Valuetronics

VALUETRONICS HOLDINGS LIMITED

ANNUAL REPORT **2016**

TABLE OF CONTENTS

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 has grown over the years to become more than just an integrated EMS provider with principal business segments ranging from Consumer Electronics ("CE") Products to Industrial and Commercial Electronics ("ICE") Products covering printers, temperature sensing devices, communication products, auto 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 wide product and customer range from emerging enterprises to top global multinational corporations is a testimony of 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, as we continue to develop long-term relationships with global customers in the consumer, commercial, industrial, automotive and medical equipment industries, by constantly focusing on their objectives, priorities and delivery needs.

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 2016 ("FY2016"). On the whole, we have done reasonably well as we deleveraged our reliance on mass market LED light bulbs and achieved a more balanced portfolio with 42.2% and 57.8% contributions from our Consumer Electronics ("CE") segment and our Industrial and Commercial Electronics ("ICE") segment respectively. Going forward, global manufacturers continue to contend with a continued challenging business environment, and the global electronics manufacturing services ("EMS") industry is forecasted to grow at an approximate 6.2% compounded annual growth rate to US$621 billion in 2019 according to an industrial research report.

FY2016 IN REVIEW

In FY2016, Valuetronics saw a contraction in revenue of 19.6% to HK$1.95 billion from HK$2.43 billion in the previous financial year ended 31 March 2015 ("FY2015"). Correspondingly, net profit attributable to shareholders for FY2016 was HK$120.4 million, a 19.3% decrease from HK$149.2 million in FY2015.

This downward adjustment was mainly due to a decline in our CE segment, as we phased out and exited from the mass market LED light bulb business in our third quarter. This decline however, was mitigated by the growth in our ICE segment and we continued to benefit from its widened customer base and growth.

With the increased weightage from the ICE segment, our overall gross profit margin improved from 13.6% in FY2015 to 15.2% in FY2016. Working capital also remained healthy with operating activities generating a relatively substantial cash flow of HK$289.3 million for FY2016, compared to HK$176.6 million in FY2015, notwithstanding a decline in our revenue. Our net margin remained stable at 6.2% and our balance sheet still remains strong, which is evident as the Group's net asset value per share grew from 215.8 HK cents as at 31 March 2015 to 226.1 HK cents as at 31 March 2016.

CONTINUED FOCUS ON PROFITABILITY

As you are aware, the Group has in the past always taken the necessary decisions to exit certain lines of business which it feels will drag down the overall financial performance. Our mass market LED light bulb business in the CE segment was such an example. It started back in 2008 with good volumes and decent margins in the initial years but after years of aggressive price competition and margin erosion, we made a major decision in FY2016 to reduce our reliance on this business which contributed to a significant portion of the Group's FY2015 revenue.

During FY2016, we began a phase out of the low-margin mass market LED light bulbs business and completed the exit in the third quarter just as the light bulbs we were producing reached the end of their lifecycle. Since then, we successfully re-deploying our people and production capacity to support our growing ICE business segment as the production machinery is quite standard and our workers are re-trained to produce different products according to our lean and flexible manufacturing practice. The Group's CE revenue stabilised in the second half of FY2016, and since then comprises predominantly products with consumer applications for a portfolio of customers. Moving forward, we are now primed for growth with our continued acquisition of new customers and products.

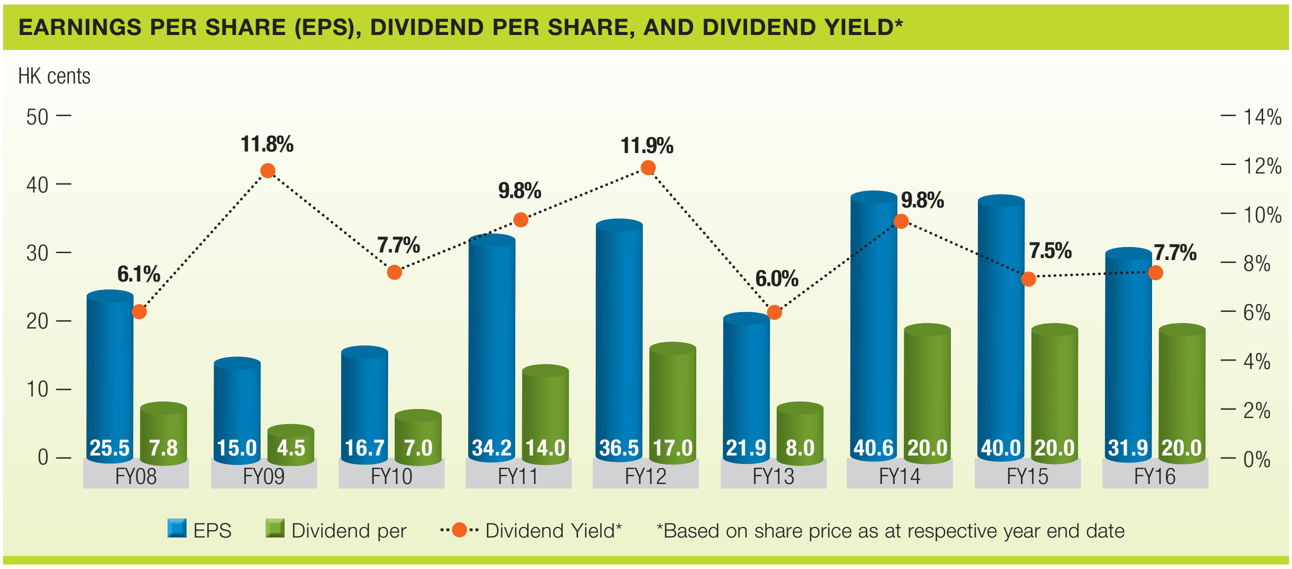
AUTOMOTIVE BUSINESS

The ICE segment continued to deliver solid growth in FY2016. This was the third consecutive year of double digit growth and this growth came from some of the existing customers as well as a new revenue stream from the automotive industry. Valuetronics' quality management system had earlier been accredited with the stringent TS16949 standard, which is a prerequisite for being part of the automotive supply chain.

During the year, Valuetronics acquired its first customer in the automotive industry, who is one of the world's largest tier-1 automotive system manufacturers with a global footprint. We supply data and media connectivity modules to this customer and these connectivity modules provide intelligent power and data connectivity for portable smartphone/tablet devices and in-car infotainment systems, allowing users to safely access content in the vehicle through emerging infotainment software solutions. Valuetronics is now well positioned to ride on the rise of in-car connectivity as automobile manufacturers respond quickly to consumers' increasing desire to integrate their smartphones and tablets with their vehicles.

The entry of Valuetronics into the automotive industry further extended the breadth of our ICE segment and also placed us in a new era of customer requirements that are characterised by visibility, flexibility, scalability and stringent quality deliverables. In knowing more about the industry's requirements while growing with the customer, as part of our usual practice, we will pursue the opportunity to provide our customer with enhanced value with our design and development services.

CHAIRMAN'S STATEMENT



CHALLENGES

Today we are operating in an uncertain macro-economic environment, no different from other manufacturers. We have to continue to monitor and adapt to changing market circumstances that may have an impact on our overall business, such as a stronger US dollar and a further slowdown in China's economy. Barring unforeseen circumstances, the Group expects to remain profitable in the coming financial year.

The operating environment in the PRC is something that we have gotten used to. Rising labour costs due to annual minimum wage increases are the norm and will continue to impact our operational costs. We have responded to this by an effective management and allocation of resources across our production floor. This includes using automation, lean manufacturing practices, and Manufacturing Execution Systems ("MES") software to strengthen shop floor control so as to drive for better productivity and efficiency. We have also managed the utilisation of factory space and machinery to meet increased demand from new and existing customers without significant increases in capital expenditure.

CASH MANAGEMENT

Our track record of sustainable returns to shareholders is based on our disciplined approach to business and the use of all our resources, including financial resources. In terms of cash, we maintained zero bank borrowings and engaged an investment banker to advise us on cash management, while our cash and cash equivalents increased from HK$505.8 million as at 31 March 2015 to HK$689.3 million as at 31 March 2016.

We have always treated our cash as a strategic asset and deployed it prudently at both the strategic as well as tactical levels. Strategically, we keep cash for any merger and acquisition opportunity that may arise as we realise the importance of momentum beyond organic growth. On the other hand, to cope with our organic growth, we have always maintained a certain level of spare production capacity and cash reserves that can turn the remaining piece of bare land at our Daya Bay site to additional production capacity with investments in infrastructure, factory building, and production machinery and equipment. On the tactical front, our cash is deployed to fund working capital flow and commercial contingencies, the deployment of a sustainable dividends, as well as a share buy-back mandate which is subject to shareholders' approval at the Annual General Meeting ("AGM").

DIVIDEND

To share the FY2016 returns with our supportive shareholders, the Board is recommending a Final Dividend of 13 HK cents per share and Special Dividend of 7 HK cents per share, both of which will be subject to shareholders' approval at the AGM. In aggregate, the Final and Special Dividends amount to approximately 63% of the net profit attributable to shareholders, which exceeds the guided payout range of 30% to 50% of the net profit attributable to shareholders in our formal dividend policy.

CLOSING REMARKS

I would like to thank our shareholders for their continuous support in FY2016 and also the Board of Directors, the management, staff and business associates for their dedicated service and support of the Group. We have transformed our business to a portfolio of CE and ICE segment that bears equal importance. As the CE segment is no longer over reliant on a single mass market product category and the ICE segment extends to cover product with mass applications in the automotive industry, I am confident that we are in a better position to drive for long term growth as we progressively grow with existing and newly acquired customers as their manufacturing partner.

