Valuetronics

VALUETRONICS HOLDINGS LIMITED

Annual Report 2013

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 that meet the ever-changing needs of customers.

Established in 1992 and headquartered in Hong Kong, Valuetronics has grown through the years to become more than an integrated EMS provider with principal business segments ranging from Consumer Electronics Products ("CE") to Industrial and Commercial Electronics Products ("ICE").

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, sets us apart from traditional EMS providers. Our wide product and customer range is a testimony of the success in adopting this philosophy and proof of our spectrum of competence, while we continue to develop long-term relationships with global customers in the consumer, commercial, industrial 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 the consumer, industrial and commercial electronics 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,

I am pleased to announce that the financial year ended 31 March 2013 ("FY2013") has been another fruitful year for Valuetronics Holdings Limited ("Valuetronics" or the "Group"). I believe that our vigilance and the strong support from our customers have allowed us to tide over turbulent market conditions in FY2013.

Financial Performance in FY2013

Previously, the Group classified its business into three reporting segments — Original Equipment Manufacturing ("OEM"), Original Design Manufacturing ("ODM") and Licensed products ("Licensing"). However, due to the high involvement in the designing and manufacturing engineering process of our OEM customers, the differentiation between our services provided to our OEM and ODM customers is blurring and may not reflect the actual performance of each business segment.

Hence with effect from 1 April 2012, our business segments have been reclassified according to the nature and characteristic of the market where the product is sold, namely Consumer Electronics Products ("CE"), Industrial and Commercial Electronics Products ("ICE") and Licensing.

Due to a slowdown in demand from some of our CE customers, revenue decreased by 3.4% from HK$2,288.3 million in the financial year ended 31 March 2012 ("FY2012") to HK$2,210.2 million in FY2013. This slowdown nonetheless, is compensated by the increase in demand from some of our ICE customers. The Group's profit before tax from continuing operations of FY2013 also decreased by 26.4% to HK$131.3 million from HK$178.5 million in FY2012.

For FY2013, we have achieved a net profit of HK$78.7 million and an earnings per share of 21.9 HK cents albeit turbulent market conditions. Our net asset value per share as at 31 March 2013 is 164.5 HK cents, and we have maintained a strong balance sheet and operating cash flows which will continue to support our efforts to bring the Group to the next level.

Termination of Licensing Business

After a rigorous review of the prospects of the Licensing business, the Group announced its decision to terminate its Licensing business on 7 August 2012 (the "Termination"). As a result of the Termination the revenue from discontinued operations decreased by 63.8% from HK$90.3 million in FY2012 to HK$32.7 million in FY2013. A termination expenditure of HK$23.6 million inclusive of termination fees, royalties payable to the licensors, severance payments for the affected employees, and provision for impairment loss on property, plant and equipment of HK$2.7 million resulted in a total loss from discontinued operations of HK$39.8 million, which was a 32.7% increase from HK$30.0 million in FY2012.

All relevant costs to fulfill our obligations after the Termination has been accounted for by FY2013 and the Group does not expect to incur any more expenses in the financial year ending 31 March 2014 ("FY2014"). The cessation of the Licensing business is also estimated to contribute to savings of approximately HK$12.0 million per annum of staff costs and rental expenses relating to the Licensing business will be saved following the cessation.

Operations Review and Business Developments

During the second half of FY2013, the orders received from one of our key CE customers slowed down and led to an overall decrease in revenue. However, we are seeing signs of recovery from this customer after the financial year end. Additionally, we have also moved away from one of the labour-intensive customers in the CE segment which was engaged in kitchen counter top appliances, so as to refocus our resources on new customers from the ICE segment. In order to achieve good operating profit and stabilise our margins, especially in the CE segment, we have worked on over 40 in-house process automation projects over the past 18 months so as to improve our productivity and efficiency, while reducing our workforce requirements.

Overall, FY2013 was a stable year for our ICE segment. One of our key ICE customers has recently closed its production facilities in North America and shifted their remaining production to our facilities. Additionally, a new ICE customer is in the midst of closing its PRC production facilities and transferring all of its production to our facilities. Such production transfers from customers not only reflect the confidence that they have in us, but will also help to further enrich our customer base and support sustainable growth in this segment.

Outlook

To increase our resilience towards downturns from a particular business segment and/or to reduce our reliance on any particular customer, we have been stepping up our marketing efforts to get new customers, especially those in the ICE segment.

We are actively tapping on new sales representatives covering different regions in the US and participating in more road shows so as to showcase our capabilities and track record and to identify new business opportunities.

We expect such efforts to crystallise in the broadening of our customer portfolio, especially in the ICE segment, so as to achieve a more balanced contribution across customers and segments. As we enhance our marketing efforts, we will continue to remain vigilant in monitoring market developments and continue improving on our fundamentals, including our design and development capabilities, production efficiencies and inventory management.

FY2014 will remain challenging for the Group as it faces the possible effects from economic slowdowns in USA and/or Europe, exchange rate fluctuations, and inflation in the PRC. As an EMS provider, we are constantly facing market uncertainties in demand, price reduction requests from some of our major customers, and subject to changing labour conditions and wage increases and other cost escalations in China.

Due to the closure of Licensing business and related termination expenditures, we were more conservative on the capital expenditure ("Capex") in FY2013. With signs of recovery from some of our major customers, our Capex for FY2014 will normalise in order to fulfill customer orders and demand levels.

Dividend

As demonstrated over the years, Valuetronics will strive to continually deliver returns to our shareholders. This year, we have proposed a final dividend of 8.0 HK cents per share, representing a payout of about 36.5% of our net profit.

Appreciation

In closing, I would like to express my appreciation to my fellow board members, business partners, suppliers, business associates, staff and shareholders for their constant support. Together, we have remained resilient in tempestuous market conditions over the past few years while we enhance the value of our growth.

Let us continue to build on our spirit of resilience and weather any tides of adversity as we embark on a new financial year.

Tse Chong Hing
Chairman and Managing Director

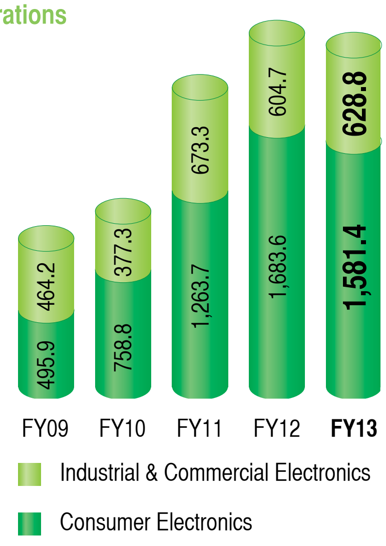
Financial Highlights

5 Years Summary

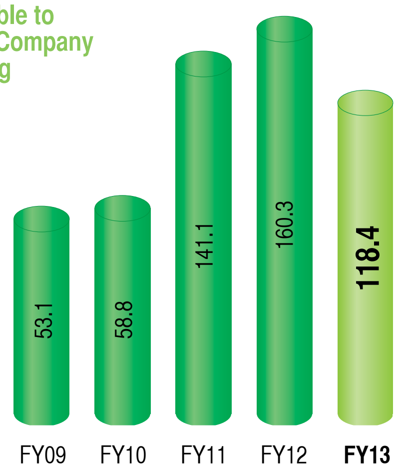
31 March		2009	2010	2011	2012	2013
Results (HK$ million)						
Continuing operations						
Revenue	Consumer Electronics	495.9	758.8	1,263.7	1,683.6	**1,581.4**
	Industrial & Commercial Electronics	464.2	377.3	673.3	604.7	**628.8**
	Total	960.1	1,136.1	1,937.0	2,288.3	**2,210.2**
Gross profit		167.5	177.3	303.0	321.3	**270.2**
Profit before tax		59.6	66.1	157.0	178.5	**131.3**
Profit attributable to owners of the Company		53.1	58.8	141.1	160.3	**118.4**
Cash generated from operations		104.9	29.5	46.2	264.4	**92.0**
Discontinued operations						
Revenue	Licensing	-	-	33.4	90.3	**32.7**
Loss attributable to owners of the Company		-	-	(19.9)	(30.0)	**(39.8)**
Assets & Liabilities (HK$ million)						
Total assets		538.1	767.3	1,031.4	1,233.4	**1,112.4**
Total liabilities		214.6	397.0	555.2	665.0	**520.2**
Total equity		323.5	370.3	476.2	568.4	**592.2**
Net cash&		153.5	139.9	98.2	243.7	**221.6**
Per share data (HK cents)						
Earnings per share - basic		15.0	16.7	34.2	36.5	**21.9**
Dividend per share		4.5	7.0	14.0	17.0#	**8.0**
Net asset value per share		92.0	105.1	133.9	158.5	**164.5**
Key ratios (%)						
Gross profit margin (continuing operations)		17.4%	15.6%	15.6%	14.0%	**12.2%**
Net profit margin (continuing operations)*		5.5%	5.2%	7.3%	7.0%	**5.4%**
Return on assets		9.9%	7.7%	11.8%	10.6%	**7.1%**
Return on equity		16.4%	15.9%	25.5%	22.9%	**13.3%**
Dividend payout ratio		30.0%	41.9%	40.9%	46.6%	**36.5%**

& Net cash is calculated by bank and cash balances minus bank borrowings and overdrafts
* Net profit margin is calculated by profit attributable to owners of the Company to revenue
# included special dividend of HK 1 cent

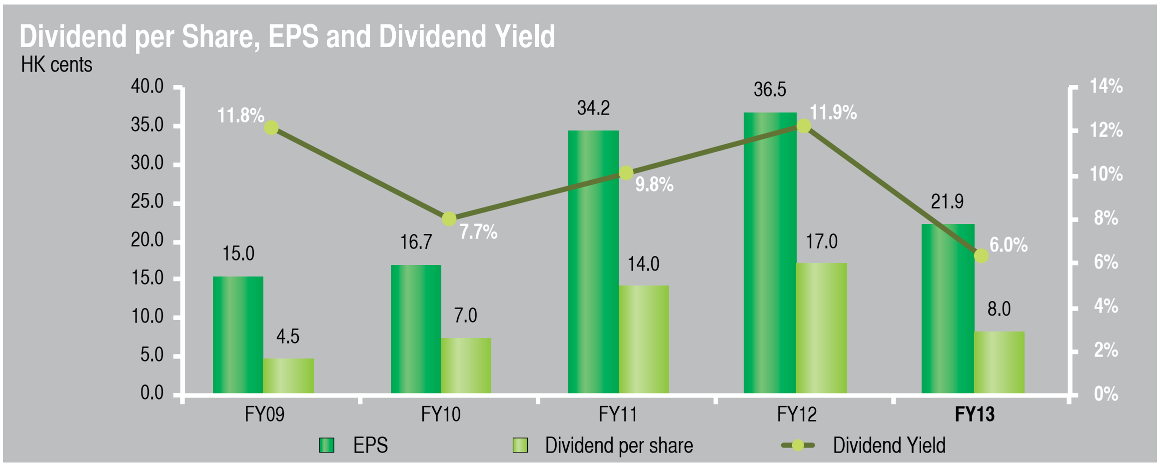
Revenue from Continuing Operations
HK$ million



Profit Attributable to Owners of the Company from Continuing Operations
HK$ million



Financial Review



Revenue (Continuing operations)

The Group's revenue decreased by 3.4% from HK$2,288.3 million in the year ended 31 March 2012 ("FY2012") to HK$2,210.2 million in the year ended 31 March 2013 ("FY2013"). Such change was mainly attributable to the slowdown in demand from some of our Consumer Electronics Products ("CE") customers but compensated by the increase in demand from some of our Industrial and Commercial Electronics Products ("ICE") customers.

