting policies (Continued)

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director who makes strategic decisions.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ''functional currency''). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.4 Land use rights

Land use rights represent prepayments for operating leases and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights of 50 years.

3.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	25-50 years; or over the lease term of the relevant land; whichever is shorter
Plant and machinery	2-10 years
Computers	2 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and gains, net" in the income statement.

3.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.7 Financial assets

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income and gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies (Continued)

3.7 Financial assets (Continued)

(c) Measurement (Continued)

(i) Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income and gains, net". Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income and gains, net" and impairment expenses are presented as separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other income and gains, net" in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income and gains, net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other income and gains, net" in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4.1(b) for further details.

3 Summary of significant accounting policies (Continued)

3.7 Financial assets (Continued)

(e) Accounting policies applied until 31 March 2018

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

Until 31 March 2018 the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets primarily comprise loans and receivables and available-for-sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and bank deposits in the statements of financial position.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "Other income and gains, net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.7 Financial assets (Continued)

(e) Accounting policies applied until 31 March 2018 (Continued)

(iii) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.7 Financial assets (Continued)

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

3.9 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 4.1(b)(ii) for a description of the Group's impairment policies.

3.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original short maturities, and bank overdrafts.

3.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.12 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sales, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

3.13 Trade and other payables

Trade and other payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.14 Contract assets and liabilities

When either party to a contract has performed, the Group presents the contract in statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services the Group has transferred to customer. Contract asset is subject to the impairment of expected credit losses model under IFRS 9.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. For those costs with amortisation periods of less than 1 year, they are expensed as incurred.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration that is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

3.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) <u>Inside basis differences</u>

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.15 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Employee benefits

(a) Retirement benefit schemes

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries established in the People’s Republic of China (the “PRC”) are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group’s liability in respect of these funds is limited to the contributions payable in each period.

(c) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.16 Employee benefits (Continued)

(d) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3.17 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (e.g. options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

3.18 Provision

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.19 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

(a) Sales of goods and materials

Revenue from the sales of manufactured goods and trading of raw materials are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see Note 24.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

3 Summary of significant accounting policies (Continued)

3.19 Revenue recognition (Continued)

(b) Services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

3.20 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI (2018: loans and receivables and available-for-sale financial assets) calculated using the effective interest method is recognised in the income statement as part of "Other income and gains, net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.21 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("US$") and Renminbi ("RMB").

The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

There is no significant foreign exchange risk for HK$/US$ as HK$ are reasonably stable with US$ under the linked exchange rate system.

At 31 March 2019, if the RMB had weakened/strengthened 1 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$337,000 (2018: HK$146,000) lower/higher, arising mainly as a result of the net foreign exchange differences on bank deposits, receivables and payables denominated in RMB.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group's financial assets at fair value (2018: available-for-sale financial assets) are measured at fair value at the end of each reporting period. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 March 2019, if the market price of the financial assets at fair value (2018: available-for-sale financial assets) at that date had been increased/decreased by 5 per cent with all other variables held constant, the consolidated other comprehensive income and profit after tax for the year would increase/decrease by approximately HK$1,932,000 and HK$870,000 arising as a result of gain/loss on financial assets at FVOCI and FVPL respectively (2018: the consolidated other comprehensive income would increase/decrease by approximately HK$2,522,000 arising as a result of gain/loss on available-for-sale financial assets.)

(iii) Interest-rate risk

As the Group has significant interest-bearing assets, the Group's operating cash flows are dependent of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its bank deposits. Certain of the Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The bank deposits bear interests at fixed interest rates ranging from approximately 2.15% to 3.30% (2018: 1.07% to 2.40%) per annum as at 31 March 2019. Other than these, the bank deposits bear interests at variable rates varied with the then prevailing market condition and thus exposing the Group to cash flow interest rate risk.

At 31 March 2019, if interest rates at that date had been 10 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$211,000 (2018: HK$332,000) higher/lower, arising mainly as a result of higher/lower interest income on bank deposits.

(b) Credit risk

Credit risk arises from contractual cash flows of debt instruments carried at amortised cost, at FVOCI and at FVPL, bank deposits, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. As at 31 March 2019, the five largest trade receivables represent approximately 67% (2018: 68%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

The credit risk on bank deposits is limited because the counterparties are banks with acceptable credit-ratings assigned by international credit-rating agencies.

Majority of the Group's investment in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. For the year ended 31 March 2019, the expected credit losses rate for customers of sales of goods is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. The assessed expected credit losses for trade receivables are not material.

Other financial assets at amortised cost

For other financial assets at amortised cost, the Group and the Company recognise loss allowances equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowances are measured at amounts equal to lifetime expected credit losses. The expected credit losses for other financial assets at amortised cost are not material.

Debentures carried at FVOCI

All of the Group's investments in debentures at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

(iii) Financial assets at FVPL

The Group is also exposed to credit risk in relation to certain other investments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$23,200,000 as at 31 March 2019.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Group				
At 31 March 2019				
Trade payables	**391,503**	**–**	**–**	**–**
Other payables and accruals	**215,011**	**–**	**–**	**–**
At 31 March 2018				
Trade payables	482,893	–	–	–
Other payables and accruals	202,389	–	–	–
Company				
At 31 March 2019				
Other payables and accruals	**329**	**–**	**–**	**–**
At 31 March 2018				
Other payables and accruals	658	–	–	–

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares and buy-back shares, raise new debts, or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and bank deposits. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings and other reserves). At the end of the year, the Group has no debt outstanding (2018: Nil) and the debt-to-adjusted capital ratio has not been disclosed.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 10% limit throughout the year. As at 31 March 2019, 73% (2018: 73%) of the shares were in public hands.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

4 Financial risk management (Continued)

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2019				
Financial assets at FVOCI	**38,630**	**–**	**–**	**38,630**
Financial assets at FVPL	**–**	**–**	**23,200**	**23,200**
	38,630	**–**	**23,200**	**61,830**
At 31 March 2018				
Available-for-sale financial assets	38,630	–	11,800	50,430

There were no transfers between different levels during the year.