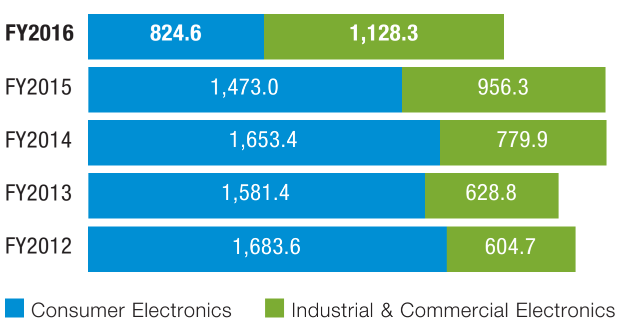
FINANCIAL HIGHLIGHTS

5 YEARS SUMMARY

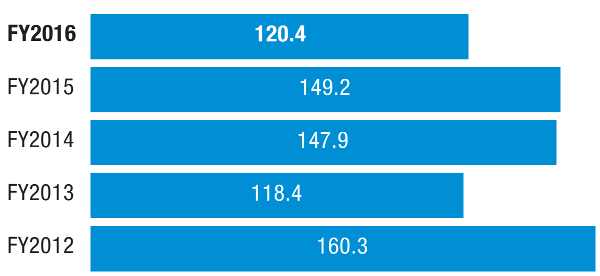
31 March		2012	2013	2014	2015	2016
RESULTS (HK$ MILLION)						
CONTINUING OPERATIONS						
Revenue	Consumer Electronics	1,683.6	1,581.4	1,653.4	1,473.0	**824.6**
	Industrial & Commercial Electronics	604.7	628.8	779.9	956.3	**1,128.3**
	Total	2,288.3	2,210.2	2,433.3	2,429.3	**1,952.9**
Gross profit		321.3	270.2	326.8	331.4	**297.5**
Profit before tax		178.5	131.3	166.9	167.7	**135.7**
Profit attributable to owners of the Company		160.3	118.4	147.9	149.2	**120.4**
Cash generated from operations		264.4	92.0	311.8	190.0	**309.7**
DISCONTINUED OPERATIONS						
Revenue	Licensing	90.3	32.7	–	–	**–**
Loss attributable to owners of the Company		(30.0)	(39.8)	–	–	**–**
ASSETS & LIABILITIES (HK$ MILLION)						
Total assets		1,233.4	1,112.4	1,421.5	1,522.7	**1,506.0**
Total liabilities		665.0	520.2	695.0	714.1	**648.7**
Total equity		568.4	592.2	726.6	808.5	**857.3**
Net cash(1)		243.7	221.6	477.9	505.8	**689.3**
PER SHARE DATA (HK CENTS)						
Earnings per share – basic		36.5	21.9	40.6	40.0	**31.9**
Dividend per share		17.0(3)	8.0	20.0(4)	20.0(4)	**20.0**(5)
Net asset value per share		158.5	164.5	197.2	215.8	**226.1**
KEY RATIOS (%)						
Gross profit margin (continuing operations)		14.0%	12.2%	13.4%	13.6%	**15.2%**
Net profit margin (continuing operations)(2)		7.0%	5.4%	6.1%	6.1%	**6.2%**
Return on assets		10.6%	7.1%	10.4%	9.8%	**8.0%**
Return on equity		22.9%	13.3%	20.4%	18.5%	**14.0%**
Dividend payout ratio		46.6%	36.5%	49.3%	50.0%	**63.0%**

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

REVENUE FROM CONTINUING OPERATIONS
HK$ MILLION

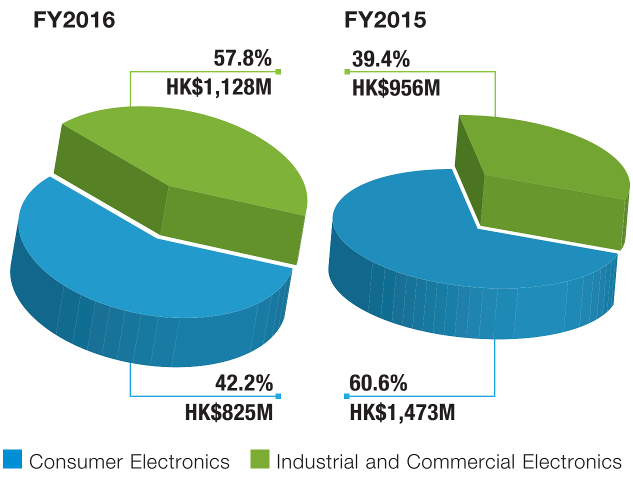


PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FROM CONTINUING OPERATIONS
HK$ MILLION



FINANCIAL REVIEW

REVENUE CONTRIBUTION
HK$ MILLION



REVENUE
The Group recorded a decrease in revenue of 19.6% for FY2016, from HK$2,429.3 million in FY2015 to HK$1,952.9 million in FY2016. The decrease was mainly attributable to the decline in demand of LED lighting products from the Group's Consumer Electronic ("CE") customers as mass market LED light bulbs (comprising 90% of LED lighting products) have reached end-of-life cycle. This was offset by an increase in demand from the Group's existing Industrial and Commercial Electronics ("ICE") customer portfolio and new customers.

The CE segment recorded a decrease of 44.0% in revenue to HK$824.6 million in FY2016 from HK$1,473.0 million in FY2015, while the ICE segment recorded an increase of 18.0% in revenue to HK$1,128.3 million in FY2016 from HK$956.3 million in FY2015.

GROSS PROFIT AND GROSS PROFIT MARGIN
The Group's gross profit for FY2016 decreased by 10.2% to HK$297.5 million with an improvement of 1.6 percentage points in gross profit margin, which was mainly due to the change in product sales mix during the year.

OTHER INCOME AND GAINS, NET
The Group's other income decreased by 39.5% to HK$10.1 million in FY2016, which was mainly due to recognition of exchange losses with respect to the depreciation of Renminbi during the year.

SELLING AND DISTRIBUTION COSTS
The Group's selling and distribution costs decreased by 27.1% to HK$25.3 million in FY2016 as there was continuous strict control in marketing expenses and write-back of provision for sales returns and claims during the year.

ADMINISTRATIVE EXPENSES
The Group recorded a marginally increase in administrative expenses of 0.7% for FY2016, from HK$144.7 million in FY2015 to HK$145.7 million in FY2016.

PROFIT FOR THE YEAR
As a result of the above, the Group's profit for the year decreased by 19.3% to HK$120.4 million.

DIVIDEND
A final dividend of 13 HK cents per share and a special dividend of 7 HK cents per share is proposed for FY2016, which represented a dividend payout ratio of 63.0% as compared to a dividend payout ratio of 50.0% in FY2015.

FINANCIAL POSITION AND CASH FLOWS
As at 31 March 2016, the Group had net current assets of HK$605.5 million compared to HK$558.6 million as at 31 March 2015. Total assets were recorded at HK$1,506.0 million as at 31 March 2016 (31 March 2015: HK$1,522.7 million) and shareholders' funds of HK$857.3 million as at 31 March 2016 (31 March 2015: HK$808.5 million).

The Group's trade receivables decreased by HK$173.8 million from HK$517.0 million as at 31 March 2015 to HK$343.2 million as at 31 March 2016. Trade payables decreased by HK$61.2 million from HK$347.4 million as at 31 March 2015 to HK$286.2 million as at 31 March 2016. The Group's inventories decreased by HK$23.2 million from HK$221.9 million as at 31 March 2015 to HK$198.7 million as at 31 March 2016.

The working capital of the Group as at 31 March 2016, which is the sum of trade receivables and inventories less trade payables, was recorded at HK$255.7 million, compared to HK$391.5 million as at 31 March 2015. The decrease in net working capital, reflecting the movement in trade receivables, inventories and trade payables, was in line with the drop in revenue during the year.

As at 31 March 2016, the Group had cash and cash equivalents of HK$689.3 million, increased from HK$505.8 million as at 31 March 2015 due to the strong free cash flow generated by the Group. Over 95% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong, with the remaining balance placed in equivalent reputable financial institutions in the PRC. These cash and cash equivalents are annually audited by the Group's auditors.

The Group had no bank borrowings as at 31 March 2016 (31 March 2015: Nil).

OPERATIONS REVIEW

In FY2016, Valuetronics continued to benefit from a widened customer base in the Industrial and Commercial Electronics ("ICE") segment, and the significant growth in this ICE segment has mitigated the decline in Consumer Electronics ("CE") revenue, which was mainly due to our phase out and exit from the mass market LED light bulbs business in the third quarter of FY2016. With this strategic exit, the challenges that we used to face from aggressive pricing competition and margin erosion in the mass market LED light bulbs business have diminished. At the same time, our ICE segment continued to record a strong growth and this improved our overall gross profit margin.

CONSUMER ELECTRONICS ("CE")

During FY2016, our CE revenue recorded a decline as we completed all orders of the mass market LED light bulbs in Q3FY2016 following the end of these products' lifecycle. We are no longer dependent on the mass market LED light bulbs since the second half of FY2016, and our CE revenue comprises predominantly of products with consumer applications for a portfolio of customers.

Over the past two quarters, we have been actively reviewing our CE portfolio and have continued the aim of acquiring new customers and focusing more on higher value-added products. We are leveraging on our technological know-how and expertise across different industries as well as our integrated and scalable manufacturing capability, to extend our manufacturing services for different varieties of CE products.

INDUSTRIAL COMMERCIAL ELECTRONICS ("ICE")

During FY2016, our ICE segment continued to deliver solid growth, marking the third consecutive year of double digit growth. The growth came from some of our existing customers as well as a new revenue stream from the automotive industry. This follows our earlier accreditation of our quality management system to the TS16949 standard, which is a prerequisite for participating in the automotive supply chain.

In FY2016, as a testimony of our robust quality management system and value-added engineering capabilities, we acquired our first customer in the automotive industry. We supply data and media connectivity modules to this customer. These connectivity modules are for portable smartphones/tablet devices and in-car infotainment systems, allowing users to safely access content in their vehicles through emerging infotainment software solutions.

Besides this, we are poised to ride on the success and growth of our existing ICE customers who continue to be successful key market players within their respective industry segments. At the same time, our integrated design and development capabilities, engineering, and manufacturing know-how allows us to support an extended customer base and larger pool of new products in the near future.

PROCESS IMPROVEMENTS

The Group is continuously dedicating its efforts on improving manufacturing processes, logistics and quality systems. These efforts are elaborated as follows:

The Group had embarked on an advanced Printed Circuit Board Assembly ("PCBA") manufacturing technology which allows for the selective soldering of components to printed circuit boards, molded modules, etc. that could otherwise be damaged by the heat of a reflow oven in a traditional SMT assembly process. We have also invested in semi-automated lines to cope with the ongoing quality demand and high volume manufacturing of automotive products under the TS16949 platform. The Group is also in its sixth year of lean manufacturing, where the focus is on elimination of non-value-added activities to the production process. This has helped to reduce the total cost of manufacturing while meeting customers' expectations and requirements in terms of quality.