The CE segment recorded a decrease of 6.1% in revenue to HK$1,581.4 million in FY2013 from HK$1,683.6 million in FY2012, mainly contributed by the slowdown in demand from some of our CE customers. The ICE segment recorded an increase of 4.0% in revenue to HK$628.8 million in FY2013 from HK$604.7 million in FY2012, mainly attributable to the increase in demand from some of our ICE customers.

Gross profit and gross profit margin (Continuing operations)

During the year, the Group's gross profit decreased by 15.9% to HK$270.2 million in FY2013 from HK$321.3 million in FY2012. The gross profit margin declined from 14.0% to 12.2% due to change in product sales mix in CE segment during the year.

Other income (Continuing operations)

The Group's other income decreased by 24.9% to HK$11.2 million in FY2013 from HK$14.9 million in FY2012. The decrease was mainly contributed by the decrease in net foreign exchange gains from HK$4.8 million in FY2012 to HK$1.5 million in FY2013.

Operating expenses (Continuing operations)

The Group's selling and distribution costs decreased by 27.8% to HK$35.3 million in FY2013 from HK$48.9 million in FY2012 as sales commissions paid to our sales representatives declined.

The Group's administrative expenses increased by 1.0% to HK$112.1 million in FY2013 from HK$110.9 million in FY2012, mainly contributed by the increase in salaries for our administrative and corporate employees compensated by the decrease in administrative expenses as a result of stringent cost control measures implemented.

Profit attributable to owners of the Company (Continuing operations)

Profit attributable to owners of the Company from continuing operations decreased by 26.1% to HK$118.4 million in FY2013 from HK$160.3 million in FY2012. The net profit margin was 5.4% as compared to 7.0% in previous financial year.

Results of discontinued operations

On 7 August 2012, after a rigorous review of the prospects of the Licensing business, the Group announced its decision to terminate the Licensing business.

During the year, revenue from discontinued operations decreased by 63.8% from HK$90.3 million in FY2012 to HK$32.7 million in FY2013. The Group recorded termination expenditure of HK$23.6 million, which included termination cost, royalties payable to the licensors and severance payments for the affected employees. In addition, provision for impairment loss on property, plant and equipment of HK$2.7 million has been made against the relevant assets in the Licensing business during the year.

As a result, the loss before tax from discontinued operations increased by 31.0% to HK$39.2 million in FY2013 from HK$30.0 million in FY2012. All relevant costs to fulfil our obligations after termination of the Licensing business have been accounted for as at year end. We do not expect any more expenses will be incurred in FY2014.

Earnings per share ("EPS") and dividend

The Group's EPS decreased by 40% to 21.9 HK cents in FY2013 as compared to 36.5 HK cents in FY2012. A final dividend of 8.0 HK cents per share is proposed for FY2013, which represent a dividend payout ratio of more than 36.5%.

Financial position and cash flows

The Group's trade receivables decreased by HK$26.6 million from HK$508.1 million as at 31 March 2012 to HK$481.5 million as at 31 March 2013. The Group's trade payables decreased by HK$152.4 million from HK$393.8 million as at 31 March 2012 to HK$241.4 million as at 31 March 2013. These changes are in line with the sales mix during the year.

The Group's inventories decreased by HK$25.7 million from HK$204.1 million as at 31 March 2012 to HK$178.4 million as at 31 March 2013. The Group's improvement in inventory management has brought down the inventory level.

The working capital of the Group as at 31 March 2013, which is the sum of trade receivables and inventories and deduction of trade payables, was HK$418.5 million (31 March 2012: HK$318.4 million).

As at 31 March 2013, the Group had cash and cash equivalents of HK$221.6 million owing to changes in working capital and payment of final dividend. (31 March 2012: HK$263.7 million). The Group has no bank borrowings as at 31 March 2013 (31 March 2012: HK$20.0 million). The net cash as at 31 March 2013, which is equivalent to the net balance of cash and cash equivalents and bank borrowings, amounted to HK$221.6 million (31 March 2012: HK$243.7 million).

Cash generated from operations during the year amounted to HK$59.2 million compared to HK$239.8 million in the preceding year. The cash used in investing activities amounted to HK$21.1 million (31 March 2012: HK$48.1 million) and the cash used in financing activities amounted to HK$80.8 million (31 March 2012: HK$65.5 million).

Operations Review

In FY2013, the Group's revenue declined by 3.4% as a result from a slowdown in orders from some of our major Consumer Electronics Products ("CE") customers in the second half of the year. However, we have managed to sustain our revenue above the HK$2 billion mark as it was compensated by the stable and gradual increase in revenue by a demand increase from our balanced portfolio of Industrial and Commercial Electronics Products ("ICE") customers.

Consumer Electronics Products Segment

Our LED lighting products customer continued to contribute a significant portion of our sales revenue for the CE segment. Despite the slowdown in LED lighting products orders during the second half of FY2013, we are seeing signs of a recovery from this segment towards the end of FY2013.

Currently, our LED lighting products customer is developing new products at a more affordable price. We foresee that this move will have positive potential as it will not only save money for homeowners and businesses, but will also allow the products to expand their outreach into the mass market at a consumer level, bringing in another wave of growth for our customer.

Another key contributor of the CE segment, who has sustained and contributed gradual growth to the Group's overall revenue and growth momentum, was our personal care products customer. This customer has decided to focus more on personal care products and discontinued some of their non-profit making consumer lifestyle products. We believe that this move by our customer will largely benefit the Group, especially as we ride on their growth momentum and continuous market penetration of this segment.

In order to refocus our resources into serving and expanding our ICE customer and product portfolio, the Group has moved away from our labour-intensive kitchen counter top appliance customer during the course of the year.

Industrial and Commercial Electronics Products Segment

During the year, our well-balanced mix of ICE customers continued to flourish and contribute to the Group's revenue. To further accentuate our growth momentum, one of our ICE customers who specialises in GPS precision products has recently shut down its production facilities in North America to move its remaining production facilities to our facilities. This move is envisioned to improve the customer's focus on research and developmental for the development of new products, thereby driving new market share for them in this niche industry.

Additionally, we have managed to tap into a new customer whose expertise involves the production of intelligent temperature control modules, which is mainly used in the fast moving consumer goods industry. This customer is now in the process of closing and shifting its production facilities in the PRC to our facilities by the third quarter of 2013, which is believed to generate positive momentum to our ICE segment with the concentration of their manufacturing activities at our facilities.

As our other major ICE customers, for whom we produce access card readers, label printers and transaction printers continue to be successful key market players in their respective segments, we believe that we will continue to ride on their sustainable growth. These wide range of products from these customers, also act as a showcase of their confidence in our production capabilities.

Licensing Segment

After a rigorous review of the prospects of the Licensing business, the Group announced its decision to terminate its Licensing business on 7 August 2012 (the "Termination"). As a result of the Termination, the revenue from discontinued operations amounted to HK$32.7 million. A termination expenditure of HK$23.6 million was also incurred, inclusive of termination fees, royalties payable to the licensors, severance payments for the affected employees, and the provision for impairment loss on property, plant and equipment of HK$2.7 million, resulting in a total loss of HK$39.8 million for our discontinued operations.

All relevant costs to fulfill our obligations after the Termination has been accounted for by FY2013 and we do not expect to incur any more additional expenses in the financial year ending 31 March 2014 ("FY2014").

Operations Review

Manufacturing Improvements

The Group's manufacturing engineering and automation team has been devoting its efforts on our latest Process Automation Projects, which focus on enhancing the design and development of in-house machines and equipments. In the last 18 months, the Group has completed more than 40 such projects which has resulted in a reduction of our workforce and an improvement in productivity and efficiency. We believe our investment in process automation will not only improve our in-house manufacturing processes and efficiencies, but also assist in enhancing and developing our manufacturing expertise and competencies, which can be used in other production processes.

Human Resources

The Group believes in growing the Company together with its employees, and recognises that every employee is an asset to the Company. As such, we employ various HR strategies and initiatives to attract and retain good staff, such offering regular in-house trainings covering areas from technical knowledge in relation to special tasks and processes, to updates on various environment, health and safety regulations for example.

Additionally, besides the appropriate remuneration, the Group also has an employee welfare committee and employee care centre that helps conduct regular celebrations with the staff on festive occasions such as Chinese New Year, Mid-Autumn Festival and Christmas as well as the Management Trainee Welcome Dinner for University Graduates. Valuetronics' employees are treated like family as they congregate and enjoy traditional food and festivities together with management. Annual dinners and performance shows are also bonding opportunities between the employees and the management.

There are also a variety of sporting activities organised for the employees throughout the year. Some of the activities include but are not limited to internal and external friendly matches of basketball and badminton. Recreational activities such as gardening, karaoke competitions and street dancing are also carried out to boost camaraderie amongst the staff. The Group also further boosts workers' morale by celebrating employee birthdays every month.

To build social responsibility within the Group, visits to the elderly care centre are carried out on a regular basis, where employees are encouraged to play games and look after the elderly living there. Furthermore, company-wide donation events are carried out on behalf of colleagues, who have encountered tragic events like accidents or illnesses.

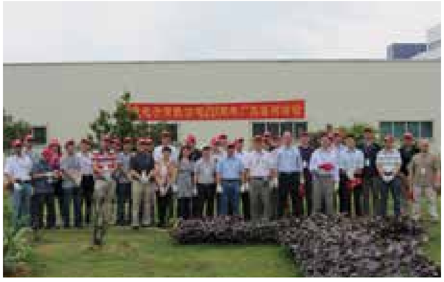
Outlook

The possible effects from economic slowdowns in USA and/or Europe, exchange rate fluctuations and inflations in the PRC will continue to make FY2014 challenging for the Group. We are also constantly facing market uncertainties and price reduction requests from our major customers. In addition, being an EMS provider, we are also subjected to changing labour conditions and wage increases, as well as other cost escalations in China.

However, despite these challenges we have been actively marketing our services. We are tapping on new sales representatives covering different regions in the USA and participating in more road shows so as to expand our portfolio with balanced contributions across customers and segments. This will also increase our resilience towards downturns from a particular business segment and/or reduce reliance on any particular customer.