The carrying amounts of the Group's current financial assets including cash and bank deposits and trade and other receivables, and the Group's current financial liabilities including trade and other payables, approximate their fair values.

4.4 Financial instruments by category

	Group		Company	
	2019 HKD'000	2018 HKD'000	**2019 HKD'000**	2018 HKD'000
Financial assets				
Financial assets at amortised cost				
– Trade receivables	**436,832**	582,814	**–**	–
– Other receivables	**11,325**	16,948	**–**	–
– Due from subsidiaries	**–**	–	**411,868**	395,622
– Cash and bank deposits	**930,445**	671,087	**165**	337
Financial assets at FVOCI	**38,630**	–	**–**	–
Financial assets at FVPL	**23,200**	–	**–**	–
Available-for-sale financial assets	**–**	50,430	**–**	–
	1,440,432	1,321,279	**412,033**	395,959
Financial liabilities				
Financial liabilities at amortised cost				
– Trade payables	**391,503**	482,893	**–**	–
– Other payables	**215,011**	202,389	**329**	658
	606,514	685,282	**329**	658

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Write-down of inventories

Write-down for inventories is made based on the estimated net realisable value of inventories. The assessment of the write-down amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and amount written-down/written-back in the period in which such estimate is changed.

(b) Provisions

The provisions are based on estimates made from historical data associated with products and services and information provided by the customers as well as the other market information. The assessment of the provision amounts involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such differences will impact the carrying value of provisions and amount charged/written-back in the period in which such estimate is changed.

(c) Depreciation of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual result is different from the original estimate, such difference will impact the carrying value of the financial assets and loss allowances in the year in which such estimate is changed.

(e) Taxation

The Group is mainly subject to income tax in Hong Kong. There may be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

6 Segment information

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

During the year the Group has two reportable segments as follows:

- Consumer Electronics – consumer electronics products
- Industrial and Commercial Electronics – industrial and commercial electronics products

	Consumer Electronics HK$'000	Industrial and Commercial Electronics HK$'000	Total HK$'000
Year ended 31 March 2019			
Revenue (from external customers)	**1,161,233**	**1,667,553**	**2,828,786**
Timing of revenue recognition			
– at a point in time	**1,154,795**	**1,654,431**	**2,809,226**
– over time	**6,438**	**13,122**	**19,560**
Segment profit	**117,869**	**295,107**	**412,976**
Year ended 31 March 2018			
Revenue (from external customers)	1,398,129	1,455,538	2,853,667
Timing of revenue recognition			
– at a point in time	1,394,348	1,447,084	2,841,432
– over time	3,781	8,454	12,235
Segment profit	136,696	256,762	393,458

The revenue from external parties reported is measured in a manner consistent with that in the consolidated income statement.

Reconciliation of segment profit to profit for the year:

	2019 HK$'000	2018 HK$'000
Segment profit	**412,976**	393,458
Unallocated corporate expenses		
– staff costs	**(160,626)**	(144,778)
– income tax expense	**(24,572)**	(24,990)
– others	**(28,298)**	(18,959)
Profit for the year	**199,480**	204,731

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

6 Segment information (Continued)

Geographical information:

	Revenue		Non-current assets (other than financial instruments)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States of America	**1,230,789**	1,195,566	**–**	–
PRC	**900,332**	893,953	**238,090**	225,589
Poland	**213,503**	200,524	**–**	–
Hong Kong	**80,085**	107,707	**17,739**	18,408
Netherlands	**51,452**	15,673	**–**	
France	**41,235**	86,397	**–**	–
South Korea	**35,886**	37,757		
Germany	**32,531**	47,489	**–**	–
Other countries	**242,973**	268,601	**–**	–
Total	**2,828,786**	2,853,667	**255,829**	243,997

During the financial year ended 31 March 2019, the Group's external revenue amounting to approximately HK$1,965 million (2018: HK$2,048 million) was generated from four (2018: four) major customers, each of which accounted for 10% or more of the Group's total external revenue. This revenue was attributable to both Consumer Electronics and Industrial and Commercial Electronics segments.

7 Other income and gains, net

	2019	2018
	HK$'000	HK$'000
Interest income	**14,752**	8,800
Rework income	**1,088**	403
Sales of scrap materials	**1,381**	1,207
Sundry income	**2,755**	547
Gain on disposals of property, plant and equipment	**374**	513
Net exchange gain	**6,331**	3,751
	26,681	15,221

8 Other operating loss, net

This represents the estimated net loss recognised in respect of flash floods that occurred on 17 September 2018 at one of the Group's manufacturing plants, located in Danshui, PRC.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

9 Expenses by nature

	2019 HK$'000	2018 HK$'000
Change in inventories of finished goods and work-in-progress	**56,735**	(21,910)
Raw materials and consumables used	**2,011,071**	2,129,920
Amortisation on land use rights	**459**	462
Depreciation on property, plant and equipment	**44,898**	37,066
Auditors' remuneration		
– audit services	**1,696**	1,715
Operating lease charges	**2,322**	2,201
Staff costs, excluding directors' remuneration (Note 10)	**353,298**	351,582
Directors' remuneration (Note 11)	**38,003**	29,477
Others	**108,723**	107,970
Total cost of sales, selling and distribution expenses and administrative expenses	**2,617,205**	2,638,483

10 Staff costs, excluding directors' remuneration

	2019 HK$'000	2018 HK$'000
Salaries, wages, bonus and allowances	**328,489**	331,967
Retirement benefit scheme contributions	**20,206**	14,089
Share-based compensation	**4,603**	5,526
	353,298	351,582

11 Directors' remuneration

	2019 HK$'000	2018 HK$'000
Independent directors		
– fee	**1,318**	1,317
Executive directors		
– salaries, wages, bonus and allowances	**36,649**	28,124
– retirement benefit scheme contributions	**36**	36
	38,003	29,477

12 Income tax expense

	2019 HK$'000	2018 HK$'000
Current tax		
– Hong Kong profits tax	**17,542**	13,754
– PRC enterprise income tax	**5,444**	7,198
Deferred tax (Note 22)	**1,586**	4,038
	24,572	24,990

Tax charge on profits assessable have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

12 Income tax expense (Continued)

Hong Kong profits tax is provided at 16.5% (2018: 16.5%) based on the estimated assessable profit for the year.