During FY2016, the Group introduced Just-In-Time ("JIT") manufacturing. The Receiving Store and Incoming Quality Control ("IQC") processes were streamlined and synchronised

OPERATIONS REVIEW

such that incoming materials received are inspected in a JIT manner. IQC operations were reconfigured so that material specifications and inspection samples can be supplied directly to the inspection stations, thereby reducing handling activities by inspectors. Casing materials are also now supplied from the Group's material distribution center to the material bins at work stations in a timely manner. Work cells have also been reconfigured to reduce flow times and to eliminate Work-In-Process ("WIP") within the production line, which has effectively minimised production shop floor area and storage space.

The Group will continue to invest in the upgrading of its Manufacturing Execution System ("MES"). The Phase 1 rollout of the upgraded MES has proceeded smoothly across selected pioneer departments and will later extend to remaining departments. The upgraded MES will not only bring better control, visibility, speed and efficiency to manufacturing operations but also complements our JIT manufacturing approach.

HUMAN CAPITAL

At the operator level, the slowdown of the Chinese economy has helped to reverse the supply of operators as job opportunities for operators has scaled down, which mitigated the operator shortage we experienced in previous few years.

Conversely, there are still opportunities in Southern China for talent, where some of the largest Chinese technology, digital and e-commerce groups have set up their headquarters in Shenzhen. More and more mainland Chinese skilled workers are increasingly viewing domestic PRC companies with interest, as they perceive such companies providing better opportunities for career progression and higher salaries, compared to foreign enterprises and multinational companies. In order to leverage on their mindset, the Group will continue to train and retain talents with an emphasis on career development and build long-term rewarding career paths for high performers in order to develop the next generation of functional leaders.

The Group will also invest in a new Human Resources Information System ("HRIS"), which is a combination of systems and processes that connect human resources ("HR"), payroll, management and accounting activities through a software platform to enhance strategic HR decision making. The upgraded HRIS will also facilitate communication processes through e-platform and saves paper by providing an easily-accessible and consolidated platform for company policies, announcements and external web links. Employee activities such as time-off requests will be automated, resulting in faster approvals and less paperwork.

OUTLOOK

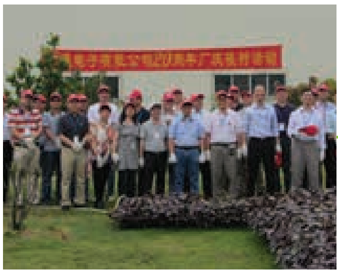
In FY2016, the Group continued to benefit from its expanding customer base in the ICE segment, while completely moving out of the low-margin mass market LED light bulbs business. With conditions stabilising in our CE segment, the Group is now primed for growth with the acquisition of new customers and products going forward.

With the increased weightage in our ICE segment and opportunities in the automotive industry, we believe that we will see continuous growth and a larger revenue contribution from this segment.

Nevertheless, the Group remains mindful of potential impacts on its overall business from changing market circumstances. On our part, we will continue to make further efforts in the areas of overall production efficiency and cost management. Our continuous improvement and investment in process automation and intelligent manufacturing systems give us a solid foundation and competitive edge to better serve our existing and new customers.

In the coming year, we will continue to expand our scalable manufacturing capabilities and expertise in different product categories to focus on higher value-added products, and to grow our ICE segment further.

KEY MILESTONES



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.

MR ONG TIEW SIAM

Lead Independent Director

Ong Tiew Siam has more than 35 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.

BOARD OF DIRECTORS

MS TAN SIOK CHIN

Non-Executive Director

Tan Siok Chin is an Advocate and Solicitor of the Supreme Court of Singapore and a Director of ACIES Law Corporation, a firm of advocates and solicitors, heading its corporate practice group. Ms Tan has over 20 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 (appointed on 24 July 2015)

Loo Cheng Guan is the founder and managing director of Vemilion Gate Pte Ltd. He is Chairman of 1 Rockstead GIP Fund II Pte Ltd, and Director of Amalgam Capital Partners Pte Ltd and Brash Asia Pte Ltd. Having more than 25 years of experience in finance, management and business experience, Mr Loo has spent a significant portion of his career advising on mergers and acquisitions, growth strategies, as well as structuring and negotiating investments that achieve appreciation for investors. He is a fellow member of Hong Kong Institute of Directors and a member of Singapore Institute of Directors. Mr Loo holds a Bachelor of Economics (Honours) 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 Company'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 Company'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 HO YAM HIN

General Manager, Plastics Division

Ho Yam Hin is the General Manager of our Plastics Division and he joined our Group in March 2000. He assists Mr Wong Hing Kwai in the overall management of Plastics Division, including Metal and Mold Shops.

Mr Ho is a certified Six-Sigma Black Belt, jointly issued by City University of Hong Kong and Ralong Business Technology Academy in 2006, and has over 25 years of experience in plastic injection moulding. Mr Ho holds a Diploma in Plastic Industry Management jointly issued by Zhongshan University, PRC and the Hong Kong Plastics Technology Centre.

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, Quality Management, Human Resources administration and Campus/Facilities administration.

Mr Huang has more than 20 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 the Higher School of Engineering, Marseilles, France, and a Master of Business Administration degree from the University of Rochester, USA.

MR BRUCE YIP CHU LEUNG

Senior Business Unit Manager

Bruce Yip is one of our Group's Senior Business Unit Managers and he joined our Group in September 2009. He is 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, and a Bachelor degree of Social Science from The Chinese University of Hong Kong.

MR JOSEPH LUI KA HO

Group Financial Controller

Joseph Lui joined our Group as Financial Controller in 2012 and was promoted to Group Financial Controller in November 2013. Mr Lui oversees the Group's finance and accounting functions, including treasury, tax planning, investor relations, internal and external reporting matters of the Group.

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 specific reference to each of the principles set out in the Code of Corporate Governance 2012 (the "Code"). Unless otherwise stated in the Report below, the Company confirms that it has adhered and complied with the principles and guidelines set out in the Code.

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 managing the Group's business, the Board also performs the following key functions:

(a) Oversee management of the business and affairs of the Group;

(b) Approve key strategic and operational matters, financial and funding decisions;

(c) Review business plans;

(d) Review and monitor financial performance;

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

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

(g) Consider sustainability issues such as environmental and social factors as part of its strategic formulation.

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.

To enhance the Group's corporate governance framework, Board Committees have been established to assist the Board in discharging its responsibilities. Board 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 permits all persons participating in the meeting to communicate with each other simultaneously.

CORPORATE GOVERNANCE REPORT

The attendances of the Directors at Board and Board Committees meetings during the financial year under review, are disclosed below:

Meeting of	Board	AC	NC	RC
No. of meetings held in FY2016	4	4	1	3
Executive Directors				
Tse Chong Hing	4	*4	*1	*3
Chow Kok Kit	4	*4	*1	*1
Non-Executive Directors				
Tan Siok Chin	4	4	1	3
Independent Directors				
Ong Tiew Siam	4	4	1	3
Loo Cheng Guan (Note 1)	3	3	–	1
Chow Kok Kee (Note 2)	1	1	1	1

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

Notes –

(1) Mr Loo Cheng Guan was appointed an Independent Director of the Company on 24 July 2015.

(2) Mr Chow Kok Kee retired as Independent Director of the Company on 24 July 2015.

Orientations are organised for new Directors, when appointed, that include visit to the Group's manufacturing facilities and briefing by Management on the Group's structure, businesses, operations and governance policies. As part of their continuing education and to keep themselves apprised and updated, the Directors may attend courses/briefings on directors' duties and responsibilities and/or developments in the corporate governance practices, financial reporting standards and regulatory, legal and other requirements, including insider trading legislation and the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), at the Company's expenses.

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.

Principle 2: Board Composition and Guidance

The Board currently comprises two Executive Directors, one Non-Executive Director and two Independent Directors:–

Name	Board Appointment	Date of appointment	Date of last re-election	AC	NC	RC
Tse Chong Hing	Chairman and Managing Director	25 Aug 2006	29 Jul 2013	–	–	–
Chow Kok Kit	Executive Director	25 Aug 2006	24 Jul 2015	–	–	–

CORPORATE GOVERNANCE REPORT

Name	Board Appointment	Date of appointment	Date of last re-election	AC	NC	RC
Tan Siok Chin	Non-Executive Director	22 Jul 2014	24 Jul 2015	Member	Member	Member
Ong Tiew Siam	Independent Director	22 Jul 2014	24 Jul 2015	Chairman	Member	Chairman
Loo Cheng Guan	Independent Director	24 Jul 2015	–	Member	Chairman	Member

The size and composition of the Board is reviewed regularly for effective decision making, taking into account the size, nature and scope of the Group's operations. The Board and Board Committees as a group comprise an appropriate balance and diversity of skills, experience, gender and core competencies to effectively lead and direct the Group.

There is an independent element on the Board, where one-third are Independent Directors who offer independent and alternative views on the Group's business and corporate activities. The NC, who has the responsibility of reviewing the independence of Directors on an annual basis, had adopted the Code's definition of "independent" Director. A Director who has no relationship with the Company, its related corporations, officers or its shareholders with shareholdings of 10% or more of the voting shares of the Company, that could interfere, or reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company, is considered independent.

In addition, the NC is tasked on annual basis, to assess the independence of any Director who has served on the Board beyond nine years, to particular rigorous review. None of the Independent Directors have served on the Board beyond 9 years from the date of his/her first appointment.

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 with each other without the presence of Management as and when the need arises.

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 ensure 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 adequate time is available for discussion of all agenda items, in particular strategic issues;
- promotes a culture of openness and debate at the Board;

CORPORATE GOVERNANCE REPORT

- 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 Group Financial Controller. He facilitates periodic meetings with the other Non-Executive Directors on board matters, when necessary 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 one Non-Executive Director and two Independent Directors. 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 and composition of the Board;

(b) to determine and assess the Director's independence;

(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.

CORPORATE GOVERNANCE REPORT

New appointments to the Board are first considered and reviewed by the NC. Potential candidates are sourced through contacts or, recommendations from Directors. 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 multiple board representations held by the Directors of the Company do not impede their performance in carrying out their duties to the Company.

None of the Directors have appointed any alternate director.

The NC has reviewed the independence of the Board members and has determined both Mr Ong Tiew Siam and Mr Loo Cheng Guan to be independent, with reference to the Code.

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

Principle 5 – Board Performance

The Board has implemented a process for assessing the effectiveness of the Board as a whole, its Board Committees and for assessing the contribution by Directors to the effectiveness of the Board.