The Termination has made us more conservative on our capital expenditure ("Capex") in FY2013. With signs of recovery from some of our major customers, our Capex for FY2014 will normalise to fulfill our current customers' orders and demand levels. We shall continue to monitor market developments while at the same time enhancing our fundamentals in terms of capabilities and resilience, thereby enhancing the value of our growth. This will allow us to better weather any economic storms ahead.

Key Milestones



2013

- Completed more than 40 in-house Process Automation Projects
- Revenue sustained above HK$ 2 billion mark

2012

- Celebration of 20th anniversary and termination of Licensing business
- Revenue crossed HK$ 2 billion mark

2011

- Signed the second licensing agreement for its exclusive right to use established international brands for electric fans and heaters in the North American market

2010

- Signed the first licensing agreement for its exclusive right to use established international brands for air purifiers in the North American 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 Guandong 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 HUNG KAI WING
Executive Director

Hung Kai Wing is the Executive Director of our Company and he joined the Group in March 2000. He is responsible for overseeing the manufacturing operations of our Group.

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.

Board of Directors

MR CHOW KOK KEE

Lead Independent Director

Chow Kok Kee was appointed as the Lead Independent Director of our Company on 6 February 2007. Mr Chow is currently the Managing Director of ACTA Investment & Services Pte Ltd ("ACTA"). Mr Chow's working experience began in June 1976 with six years in the government administrative service holding management positions in the Ministry of Defence and the Ministry of Education. Subsequently, from September 1982, he was employed by DBS Bank Ltd for 15 years working in various areas of financial services including Corporate Planning, Planning and Support, Credit and Marketing, Finance, Tax and Settlements, and International and Correspondent Banking. In August 1997, he assumed his current position as Managing Director of ACTA. A Colombo Plan scholar, he graduated from the University of Newcastle, Australia, with Bachelor of Commerce (1974) and Bachelor of Engineering (First Class Honours, 1975) degrees. He was awarded the University Gold Medal for academic excellence. He also holds a Master of Business Administration degree from the National University of Singapore. Mr Chow is a Member of the Institute of Engineers, Australia, an Associate of the Institute of Chartered Secretaries and Administrators, and a Fellow of the Singapore Institute of Directors. He also sits on the Boards of Chosen Holdings Ltd, Tuan Sing Holdings Ltd and M1 Ltd. He was Director of Thai Village Holdings Ltd, Meiban Group Ltd, Innovalues Ltd, in the last three years.

MR LIM CHIN TONG

Independent Director

Lim Chin Tong was appointed as an Independent Director of our Company on 6 February 2007. He is currently an Executive Director of Manufacturing Integration Technology Ltd ("MIT"), a SGX Mainboard listed manufacturer of semiconductor and solar equipment for the global market. Mr Lim spent 20 years in the Singapore government with the Economic Development Board before moving to the private sector in 2000. Apart from Valuetronics and MIT, he also sits on the board of Metal Compone nt Engineering Ltd. In the academic arena, Mr Lim is a member of Ahmad Ibrahim Primary School Advisory Committee and had recently retired from the Board of Governors of Nanyang Polytechnic. Mr Lim has a Bachelor of Science (Hons) degree in mechanical engineering from the University of Leeds (UK) and a Diploma in Business Administration from the National University of Singapore. In addition, he attended the Program for Management Development at the Harvard Business School.

MR WU TAK LUNG

Independent Director

Wu Tak Lung was appointed as an Independent Director of our Company on 31 August 2011. He is an independent non-executive director of Beijing Media Corporation Limited and Aupu Group Holding Company Limited, which are listed on the Stock Exchange of Hong Kong Limited ("SEHK"), and First Tractor Company Limited, which is listed in both Shanghai Stock Exchange and the SEHK. He was an independent non-executive director of China Water Industry Group Limited, which is listed in the SEHK, in the last three years. Mr Wu has worked in an international audit firm, Deloitte Touche Tohmatsu, for five years, and then served several listed companies in Hong Kong and had served as head of corporate finance, chief financial officer and executive director. Mr Wu obtained a master's degree in Business Administration jointly awarded by the University of Manchester and the University of Wales in 2001. Mr Wu is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. He is also a member of the Hong Kong Securities Institute and an associate member of the Hong Kong Institute of Certified Public Accountants.

Key Management

MR WONG HING KWAI
Director, Plastics Division

Wong Hing Kwai is Director of our Plastics Division. 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, LEAN/ Best Practices, Training, 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.

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 PETER LAU TAK WAH
Senior Business Unit Manager

Peter Lau is one of our Group's Senior Business Unit Managers and he joined our Group in September 2004. He is responsible for the overall business management for one of the Group's business units. He drives the strategy and effectiveness of the business unit with different functional team members to meet the Group's objectives.

Mr Lau has over 20 years of experience in Customer Program Management in different top tier EMS companies. He holds a Master of Business Administration degree in Management from the Southeastern University, USA, a Bachelor of Science degree in Applied Computing from the Open University of Hong Kong and a Higher Diploma in Production and Industrial Engineering from the Hong Kong Polytechnic University.

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, a Bachelor degree of Social Science from The Chinese University of Hong Kong.

MR TONY KWONG WAN KIT
Group Financial Controller

Tony Kwong joined our Group in June 2010 as Group Financial Controller and is responsible for the Group's finance and accounting functions, tax planning, internal controls and investor relations.

Mr Kwong has more than 13 years of experience in the accounting and auditing profession. Prior to joining the Group, he was a senior audit manager at PricewaterhouseCoopers in Hong Kong where he was responsible for managing audit engagements from planning to completion for a number of major private and listed companies in Hong Kong and PRC. He is also experienced in initial public offerings and merger and acquisitions engagements. Mr Kwong is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated from the City University of Hong Kong with a Bachelor of Business Administration degree in accounting.

Corporate Information

Board of Directors

Executive
Tse Chong Hing (Chairman and Managing Director)
Chow Kok Kit
Hung Kai Wing

Independent and Non-Executive
Chow Kok Kee (Lead Independent Director)
Lim Chin Tong
Wu Tak Lung

Audit Commitee
Chow Kok Kee (Chairman)
Lim Chin Tong
Wu Tak Lung

Nominating Commitee
Wu Tak Lung (Chairman)
Chow Kok Kee
Lim Chin Tong

Renumeration Commitee
Lim Chin Tong (Chairman)
Chow Kok Kee
Wu Tak Lung

Company Secretaries
Hazel Chia Luang Chew
Appleby Management (Bermuda) Ltd [(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
Appleby Management (Bermuda) Ltd
Argyle House
41a Cedar Avenue
Hamilton HM 12
Bermuda

Singapore Share Transfer Agent
B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

Auditors
RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two, 28 Yun Ping Road
Hong Kong

Partner in charge: Wong Wo Cheung
(with effect from FY2013)

RSM Chio Lim LLP
8 Wilkie Road,
#03-08 Wilkie Edge
Singapore 228095

Partner in charge: How Beng Tiong Derek
(with effect from FY2013)

[(1)] Appleby Management (Bermuda) Ltd is the assistant secretary of the Company

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 2005 (the "2005 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 2005 Code.

In addition to its adherence and compliance with the 2005 Code, the Board of Directors and Management have taken steps to gradually align the Company's governance framework with the recommendations of the revised Code of Corporate Governance issued on 2 May 2012 by the Monetary Authority of Singapore (the "new 2012 Code") notwithstanding that the new 2012 Code will only be applicable to the Company's Annual Report for its financial year ending 31 March 2014.

BOARD MATTERS
Principle 1: Board's Conduct of its Affairs

The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

Matters that specifically require the Board's attention include the release of quarterly and full-year results announcements, recommendation on the declaration of dividends, approval of annual audited financial statements for the Group and the Report of the Directors thereto, approval on the nomination of Directors and appointment of key personnel and the Company Secretary, as well as other major corporate actions. The Board is responsible for risk management and also evaluates the adequacy of internal controls and risk management of the Group.

Board Committees have been established to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees comprise the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which have been delegated with specific authority. Each Board Committee functions within its own defined terms of reference and procedures. All committees are chaired by an Independent Director.

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 significant business activities and overall business environment. Ad-hoc meetings are held as and when required to address any 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 Board meeting to communicate with each other simultaneously.

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

Meeting of	Board	AC	NC	RC
Total held in FY2013	4	4	1	2
Executive Directors				
Tse Chong Hing	4	N/A	N/A	N/A
Chow Kok Kit	4	N/A	N/A	N/A
Hung Kai Wing	4	N/A	N/A	N/A
Independent Directors				
Chow Kok Kee	4	4	1	2
Lim Chin Tong	4	4	1	2
Wu Tak Lung	4	4	1	2

Orientations are organized for new Directors, when appointed, that include briefing by Management on the Group's structure, businesses, operations and governance policies. The Board is updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), industry developments as well as statutory and regulatory requirements, where relevant, from time to time.

New Directors will be provided with a letter of appointment setting out their duties, obligations and terms of appointment.

Principle 2: Board Composition and Guidance

The Board currently comprises three Executive Directors and three Independent Directors:–

Name of Directors	Board of Directors	Date of appointment	Date of last re-election	AC	NC	RC
Tse Chong Hing	Chairman and Managing Director	25 August 2006	23 July 2010	–	–	–
Chow Kok Kit	Executive Director	25 August 2006	18 July 2011	–	–	–
Hung Kai Wing	Executive Director	25 August 2006	18 July 2011	–	–	–
Chow Kok Kee	Lead Independent Director	6 February 2007	17 July 2012	Chairman	Member	Member
Lim Chin Tong	Independent Director	6 February 2007	17 July 2012	Member	Member (Retired as Chairman on 17 July 2012)	Chairman
Wu Tak Lung	Independent Director	31 August 2011	17 July 2012	Member	Chairman (Appointed on 17 July 2012)	Member

The Board comprises more than one-third Independent Directors who offer alternative view of the Group's business and corporate activities.

Independent Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different 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 NC regularly reviews the size and composition of the Board. The Board considers its present size and composition appropriate, taking into account the nature and scope of the Group's operations. The Directors bring with them a wide spectrum of industry skill, experience, management expertise and objective perspective to effectively lead and direct the Group.

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 has adopted a single leadership structure whereby the roles of Chairman of the Board and the Managing Director are held by the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. The workings of the Board and the executive responsibilities of the Company's business are interconnected. The Chairman is deeply involved in managing the daily operations of the Company and understanding the business of the Company and the Group thoroughly. Being the Managing Director, Mr Tse will be in the position to provide better guidance to the decisions and workings of the Board as the Chairman. The Chairman schedules meetings and sets the Board agenda in consultation with Management and the Company Secretary.

Mr Chow Kok Kee, the Lead Independent Director, is available to address shareholders' concerns on issues that cannot be appropriately dealt with by the Chairman, Managing Director or Group Financial Controller.

Principles 4 & 5: Board Membership and Board Performance

The NC is regulated by a set of written terms of reference and comprises three Independent Directors:

Wu Tak Lung (Appointed as Chairman on 17 July 2012)
Lim Chin Tong (Retired as Chairman on 17 July 2012)
Chow Kok Kee

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

The responsibilities of NC, in accordance with written terms of reference duly adopted by the Board, 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 assess the effectiveness of the Board as a whole and its Board Committees and the contribution by each Directors to the effectiveness of the Board; and
f) where a Director has multiple board representations, to determine if the Director is able to carry out and / or has adequately carried out his duties as a Director of the Company.