Pursuant to relevant income tax rules and regulations in the PRC, the subsidiaries in the PRC are required to pay PRC enterprise income tax at a rate of 25% (2018: 25%).

In accordance with the relevant income tax rules and regulations of the PRC, the Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiaries in respect of their profits generated on or after 1 January 2008. As at 31 March 2019, the aggregate amount of the temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to approximately HK$17,217,000 (2018: HK$15,614,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the Hong Kong profits tax rate is as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**224,052**	229,721
Tax calculated at Hong Kong profits tax rate of 16.5%	**36,969**	37,904
Expenses not deductible for tax purposes	**459**	1,157
Income not subject to tax	**(2,208)**	(1,175)
Tax losses for which no deferred tax asset was recognised	**26**	277
Tax concession	**(13,898)**	(13,752)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**1,830**	1,286
Others	**1,394**	(707)
Tax charge	**24,572**	24,990

13 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$199,480,000 (2018: HK$204,731,000) by the weighted average number of ordinary shares of 431,535,927 (2018: 425,539,112) in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$199,480,000 (2018: HK$204,731,000) by the weighted average number of ordinary shares of 432,307,277 (2018: 429,932,615), being the weighted average number of ordinary shares of 431,535,927 (2018: 425,539,112) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 771,350 (2018: 4,393,503) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

14 Dividends

	2019 **HK$'000**	2018 HK$'000
Interim dividend, paid of HK$0.05 (2018: HK$0.07) per ordinary share	**21,669**	30,034
Final dividend, proposed of HK$0.15 (2018: HK$0.15) per ordinary share	**65,007**	64,358
Special dividend, proposed of HK$0.05 (2018: HK$0.05) per ordinary share	**21,669**	21,453
	108,345	115,845

These proposed dividends were proposed by the Company on 28 May 2019 to its shareholders in respect of the financial year ended 31 March 2019, which is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2020 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15 Land use rights

	Group 2019 HK$'000	Group 2018 HK$'000
Cost		
At beginning of the financial year	**24,167**	22,006
Exchange differences	**(1,376)**	2,161
At end of the financial year	**22,791**	24,167
Accumulated amortisation		
At beginning of the financial year	**5,494**	4,563
Charge for the year	**459**	462
Exchange differences	**(316)**	469
At end of the financial year	**5,637**	5,494
Net book amount		
At end of the financial year	**17,154**	18,673

16 Property, plant and equipment

	Group						
	Land and buildings HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture and fittings HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2018	138,663	359,094	4,279	49,207	21,059	4,075	576,377
Additions	–	42,972	1,100	3,374	1,680	245	49,371
Disposals	–	(9,328)	(36)	(468)	(58)	(176)	(10,066)
Exchange differences	(6,628)	(748)	(14)	–	(6)	(25)	(7,421)
At 31 March 2019	132,035	391,990	5,329	52,113	22,675	4,119	608,261
Accumulated depreciation and accumulated impairment							
At 1 April 2018	46,949	253,102	4,140	43,311	15,462	3,765	366,729
Charge for the year	5,134	34,778	479	2,505	1,652	350	44,898
Disposals	–	(9,256)	(10)	(412)	(56)	(176)	(9,910)
Exchange differences	(2,485)	(736)	(14)	–	(4)	(25)	(3,264)
At 31 March 2019	49,598	277,888	4,595	45,404	17,054	3,914	398,453
Net book amount							
At 31 March 2019	82,437	114,102	734	6,709	5,621	205	209,808

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16 Property, plant and equipment (Continued)

	Group						
	Land and buildings HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture and fittings HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2017	128,248	291,539	4,313	45,599	16,268	4,339	490,306
Additions	–	73,961	95	3,997	4,841	–	82,894
Disposals	–	(7,566)	(152)	(389)	(59)	(304)	(8,470)
Exchange differences	10,415	1,160	23	–	9	40	11,647
At 31 March 2018	138,663	359,094	4,279	49,207	21,059	4,075	576,377
Accumulated depreciation and accumulated impairment							
At 1 April 2017	38,153	231,830	4,058	41,460	14,322	3,350	333,173
Charge for the year	5,086	27,653	215	2,240	1,193	679	37,066
Disposals	–	(7,492)	(152)	(389)	(59)	(304)	(8,396)
Exchange differences	3,710	1,111	19	–	6	40	4,886
At 31 March 2018	46,949	253,102	4,140	43,311	15,462	3,765	366,729
Net book amount							
At 31 March 2018	91,714	105,992	139	5,896	5,597	310	209,648

17 Interests in subsidiaries

	Company	
	2019 HK$'000	2018 HK$'000
Unquoted investments, at cost	**83,330**	83,330

The amounts due from subsidiaries amounting to HK$411,868,000 (2018: HK$395,622,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 March 2019 are as follows:

Name	Date and place of incorporation/ establishment	Group's effective equity interest		Paid-up share/ registered capital		Principal activities
		2019	2018	**2019**	2018	
Directly held:						
Value Creation Enterprises Limited*	12 April 2001 British Virgin Islands	**100%**	100%	**US$16,667**	US$16,667	Investment holding
Indirectly held:						
Maxhall Limited.*	12 July 2000 British Virgin Islands	**100%**	100%	**US$1**	US$1	Investment holding
Mighty Resources Inc.*	27 October 2003 British Virgin Islands	**100%**	100%	**US$1**	US$1	Investment holding
Honor Tone Limited**	19 March 1992 Hong Kong	**100%**	100%	**HK$6,000,000**	HK$6,000,000	Electronics manufacturing