The NC reviews the Board performance on an annual basis. This process includes having Directors complete a questionnaire seeking their views on Board composition, access to information, Board procedures, accountability, risk management and internal controls, communication with management and standards of conduct. Directors' responses are compiled by the Company Secretary and the report is discussed at the NC meeting and reported to the Board.

For FY2016, the NC had also initiated peer valuation of Board members whereby each Board member completes a questionnaire for every other Board member. The questionnaire requires the evaluator to rate the Director he/she is evaluating based on his 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.

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 and management reports of the Group on a quarterly basis. The Managing Director also provides updates on the Group's business, prospects and others 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, to the Group and the industry.

CORPORATE GOVERNANCE REPORT

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 Mr Ong Tiew Siam and comprises Ms Tan Siok Chin and Mr Loo Cheng Guan, a majority of whom 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 and, as and when necessary.

No external facilitator had been engaged by the Board for advice on remuneration matters for FY2016. The RC may seek professional advice on remuneration matters, if required.

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 performance targets and criteria such as the Group's profitability, return of shareholders' funds and penetration into new markets.

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 ESOS.

CORPORATE GOVERNANCE REPORT

In determining specific remuneration packages for each Executive Director and key management, 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.

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 receive Directors' fees, which are subject to shareholders' approval at the AGM. The fees takes into account their responsibilities, effort and time accorded in discharging their duties.

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 2016, falling within broad bands, are set out below –

(A) Directors' remuneration

Name	Salary (%)	Bonus (%)	Fee (%)	Total (%)
Below S$250,000				
Chow Kok Kee (Note 1)	–	–	100%	100%
Ong Tiew Siam	–	–	100%	100%
Tan Siok Chin	–	–	100%	100%
Loo Cheng Guan (Note 2)	–	–	100%	100%
Between S$1,500,001 – S$1,750,000				
Chow Kok Kit	20%	80%	–	100%
Between S$2,000,001 – S$2,250,000				
Tse Chong Hing	20%	80%	–	100%

Notes –

(1) Mr Chow Kok Kee retired as Independent Director of the Company on 24 July 2015.

(2) Mr Loo Cheng Guan was appointed Independent Director of the Company on 24 July 2015.

CORPORATE GOVERNANCE REPORT

(B) Remuneration of top 5 Key Management personnel who are not Directors

Name	Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below S$250,000				
Huang Jian Yuan	70%	13%	17%	100%
Lui Ka Ho Joseph	68%	9%	23%	100%
Between S$750,001 – S$1,000,000				
Loic Meston	31%	58%	11%	100%
Wong Hing Kwai	10%	89%	1%	100%
Between S$1,750,001 – S$2,000,000				
Hung Kai Wing	16%	62%	22%	100%

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

In FY2016, The annual aggregate remuneration paid to the key executives (who are not Directors of the Company) was approximately S$4,466,000.

(C) Remuneration if immediate family members

There were no employees who were immediate family members of any Director or, the Managing Director, in FY2016.

The Company has in place two share schemes in the form of the ESOS and the 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 28 to 30 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 and such explanation and information 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.

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.

CORPORATE GOVERNANCE REPORT

A Risk Management Committee ("RMC") was established in FY2013, to review the adequacy and effectiveness of risk management activities within the Group.

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 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.

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

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 recognises 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.

The Board has received assurance from the Managing Director (equivalent to CEO) and the Group Financial Controller (equivalent to CFO) 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 and internal control systems are 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 FY2016, 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, two of 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 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 Persons 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 updates on changes in accounting standards and issues which have a direct impact on financial statements.

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.

CORPORATE GOVERNANCE REPORT

The Company's External Auditors and Internal Auditors report their findings and recommendations to the AC independently. In FY2016, 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.

The Company's External Auditors, PricewaterhouseCoopers ("PwC"), did not provide any non-audit service for FY2016. The aggregate amount of audit service fees paid to PwC for FY2016 was HK$1,232,000.

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.

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

Principle 13: Internal Audit

The Group's internal audit function is outsourced to an independent audit firm, RSM Nelson Wheeler Consulting Limited ("IA"). The Internal Auditors have 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 Internal Auditors conduct independent reviews, assessment and follow-up audit procedures on the Group's financial, operational, compliance and technology controls, and report the remediation status to the AC. The Internal Auditors' internal audit reports 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.

The Internal Auditors 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 reducing 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 Internal Auditors, the Group established a risk management framework to continuously monitor, manage and control risks. Management regularly reviews and updates key risks for the Group, and ensure 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Company recognises the importance of treating all shareholders fairly and equitably, as well as the responsibility to facilitate the exercise of shareholders' rights. All registered shareholders are given the opportunity to participate and vote at general meetings.

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 via SGXNet.

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 policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. All information, especially any price-sensitive information, is communicated to shareholders via SGXNet, followed by news/press releases, where appropriate. The Company holds analyst briefings following the release of the Group's financial results as well as other briefings, where appropriate.

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 at www.valuetronics.com.hk.

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;

CORPORATE GOVERNANCE REPORT

(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 deem 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

The Company's Bye-laws allow shareholders to appoint proxies to attend and vote on their behalf at general meetings.

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 announcement of detailed of 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 are normally present at the general meetings to address shareholders' queries.

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

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.

CORPORATE GOVERNANCE REPORT

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 2016 (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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000
Purchase of goods from Nicecon Limited, which is beneficially owned by the brother of Mr. Chow Kok Kit	1,704	1,932

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 2016.

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	Non-Executive 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 Performance Share Plan and the Valuetronics Employee Share Option Scheme.

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 2015	At 31 March 2016	At 1 April 2015	At 31 March 2016
Name of Directors	**Ordinary shares of HK$0.10 each**			
Tse Chong Hing	68,969,692	69,082,192	–	–
Chow Kok Kit	28,741,238	29,091,238	–	–
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 2016.

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")

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

The ESOS is administered by the Remuneration Committee ("RC") comprising:

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

Other information regarding the ESOS 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:

1. the Group's employees, Executive Directors and Independent Directors; and

2. Controlling Shareholders and their Associates who meet certain criteria, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of Shareholders at a general meeting in separate resolutions.

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 (or such other percentage or amount as may be determined by the RC and permitted by the SGX-ST); and

    ii. the Shareholders in general meeting have authorised, in a separate resolution, the making of offers and grants under the ESOS 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.

REPORT OF THE DIRECTORS

5. SHARE OPTIONS AND AWARDS (continued)

(i) The Valuetronics Employee Share Option Scheme ("ESOS") (continued)

During the financial year, 6,500,000 options to subscribe for shares in the Company were granted to the Company's employees under the ESOS. The Company issued and allotted 5,412,500 new ordinary shares pursuant to the exercise of options and 250,000 options were lapsed during the financial year.

As at 31 March 2016, the Company has the following outstanding share options:

Date of grant	Exercise Price	Outstanding at 1 April 2015	Granted	Exercised	Lapsed	Outstanding at 31 March 2016
16 August 2011	S$0.174	462,500	–	(462,500)	–	–
19 July 2012	S$0.201	2,200,000	–	(2,200,000)	–	–
15 August 2013	S$0.162	5,050,000	–	(2,750,000)	(100,000)	2,200,000
19 August 2014	S$0.406	6,000,000	–	–	(150,000)	5,850,000
24 August 2015	S$0.295	–	6,500,000	–	–	6,500,000
Total		**13,712,500**	**6,500,000**	**(5,412,500)**	**(250,000)**	**14,550,000**

Notes:

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.

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 to end of financial year	Aggregate options exercised since commencement of ESOS 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)**	**–**

REPORT OF THE DIRECTORS

5. SHARE OPTIONS AND AWARDS (continued)

(ii) The Valuetronics Performance Share Plan ("PSP")

The PSP was approved by shareholders of the Company on 28 July 2008, in addition to and is complementary to the ESOS. The PSP is intended to further the Company's continuing efforts to reward, retain and motivate Directors and employees to achieve better performance. The PSP 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 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 is determined by performance targets and/or service conditions and/or significant contributions to the Group ("Share Awards").

The PSP 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.

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

As at 31 March 2016, the Company has no outstanding Share Awards.

The vesting period of the above Share Awards are 1 year from the date of grant.

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

Name of participant	Awards granted during the financial year	Aggregate awards granted since commencement of PSP to end of financial year	Aggregate awards released during the financial year	Aggregate awards forfeited during the financial year	Aggregate awards outstanding at the end of financial year
Tse Chong Hing	–	3,225,000	–	–	–
Chow Kok Kit	–	2,800,000	–	–	–
Total	**–**	**6,025,000**	**–**	**–**	**–**

REPORT OF THE DIRECTORS

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises three members, all of whom are Independent Directors and Non-Executive Director. 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.

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 2017 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 25 May 2016, 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

10 June 2016

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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 page 34 to 74, 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 2016 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
Chairman

CHOW KOK KIT
Executive Director

10 June 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Valuetronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 74, which comprise the consolidated and company statements of financial position as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 June 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	6	**1,952,896**	2,429,251
Cost of sales	8	**(1,655,432)**	(2,097,850)
Gross profit		**297,464**	331,401
Selling and distribution expenses	8	**(25,267)**	(34,680)
Administrative expenses	8	**(145,743)**	(144,717)
Other income and gains, net	7	**10,062**	16,633
Operating profit		**136,516**	168,637
Finance costs		**(824)**	(954)
Profit before income tax		**135,692**	167,683
Income tax expense	11	**(15,254)**	(18,501)
Profit for the year		**120,438**	149,182
Attributable to:			
Owners of the Company		**120,438**	149,182
Earnings per share for profit attributable to owners of the Company for the year		**HK cents**	**HK cents**
– Basic	12	**31.9**	40.0
– Diluted	12	**31.7**	39.9

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**120,438**	149,182
Other comprehensive loss, net of tax		
Items that may be reclassified to profit or loss		
Currency translation differences	**(4,974)**	(3,994)
Total comprehensive income for the year	**115,464**	145,188
Attributable to:		
Owners of the Company	**115,464**	145,188