The Company's process for selection and appointment of new Directors provides the procedure for identification of potential candidates' skills for nomination to the Board. The NC assesses the candidates' suitability based on skills set, experience and industry knowledge, before making any recommendation to the Board.

The Company's Bye-Laws provides that one-third of the Board is to retire annually by rotation at its Annual General Meeting ("AGM") and the Directors to retire in every year will be those who have been longest in office since their last election. Retiring Directors are eligible to offer themselves for re-election. Newly appointed Directors will retire at the next AGM following their appointments.

The NC has recommended the nominations of Mr Tse Chong Hing and Mr Chow Kok Kit for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

The NC has reviewed the independence of the Board members with reference to the guidelines set out in the new 2012 Code and has determined that Mr Chow Kok Kee, Mr Lim Chin Tong and Mr Wu Tak Lung to be independent.

The NC has assessed Mr Chow Kok Kee's ability to discharge his duties and responsibilities as AC Chairman and Lead Independent Director based on his performance, contribution and commitment for the financial year under review. Despite his multiple directorships, the NC is of the opinion that Mr Chow Kok Kee had discharged his duties and responsibilities satisfactorily.

In compliance with the recommendations in the new 2012 Code, a performance evaluation was conducted for the Board as a whole and each of its Board Committees (namely, the AC, NC and RC) in FY2013. This evaluation exercise reviews the effectiveness of the Board as a whole and of its Board Committees and provides an opportunity to obtain constructive feedback from each Director and Board Committee members on whether procedures and processes had allowed him to discharge his duties effectively. They were also been encouraged to propose changes which may be made to enhance the effectiveness of the Board and Board Committees.

The performance evaluation for FY2013 was conducted by having all Directors complete a questionnaire. The findings on the performance evaluation are discussed with the Chairman of the Board and of each Board Committees, and appropriate actions taken.

Principle 6: Access to Information

To ensure that the Board is equipped to discharge its responsibilities, Management provides the Board with sufficient information including information on the financial performance of the Group together with explanatory information in a timely manner.

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

The Company Secretary provides secretarial support to the Board, ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends all Board and Board Committee meetings.

REMUNERATION MATTERS

Principles 7 & 8: Procedures for Developing Remuneration Policies and Level and Mix of Remuneration

The RC, regulated by its own written terms of reference, comprises three Independent Directors.

Lim Chin Tong, Chairman
Chow Kok Kee
Wu Tak Lung

Although none of the members specializes in the field of executive compensation, members of the RC do possess broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board the appropriate remuneration framework for Board and key executives in accordance with the terms of reference duly adopted by the Board.

The Executive Directors' remuneration packages are based on service agreements. The remuneration packages comprise a basic salary component and a variable component which is the annual incentive bonus based on the performance of the Company as a whole and their individual performance. In addition, they participate in the Company's Employee Share Option Scheme and the Performance Share Plan which is performance related and designed to align their interests with those of the shareholders. In determining specific remuneration packages for each Executive Director and key executive, 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 Independent Directors are paid Directors' fees based on their contributions and responsibilities on the Board and Board Committees. The recommendations made by the RC in respect of the Independent Directors' fees are subject to shareholders' approval at the AGM.

The RC has recommended to the Board that the Directors' fees for the year ending 31 March 2014 to remain at S$176,000 and to be paid quarterly in arrears. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

Principle 9: Disclosure of Remuneration

The breakdown of Directors' remuneration for the financial year ended 31 March 2013 is set out below:

	Salary %	Bonus %	Fee %	Benefits* %	Total %
Remuneration Band and Name of Director					
Below SG$250,000					
Chow Kok Kee	–	–	100%	–	100%
Lim Chin Tong	–	–	100%	–	100%
Wu Tak Lung	–	–	100%	–	100%
Between SG$750,000 – SG$1,000,000					
Chow Kok Kit	32%	58%	–	10%	100%
Between SG$1,000,000 – SG$1,500,000					
Tse Chong Hing	33%	64%	–	3%	100%
Hung Kai Wing	25%	47%	–	28%	100%

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

The remunerations of the top 5 key executives of the Group (who are not Directors) fall within the following bands:

	Salary %	Bonus %	Fee %	Benefits* %	Total %
Remuneration Band and Name of Key Executive					
Below SG$250,000					
Huang Jian Yuan	61%	19%	–	20%	100%
Peter Lau Tak Wah	73%	20%	–	7%	100%
Tony Kwong Wan Kit	68%	18%	–	14%	100%
Between SG$250,000 – SG$500,000					
Wong Hing Kwai	8%	92%	–	–	100%
Loic Meston	63%	19%	–	18%	100%

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

During the year under review, no employee whose annual remuneration exceeded S$150,000 was related to the Chairman and Managing Director, other Directors or substantial shareholders of the Company.

The Company has in place two share schemes in the form of the Employee Share Option Scheme ("ESOS") and the Performance Share Plan ("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.

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 of statutory reporting requirements is a 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 monthly basis and as and when the Board may require to enable the Board to make an informed assessment of the Group's performance, financial position and prospects.

Principle 11: Audit Committee

The AC is regulated by a set of written terms of reference which clearly sets out its authority and duties. The AC comprises three Independent Directors:

Chow Kok Kee, Chairman
Lim Chin Tong
Wu Tak Lung

The Chairman and the members of the AC are appropriately qualified to discharge their responsibilities. They have financial management expertise or experience.

The operation of the AC is in accordance with written terms of reference duly adopted by the Board. 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.

The key functions of the AC, amongst others, are: -

a) to review the scope and result of the external audit and its cost effectiveness and the independence and objectivity of the External Auditors;
b) to review the financial statements of the Company and the consolidated financial statements of the Group together with the External Auditors' report thereon before submitting the same to the Board of Directors of the Company and shareholders;
c) to report to the Board the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance and matters requiring attention of the Board;
d) to evaluate the Group's system of internal controls with the External Auditors and assesses the effectiveness and adequacy of internal accounting and financial control procedures;
e) to review Interested Person Transactions and report its findings to the Board;
f) to review and make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the External Auditors, and to approve their remunerations and terms of engagement; and
g) to review non-audit services provided by the External Auditors.

The Company's External Auditors and Internal Auditors report their findings and recommendations to the AC independently. The AC met with the External Auditors and with the Internal Auditors 2 times during the year. The AC met with External Auditors and Internal Auditors without the presence of Management in respect of the Group's FY2013 audit.

The Company's External Auditors, RSM Nelson Wheeler ("RSM Nelson") and RSM Chio Lim LLP ("RSM Chio Lim") did not provide any non-audit service for the year ended 31 March 2013. The aggregate amount of audit service fees paid to RSM Nelson and RSM Chio Lim for the year ended 31 March 2013 are HK$798,000 and SG$60,000 respectively. Accordingly, the AC is satisfied that the independence and objectivity of the External Auditors have not been affected as confirmed by RSM Nelson and RSM Chio Lim.

The AC has recommended to the Board the nomination of RSM Nelson and RSM Chio Lim as External Auditors of the Company to act jointly at the forthcoming AGM. The Company confirms that it had complied with Rule 712 of the SGX-ST Listing Manual.

The Company and its subsidiaries were jointly audited by RSM Nelson and RSM Chio Lim. Accordingly, the Company complied with Rule 715 of the SGX-ST Listing Manual.

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

Principles 12 & 13: Internal Controls and Internal Audit

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. Management regularly assesses and reviews the Group's business and operational environment in order to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and the reviews performed by Management and various Board Committees, 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 and compliance risks, are adequate in its current business environment.

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 control 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 Company's Internal Auditors, PricewaterhouseCoopers, have unrestricted access to all records, properties, functions and 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 procedures on the Group's financial, operational and compliance controls, and report the remediation status to the AC. The Internal Auditors conduct audits based on the standards set by internationally recognised professional bodies. The Internal Auditors' internal audit reports are submitted to the AC for deliberation with copies of these reports extended to the members of the Board and the relevant senior management officers. In addition, the Internal Auditors' summary of findings and recommendations are discussed at the AC meetings.

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.

With the assistance from the Internal Auditors, Management had conducted an exercise to identify key risks for the Group and will review and update key risks in the context of the current environment with a view to establishing a risk management framework to continuously monitor, control and manage such risks.

Based on the Group's internal controls framework and the reviews conducted by the Internal and External Auditors, the AC is in the opinion that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risks.

COMMUNICATION WITH SHAREHOLDERS

Principles 14 & 15: Communication with Shareholders and Greater Shareholder Participation

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 Company's corporate developments and financial performance, fully compliant with its continuous disclosure obligations prescribed under the 2005 Code and the Listing Manual of the SGX-ST. The Group's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Information is communicated to our shareholders through:

- SGXNET and news releases;
- Press release on major developments;
- Press and analyst briefing for the Group's financial results as well as other briefings, where appropriate;
- Quarterly financial statements containing a summary of the financial information and affairs of the Group; and
- Annual Report/Circulars sent to shareholders and notices of general meeting advertised.

The AGM is the principal forum for dialogue with shareholders. The Board encourages all shareholders to attend the AGM and to stay informed of the Company's developments. Shareholders are given opportunity to air their views and direct questions to the Board regarding the Company and the Group. The Chairmen of the AC, RC and NC and External Auditors are normally present at the meeting to address relevant questions.

SECURITIES TRANSACTIONS

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

The Group's "black-out" period is in accordance with that prescribed by the SGX-ST's Listing Rule 1207(19) in 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 periods 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 dealings in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTS")

The Company has adopted an internal policy governing procedures for 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 2013 (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 SG$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	Year ended 31 March 2013 HK$'000	Year ended 31 March 2012 HK$'000
Purchase of goods from Nicecon Limited, which is beneficially owned by the brother of Mr. Chow Kok Kit	2,427	3,083

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

MATERIAL CONTRACTS

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).

RISK MANAGEMENT POLICIES AND PROCESSES

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return 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 will table and recommend processes to the Board for their deliberation for formulating policies to deal with the risks. The Board will also approve the recommended processes in managing the risk, which could include a combination of financial instruments, reduction of exposure or limited possible losses through controls.

The management of some of the processes would then be delegated to other staff who would control the risks within the defined framework.

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 2013.

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
Hung Kai Wing	Executive Director
Chow Kok Kee	Lead Independent Director
Lim Chin Tong	Independent Director
Wu Tak Lung	Independent Director

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement the objective of which is to enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or the Group, other than pursuant to the Valuetronics 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 2012	At 31 March 2013	At 1 April 2012	At 31 March 2013
Name of Directors	Ordinary shares of HK$0.10 each			
Tse Chong Hing	66,206,442	66,357,192	–	–
Chow Kok Kit	62,172,238	62,641,238	–	–
Hung Kai Wing	27,245,737	27,714,737	–	–
Chow Kok Kee	50,000	50,000	–	–
Lim Chin Tong	50,000	50,000	–	–
Wu Tak Lung	–	–	–	–

There was no change in Directors' interests between the end of the financial year and 21 April 2013.