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17 Interests in subsidiaries (Continued)

Name	Date and place of incorporation/ establishment	Group's effective equity interest		Paid-up share/ registered capital		Principal activities
		2019	2018	**2019**	2018	
Value Chain Limited**	15 November 1999 Hong Kong	**100%**	100%	**HK$3,000,000**	HK$3,000,000	Investment holding
Honer Tone Electronics (Hui Yang) Enterprises Limited ("HTE") (note (a))***	15 September 2000 PRC	**100%**	100%	**HK$5,500,000**	HK$5,500,000	Electronics manufacturing
Huizhou Daya Bay Honor Tone Industrial Limited. ("Daya Bay") (note (b))****	21 April 2006 PRC	**100%**	100%	**US$12,100,000**	US$12,100,000	Property holding and electronics manufacturing
Valuetronics Asia Limited (formerly known as Master Brands HK Limited)**	7 May 2009 Hong Kong	**100%**	100%	**HK$20,000,000**	HK$20,000,000	Trading and provision of business services
Value Match Company Limited**	30 May 2014 Hong Kong	**100%**	100%	**HK$1**	HK$1	Investment holding
Huizhou Daya Bay Honor Tone Diagnostic Equipment Limited ("Daya Bay Diagnostic Equipment") (note (c))****	30 May 2016 PRC	**100%**	100%	**HK$2,000,000**	HK$2,000,000	Diagnostic equipment manufacturing

Notes:

(a) HTE was established as a wholly foreign-owned enterprise in the PRC on 15 September 2000 with an operation period of 50 years commencing from 15 September 2000.

(b) Daya Bay was established as a wholly foreign-owned enterprise in the PRC on 21 April 2006 with an operation period of 50 years commencing from 21 April 2006.

(c) Daya Bay Diagnostic Equipment was established as a wholly foreign-owned enterprise in the PRC on 30 May 2016 with an operation period of 30 years commencing from 30 May 2016.

* Not required to be audited by law of country of incorporation. These subsidiaries are not material.

** The statutory financial statements of these subsidiaries for the year ended 31 March 2019 were audited by PricewaterhouseCoopers.

*** The statutory financial statements of this subsidiary, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 廣東榮德會計師事務所 (Guangdong Rongde Certified Public Accountants) for tax filing and annual registration purposes.

**** The statutory financial statements of this subsidiary, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 惠州市恒正會計師事務所 (Huizhou Hengzheng Certified Public Accountants) for tax filing and annual registration purposes.

18 Financial assets at fair value

	Group	
	2019	2018
	HK$'000	HK$'000
Financial assets at FVOCI (note (i))	**38,630**	–
Financial assets at FVPL (note (ii))	**23,200**	–
	61,830	–

Notes:

(i) These were previously classified as "Debentures" under available-for-sale financial assets as at 31 March 2018 amounting to HK$38,630,000.

(ii) These were previously classified as "Others" under available-for-sale financial assets as at 31 March 2018 amounting to HK$11,800,000.

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19 Inventories

	Group	
	2019	2018
	HK$'000	HK$'000
Raw materials	**176,789**	203,645
Work-in-progress	**53,082**	54,493
Finished goods	**72,175**	127,499
	302,046	385,637

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$2,067,806,000 (2018: HK$2,108,010,000).

20 Trade receivables

	Group	
	2019	2018
	HK$'000	HK$'000
Trade receivables, gross	**436,832**	582,814
Less: loss allowance (Note 4.1(b)(ii))	**–**	–
	436,832	582,814

As of 31 March 2019, trade receivables of HK$39,689,000 (2018: HK$95,305,000) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	Group	
	2019	2018
	HK$'000	HK$'000
Up to 3 months	**39,545**	94,901
Over 3 months	**144**	404
	39,689	95,305

The carrying amounts of trade receivables are denominated in the following currencies:

	Group	
	2019	2018
	HK$'000	HK$'000
US$	**406,853**	524,575
RMB	**29,979**	58,239
	436,832	582,814

21 Cash and bank deposits

Cash and bank deposits are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	HKD'000	HKD'000	**HKD'000**	HKD'000
US$	**889,678**	617,429	**40**	24
RMB	**36,866**	39,145	**–**	–
HK$	**3,552**	10,360	**11**	96
Singapore dollars ("S$")	**147**	4,150	**114**	217
Japanese Yen ("JPY")	**202**	3	**–**	–
	930,445	671,087	**165**	337

Cash and bank deposits of the Group comprise (i) cash and cash equivalents of HK$775,445,000 (2018: HK$554,831,000) as shown in the consolidated statement of cash flows; and (ii) term deposits with initial terms of over three months of HK$155,000,000 (2018: HK$116,256,000).

Conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

22 Deferred income tax liabilities

	Group	
	2019	2018
	HK$'000	HK$'000
Accelerated tax depreciation		
At beginning of the financial year	**7,332**	3,294
Charged to consolidated income statement (Note 12)	**1,586**	4,038
As end of the financial year	**8,918**	7,332

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$9,002,000 (2018: HK$8,964,000) in respect of losses amounting to HK$50,720,000 (2018: HK$50,388,000) that can be carried forward against future taxable income without expiries except for certain tax losses of HK$7,446,000 (2018: HK$7,622,000) which will expire within five years.

23 Trade payables

The carrying amounts of trade payables are denominated in the following currencies:

	Group	
	2019	2018
	HK$'000	HK$'000
US$	**304,710**	373,837
RMB	**24,393**	34,495
HK$	**57,366**	71,739
JPY	**4,293**	2,128
Others	**741**	694
	391,503	482,893

NOTES TO **THE FINANCIAL STATEMENTS**

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24 Other payables and accruals

	Group		Company	
	2019	2018	**2019**	2018
	HKD'000	HKD'000	**HKD'000**	HKD'000
Accruals and other payables	**191,797**	180,938	**329**	658
Deposits received	**59,441**	104,883	**–**	–
Staff bonus payable	**20,958**	15,145	**–**	–
Bonus payable to directors (note (i))	**30,353**	29,368	**–**	–
Provision for sales returns (note (ii))	**30,619**	32,549	**–**	–
Provision for claims from customers (note (ii))	**22,566**	19,669	**–**	–
	355,734	382,552	**329**	658

Notes:

(i) Bonus payable to directors are unsecured, interest-free and repayable on demand.