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	Group		Company	
		2016	2015	2016	2015
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Land use rights	14	**19,001**	20,450	**–**	–
Property, plant and equipment	15	**163,637**	171,628	**–**	–
Interests in subsidiaries	16	**–**	–	**83,330**	83,330
Available-for-sale financial assets	17	**71,904**	59,267	**–**	–
Others		**238**	250	**–**	–
		254,780	251,595	**83,330**	83,330
Current assets					
Inventories	18	**198,682**	221,946	**–**	–
Trade receivables	19	**343,155**	516,966	**–**	–
Other receivables and prepayments		**9,468**	18,742	**426**	175
Due from subsidiaries	16	**–**	–	**332,775**	288,152
Available-for-sale financial assets	17	**10,606**	7,590	**–**	–
Cash and cash equivalents	20	**689,260**	505,847	**4,919**	284
		1,251,171	1,271,091	**338,120**	288,611
Total assets		**1,505,951**	1,522,686	**421,450**	371,941
EQUITY					
Equity attributable to owners of the Company					
Share capital	25	**38,014**	37,473	**38,014**	37,473
Treasury shares	25	**(1,980)**	–	**(1,980)**	–
Reserves	27	**821,265**	771,070	**385,134**	334,080
Total equity		**857,299**	808,543	**421,168**	371,553
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	21	**3,023**	1,629	**–**	–
		3,023	1,629	**–**	–
Current liabilities					
Trade payables	22	**286,209**	347,393	**–**	–
Other payables and accruals	23	**338,534**	335,794	**282**	388
Current income tax liabilities		**20,886**	27,447	**–**	–
Derivative financial instruments	24	**–**	1,880	**–**	–
		645,629	712,514	**282**	388
Total liabilities		**648,652**	714,143	**282**	388
Total equity and liabilities		**1,505,951**	1,522,686	**421,450**	371,941
Net current assets		**605,542**	558,577	**337,838**	288,223
Total assets less current liabilities		**860,322**	810,172	**421,168**	371,553

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

			Attributable to owners of the Company						
			Reserves						
	Share capital HK$'000 (Note 25)	Treasury shares HK$'000 (Note 25)	Share premium HK$'000 (Note 27(i))	Share-based compensation reserve HK$'000 (Note 27(iii))	Currency translation reserve HK$'000 (Note 27(iv))	Statutory reserve HK$'000 (Note 27(v))	Retained earnings HK$'000	Subtotal HK$'000	Total HK$'000
For the year ended 31 March 2016									
Balance at 1 April 2015	37,473	–	112,471	5,808	23,333	2,873	626,585	771,070	808,543
Total comprehensive income for the year	–	–	–	–	(4,974)	–	120,438	115,464	115,464
Dividends paid (note 13)	–	–	–	–	–	–	(75,478)	(75,478)	(75,478)
Issue of shares on exercise of share options (note 26 (a))	541	–	4,873	–	–	–	–	4,873	5,414
Transfer to share premium under exercise of share options	–	–	3,178	(3,178)	–	–	–	–	–
Share-based compensation	–	–	–	5,336	–	–	–	5,336	5,336
Lapse of share options	–	–	–	(137)	–	–	137	–	–
Transfer to statutory reserve	–	–	–	–	–	190	(190)	–	–
Purchase of treasury shares	–	(1,980)	–	–	–	–	–	–	(1,980)
	541	(1,980)	8,051	2,021	(4,974)	190	44,907	50,195	48,756
Balance at 31 March 2016	38,014	(1,980)	120,522	7,829	18,359	3,063	671,492	821,265	857,299

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Attributable to owners of the Company							
		Reserves						
	Share capital HK$'000 (Note 25)	Share premium HK$'000 (Note 27(i))	Share-based compensation reserve HK$'000 (Note 27(iii))	Currency translation reserve HK$'000 (Note 27(iv))	Statutory reserve HK$'000 (Note 27(v))	Retained earnings HK$'000	Subtotal HK$'000	Total HK$'000
For the year ended 31 March 2015								
Balance at 1 April 2014	36,838	102,011	5,655	27,327	2,461	552,275	689,729	726,567
Total comprehensive income for the year	–	–	–	(3,994)	–	149,182	145,188	145,188
Dividends paid	–	–	–	–	–	(74,618)	(74,618)	(74,618)
Issue of shares on exercise of share options (note 26(a))	635	6,638	–	–	–	–	6,638	7,273
Transfer to share premium under exercise of share options	–	3,822	(3,822)	–	–	–	–	–
Share-based compensation	–	–	4,749	–	–	–	4,749	4,749
Lapse of share options	–	–	(158)	–	–	158	–	–
Transfer to statutory reserve	–	–	–	–	412	(412)	–	–
Others	–	–	(616)	–	–	–	(616)	(616)
	635	10,460	153	(3,994)	412	74,310	81,341	81,976
Balance at 31 March 2015	37,473	112,471	5,808	23,333	2,873	626,585	771,070	808,543

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Profit before income tax	**135,692**	167,683
Adjustments for:		
Amortisation on land use rights	**483**	497
Depreciation on property, plant and equipment	**36,293**	37,478
Gain on disposals of property, plant and equipment	**(659)**	(932)
Net fair value gains on derivative financial instruments	**(1,880)**	(991)
Share-based compensation	**5,336**	4,749
Interest income	**(7,024)**	(3,816)
Others	**–**	(616)
	168,241	204,052
Changes in working capital:		
Decrease/(increase) in inventories	**23,264**	(23,072)
Decrease in trade receivables	**173,811**	247
Decrease/(increase) in other receivables and prepayments	**2,822**	(6,320)
Decrease in trade payables	**(61,184)**	(6,629)
Increase in other payables and accruals	**2,740**	21,734
Net cash generated from operations	**309,694**	190,012
Income tax paid	**(20,421)**	(13,436)
Net cash generated from operating activities	**289,273**	176,576
Cash flows from investing activities		
Purchase of property, plant and equipment	**(26,887)**	(29,945)
Proceeds from disposals of property, plant and equipment	**1,389**	1,432
Purchase of available-for-sale financial assets	**(23,243)**	(55,158)
Redemption of available-for-sale financial assets	**7,590**	–
Interests received	**7,024**	3,470
Net cash used in investing activities	**(34,127)**	(80,201)
Cash flows from financing activities		
Purchase of treasury shares	**(1,980)**	–
Dividends paid	**(75,478)**	(74,618)
Proceeds from shares issued in exercise of share options	**5,414**	7,273
Net cash used in financing activities	**(72,044)**	(67,345)
Net increase in cash and cash equivalents	**183,102**	29,030
Cash and cash equivalents at beginning of the financial year	**505,847**	477,934
Effect of foreign exchange rate changes	**311**	(1,117)
Cash and cash equivalents at end of the financial year	**689,260**	505,847

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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, 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 16 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 10 June 2016.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, as appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

New standards, amendments to standards and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2015:

IAS 19 (Amendment)	Employees benefit
Annual Improvements Projects	Annual Improvements 2010-2012 cycle and 2011-2013 cycle

The adoption of the above does not have any significant impact to the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2 Basis of preparation (continued)

New standards, amendments to standards and interpretations (continued)

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 April 2015 and have not been early adopted:

IAS 1 (Amendment)	Disclosure initiative(1)
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation(1)
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants(1)
IAS 27 (Amendment)	Equity method in separate financial statements(1)
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture(4)
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception(1)
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations(1)
IFRS 14	Regulatory deferral accounts(1)
Annual Improvement Project	Annual Improvements 2012-2014 Cycle(1)
IFRS 9	Financial Instruments(2)
IFRS 15	Revenue from Contracts with Customers(2)
IFRS 16	Leases(3)

(1) Effective for the annual periods beginning on or after 1 January 2016
(2) Effective for the annual periods beginning on or after 1 January 2018
(3) Effective for the annual periods beginning on or after 1 January 2019
(4) The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.1 Subsidiaries (continued)

(a) Consolidation (continued)

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.

3.2 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 Company's functional currency and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

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 disposal 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.

3.7 Financial assets

(a) Classification

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.7 Financial assets (continued)

(a) Classification (continued)

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 cash equivalents in the statement of financial position (notes 3.10 and 3.11).

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.

(b) 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 fair value through profit or loss. 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.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.7 Financial assets (continued)

(d) Impairment of financial assets

(i) 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.

(ii) 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 2016

3 Summary of significant accounting policies (continued)

3.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3.9 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.

3.10 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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.11 Cash and cash equivalents

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

3.12 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.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.14 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.

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's 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) Inside basis differences

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.15 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

(ii) Outside basis differences (continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.16 Employee benefits (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3 Summary of significant accounting policies (continued)

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue recognition policies applied by the Group for each of these activities are as follows:

(a) *Sales of goods and materials*

Revenue from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) *Services*

Revenues are recognised when services are rendered.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

3.20 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.

3.21 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(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”), and the functional currencies of the principal operating entities of the Group are HK$ and RMB.

During the year, the Group entered into foreign currency forward contracts to mitigate the foreign currency risk arising from purchases of raw materials from overseas. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to mitigate its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group’s policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives consistent with the Group’s risk management strategy.

At 31 March 2016, if the HK$ 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$6,058,000 (2015: HK$5,210,000) higher/lower, arising mainly as a result of the net foreign exchange gain/loss on bank balances, trade receivables, other receivables, trade payables and other payables denominated in US$.

(ii) Price risk

The Group’s 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 2016, if the market price of the 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 would increase/decrease by approximately HK$4,125,000 (2015: HK$3,155,000) arising as a result of gain/loss on available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 balances. 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 0.61% to 0.70% (2015: 0.5% to 3.70%) per annum as at 31 March 2016. Other than these bank deposits, the bank balances 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 2016, 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$437,000 (2015:HK$412,000) higher/lower, arising mainly as a result of higher/lower interest income on bank balances.

(b) Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. As at 31 March 2016, the five largest trade receivables represent approximately 67% (2015: 83%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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.

	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 2016				
Trade payables	**286,209**	**–**	**–**	**–**
Other payables and accruals	**199,103**	**–**	**–**	**–**
At 31 March 2015				
Trade payables	347,393	–	–	–
Other payables and accruals	206,502	–	–	–
Derivative financial instruments	1,880	–	–	–
Company				
At 31 March 2016				
Other payables and accruals	**282**	**–**	**–**	**–**
At 31 March 2015				
Other payables and accruals	388	–	–	–

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 cash equivalents. 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 (2015: HK\$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 2016, 66% (2015: 65%) of the shares were in public hands.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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 2016 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 2016				
Available-for-sale financial assets	**82,510**	**–**	**–**	**82,510**
At 31 March 2015				
Available-for-sale financial assets	63,107	–	3,750	66,857
Derivative financial instruments	–	(1,880)	–	(1,880)

There were no transfers between different levels during the year.