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.

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:-

Lim Chin Tong (Chairman)
Chow Kok Kee
Wu Tak Lung

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.

During the financial year, 5,400,000 options to subscribe for shares in the Company were granted to the Company's Executive Directors and executives under the ESOS. The Company issued and allotted 350,000 new ordinary shares pursuant to the exercise of options during the financial year.

As at 31 March 2013, the Company has the following outstanding share options:

Date of grant	Exercise price	Outstanding at 1 April 2012	Granted	Exercised	Outstanding at 31 March 2013
8 July 2008 (Note2)	S$0.215	200,000	–	–	200,000
8 July 2008 (Note1)	S$0.175	100,000	–	(100,000)	–
27 August 2008 (Note1)	S$0.144	1,200,000	–	–	1,200,000
12 August 2009 (Note1)	S$0.105	2,750,000	–	(250,000)	2,500,000
18 August 2010 (Note2)	S$0.184	400,000	–	–	400,000
18 August 2010 (Note1)	S$0.150	2,400,000	–	–	2,400,000
4 October 2010 (Note1)	S$0.160	1,150,000	–	–	1,150,000
16 August 2011 (Note1)	S$0.174	4,900,000	–	–	4,900,000
19 July 2012 (Note1)	S$0.201	–	5,400,000	–	5,400,000
Total		**13,100,000**	**5,400,000**	**(350,000)**	**18,150,000**

5. **SHARE OPTIONS AND AWARDS** (continued)

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

Notes:

(1) These Incentive Options were issued at a discount of not more than 20% to the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the date of grant of the respective Options.

(2) These Market Options were issued at the market price which was equal to the average of the last dealt prices on the Official List of the SGX-ST for the five consecutive Market Days immediately preceding the date of grant of the respective Options.

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

	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
Name of participant				
Tse Chong Hing	–	3,225,000	(500,000)	2,725,000
Chow Kok Kit	–	2,800,000	(350,000)	2,450,000
Hung Kai Wing	2,400,000	5,975,000	(350,000)	5,625,000
Chow Kok Kee	–	300,000	–	300,000
Lim Chin Tong	–	300,000	–	300,000
Wu Tak Lung	–	–	–	–
Total	**2,400,000**	**12,600,000**	**(1,200,000)**	**11,400,000**

(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 RC.

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, 700,000 Share Awards were granted to the Company's Executive Directors under the PSP. 1,088,750 Share Awards were awarded based on achievement of specific performance targets.

As at 31 March 2013, the Company has the following outstanding Share Awards:

Date of grant	Outstanding at 1 April 2012	Granted	Awarded	Lapsed	Outstanding at 31 March 2013
16 August 2011	1,625,000	–	(1,088,750)	(536,250)	–
19 July 2012	–	700,000	–	–	700,000
Total	**1,625,000**	**700,000**	**(1,088,750)**	**(536,250)**	**700,000**

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

5. SHARE OPTIONS AND AWARDS (continued)

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

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

	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
Name of participant					
Tse Chong Hing	–	3,225,000	(150,750)	(74,250)	–
Chow Kok Kit	–	2,800,000	(469,000)	(231,000)	–
Hung Kai Wing	700,000	3,500,000	(469,000)	(231,000)	700,000
Total	**700,000**	**9,525,000**	**(1,088,750)**	**(536,250)**	**700,000**

6. AUDIT COMMITTEE

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

Chow Kok Kee (Chairman)
Lim Chin Tong
Wu Tak Lung

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 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 RSM Nelson Wheeler, Certified Public Accountants, Hong Kong and RSM Chio Lim LLP to act jointly as external auditors of the Company for the financial year ending 31 March 2014 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 23 May 2013, 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	**CHOW KOK KIT**
Chairman	*Executive Director*

10 June 2013

Statement by Directors

For the financial year ended 31 March 2013

In the opinion of the Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 28 to 73, 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 2013 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 2013

Independent Auditors' Report

To the members of Valuetronics Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the accompanying financial statements of Valuetronics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 73, which comprise the consolidated and Company statements of financial position as at 31 March 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of 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 management, as well as evaluating the overall presentation of the 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 of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards 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 2013, and of the results and cash flows of the Group for the year then ended.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

Partner-in-charge:
How Beng Tiong Derek

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

Partner-in-charge:
Wong Wo Cheung

10 June 2013

Consolidated Income Statement

For the financial year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000 (restated)
Continuing operations			
Revenue	6	**2,210,166**	2,288,299
Cost of sales		**(1,939,936)**	(1,967,000)
Gross profit		**270,230**	321,299
Other income	7	**11,186**	14,902
Selling and distribution costs		**(35,257)**	(48,865)
Administrative expenses		**(112,052)**	(110,935)
Net other operating (loss)/gain	8	**(1,392)**	3,688
Profit from operations		**132,715**	180,089
Finance costs	9	**(1,414)**	(1,606)
Profit before tax		**131,301**	178,483
Income tax expense	11	**(12,866)**	(18,202)
Profit for the year from continuing operations		**118,435**	160,281
Discontinued operations	12		
Loss for the year from discontinued operations		**(39,752)**	(29,955)
Profit for the year	13	**78,683**	130,326
Attributable to:			
Owners of the Company		**78,683**	130,326
Earnings per share (Hong Kong cents)	15		
From continuing and discontinued operations			
- Basic		**21.9**	36.5
- Diluted		**21.8**	36.1
From continuing operations			
- Basic		**32.9**	44.9
- Diluted		**32.8**	44.4

Consolidated Statement of Comprehensive Income

For the financial year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**78,683**	130,326
Other comprehensive income:		
Exchange differences on translating foreign operations	**1,551**	6,614
Other comprehensive income for the year, net of tax	**1,551**	6,614
Total comprehensive income for the year	**80,234**	136,940
Attributable to:		
Owners of the Company	**80,234**	136,940

Statements of Financial Position

As at 31 March 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
ASSETS					
Non-current assets					
Land use rights	16	**20,941**	21,261	**–**	–
Property, plant and equipment	17	**196,454**	222,689	**–**	–
Goodwill	18	**–**	10	**–**	–
Investments in subsidiaries	19	**–**	–	**83,330**	83,330
Available-for-sale financial assets	20	**1,549**	–	**–**	–
Club membership, at cost		**250**	248	**–**	–
Total non-current assets		**219,194**	244,208	**83,330**	83,330
Current assets					
Inventories	21	**178,358**	204,090	**–**	–
Trade receivables	22	**481,509**	508,120	**–**	–
Land use rights	16	**491**	487	**–**	–
Prepayments, deposits and other receivables		**8,836**	12,503	**136**	227
Available-for-sale financial assets	20	**2,476**	–	**–**	–
Long term receivables - current portion		**–**	248	**–**	–
Due from subsidiaries	19	**–**	–	**149,546**	183,781
Bank and cash balances	23	**221,579**	263,730	**416**	329
Total current assets		**893,249**	989,178	**150,098**	184,337
Total assets		**1,112,443**	1,233,386	**233,428**	267,667
EQUITY					
Share capital	24	**36,004**	35,860	**36,004**	35,860
Reserves	26	**556,223**	532,515	**196,801**	231,413
Equity attributable to owners of the Company		**592,227**	568,375	**232,805**	267,273
Total equity		**592,227**	568,375	**232,805**	267,273
LIABILITIES					
Non-current liabilities					
Bank borrowings	27	**–**	11,000	**–**	–
Deferred tax liabilities	28	**3,388**	3,944	**–**	–
Total non-current liabilities		**3,388**	14,944	**–**	–
Current liabilities					
Trade payables	29	**241,375**	393,835	**–**	–
Accruals, other payables and deposits received	30	**264,962**	232,102	**623**	394
Current tax liabilities		**10,416**	15,130	**–**	–
Derivative financial instruments	31	**75**	–	**–**	–
Bank borrowings	27	**–**	9,000	**–**	–
Total current liabilities		**516,828**	650,067	**623**	394
Total liabilities		**520,216**	665,011	**623**	394
Total equity and liabilities		**1,112,443**	1,233,386	**233,428**	267,667
Net current assets		**376,421**	339,111	**149,475**	183,943
Total assets less current liabilities		**595,615**	583,319	**232,805**	267,273

Consolidated Statement of Changes in Equity

For the financial year ended 31 March 2013

	Attributable to owners of the Company								
			Reserves						
	Share capital	Treasury shares	Share premium	Share-based payment reserve	Translation reserve	Statutory reserve	Retained earnings	Total reserves	Total equity
			(note 26(c)(i))	(note 26(c)(iii))	(note 26(c)(iv))	(note 26(c)(v))			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011	35,670	(778)	87,244	3,566	14,588	749	335,171	441,318	476,210
Total comprehensive income for the year	–	–	–	–	6,614	–	130,326	136,940	136,940
Dividend paid	–	–	–	–	–	–	(49,998)	(49,998)	(49,998)
Share-based payments	–	–	–	4,294	–	–	–	4,294	4,294
Transfer to statutory reserve	–	–	–	–	–	449	(449)	–	–
Issue of shares on exercise of share options (note 25)	190	–	2,315	–	–	–	–	2,315	2,505
Transfer to share premium upon exercise of share options	–	–	724	(724)	–	–	–	–	–
Cash settlement for the awards granted	–	–	–	(1,576)	–	–	–	(1,576)	(1,576)
Lapse of share-based payments	–	–	–	(371)	–	–	371	–	–
Award of treasury shares	–	778	–	(778)	–	–	–	(778)	–
Changes in equity for the year	190	778	3,039	845	6,614	449	80,250	91,197	92,165
At 31 March 2012	35,860	–	90,283	4,411	21,202	1,198	415,421	532,515	568,375
At 1 April 2012	35,860	–	90,283	4,411	21,202	1,198	415,421	532,515	568,375
Total comprehensive income for the year	–	–	–	–	1,551	–	78,683	80,234	80,234
Dividend paid	–	–	–	–	–	–	(61,022)	(61,022)	(61,022)
Share-based payments	–	–	–	4,372	–	–	–	4,372	4,372
Transfer to statutory reserve	–	–	–	–	–	398	(398)	–	–
Issue of shares on exercise of share options (note 25)	35	–	233	–	–	–	–	233	268
Trasfer to share premium upon exercise of share options	–	–	91	(91)	–	–	–	–	–
Issue of shares for awards granted (note 25)	109	–	1,260	(1,369)	–	–	–	(109)	–
Lapse of share-based payments	–	–	–	(674)	–	–	674	–	–
Changes in equity for the year	144	–	1,584	2,238	1,551	398	17,937	23,708	23,852
At 31 March 2013	36,004	–	91,867	6,649	22,753	1,596	433,358	556,223	592,227