(ii) Movements of the provisions are as follows:

	Group	
	Sales returns HK$'000	**Claims from customers HK$'000**
At 1 April 2017	25,935	17,427
Charge for the year	7,710	3,867
Settlements	(265)	(1,625)
Reversals	(831)	–
At 31 March 2018	**32,549**	19,669
Charge for the year	**782**	9,472
Settlements	**(972)**	–
Reversals	**(1,740)**	(6,575)
At 31 March 2019	**30,619**	22,566

25 Contract liabilities

The Group has recognised the following contract liabilities related to contracts with customers:

	HK$'000
Advance payments from customers with underlying performance obligations yet to be satisfied as at 31 March 2019	53,963
Revenue recognised that was included in the contract liability balance at the beginning of the year	19,560

26 Share capital

	Number of ordinary shares of HK$0.1 each	**Amount HK$'000**
Authorised		
At 1 April 2017, 31 March 2018 and 31 March 2019	**1,900,000,000**	190,000
Issued and fully paid		
At 1 April 2017	**384,388,750**	38,439
Issue of bonus shares (note)	**38,531,367**	3,853
Issue of shares under ESOS (Note 27(a))	**9,477,500**	948
At 31 March 2018	**432,397,617**	43,240
Issue of shares under ESOS (Note 27(a))	**1,610,720**	161
At 31 March 2019	**434,008,337**	43,401

NOTES TO **THE FINANCIAL STATEMENTS**

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26 Share capital (Continued)

During the financial year ended 31 March 2019, 1,610,720 (2018: 9,477,500) ordinary shares of HK$0.1 each were issued and 3,779,280 (2018: nil) treasury shares were used in relation to share options exercised by the confirmed employees of the Group under the Valuetronics Employee Share Option Scheme at S$0.268 and S$0.379 (2018: S$0.268, S$0.379, S$0.406 and S$0.474) for a total cash consideration of S$1,636,034 (2018: S$3,457,448) which is equivalent to approximately HK$9,424,000 (2018: HK$19,911,000). The difference between the subscription consideration received and the nominal values issued as well as the value of treasury shares used, amounted to approximately HK$647,000 (2018: HK$18,963,000), was recorded in the share premium account.

Each ordinary share carries one vote.

Note: A bonus issue of new ordinary shares of par value HK$0.10 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, was completed on 5 June 2017 (“bonus issue”).

27 Share-based compensation

The Company has share incentive plans for its employees, namely Employee Share Option Scheme (“ESOS”) and Performance Share Plan (“PSP”). ESOS and PSP are collectively known as “Company Incentive Plans”.

The particulars of the Company Incentive Plans are as follows:

(a) Equity-settled ESOS

The purpose is to provide incentives and rewards to eligible participants who contribute significantly to the growth and performance of the Group. Eligible participants include confirmed employees of the Group and Non-Executive Directors (including Independent Directors) (“ESOS Participants”) selected by the remuneration committee of the Company (the “Committee”). The ESOS became effective on 6 February 2007 and expired on 5 February 2017. The expiry did not affect any options which had been granted thereunder. On 24 July 2017 a similar ESOS was approved by the shareholders of the Company which shall continue in force at the discretion of the Committee, subject to a maximum period of ten years from that date.

The right to subscribe for the ordinary shares of HK$0.1 each in the capital of the Company (“Shares”) granted and to be granted to ESOS Participants pursuant to the ESOS (“Options”) offered may only be accepted within 30 days from the date of the offer. The exercise period of the Options granted is determinable by the Committee, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the grant of the Options.

The exercise price of the Options is determined by the Committee at equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive trading days immediately preceding the date of offer of the Options (the “Market Price”) or at a discount to the Market Price provided that the maximum discount shall not exceed twenty percent (20%) of the Market Price and the shareholders of the Company in general meeting shall have authorised, in a separate resolution, the making of offers and grants of the Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

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27 Share-based compensation (Continued)

(a) Equity-settled ESOS (Continued)

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise Price 2019	Exercise Price 2018	Number of outstanding share options 2019	Number of outstanding share options 2018
2016B	24 August 2015	25 August 2018 to 24 August 2025	**S$0.268**	S$0.268	**27,500**	3,767,500
2017A	18 August 2016	19 August 2017 to 18 August 2026	**S$0.474**	S$0.474	**–**	55,000
2017B	18 August 2016	19 August 2018 to 18 August 2026	**S$0.379**	S$0.379	**–**	1,760,000
2017C	18 August 2016	19 August 2019 to 18 August 2026	**S$0.379**	S$0.379	**1,809,500**	2,035,000
2018A	27 September 2017	28 September 2019 to 27 September 2027	**S$0.701**	S$0.701	**875,000**	925,000
2018B	27 September 2017	28 September 2020 to 27 September 2027	**S$0.701**	S$0.701	**2,220,000**	2,320,000
2019A	21 September 2018	22 September 2020 to 21 September 2028	**S$0.530**	–	**790,000**	–
2019B	21 September 2018	22 September 2021 to 21 September 2028	**S$0.530**	–	**2,100,000**	–
					7,822,000	10,862,500

If the Options remain unexercised after a period of ten years from the date of grant, the Options expire. Options are forfeited if the ESOS Participant leaves the Group before the Options vest.