The carrying amounts of the Group's current financial assets including cash and cash equivalents 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

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets as per statement of financial position			
At 31 March 2016			
Available-for-sale financial assets	**–**	**82,510**	**82,510**
Trade and other receivables	**346,067**	**–**	**346,067**
Cash and cash equivalents	**689,260**	**–**	**689,260**
At 31 March 2015			
Available-for-sale financial assets	–	66,857	66,857
Trade and other receivables	519,937	–	519,937
Cash and cash equivalents	505,847	–	505,847

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

4 Financial risk management (continued)

4.4 Financial instruments by category (continued)

	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Liabilities as per statement of financial position			
At 31 March 2016			
Trade and other payables	**485,312**	**–**	**485,312**
At 31 March 2015			
Trade and other payables	571,252	–	571,252
Derivative financial instruments	–	1,880	1,880

5 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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.

(b) Impairment of receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

(c) Write-down of inventories

Write-down for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance 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 allowance charge/write-back in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

5 **Critical accounting estimates and judgements (continued)**

(d) **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 charge/write-back in the period in which such estimate has been 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.

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 2016			
Revenue (from external customers)	**824,639**	**1,128,257**	**1,952,896**
Segment profit	**92,817**	**192,617**	**285,434**
Year ended 31 March 2015			
Revenue (from external customers)	1,473,010	956,241	2,429,251
Segment profit	144,395	180,196	324,591

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

6 Segment information (continued)

Reconciliation of segment profit to profit for the year:

	2016 HK$'000	2015 HK$'000
Segment profit	**285,434**	324,591
Unallocated corporate expenses		
– staff costs	**(126,495)**	(128,046)
– income tax expense	**(15,254)**	(18,501)
– others	**(23,247)**	(28,862)
Profit for the year	**120,438**	149,182

Geographical information:

	Revenue		Non-current assets	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
United States of America	**1,002,578**	1,156,181	**–**	–
PRC	**548,374**	599,803	**182,876**	192,328
Hong Kong	**110,122**	127,352	**–**	–
Canada	**52,842**	151,979	**–**	–
Netherlands	**21,055**	123,097	**–**	–
Other countries	**217,925**	270,839	**–**	–
Total	**1,952,896**	2,429,251	**182,876**	192,328

During the financial year ended 31 March 2016, the Group's external revenue amounting to approximately HK$1,048 million (2015: HK$1,660 million) was generated from three (2015: three) 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

	2016 HK$'000	2015 HK$'000
Interest income	**7,024**	3,816
Rework and tooling income	**1,043**	5,874
Sales of scrap materials	**837**	1,658
Sundry income	**1,246**	1,126
Gain on disposals of property, plant and equipment	**659**	932
Net exchange (loss)/gain	**(2,627)**	2,236
Net fair value gains on derivative financial instruments	**1,880**	991
	10,062	16,633

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

8 Expenses by nature

	2016 HK$'000	2015 HK$'000
Change in inventories of finished goods and work-in-progress	**6,140**	(8,477)
Raw materials and consumables used	**1,390,941**	1,795,681
Amortisation on land use rights	**483**	497
Depreciation on property, plant and equipment	**36,293**	37,478
Auditors' remuneration – audit services	**1,425**	1,381
Operating lease charges	**2,517**	2,116
Staff costs, excluding directors' remuneration (Note 9)	**280,121**	317,001
Directors' remuneration (Note 10)	**23,077**	26,500
Others	**85,445**	105,070
Total cost of sales, selling and distribution expenses and administrative expenses	**1,826,442**	2,277,247

9 Staff costs, excluding directors' remuneration

	2016 HK$'000	2015 HK$'000
Salaries, wages, bonus and allowances	**257,267**	295,361
Retirement benefit scheme contributions	**17,518**	16,492
Share-based compensation	**5,336**	5,148
	280,121	317,001

10 Directors' remuneration

	2016 HK$'000	2015 HK$'000
Independent directors		
– fee	**1,187**	1,289
Executive directors		
– salaries, wages, bonus and allowances	**21,854**	24,306
– retirement benefit scheme contributions	**36**	38
– share-based compensation	**–**	867
	23,077	26,500

11 Income tax expense

	2016 HK$'000	2015 HK$'000
Current tax		
– Hong Kong profits tax	**9,041**	14,953
– PRC enterprise income tax	**4,819**	4,546
Deferred tax (note 21)	**1,394**	(998)
	15,254	18,501

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

11 Income tax expense (continued)

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.

Hong Kong profits tax is provided at 16.5% (2015: 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% (2015: 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 2016, the aggregate amount of the temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to approximately HK$11,411,000 (2015: HK$8,566,000). 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:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**135,692**	167,683
Tax calculated at Hong Kong profits tax rate of 16.5%	**22,389**	27,668
Expenses not deductible for tax purposes	**1,642**	2,172
Income not subject to tax	**(872)**	(544)
Tax losses for which no deferred tax asset was recognised	**17**	169
Tax concession	**(8,104)**	(13,215)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**1,639**	1,492
Others	**(1,457)**	759
Tax charge	**15,254**	18,501

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$120,438,000 (2015: HK$149,182,000) by the weighted average number of ordinary shares of 378,038,108 (2015: 372,745,394) in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of HK$120,438,000 (2015: HK$149,182,000) by the weighted average number of ordinary shares of 379,959,864 (2015: 374,034,505), being the weighted average number of ordinary shares of 378,038,108 (2015: 372,745,394) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,921,756 (2015: 1,289,111) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

13 Dividends

	2016 HK$'000	2015 HK$'000
Final dividend, proposed of HK$0.13 (2015: HK$0.16) per ordinary share	**49,298**	59,956
Special dividend, proposed of HK$0.07 (2015: HK$0.04) per ordinary share	**26,545**	14,989
	75,843	74,945

These proposed dividends were proposed by the Company on 25 May 2016 to its shareholders in respect of the financial year ended 31 March 2016, 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 2017 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the financial year ended 31 March 2016, a final dividend of HK$60,382,000 (HK$0.16 per ordinary share) and a special dividend of HK$15,096,000 (HK$0.04 per ordinary share) in respect of the previous financial year were paid.

14 Land use rights

	Group	
	2016 HK$'000	2015 HK$'000
Cost		
At beginning of the financial year	**24,559**	25,149
Exchange difference	**(1,178)**	(590)
At end of the financial year	**23,381**	24,559
Accumulated amortisation		
At beginning of the financial year	**4,109**	3,705
Charge for the year	**483**	497
Exchange difference	**(212)**	(93)
At end of the financial year	**4,380**	4,109
Net book amount		
At end of the financial year	**19,001**	20,450

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

15 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 2015	140,557	268,927	4,031	45,179	14,427	4,103	477,224
Additions	–	30,855	45	421	1,005	1,109	33,435
Disposals	–	(16,084)	(87)	–	(4)	(1,296)	(17,471)
Exchange differences	(5,681)	(630)	(7)	(1)	(6)	(38)	(6,363)
At 31 March 2016	134,876	283,068	3,982	45,599	15,422	3,878	486,825
Accumulated depreciation and impairment							
At 1 April 2015	31,328	218,673	3,855	36,084	13,310	2,346	305,596
Charge for the year	5,361	26,325	140	3,115	475	877	36,293
Disposals	–	(15,739)	(87)	–	(4)	(748)	(16,578)
Exchange differences	(1,565)	(507)	(10)	–	(2)	(39)	(2,123)
At 31 March 2016	35,124	228,752	3,898	39,199	13,779	2,436	323,188
Net book amount							
At 31 March 2016	99,752	54,316	84	6,400	1,643	1,442	163,637
Cost							
At 1 April 2014	128,617	267,929	3,935	44,993	14,207	3,512	463,193
Additions	14,780	12,845	202	186	224	1,972	30,209
Disposals	–	(11,541)	(103)	–	(3)	(1,351)	(12,998)
Exchange differences	(2,840)	(306)	(3)	–	(1)	(30)	(3,180)
At 31 March 2015	140,557	268,927	4,031	45,179	14,427	4,103	477,224
Accumulated depreciation and impairment							
At 1 April 2014	26,845	202,674	3,762	32,422	12,842	2,967	281,512
Charge for the year	5,135	27,320	198	3,662	470	693	37,478
Disposals	–	(11,109)	(103)	–	(2)	(1,284)	(12,498)
Exchange differences	(652)	(212)	(2)	–	–	(30)	(896)
At 31 March 2015	31,328	218,673	3,855	36,084	13,310	2,346	305,596
Net book amount							
At 31 March 2015	109,229	50,254	176	9,095	1,117	1,757	171,628

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

16 Interests in subsidiaries

	Company	
	2016	**2015**
	HK$'000	**HK$'000**
Unquoted investments, at cost	**83,330**	83,330

The amounts due from subsidiaries amounting to HK$332,775,000 (2015: HK$288,152,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 March 2016 are as follows:

Name	**Date and place of incorporation/ establishment**	**Group's effective equity interest**		**Paid-up share/ registered capital**		**Principal activities**
		2016	**2015**	**2016**	**2015**	
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 Ltd.*	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
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 Ltd. ("Daya Bay") (Note (b))****	21 April 2006 PRC	**100%**	100%	**US$12,100,000**	US$12,100,000	Property holding and electronics manufacturing
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

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.

* 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 2016 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 惠州榮德會計師事務所 (Huizhou 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 for tax filing and annual registration purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

17 Available-for-sale financial assets

	Group	
	2016	2015
	HK$'000	HK$'000
Debentures	**82,510**	63,107
Unquoted cash managed trust	**–**	3,750
	82,510	66,857
Analysed as:		
Non-current portion	**71,904**	59,267
Current portion	**10,606**	7,590
	82,510	66,857

Unquoted cash managed trust as of 31 March 2015 was carried at cost as the underlying assets do not have quoted market prices in an active market and whose value cannot be reliably measured. It matured during the financial year ended 31 March 2016.

18 Inventories

	Group	
	2016	2015
	HK$'000	HK$'000
Raw materials	**92,041**	109,165
Work-in-progress	**54,230**	40,174
Finished goods	**52,411**	72,607
	198,682	221,946

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$1,397,081,000 (2015: HK$1,787,204,000).