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2013

	2013 HK$'000	2012 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	131,301	178,483
Adjustments for:		
Amortisation of land use rights	488	479
Allowances for trade receivables	1,069	–
Depreciation	43,280	40,786
Equity-settled share-based payments	4,372	4,294
Loss/(gain) on disposals of property, plant and equipment	202	(210)
Cash settlement for the awards granted	–	(1,576)
Fair value loss on derivative financial instruments	75	–
Interest expenses	447	467
Interest income	(1,058)	(406)
Operating profit before working capital changes	180,176	222,317
Decrease/(increase) in inventories	24,256	(1,247)
Decrease/(increase) in trade receivables	12,744	(70,982)
Decrease in prepayments, deposits and other receivables	1,561	1,462
(Decrease)/increase in trade payables	(155,842)	87,527
Increase in accruals, other payables and deposits received	29,068	25,348
Cash generated from operations	91,963	264,425
Income tax paid	(18,648)	(17,537)
Interest paid	(447)	(467)
Net cash generated from operating activities of continuing operations	72,868	246,421
Net cash used in operating activities of discontinued operations	(13,683)	(6,598)
Net cash generated from operating activities	59,185	239,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	11	337
Purchases of property, plant and equipment	(17,937)	(44,555)
Purchase of available-for-sale financial assets	(4,025)	–
Interest received	1,058	406
Net cash used in investing activities of continuing operations	(20,893)	(43,812)
Net cash used in investing activities of discontinued operations	(237)	(4,252)
Net cash used in investing activities	(21,130)	(48,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(61,022)	(49,998)
Net repayment of bank and trust receipt loans	–	(38,015)
Bank loan raised	–	20,000
Repayment of bank loan	(20,000)	–
Proceeds from shares issued in exercise of share options	268	2,505
Net cash used in financing activities of continuing operations	(80,754)	(65,508)
Net cash used in financing activities of discontinued operations	–	–
Net cash used in financing activities	(80,754)	(65,508)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(42,699)	126,251
Effect of foreign exchange rate changes	548	1,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	263,730	136,185
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	221,579	263,730
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	221,579	263,730

1. GENERAL INFORMATION

The financial statements of the Company and of the Group for the financial year ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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 registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. 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 19 to the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs.

These financial statements have been prepared under the historical cost convention except where the IFRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(a) **Consolidation** (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) **Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(c) **Foreign currency translation**

(i) 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$"), which is the presentation currency of the Company and the functional currency of the major operating subsidiaries of the Group. The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's 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 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised 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 recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

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

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

An asset is depreciated when it is available for use until it is de-recognised even if during that period that item is idle. Fully depreciated assets still in use are retained in these financial statements.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) **Operating leases**

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) **Research and development expenditure**

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(g) **Club membership**

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(h) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(i) **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) **Discontinued operations**

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with IFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises:

– The post-tax profit or loss of the discontinued operations; and
– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(k) **Investments**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(l) **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) **Derivative financial instruments**

Derivatives are initially recognised and subsequently measured at fair value at the end of the reporting period.

The resulting gain or loss is recognised in profit or loss immediately.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(p) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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.

Tooling and rework income is recognised when the tooling and rework services are rendered.

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

(q) **Employee benefits**

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.

Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) **Share-based payments**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(s) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(t) **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(u) **Related parties**

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(u) **Related parties** (continued)

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(v) **Impairment of assets**

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories, investments and receivables set out in notes 3(b) (h), (k) and (l) to the financial statements respectively to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) **Segment reporting**

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(x) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(y) **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES**

Significant accounting estimates and judgements

The preparation of these financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the report amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective financial period.

Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Property, plant and equipment and depreciation

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 or sold. The carrying amount of property, plant and equipment at the end of the financial year is disclosed in note 17 to the financial statements.

(b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations require the use of judgement and estimates.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES** (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment loss for bad and doubtful debts

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. The carrying amount is disclosed in the note on trade receivables.

(d) Allowance for slowing-moving inventories

Allowance 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. The carrying amount of inventories at the end of the financial year is disclosed in note 21 to the financial statements.

(e) Provision

The provision is 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 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 provision and amount charge/write-back in the period in which such estimate has been changed. The carrying amount of provisions is disclosed in note 30 to the financial statements.

5. **FINANCIAL RISK MANAGEMENT**

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

(a) **Foreign currency risk**

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollar ("US$") 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 hedge 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 will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge 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 2013, if the HK$ had weakened 1 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$3,187,000 (2012: HK$2,651,000) higher, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in US$. If the HK$ had 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$3,187,000 (2012: HK$2,651,000) lower, arising mainly as a result of the foreign exchange loss on bank balances and trade receivables denominated in US$.

5. **FINANCIAL RISK MANAGEMENT** (continued)

(b) **Price risk**

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 31 March 2013, if the market price of the available-for-sale financial assets at that date had been increased by 5 per cent with all other variables held constant, the consolidated other comprehensive income would increase by approximately HK$201,000 (2012: HK$Nil) arising as a result of gain on available-for-sale financial assets. If the market price of the available-for-sale financial assets at that date had been decreased by 5 per cent with all other variables held constant, the consolidated other comprehensive income would decrease by approximately HK$201,000 (2012: HK$Nil) arising as a result of loss on available-for-sale financial assets.

(c) **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 2013, the five largest trade receivables represent approximately 87% (2012: 87%) 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 high credit-ratings assigned by international credit-rating agencies.

(d) **Liquidity risk**

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

The maturity analysis of the Group's financial liabilities is as follows:

	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
At 31 March 2013				
Trade payables	241,375	–	–	–
Accruals and other payables	184,980	–	–	–
Derivative financial instruments	75	–	–	–
At 31 March 2012				
Trade payables	393,835	–	–	–
Accruals and other payables	168,992	–	–	–
Bank borrowings	9,648	11,137	–	–

(e) **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 and bank loan. 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 0.01% to 1.30% (2012: 0.01% to 1.49%) per annum as at 31 March 2013. Other than these bank deposits, the bank balances and bank loan bear interests at variable rates varied with the then prevailing market condition and thus exposing the Group to cash flow interest rate risk.

5. **FINANCIAL RISK MANAGEMENT** (continued)

(e) **Interest rate risk** (continued)

At 31 March 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$187,000 (2012: HK$214,000) lower, arising mainly as a result of lower interest income on bank balances. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$187,000 (2012: HK$214,000) higher, arising mainly as a result of higher interest income on bank balances.

(f) **Categories of financial instruments at 31 March 2013**

	2013	2012
	HK$'000	HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**693,541**	774,485
Available-for-sale financial assets	**4,025**	–
Financial liabilities:		
Financial liabilities at amortised cost	**426,355**	582,827
Derivative financial instruments at fair value	**75**	–

(g) **Fair values**

The carrying amounts of the financial assets and financial liabilities of the Group and the Company as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March 2013:

	Fair value measurement using:			Total
Description	Level 1	Level 2	Level 3	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale financial assets				
Debt securities	**4,025**	**–**	**–**	**4,025**
Derivative financial instruments	**–**	**–**	**75**	**75**

Description	Level 1	Level 2	Level 3	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Debt securities	–	–	–	–
Derivative financial instruments	–	–	–	–

5. **FINANCIAL RISK MANAGEMENT** (continued)

(g) **Fair values** (continued)

Reconciliation of assets measured at fair value based on level 3:

2013	**Financial assets at fair value through profit or loss**
	Derivatives
	HK$'000
At beginning of year	**–**
Total gains or losses recognised in profit or loss (#)	**75**
At end of year	**75**
(#) Include gains or losses for assets held at end of reporting period	**75**

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the income statement.

6. **REVENUE**

	The Group	
	2013	2012
	HK$'000	HK$'000
Sales of goods	**2,242,888**	2,378,625
Represented by:		
Continuing operations	**2,210,166**	2,288,299
Discontinued operations (note 12)	**32,722**	90,326
	2,242,888	2,378,625

7. OTHER INCOME

	The Group	
	2013	2012
	HK$'000	HK$'000
(Loss)/gain on disposals of property, plant and equipment	**(175)**	207
Net exchange translation gain	**1,500**	4,822
Interest income	**1,058**	408
Tooling and rework income	**6,252**	5,332
Sales of scrap materials	**1,736**	2,370
Sundry income	**844**	1,765
	11,215	14,904
Represented by:		
Continuing operations	**11,186**	14,902
Discontinued operations (note 12)	**29**	2
	11,215	14,904

8. NET OTHER OPERATING (LOSS)/GAIN

	The Group	
	2013	2012
	HK$'000	HK$'000
Write-back impairment loss on assets in respect of flash flood in previous year	**–**	3,688
Allowance for trade receivables	**(1,069)**	–
Fair value loss on derivative financial instruments	**(75)**	–
Termination expenditures (note)	**(26,636)**	–
Impairment of goodwill	**(10)**	–
Others	**(248)**	–
	(28,038)	3,688
Represented by:		
Continuing operations	**(1,392)**	3,688
Discontinued operations (note 12)	**(26,646)**	–
	(28,038)	3,688

Note: Termination expenditures which are related to the expenditures for discontinued operations included the royalties payable to the licensors, severance payments for the affected employees, impairment of the property, plant and equipment and related costs.

9. FINANCE COSTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank loans, bills and bank overdrafts	**447**	467
Bank charges	**1,018**	1,318
	1,465	1,785
Represented by:		
Continuing operations	**1,414**	1,606
Discontinued operations (note 12)	**51**	179
	1,465	1,785

10. 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 of HK$1,000 per employee (which increased to HK$1,250 per employee with effect from 1 June 2012) and vest fully with employees when contributed into the MPF Scheme.

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

11. INCOME TAX EXPENSE

	The Group	
	2013	2012
	HK$'000	HK$'000
Current Tax - Hong Kong Profits Tax		
Provision for the year	**9,776**	13,402
Current tax - PRC		
Provision for the year	**4,158**	4,359
Deferred tax (note 28)	**(556)**	441
	13,378	18,202
Represented by:		
Continuing operations	**12,866**	18,202
Discontinued operations (note 12)	**512**	–
	13,378	18,202

11. **INCOME TAX EXPENSE** (continued)

Hong Kong Profits Tax is provided at 16.5% (2012: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere 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.

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% (2012: 25%).

Honor Tone Electronics (Hui Yang) Enterprises Limited ("HTE") and Honor Tone Electronics Technology (Anhui) Limited ("HT Anhui") incurred tax loss for the year ended 31 March 2013 (2012: Huizhou Daya Bay Honor Tone Industrial Ltd. ("Daya Bay") and HT Anhui), and accordingly, no provision for PRC enterprise income tax has been made.

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 2013, the aggregate amount of the temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$4,955,000 (2012: HK$3,718,000). 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 income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**92,061**	148,528
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**15,190**	24,507
Tax effect of expenses that are not deductible	**1,518**	1,759
Tax effect of income that is not taxable	**(325)**	(1,518)
Tax effect of temporary differences not recognised	**471**	453
Tax effect of tax losses not recognised	**5,366**	7,976
Tax effect of utilisation of tax losses not previously recognised	**–**	(1,122)
Tax effect of tax concession	**(8,671)**	(13,730)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(171)**	(123)
Income tax expense	**13,378**	18,202

12. DISCONTINUED OPERATIONS

On 7 August 2012, the Group announced the termination of its licensing business.