Details of the Options outstanding during the year are as follows:

	2019 Number of Options	2019 Weighted average exercise price S$	2018 Number of Options	2018 Weighted average exercise price S$
Outstanding at beginning of the year	**10,862,500**	**0.437**	15,625,000	0.380
Adjustments for bonus issue	**–**	**–**	1,470,000	0.344
Granted	**2,890,000**	**0.530**	3,245,000	0.701
Exercised	**(5,390,000)**	**0.304**	(9,477,500)	0.365
Lapsed	**(540,500)**	**0.451**	–	–
Outstanding at end of the year	**7,822,000**	**0.562**	10,862,500	0.437
Exercisable at end of the year	**27,500**	**0.268**	55,000	0.474

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

27 Share-based compensation (Continued)

(a) Equity-settled ESOS (Continued)

The weighted average share price at the date of exercise for Options exercised during the year was S$0.785. The Options outstanding at the end of the year have a weighted average remaining contractual life of 8.6 years (2018: 8.4 years) and the exercise price ranged from S$0.268 to S$0.701 (2018: S$0.268 to S$0.701). During the financial year ended 31 March 2019, Options were granted on 21 September 2018 and the estimated fair value of the Options on that date is S$784,774. During the financial year ended 31 March 2018, Options were granted on 27 September 2017 and the estimated fair value of the Options on that date is S$1,161,225.

These fair values were calculated using the Binomial Model. Expected volatility was determined by calculating the historical volatility of the share prices of the Company. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs into the model were as follows:

	2019A and 2019B	2018A and 2018B
Weighted average share price	**S$0.662**	S$0.876
Exercise price	**S$0.530**	S$0.701
Expected volatility	**49.51%**	51.04%
Expected life	**10 years**	10 years
Risk free rate	**2.55%**	2.17%
Expected dividend yield	**6.16%**	7.04%

(b) Equity-settled PSP

The PSP was adopted on 28 July 2008 and replaced by a similar PSP approved by the shareholders of the Company on 24 July 2017. The PSP is targeted at executives in key positions who are able to drive the growth of the Group through innovation, creativity and superior performance. Eligible participants include confirmed employees of the Group and Non-Executive Directors (including Independent Directors) ("PSP Participants") who were selected by the Committee. The PSP shall remain in force at the discretion of the Committee, subject to a maximum period of ten years from the date of adoption. Under the PSP, the Committee may grant a contingent award of Shares of the Company ("Award") to the PSP Participant. Awards represent the right of a PSP Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, upon the PSP Participant achieving prescribed performance targets and/or service conditions or otherwise having performed well and/or made a significant contribution to the Group. PSP Participants are not required to pay for the grant of the Awards.

The Committee will issue an Award letter confirming the Award and specifying inter alia, the vesting period, the prescribed performance target(s) and/or service condition(s), the performance period during which the prescribed performance target(s) and/or service condition(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance target(s) and/or service condition(s), to each PSP Participant as soon as is reasonably practicable after the making of an Award.

The Committee shall have the discretion to determine whether the performance target(s) has been satisfied (whether fully or partially) or exceeded. The Company shall on the date of release of an Award do any one or more of the following as it deems fit in its sole and absolute discretion:

(i) allot and issue the relevant Shares to the PSP Participant, and apply to the SGX-ST, for permission to deal in and for quotation of such Shares; and/or

(ii) deliver existing Shares to the PSP Participant, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares; and/or

(iii) subject to the prior approval of the Committee and at the Committee's absolute discretion, pay the equivalent value in cash (after deduction of any applicable taxes) to the PSP Participant, in lieu of the Shares to be issued or delivered to the PSP Participant.

There are no Awards outstanding at 31 March 2019 and 2018.

28 Reserves

Movement in the reserves of the Group and Company are set out in the consolidated statement of changes in equity and below respectively.

	Share premium HK$'000 (note (i))	Contributed surplus HK$'000 (note (ii))	Company Share-based compensation reserve HK$'000 (note (iii))	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	**155,065**	**67,239**	**6,734**	**215,016**	**444,054**
Total comprehensive income for the year	**–**	**–**	**–**	**113,449**	**113,449**
Dividends paid (Note 14)	**–**	**–**	**–**	**(107,185)**	**(107,185)**
Issue of shares on exercise of share options (Note 27(a))	**3,851**	**–**	**(4,498)**	**–**	**(647)**
Share-based compensation	**–**	**–**	**4,603**	**–**	**4,603**
Lapse of share options	**–**	**–**	**(421)**	**421**	**–**
At 31 March 2019	**158,916**	**67,239**	**6,418**	**221,701**	**454,274**
At 1 April 2017	130,791	67,239	10,342	212,860	421,232
Total comprehensive income for the year	–	–	–	116,290	116,290
Dividends paid (Note 14)	–	–	–	(114,134)	(114,134)
Issue of bonus shares	(3,823)	–	–	–	(3,823)
Issue of shares on exercise of share options (Note 27(a))	18,963	–	–	–	18,963
Transfer to share premium upon exercise of share options	9,134	–	(9,134)	–	–
Share-based compensation	–	–	5,526	–	5,526
At 31 March 2018	155,065	67,239	6,734	215,016	444,054

Notes:

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

Contributed surplus of the Company arose as a result of the restructuring exercise in prior years and represented the difference between the then consolidated net asset value of subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

(iii) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised Options and Awards granted to ESOS Participants and PSP Participants recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 3.17 to the financial statements.

(iv) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3.3 to the financial statements.

(v) Statutory reserve

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.

29 Commitments

(a) Capital commitments

The Group has the following capital commitments at the end of the financial year:

	Group	
	2019	2018
	HK$'000	HK$'000
Acquisition of property, plant and equipment		
– contracted but not provided for	**8,636**	9,490

(b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases at the end of the financial year:

	Group	
	2019	2018
	HK$'000	HK$'000
Land and buildings		
– within one year	**634**	620
– in second to fifth years	**1,070**	1,783
	1,704	2,403

The Company did not have any significant commitments as at 31 March 2019 (2018: Nil).

30 Related party transactions

In addition to those disclosed elsewhere in these financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties and the balances arising from related party transactions in the ordinary course of business and negotiated on terms mutually agreed with these related parties.