19 Trade receivables

	Group	
	2016	2015
	HK$'000	HK$'000
Trade receivables, gross	**344,224**	518,035
Less: provision for impairment of receivables	**(1,069)**	(1,069)
	343,155	516,966

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

19 Trade receivables (continued)

As of 31 March 2016, trade receivables of HK$31,538,000(2015: HK$31,431,000) 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	
	2016 HK$'000	2015 HK$'000
Up to 3 months	**30,971**	31,419
Over 3 months	**567**	12
	31,538	31,431

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

	Group	
	2016 HK$'000	2015 HK$'000
US$	**301,366**	476,799
RMB	**41,789**	40,167
	343,155	516,966

20 Cash and cash equivalents

Cash and cash equivalents are bank and cash balances and denominated in the following currencies:

	Group		Company	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
US$	**654,116**	444,695	**106**	119
RMB	**20,998**	48,396	**–**	–
HK$	**9,432**	12,476	**105**	71
Singapore dollars ("S$")	**4,714**	117	**4,708**	94
Japanese Yen ("JPY")	**–**	163	**–**	–
	689,260	505,847	**4,919**	284

Certain bank fixed deposits earn interest rates ranging from 0.5% to 5.0% (2015: 0.5% to 4.3%) during the year. Other bank balances earn interest at floating rates based on daily bank deposit rates.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

21 Deferred income tax liabilities

	Group	
	2016	2015
	HK$'000	HK$'000
Accelerated tax depreciation		
At beginning of the financial year	**1,629**	2,627
Charged/(credited) to consolidated income statement (Note 11)	**1,394**	(998)
As end of the financial year	**3,023**	1,629

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$7,406,987 (2015: HK$7,390,350) in respect of losses amounting to HK$44,891,000 (2015: HK$44,790,000) that can be carried forward against future taxable income without expiries.

22 Trade payables

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

	Group	
	2016	2015
	HK$'000	HK$'000
US$	**211,233**	226,058
RMB	**21,119**	22,032
HK$	**53,013**	96,774
JPY	**45**	1,728
Others	**799**	801
	286,209	347,393

23 Other payables and accruals

	Group		Company	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Accruals and other payables	**177,677**	181,287	**282**	388
Deposits received	**79,197**	65,842	**–**	–
Staff bonus payable	**25,999**	27,746	**–**	–
Bonus payable to directors	**11,418**	14,826	**–**	–
Provision for sales returns	**25,875**	25,891	**–**	–
Provision for claims from customers	**18,368**	20,202	**–**	–
	338,534	335,794	**282**	388

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

23 Other payables and accruals (continued)

Movements of the provisions are as follows:

	Group	
	Sales returns HK$'000	**Claims from customers HK$'000**
At 1 April 2014	24,722	18,859
Charge for the year	16,995	2,096
Settlements	(10,810)	(445)
Reversals	(5,016)	(308)
At 31 March 2015	25,891	20,202
Charge for the year	9,302	–
Settlements	(4,863)	–
Reversals	(4,455)	(1,834)
At 31 March 2016	25,875	18,368

24 Derivative financial instruments

	Group	
	2016 HK$'000	**2015 HK$'000**
Foreign exchange forward contracts	–	1,880

The Group enters into foreign currency forward contracts to mitigate currency exposure of significant future transactions and cash flows in foreign currencies. At the end of the reporting period, the Group had notional amounts as follows:

	Group	
	2016 HK$'000	**2015 HK$'000**
Foreign exchange forward contracts – US$	–	108,500
Foreign exchange forward contracts – S$	–	23,250
	–	131,750

The fair value liability of the Group's foreign exchange forward contracts as of 31 March 2015 is estimated to be approximately HK$1,880,000. These contracts matured during the year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

25 Share capital

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised		
At 1 April 2014, 31 March 2015 and 31 March 2016	1,900,000,000	190,000
Issued and fully paid		
At 1 April 2014	368,376,250	36,838
Issue of shares under ESOS (note 26(a))	6,350,000	635
At 31 March 2015	374,726,250	37,473
Issue of shares under ESOS (note 26(a))	5,412,500	541
At 31 March 2016	380,138,750	38,014

During the financial year ended 31 March 2016, 5,412,500 (2015: 6,350,000) ordinary shares of HK$0.1 each were issued in relation to share options exercised by the confirmed employees of the Group under the Valuetronics Employee Share Option Scheme ("ESOS") at S$0.162, S$0.174 and S$0.201 (2015: S$0.150, S$0.160, S$0.174, S$0.184, S$0.201 and S$0.215) for a total cash consideration of S$968,175 (2015: S$1,166,200). The excess of the subscription consideration received over the nominal values issued, amounted to S$871,296 (2015: S$1,064,374) which is equivalent to approximately HK$4,873,000 (2015: HK$6,638,000), was credited to the share premium account.

Each ordinary share carries one vote.

The Company acquired 925,400 of its own shares through purchases on the SGX-ST during the financial year ended 31 March 2016. The total amount paid to acquire the shares was S$362,000 (equivalent to approximately HK$1,980,000) and has been deducted from owners' equity.

26 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 ("Group Employee") selected by the remuneration committee of the Company or such other committee comprising directors of the Company duly authorised and appointed by the board of directors to administer this ESOS ("Committee"). The ESOS became effective on 6 February 2007 and, unless otherwise cancelled or amended, will remain in force for 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 a Group Employee pursuant to the ESOS and for the time being subsisting ("Options") offered may only be accepted within 30 days from the date of the offer, accompanied by payment of a consideration of S$1 by the grantee. 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 offer of the Options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

26 Share-based compensation (continued)

(a) Equity-settled ESOS (continued)

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 grant of the Options (the "Market Price") or at a discount to the Market Price provided that the maximum discount shall not exceed twenty (20) per cent 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.

Options do not confer rights on the holder of Options to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price	Number of share options
2009A	8 July 2008	9 July 2009 to 8 July 2018	S$0.215	1,000,000
2011A	18 August 2010	19 August 2011 to 18 August 2020	S$0.184	600,000
2011C	18 August 2010	19 August 2013 to 18 August 2020	S$0.150	1,200,000
2011D	4 October 2010	5 October 2012 to 4 October 2020	S$0.160	750,000
2012A	16 August 2011	17 August 2013 to 16 August 2021	S$0.174	2,600,000
2012B	16 August 2011	17 August 2014 to 16 August 2021	S$0.174	2,300,000
2013A	19 July 2012	20 July 2014 to 19 July 2022	S$0.201	2,900,000
2013B	19 July 2012	20 July 2015 to 19 July 2022	S$0.201	2,500,000
2014A	15 August 2013	16 August 2015 to 15 August 2023	S$0.162	1,200,000
2014B	15 August 2013	16 August 2016 to 15 August 2023	S$0.162	1,200,000
2014C	15 August 2013	16 August 2015 to 15 August 2023	S$0.162	1,850,000
2014D	15 August 2013	16 August 2016 to 15 August 2023	S$0.162	1,250,000
2015A	19 August 2014	20 August 2016 to 19 August 2024	S$0.406	3,125,000
2015B	19 August 2014	20 August 2017 to 19 August 2024	S$0.406	2,875,000
2016A	24 August 2015	25 August 2017 to 24 August 2025	S$0.295	2,975,000
2016B	24 August 2015	25 August 2018 to 24 August 2025	S$0.295	3,525,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

26 Share-based compensation (continued)

(a) Equity-settled ESOS (continued)

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

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

	2016		2015	
	Number of Options	Weighted average exercise price S$	Number of Options	Weighted average exercise price S$
Outstanding at beginning of the year	**13,712,500**	**0.275**	14,112,500	0.178
Granted	**6,500,000**	**0.295**	6,000,000	0.406
Exercised	**(5,412,500)**	**0.179**	(6,350,000)	0.184
Lapsed	**(250,000)**	**0.308**	(50,000)	0.162
Outstanding at end of the year	**14,550,000**	**0.320**	13,712,500	0.275
Exercisable at end of the year	**–**	**–**	462,500	0.174

The weighted average share price at the date of exercise for Options exercised during the year was S$0.414. The Options outstanding at the end of the year have a weighted average remaining contractual life of 8.7 years (2015: 8.6 years) and the exercise price ranged from S$0.162 to S$0.406 (2015: S$0.162 to S$0.406). During the financial year ended 31 March 2016, Options were granted on 24 August 2015 and the estimated fair value of the Options on that date is S$882,875. During the financial year ended 31 March 2015, Options were granted on 19 August 2014 and the estimated fair value of the Options on that date is S$1,385,929.

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:

	2016A and 2016B	2015A and 2015B
Weighted average share price	**S$0.368**	S$0.510
Exercise price	**S$0.295**	S$0.406
Expected volatility	**55.31%**	59.39%
Expected life	**10 years**	10 years
Risk free rate	**2.59%**	2.33%
Expected dividend yield	**7.70%**	6.29%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

26 Share-based compensation (continued)

(b) Equity-settled PSP

The PSP was adopted on 28 July 2008 and is targeted at recognising executives in key positions who are able to drive the growth of the Group through innovation, creativity and superior performance. Eligible participants include the employees of the Group (excluding independent directors of the Company and those who are Associates of Controlling Shareholders (as defined in accordance with the Listing Manual of the SGX-ST)) ("PSP Participant") selected by the committee comprising directors of the Company duly authorised and appointed by the board of directors of the Company to administer the PSP ("PSP Committee"). The PSP became effective on 28 July 2008 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. Under the PSP, the PSP Committee may grant a contingent award of ordinary shares of the Company ("Award") to the PSP Participant. Awards represent the right of a PSP Participant to receive fully paid ordinary shares of the Company, 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 Award may be satisfied by the re-issue of treasury shares.

The PSP 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 PSP 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 (as the determined by the PSP Committee) on which payment of such Award is made or affected, 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/or

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

(iii) subject to the prior approval of the PSP Committee, and at the PSP Committee's absolute discretion, pay the equivalent cash value to the PSP Participant, in lieu of issuing or delivery all or some of the Shares issued or delivered to the PSP Participant.

Awards are lapsed in the PSP Participant leaves the Group before the Awards vest or associated performance target(s) and/service condition(s) are not attained after review by the Group in the period subsequent to the vesting period.

There are no Awards outstanding at 31 March 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

26 Share-based compensation (continued)

The aggregate nominal amount of Shares over which the Committee may grant Options on any date, when added to the nominal amount of Shares issued and issuable in respect of (i) all Options granted under the ESOS; (ii) all Awards granted under the PSP; and (iii) all options or awards granted under any other share option scheme or share-based incentive scheme of the Company then in force, shall not exceed fifteen (15) per cent of the issued share capital of the Company on the day immediately preceding the date on which an offer to grant an option is made pursuant to the ESOS and/or on the day preceding relevant date of Awards under the PSP.