The loss for the year from the discontinued operations is analysed as follows:

	2013	2012
	HK$'000	HK$'000
Loss of discontinued operations	**(39,752)**	(29,955)

The results of the discontinued operations for the year ended 31 March 2013, which have been included in the consolidated profit or loss, are as follows:

	2013	2012
	HK$'000	HK$'000
Revenue	**32,722**	90,326
Cost of sales	**(29,849)**	(69,651)
Gross profit	**2,873**	20,675
Other income	**29**	2
Selling and distribution costs	**(8,433)**	(28,363)
Administrative expenses	**(7,012)**	(22,090)
Net other operating loss	**(26,646)**	–
Loss from operations	**(39,189)**	(29,776)
Finance costs	**(51)**	(179)
Loss before tax	**(39,240)**	(29,955)
Income tax expense	**(512)**	–
Loss for the year	**(39,752)**	(29,955)

During the year, the discontinued operations paid approximately HK$13,683,000 (2012: HK$6,598,000) in respect of operating activities and paid approximately HK$237,000 (2012: HK$4,252,000) in respect of investing activities.

No tax charge or credit arose on loss of the discontinued operations.

13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	The Group	
	2013	2012
	HK$'000	HK$'000
Depreciation	**43,923**	43,008
Directors' remuneration		
As directors - independent directors		
Fee	**1,091**	1,091
Equity-settled share-based payments	**–**	93
For management - executive directors		
Salaries, wages, bonus and allowance	**16,932**	22,526
Retirement benefit scheme contributions	**44**	36
Equity-settled share-based payments	**2,843**	3,281
	20,910	27,027
Key management personnel remuneration (including remuneration of the executive directors)		
Salaries, wages, bonus and allowances	**28,718**	35,089
Retirement benefit scheme contributions	**102**	96
Equity-settled share-based payments	**3,846**	3,850
	32,666	39,035
Auditors' remuneration	**1,369**	868
Cost of inventories sold	**1,715,889**	1,801,773
Allowance for trade receivables	**1,069**	–
Impairment on property, plant and equipment	**2,683**	–
Operating lease charges in respect of leasehold land and buildings (including amortisation of land use rights)	**3,255**	3,552
Staff costs excluding directors' emoluments		
Salaries, wages, bonus and allowances	**228,753**	204,512
Retirement benefit scheme contributions	**7,588**	8,966
Equity-settled share-based payments	**1,529**	920
	237,870	214,398

14. DIVIDENDS

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Proposed but not recognised as liabilities as at 31 March	**28,803**	60,962

On 22 May 2013, a final dividend of HK$0.08 (2012: HK$0.16) per share and a special dividend of HK$Nil (2012: HK$0.01) per share were proposed by the Company to its shareholders in respect of the financial year ended 31 March 2013 (note 39). The proposed dividend is not recognised as liabilities at 31 March 2013 as the proposed dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. **EARNINGS PER SHARE**

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$78,683,000 (2012: HK$130,326,000) and the weighted average number of ordinary shares of 359,443,973 (2012: 357,416,273) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$78,683,000 (2012: HK$130,326,000) and the weighted average number of ordinary shares of 361,021,663 (2012: 360,971,025), being the weighted average number of ordinary shares of 359,443,973 (2012: 357,416,273) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,577,690 (2012: 3,554,752) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period.

(b) From continuing operations

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK$118,435,000 (2012: HK$160,281,000) and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

The calculation of diluted earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of approximately HK$118,435,000 (2012: HK$160,281,000) and the denominator used is the same as that detailed above for diluted earnings per share.

(c) From discontinued operations

Basic loss per share from the discontinued operations is Hong Kong cents 11.0 per share (2012: Hong Kong cents 8.4 per share) and diluted loss per share from the discontinued operations is Hong Kong cents 11.0 per share (2012: Hong Kong cents 8.3 per share), based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK$39,752,000 (2012: HK$29,955,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

16. LAND USE RIGHTS

	The Group HK$'000
Cost	
At 1 April 2011	**23,381**
Exchange differences	**982**
At 31 March 2012 and 1 April 2012	**24,363**
Exchange differences	**196**
At 31 March 2013	**24,559**
Accumulated amortisation	
At 1 April 2011	**2,041**
Charge for the year	**479**
Exchange differences	**95**
At 31 March 2012 and 1 April 2012	**2,615**
Charge for the year	**488**
Exchange differences	**24**
At 31 March 2013	**3,127**
Carrying amount	
At 31 March 2013	**21,432**
At 31 March 2012	**21,748**

The land use rights are held under medium term leases in the PRC.

The following is the analysis of the land use rights for financial reporting purposes:

	The Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount	**21,432**	21,748
Less: Amount to be amortised within one year (shown under current assets)	**(491)**	(487)
Amount to be amortised after one year	**20,941**	21,261

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings	Plant and machinery	Computers	Furniture and fittings	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 April 2011	119,390	187,699	7,098	41,730	12,601	2,791	371,309
Additions	732	44,280	477	2,799	350	1,238	49,876
Disposals	–	(1,058)	(287)	–	(15)	(619)	(1,979)
Exchange differences	4,708	353	4	6	–	49	5,120
At 31 March 2012 and 1 April 2012	124,830	231,274	7,292	44,535	12,936	3,459	424,326
Additions	–	18,563	215	520	616	201	20,115
Disposals	–	(992)	(633)	(721)	(17)	(185)	(2,548)
Exchange differences	947	83	1	1	–	10	1,042
At 31 March 2013	125,777	248,928	6,875	44,335	13,535	3,485	442,935
Accumulated depreciation							
At 1 April 2011	10,892	113,373	6,445	17,364	9,561	2,136	159,771
Charge for the year	4,815	30,246	633	5,353	1,396	565	43,008
Written back on disposals	–	(937)	(278)	–	(15)	(619)	(1,849)
Exchange differences	503	160	5	1	–	38	707
At 31 March 2012 and 1 April 2012	16,210	142,842	6,805	22,718	10,942	2,120	201,637
Charge for the year	4,929	31,304	393	5,390	1,238	669	43,923
Impairment loss	–	2,647	20	–	16	–	2,683
Written back on disposals	–	(897)	(586)	(301)	(6)	(185)	(1,975)
Exchange differences	153	51	1	–	–	8	213
At 31 March 2013	21,292	175,947	6,633	27,807	12,190	2,612	246,481
Carrying amount							
At 31 March 2013	104,485	72,981	242	16,528	1,345	873	196,454
At 31 March 2012	108,620	88,432	487	21,817	1,994	1,339	222,689
At 1 April 2011	108,498	74,326	653	24,366	3,040	655	211,538

The leasehold land are held under medium term leases and analysed as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Hong Kong	**4,349**	4,478

The Group's licensing business was discontinued during the year. The property, plant and equipment under the licensing business with a carrying amount of approximately HK$2,683,000 was assessed as not recoverable and an impairment loss of the same amount was recognised during the year.

18. **GOODWILL**

	The Group HK$'000
Cost	
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	**4,030**
Accumulated impairment losses	
At 1 April 2011, 31 March 2012 and 1 April 2012	**4,020**
Impairment for the year	**10**
At 31 March 2013	**4,030**
Carrying amount	
At 31 March 2013	**–**
At 31 March 2012	**10**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	The Group	
	2013 HK$'000	2012 HK$'000
Medical instrument unit of consumer electronics products ("Consumer Electronics") segment	**4,020**	4,020
Licensing business unit of licensing segment	**10**	10
	4,030	4,030

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

19. INVESTMENTS IN SUBSIDIARIES

	The Company 2013 HK$'000	The Company 2012 HK$'000
Unquoted investments, at cost	**83,330**	83,330

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 March 2013 are as follows:

Name	Date and place of incorporation/ establishment	Group's effective equity interest 2013	Group's effective equity interest 2012	Paid-up share/ registered capital 2013	Paid-up share/ registered capital 2012	Principal activities
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$5,487,804	HK$5,487,804	Electronics manufacturing
Value Chain Limited **	15 November 1999 Hong Kong	100%	100%	HK$3,000,000	HK$3,000,000	Investment holding
HTE (Note (a)) ***	15 September 2000 PRC	100%	100%	HK$5,500,000	HK$5,500,000	Electronics manufacturing
Daya Bay (Note (b)) ****	21 April 2006 PRC	100%	100%	US$6,600,000	US$6,600,000	Property investment and electronics manufacturing
Master Brands HK Limited ("Master Brands") **	7 May 2009 Hong Kong	100%	100%	HK$20,000,000	HK$20,000,000	Trading and provision of business services
The Master Brands Group Corporation ("MBGC") *	30 July 2010 United States of America	N/A (Note (c))	100%	N/A	Common stock US$1,000,000 (Note (c))	Dissolved
HT Anhui (Note (d)) *****	3 November 2010 PRC	100%	100%	US$500,000	Registered capital: US$500,000 (Paid-up capital: US$400,000)	In voluntary liquidation

19. **INVESTMENTS IN SUBSIDIARIES** (continued)

Note:

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

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

(c) MBGC issued 100 shares of no par value at a consideration of US$1,000,000 and dissolved on 1 February 2013.

(d) HT Anhui was established as a wholly foreign-owned enterprise in the PRC on 3 November 2010 with an operation period of 20 years commencing from 3 November 2010.

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

** The statutory financial statements of Honor Tone Limited, Value Chain Limited and Master Brands for the year ended 31 March 2013 were audited by RSM Nelson Wheeler.

*** 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.

***** The statutory financial statements of this subsidiary, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 安慶金惟信會計師事務所 for tax filing and annual registration purposes.

20. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	The Group	
	2013	2012
	HK$'000	HK$'000
Debt securities, at fair value	**4,025**	–
Analysed as:		
Current assets	**2,476**	–
Non-current assets	**1,549**	–
	4,025	–

The fair values of the quoted debt securities are based on current bid prices which approximate their cost.