(a) Transactions with related parties:

	Group	
	2019	2018
	HK$'000	HK$'000
Purchases of goods from		
– Nicecon Limited (note)	**3,360**	1,971
Key management compensations		
– Salaries, wages, bonuses and allowances	**56,228**	47,177
– Retirement benefit scheme contributions	**59**	74
– Share-based compensation	**2,136**	2,885

(b) Balances with related parties:

	Group	
	2019	2018
	HK$'000	HK$'000
Trade payables		
– Nicecon Limited (note)	**1,074**	928

Note: beneficially owned by the brother of an executive director of the Company.

SHAREHOLDERS' INFORMATION

AS AT 14 JUNE 2019

Authorised share capital	:	HK$190,000,000
Issued and fully paid-up capital	:	HK$43,400,834
Number of shares issued (excluding Treasury Shares)	:	433,378,337
Number/Percentage of Treasury Shares	:	630,000 (0.15%)
Class of shares	:	Ordinary share of HK$0.10 each
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	28	0.71	1,308	0.00
100 – 1,000	190	4.81	120,668	0.03
1,001 – 10,000	1,562	39.52	9,461,623	2.18
10,001 – 1,000,000	2,138	54.10	110,695,509	25.54
1,000,001 and above	34	0.86	313,099,229	72.25
	3,952	100.00	433,378,337	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Tse Chong Hing	75,990,411	17.53
2.	DBS Nominees Pte Limited	34,559,589	7.97
3.	Chow Kok Kit	32,000,361	7.38
4.	Raffles Nominees (Pte) Limited	29,967,856	6.92
5.	HSBC (Singapore) Nominees Pte Limited	26,840,790	6.19
6.	UOB Kay Hian Pte Limited	22,705,185	5.24
7.	Citibank Nominees Singapore Pte Limited	21,821,104	5.04
8.	Hung Kai Wing	8,300,200	1.92
9.	Leap International Pte Limited	7,410,000	1.71
10.	Phillip Securities Pte Limited	6,551,540	1.51
11.	ABN Amro Clearing Bank N.V.	4,119,330	0.95
12.	Maybank Kim Eng Securities Pte. Limited	3,580,502	0.83
13.	Heng Siew Eng	3,088,200	0.71
14.	Ho Su Chin	2,947,010	0.68
15.	Morgan Stanley Asia (S) Securities Pte Limited	2,409,650	0.56
16.	DBS Vickers Securities (S) Pte Limited	2,312,550	0.53
17.	Chow Kok Kee	2,260,400	0.52
18.	DBSN Services Pte Limited	2,068,220	0.48
19	OCBC Securities Private Limited	2,019,629	0.47
20.	Chan Wai Tien	1,912,500	0.44
		292,865,027	67.58

SHAREHOLDERS' INFORMATION

AS AT 14 JUNE 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Tse Chong Hing	75,990,411	17.53	–	–
Chow Kok Kit	32,000,361	7.38	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

73.17% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDENDUM TO **THE ANNUAL REPORT 2019**

Additional Information on Director(s) seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as required in Appendix 7.4.1 to the SGX-ST's Listing Manual in relation to Director(s) seeking re-election at the Company's forthcoming Annual General Meeting to be convened on 22 July 2019 is set out below:

NAME OF DIRECTOR	TSE CHONG HING	LOO CHENG GUAN
Date of appointment	25 August 2006	24 July 2015
Date of last re-appointment	25 July 2016	25 July 2016
Age	58	55
Country of principal residence	Hong Kong, SAR	Singapore
The Board's comments on this appointment/re-appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee, which had reviewed the skills and experience of Mr Tse as well as his contribution and performance to the effectiveness of the Board and taken into account that he has a controlling shareholding interest in the Company, the Board approved the proposal for Mr Tse to be re-elected at the forthcoming Annual General Meeting.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Loo's background, experience, independence and commitment in the discharge of his duties as a Director of the Company, and is satisfied that he will continue to contribute to the Board. Accordingly, the Board approved the proposal for Mr Loo to be re-elected at the forthcoming Annual General Meeting.
Whether appointment is executive, and if so, the area of responsibility	Executive – Chairman of Board & CEO	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman & Managing Director	Independent Non-Executive Director, Chairman of Nominating Committee & Member of Audit & Remuneration Committees
Professional qualifications	Fellow of the Hong Kong Institute of Certified Public Accountants	Bachelor of Economics (Honours) & Master of Business Administration
Working experience and occupation(s) during the past 10 years	Executive Director of Valuetronics Holdings Limited & subsidiaries	2015-Current: Managing Director of Vermillion Gate Pte Limited 2011-2015: Executive Director & Deputy CEO of C&G Environmental Protection Holdings Limited 2010-2011: CEO of F&H Fund Management Pte Limited 2008-2010: Managing Director of Tembusu Partners Pte Limited
Shareholding interest in the listed issuer and its subsidiaries	75,990,411 shares in listed issuer	Nil

ADDENDUM TO **THE ANNUAL REPORT 2019**

Additional Information on Director(s) seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (Continued)

NAME OF DIRECTOR	TSE CHONG HING	LOO CHENG GUAN
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Executive Chairman & Managing Director of Valuetronics Holdings Limited & Group	2011 – May 2015: Executive Director & May – November 2015: Non-Executive Director of C&G Environmental Protection Holdings Limited Independent Director of Advance SCT Limited
Present	Executive Chairman & Managing Director of Valuetronics Holdings Limited & Group	Independent Director of: Datapulse Technology Limited Mirach Energy Limited
Information required pursuant to Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

ADDENDUM TO **THE ANNUAL REPORT 2019**

Additional Information on Director(s) seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (Continued)

NAME OF DIRECTOR	TSE CHONG HING	LOO CHENG GUAN
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDENDUM TO **THE ANNUAL REPORT 2019**

Additional Information on Director(s) seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (Continued)

NAME OF DIRECTOR	TSE CHONG HING	LOO CHENG GUAN
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, **in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Valuetronics Holdings Limited (the "Company") will be held at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633 on Monday, 22 July 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 31 March 2019 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare a final dividend of HK15.0 cents per share and a special dividend of HK5.0 cents per share (tax not applicable) for the year ended 31 March 2019 *(2018 – Final Dividend: HK15.0 cents per share and Special Dividend: HK5.0 cents per share)*.