The aggregate number of Shares issued and issuable in respect of all Options/Awards granted under the ESOS and PSP available to all Controlling Shareholders (as defined under the Listing Manual of the SGX-ST) and their Associates (which means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which is and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more) must not exceed 25% of the Shares available under the ESOS and PSP.

The number of Shares issued and issuable in respect of all Options/Awards granted under the ESOS and PSP available to each of the Controlling Shareholders or their Associates must not exceed 10% of the Shares available under the Company Incentive Plans.

27 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 2015	112,471	67,239	5,808	148,562	334,080
Total comprehensive income for the year	–	–	–	116,323	116,323
Dividends paid (note 13)	–	–	–	(75,478)	(75,478)
Issue of shares on exercise of share options (note 26(a))	4,873	–	–	–	4,873
Transfer to share premium upon exercise of share options	3,178	–	(3,178)	–	–
Share-based compensation	–	–	5,336	–	5,336
Lapse of share options	–	–	(137)	137	–
At 31 March 2016	120,522	67,239	7,829	189,544	385,134
At 1 April 2014	102,011	67,239	5,655	82,853	257,758
Total comprehensive income for the year	–	–	–	140,169	140,169
Dividends paid	–	–	–	(74,618)	(74,618)
Issue of shares on exercise of share options (note 26(a))	6,638	–	–	–	6,638
Transfer to share premium upon exercise of share options	3,822	–	(3,822)	–	–
Share-based compensation	–	–	4,749	–	4,749
Lapse of share options	–	–	(158)	158	–
Others	–	–	(616)	–	(616)
At 31 March 2015	112,471	67,239	5,808	148,562	334,080

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

27 Reserves (continued)

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 Group Employee 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.

28 Commitments

(a) Capital commitments

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

	Group	
	2016	**2015**
	HK$'000	**HK$'000**
Acquisition of property, plant and equipment		
– contracted but not provided for	**3,355**	3,290

(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	
	2016	**2015**
	HK$'000	**HK$'000**
Land and buildings		
– within one year	**1,126**	1,134
– in second to fifth years	**859**	496
	1,985	1,630

The Company did not have any significant commitments as at 31 March 2016 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

29 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	
	2016	**2015**
	HK$'000	**HK$'000**
Purchases of goods from		
– Nicecon Limited (note)	**1,704**	1,932
Key management compensations		
– Salaries, wages, bonuses and allowances	**43,760**	45,212
– Retirement benefit scheme contributions	**93**	123
– Share-based compensation	**3,624**	4,681

(b) Balances with related parties:

	Group	
	2016	**2015**
	HK$'000	**HK$'000**
Trade payables		
– Nicecon Limited (note)	**491**	534

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

SHAREHOLDERS' INFORMATION

AS AT 15 JUNE 2016

Authorised share capital	:	HK$190,000,000
Issued and fully paid-up capital	:	HK$38,013,875
Number of shares issued (excluding Treasury Shares)	:	379,213,350 shares
Number/Percentage of Treasury Shares	:	925,400 (0.24 %)
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	2	0.09	63	0.00
100 – 1,000	83	3.60	73,663	0.02
1,001 – 10,000	868	37.61	6,147,864	1.62
10,001 – 1,000,000	1,324	57.36	90,883,292	23.97
1,000,001 and above	31	1.34	282,108,468	74.39
	2,308	100.00	379,213,350	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	Tse Chong Hing	69,082,192	18.22
2	Chow Kok Kit	29,091,238	7.67
3	HSBC (Singapore) Nominees Pte Ltd	24,846,400	6.55
4	Raffles Nominees (Pte) Ltd	21,219,168	5.60
5	Citibank Nominees Singapore Pte Ltd	16,007,300	4.22
6	BNP Paribas Securities Services	14,530,300	3.83
7	UOB Kay Hian Pte Ltd	13,533,673	3.57
8	DB Nominees (S) Pte Ltd	13,189,844	3.48
9	DBS Nominees Pte Ltd	10,509,488	2.77
10	Hung Kai Wing	9,055,000	2.39
11	Leap International Pte Ltd	6,800,000	1.79
12	OCBC Securities Private Ltd	5,578,300	1.47
13	Morgan Stanley Asia (S) Securities Pte Ltd	4,809,400	1.27
14	Hong Leong Finance Nominees Pte Ltd	4,754,300	1.25
15	Phillip Securities Pte Ltd	4,228,800	1.12
16	Foo Seng Ngan	3,507,000	0.92
17	Ho Yam Hin	3,439,935	0.91
18	DBSN Services Pte Ltd	3,065,000	0.81
19	Habacus Pte Ltd	3,000,000	0.79
20	See Lop Fu James @ Shi Lap Fu James	3,000,000	0.79
		263,247,338	69.42

SHAREHOLDERS' INFORMATION

AS AT 15 JUNE 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed interest	%
Tse Chong Hing	69,082,192	18.22	–	–
Chow Kok Kit	29,091,238	7.67	–	–
HSBC Global Investment Funds	19,224,200	5.07	–	–
HSBC Investment Funds (Luxembourg) S.A.(1)	–		19,224,200	5.07
HSBC Global Asset Management (UK) Limited(2)	–		19,224,200	5.07
HSBC Global Asset Management Limited(3)	–		19,224,200	5.07
HSBC Investment Bank Holdings plc(4)	–		19,224,200	5.07
HSBC Global Asset Management (Hong Kong) Limited(5)	–		19,026,600	5.02
The Hongkong and Shanghai Banking Corporation Limited(6)	–		19,026,600	5.02
HSBC Asia Holdings B.V.(7)	–		19,026,600	5.02
HSBC Asia Holdings (UK) Limited(8)	–		19,026,600	5.02
HSBC Holdings B.V.(9)	–		19,026,600	5.02
HSBC Finance (Netherlands)(10)	–		19,026,600	5.02
HSBC Holdings plc(11)	–		19,026,600	5.02

Notes:–

(1) HSBC Investment Funds (Luxembourg) S.A. ("HIFL") is appointed as the Management Company of the funds. HIFL has deemed interest over the Shares.

(2) HIFL is owned by HSBC Global Asset Management (UK) Limited ("AMEU") and AMEU has deemed interest over the Shares held by HIFL.

(3) AMEU is owned by HSBC Global Asset Management Limited ("AMGB") and AMGB has deemed interest over the Shares held by AMEU.

(4) AMGB is owned by HSBC Investment Bank Holdings plc ("HIBH") and HIBH has deemed interest over the Shares held by AMGB.

(5) HSBC Global Asset Management (Hong Kong) Limited ("AMHK") is the discretionary fund manager and manage the investments for the two funds (i.e. HSBC Global Investment Funds and HSBC Funds). AMHK has deemed interest over the Shares.

(6) AMHK is owned by The Hongkong and Shanghai Banking Corporation Limited ("HBAP") and HBAP has deemed interest over the Shares held by AMHK.

(7) AMHK is owned by HBAP, which in turn is owned by HSBC Asia Holdings B.V. ("HAHB") and HAHB has deemed interest over the Shares held by HBAP.

(8) HAHB is owned by HSBC Asia Holdings (UK) Limited ("HAHU") and HAHU has deemed interest over the Shares held by HAHB.

(9) HAHU is owned by HSBC Holdings B.V. ("HHBV") and HHBV has deemed interest over the Shares held by HAHU.

(10) HHBV is owned by HSBC Finance (Netherlands) ("HFN") and HFN has deemed interest over the Shares held by HHBV.

(11) HFN is owned by HSBC Holdings plc ("HGHQ") and HGHQ has deemed interest over the Shares held by HFN.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

66.65% 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.

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, 25 July 2016 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 2016 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a final dividend of HK13.0 cents per share and a special dividend of HK7.0 cents per share (tax not applicable) for the year ended 31 March 2016 *(2015 – Final Dividend: HK16.00 cents per share and Special Dividend: HK4.0 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 Article 104]* **(Resolution 3)**
Mr Loo Cheng Guan *[Retiring under Bye-Law 107(A)]* **(Resolution 4)**

Mr Loo Cheng Guan will, upon re-election as a Director of the Company, remain a member of the Audit and Remuneration Committees and Chairman of the Nominating Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$205,000 for the year ending 31 March 2017, to be paid quarterly in arrears at the end of each calendar quarter *(2016: S$213,000)*.
[See Explanatory Note (i)] **(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,

NOTICE OF ANNUAL GENERAL MEETING

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

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 50% of the total number of issued Shares (excluding treasury shares) 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 20% of the total number of issued Shares (excluding treasury shares) 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) shall be based on the total number of issued Shares (excluding treasury shares) 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 (ii)] **(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 (the "**ESOS**") and/or to grant awards in accordance with the Valuetronics Performance Share Plan (the "**PSP**") 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 and/or the vesting of awards under the PSP, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the ESOS and PSP shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company and that such authority shall, unless revoked or varied by the Company

NOTICE OF ANNUAL GENERAL MEETING

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 (iii)] **(Resolution 8)**

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 Limited (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,

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; and

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

NOTICE OF ANNUAL GENERAL MEETING

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

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; and

"**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 (iv)] **(Resolution 9)**

By Order of the Board

Shirley Lim/Hazel Chia
Company Secretaries
Singapore, 8 July 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Directors' Fees of S$205,000 for the year ending 31 March 2017, if approved by shareholders at the Annual General Meeting, will be paid quarterly in arrears at the end of each calendar quarter to Non-Executive and Independent Directors.

(ii) 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) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(iii) 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) in the capital of the Company from time to time pursuant to the exercise of the options under the ESOS and the PSP.

(iv) 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) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in Circular to Shareholders dated 8 July 2016.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. 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 least forty-eight (48) 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:

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.

This page has been intentionally left blank

This page has been intentionally left blank

This page has been intentionally left blank

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

Ong Tiew Siam (Chairman)
Tan Siok Chin
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 Tsang
(with effect from FY2016)

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

VALUETRONICS HOLDINGS LIMITED
Unit 9-11, 7/F Technology Park, No. 18 On Lai Street, Shatin
New Territories, Hong Kong
Tel : (852) 2790 8278
Fax : (852) 2304 1851
www.valuetronics.com.hk