   (Resolution 2)

3. To re-elect the following Directors retiring pursuant to the Company's Bye-Laws -

   Mr Tse Chong Hing *[retiring under Bye-Law 104]* **(Resolution 3)**
   Mr Loo Cheng Guan *[retiring under Bye-Law 104]* **(Resolution 4)**
   [See Explanatory Notes (i) and (ii)]

4. To approve the payment of Directors' fees of S$230,000 for the year ending 31 March 2020, to be paid quarterly in arrears at the end of each calendar quarter *(2019: S$230,000)*.
   [See Explanatory Note (iii)] **(Resolution 5)**

5. To re-appoint PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration.

   (Resolution 6)

6. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **Authority to issue shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   A. (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise, and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

B. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iv)] **(Resolution 7)**

8. **Authority to allot and issue shares under the Valuetronics Employees Share Option Scheme and the Valuetronics Performance Share Plan**

That authority be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Valuetronics Employees Share Option Scheme 2017 (the "**ESOS 2017**") and/or to grant awards in accordance with the Valuetronics Performance Share Plan 2017 (the "**PSP 2017**") and to allot and issue Shares from time to time, such number of Shares as may be required to be issued pursuant to exercise of options under the ESOS 2017 and/or the vesting of awards under the PSP 2017, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the ESOS 2017 and PSP 2017 shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.
[See Explanatory Note (v)] **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

9. **Renewal of Share Buyback Mandate**

THAT:

(1) for the purposes of the Companies Act of Bermuda and otherwise in accordance with the rules and regulations of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares in the capital of the Company not exceeding in aggregate the Prescribed Limit (as defined below) at such prices as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(a) market purchases (each a "**Market Purchase**") on the SGX-ST or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(b) off-market purchases (each an "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme or schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act of Bermuda,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Renewal of the Share Buyback Mandate**");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Renewal of the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next Annual General Meeting of the Company is held; or

(b) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(c) the date on which the purchases of shares by the Company have been carried out to the full extent mandated; and

(3) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

In this Resolution:

"**Prescribed Limit**" means ten percent (10%) of the issued Shares in the capital of the Company as at the date of passing of this Resolution; and "**Maximum Price**", in relation to the Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

(b) in the case of an Off-Market Purchase, 110% of the Average Closing Price (as defined below) of the Shares; and

NOTICE OF **ANNUAL GENERAL MEETING**

where:

"**Average Closing Price**" means (i) the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and (ii) deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities.
[See Explanatory Note (vi)] **(Resolution 9)**

By Order of the Board

Shirley Lim/Hazel Chia
Company Secretaries
Singapore, 5 July 2019

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) Ordinary Resolution 3 is to re-elect Mr Tse Chong Hing ("Mr Tse") as an Executive Director of the Company. Mr Tse will upon re-election, remain as Chairman and Managing Director and is a controlling shareholder of the Company. There are no relationships (including immediate family relationships) between Mr Tse and the other Directors or, the Company.

(ii) Ordinary Resolution 4 is to re-elect Mr Loo Cheng Guan ("Mr Loo") as Independent Non-Executive Director of the Company. Mr Loo will upon re-election, remain as Independent Non-Executive Director, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees and will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual. There are no relationships (including immediate family relationships) between Mr Loo and the other Directors, the Company or its 10% shareholders.

Note – Information on the Directors who are proposed to be re-appointed can be found on pages 81 to 84 of the Annual Report 2019.

(iii) Ordinary Resolution 5 is to approve Directors' fees of S$230,000 for the year ending 31 March 2020, to be paid quarterly in arrears at the end of each calendar quarter to Non-Executive and Independent Directors.

(iv) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(v) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue Shares in the Company of up to a number not exceeding in total fifteen percent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time pursuant to the exercise of the options under the ESOS 2017 and the PSP 2017.

(vi) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary Shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in Circular to Shareholders dated 5 July 2019.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act of Singapore) is entitled to appoint a proxy to attend, speak and vote at the Annual General Meeting (the "Meeting"). A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544 at seventy-two (72) hours before the time of the Meeting.

3. If a Depositor is a corporation, the instrument appointing a proxy must be executed under the seal or the hand of its duly authorised officer or attorney.

Personal data privacy:

"Personal Data" has the same meaning ascribed to it in the Personal Data Protection Act 2012 of Singapore, which includes name, address, NRIC/Passport number of a Member and proxy(ies) and/or representative(s) of a Member.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Executive

Tse Chong Hing (Chairman and Managing Director)
Chow Kok Kit

Independent and Non-Executive

Ong Tiew Siam (Lead Independent Director)
Loo Cheng Guan
Tan Siok Chin

AUDIT COMMITTEE

Ong Tiew Siam (Chairman)
Tan Siok Chin
Loo Cheng Guan

NOMINATING COMMITTEE

Loo Cheng Guan (Chairman)
Ong Tiew Siam
Tan Siok Chin

REMUNERATION COMMITTEE

Tan Siok Chin (Chairman)
Ong Tiew Siam
Loo Cheng Guan

COMPANY SECRETARIES

Shirley Lim Keng San
Hazel Chia Luang Chew
Estera Services (Bermuda) Limited[(1)]

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

BUSINESS OFFICE

Unit 9-11, 7/F
Technology Park, 18 On Lai Street
Shatin, New Territories
Hong Kong
Tel: (852) 2790 8278
Fax: (852) 2304 1851

BERMUDA SHARE REGISTRAR

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

SINGAPORE SHARE TRANSFER AGENT

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

AUDITORS

PricewaterhouseCoopers
22/F., Prince's Building
Central, Hong Kong
Partner-in-charge: Peter Man Kam Tsang

(1) Estera Services (Bermuda) Limited is the assistant secretary of the Company

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