21. **INVENTORIES**

	The Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**82,965**	67,952
Work in progress	**51,385**	72,642
Finished goods	**44,008**	63,496
	178,358	204,090

22. TRADE RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**481,509**	508,120

The movement of allowance for receivables is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 April	**–**	–
Allowance for the year	**1,069**	–
At 31 March	**1,069**	–

As of 31 March 2013, trade receivables of approximately HK$90,294,000 (2012: HK$58,973,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Up to 3 months	**88,407**	58,932
3 to 6 months	**1,887**	41
	90,294	58,973

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

	The Group	
	2013	2012
	HK$'000	HK$'000
US$	**432,367**	467,414
RMB	**48,476**	40,096
HK$	**666**	610
	481,509	508,120

23. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**176,075**	186,042	**7**	4
RMB	**35,742**	69,960	**–**	–
HK$	**9,371**	6,665	**127**	30
Singapore dollar ("S$")	**361**	325	**282**	295
Japanese Yen ("JPY")	**30**	738	**–**	–
	221,579	263,730	**416**	329

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised		
Ordinary shares of HK$0.1 each		
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	**1,900,000,000**	190,000
Issued and fully paid		
Ordinary shares of HK$0.1 each		
At 1 April 2011	**356,700,000**	35,670
Issue of shares under Valuetronics Employee Share Option Scheme (the "ESOS") (note)	**1,900,000**	190
At 31 March 2012 and 1 April 2012	**358,600,000**	35,860
Issue of shares under ESOS (note)	**350,000**	35
Issue of shares under Valuetronics Performance Share Plan (the "PSP")	**1,088,750**	109
At 31 March 2013	**360,038,750**	36,004

Note: During the financial year ended 31 March 2013, 350,000 (2012: 1,900,000) ordinary shares of HK$0.1 each were issued in relation to share options exercised by the confirmed employees of the Group under the ESOS at S$0.175 and S$0.105 (2012: S$0.225, S$0.215, S$0.184 and S$0.175) for a total cash consideration of S$43,750 (2012: S$398,300). The excess of the subscription consideration received over the nominal values issued amounted to S$38,031 (2012: S$368,085) which is equivalent to approximately HK$233,000 (2012: HK$2,315,000), was credited to the share premium account.

Each ordinary share carries one vote each.

During the financial year ended 31 March 2012, 1,174,600 ordinary shares of HK$0.1 each included in treasury shares were awarded to three executive directors under the PSP (note 25).

24. **SHARE CAPITAL** (continued)

The movements of number and the carrying amount of treasury shares are as follows:

	2012	
	Number of shares	Carrying amount HK$'000
At 1 April	1,174,600	778
Awarded during the year	(1,174,600)	(778)
At 31 March	–	–

No treasury share was granted and awarded during financial year ended 31 March 2013.

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 reporting period, the Group has no debt outstanding (2012: HK$20,000,000) 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 2013, 50% (2012: 51%) of the shares were in public hands.

25. **SHARE-BASED PAYMENTS**

The Company has share incentive plans for its employees, namely ESOS and 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 10 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.

25. **SHARE-BASED PAYMENTS** (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	Vesting date	Exercise period	Exercise price	Number of share options
2009A	8 July 2008	9 July 2009	9 July 2009 to 8 July 2018	S$0.215	1,000,000
2009B	8 July 2008	9 July 2010	9 July 2010 to 8 July 2018	S$0.175	700,000
2009C	8 July 2008	9 July 2010	9 July 2011 to 8 July 2018	S$0.175	200,000
2009D	27 August 2008	28 August 2010	28 August 2010 to 27 August 2018	S$0.144	1,200,000
2009E	27 August 2008	28 August 2010	28 August 2011 to 27 August 2018	S$0.144	1,200,000
2010A	12 August 2009	13 August 2011	13 August 2011 to 12 August 2019	S$0.105	1,450,000
2010B	12 August 2009	13 August 2011	13 August 2012 to 12 August 2019	S$0.105	1,300,000
2011A	18 August 2010	19 August 2011	19 August 2011 to 18 August 2020	S$0.184	600,000
2011B	18 August 2010	19 August 2012	19 August 2012 to 18 August 2020	S$0.150	1,200,000
2011C	18 August 2010	19 August 2012	19 August 2013 to 18 August 2020	S$0.150	1,200,000
2011D	4 October 2010	5 October 2012	5 October 2012 to 4 October 2020	S$0.160	750,000
2011E	4 October 2010	5 October 2012	5 October 2013 to 4 October 2020	S$0.160	400,000
2012A	16 August 2011	17 August 2013	17 August 2013 to 16 August 2021	S$0.174	2,600,000
2012B	16 August 2011	17 August 2013	17 August 2014 to 16 August 2021	S$0.174	2,300,000
2013A	19 July 2012	20 July 2014	20 July 2014 to 19 July 2022	S$0.201	2,900,000
2013B	19 July 2012	20 July 2014	20 July 2015 to 19 July 2022	S$0.201	2,500,000

25. **SHARE-BASED PAYMENTS** (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:

	2013		2012	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
		S$		S$
Outstanding at the beginning of the year	**13,100,000**	**0.152**	10,100,000	0.153
Granted during the year	**5,400,000**	**0.201**	4,900,000	0.174
Exercise during the year	**(350,000)**	**0.125**	(1,900,000)	0.210
Outstanding at the end of the year	**18,150,000**	**0.167**	13,100,000	0.152
Exercisable at the end of the year	**6,250,000**	**0.136**	3,350,000	0.137

The weighted average share price at the date of exercise for Options exercised during the year was S$0.25. The Options outstanding at the end of the year have a weighted average remaining contractual life of 7.9 years (2012: 8.3 years) and the exercise price ranged from S$0.105 to S$0.215 (2012: S$0.105 to S$0.215). During the financial year ended 31 March 2013, Options were granted on 19 July 2012 and the estimated fair value of the Options on that date is S$571,764. During the financial year ended 31 March 2012, Options were granted on 16 August 2011 and the estimated fair value of the Options granted on that date is S$501,981.

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:

	2013A and 2013B	**2012A and 2012B**
Weighted average share price	S$0.243	S$0.225
Exercise price	S$0.201	S$0.174
Expected volatility	67.13%	71.92%
Expected life	10 years	10 years
Risk free rate	1.36%	1.77%
Expected dividend yield	8.92%	9.65%

25. **SHARE-BASED PAYMENTS** (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.

Details of the specific categories of Awards are as follows:

	Date of award	Vesting period	Maximum shares to be awarded
2012A #	16 August 2011	16 August 2011 to 16 August 2012	243,750
2012B #	16 August 2011	16 August 2011 to 16 August 2012	1,381,250
2013A	19 July 2012	19 July 2012 to 19 July 2013	140,000
2013B	19 July 2012	19 July 2012 to 19 July 2013	560,000

Lapsed during the year ended 31 March 2013

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

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

	Number of Award	
	2013	2012
Outstanding at the beginning of the year	**1,625,000**	2,580,000
Granted during the year	**700,000**	1,625,000
Issue of shares/Awarded during the year	**(1,088,750)**	(2,287,500)
Lapsed during the year	**(536,250)**	(292,500)
Outstanding at the end of the year	**700,000**	1,625,000

During the financial year ended 31 March 2013, Awards were granted on 19 July 2012 and the estimated fair value of the Awards granted on that date is S$148,437. During the financial year ended 31 March 2012, Awards were granted on 16 August 2011 and the estimated fair value of the Awards granted on that date is S$330,129.

25. **SHARE-BASED PAYMENTS** (continued)

(b) **Equity-settled PSP** (continued)

These fair values were calculated using the Binomial Model. Expected volatility was determined by calculating the historical volatility of the share price 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 and behavioural considerations. The inputs into the model were as follows:

	Award	
	2013A	2012A
Weighted average share price	**S$0.243**	S$0.225
Expected volatility	**42.24%**	44.029%
Expected life	**1 year**	1 year
Risk free rate	**0.24%**	0.14%
Expected dividend yield	**8.92%**	9.651%

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.

26. **RESERVES**

(a) **The Group**

The amounts of the Group's reserves and the movements therein are presented in consolidated statement of comprehensive income and consolidated statement of changes in equity.

26. **RESERVES** (continued)

(b) **The Company**

	Share premium (note 26(c)(i)) HK$'000	Contributed surplus (note 26(c)(ii)) HK$'000	Share-based payment reserve (note 26(c)(iii)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2011	87,244	67,239	3,566	60,695	218,744
Profit for the year	–	–	–	58,412	58,412
Dividend paid	–	–	–	(49,998)	(49,998)
Share-based payments	–	–	4,294	–	4,294
Issue of shares on exercise of share options	2,315	–	–	–	2,315
Transfer to share premium upon exercise of share options	724	–	(724)	–	–
Cash settlement for the awards granted	–	–	(1,576)	–	(1,576)
Lapse of share-based payments	–	–	(371)	371	–
Award of treasury shares	–	–	(778)	–	(778)
At 31 March 2012	90,283	67,239	4,411	69,480	231,413
At 1 April 2012	90,283	67,239	4,411	69,480	231,413
Profit for the year	–	–	–	21,914	21,914
Dividend paid	–	–	–	(61,022)	(61,022)
Share-based payments	–	–	4,372	–	4,372
Issue of shares on exercise of share options	233	–	–	–	233
Transfer to share premium upon exercise of share options	91	–	(91)	–	–
Issue of shares for awards granted	1,260	–	(1,369)	–	(109)
Lapse of share-based payments	–	–	(674)	674	–
At 31 March 2013	91,867	67,239	6,649	31,046	196,801

26. **RESERVES** (continued)

(c) **Nature and purpose of reserves**

(i) Share premium account

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 (details are sets out in the Company's prospectus dated 16 March 2007) 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 payment reserve

The share-based payment 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(r) to the financial statements.

(iv) Translation reserve

The 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(c)(iii) 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.

27. BANK BORROWINGS

	The Group	
	2013	2012
	HK$'000	HK$'000
Bank loan, secured (note 33)	–	20,000

The borrowings are repayable as follows:

On demand or within one year	–	9,000
In the second year	–	11,000
	–	20,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(9,000)
Amount due for settlement after 12 months	–	11,000

The carrying amounts of the Group's borrowings were denominated in HK$.

The average interest rate of the Group's borrowings at 31 March 2012 was 3.05%.

Bank loan was arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities/(assets) recognised by the Group:

The Group	**Accelerated tax depreciation HK$'000**	**Tax loss HK$'000**	**Total HK$'000**
At 1 April 2011	4,015	(512)	3,503
Charge to income statement for the year (note 11)	441	–	441
At 31 March 2012 and 1 April 2012	4,456	(512)	3,944
(Credit)/charge to income statement for the year (note 11)	(1,068)	512	(556)
At 31 March 2013	3,388	–	3,388

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes.

	The Group	
	2013	2012
	HK$'000	HK$'000
Deferred tax liabilities	**3,388**	4,456
Deferred tax assets	–	(512)
	3,388	3,944

At the end of the reporting period the Group has unused tax losses of approximately HK$47,585,000 (2012: HK$52,353,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$Nil (2012: HK$3,102,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$47,585,000 (2012: HK$49,251,000) due to the unpredictability of future profit streams. As at 31 March 2012, included in unrecognised tax losses are losses of approximately HK$361,000, HK$3,234,000, HK$2,625,000 and HK$9,362,000 which will expire in 2016, 2017, 2018 and 2019 respectively. Other tax losses may be carried forward indefinitely.

29. TRADE PAYABLES

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

	The Group	
	2013	2012
	HK$'000	HK$'000
US$	**138,208**	268,284
RMB	**14,452**	14,151
HK$	**87,383**	110,971
JPY	**236**	171
Others	**1,096**	258
	241,375	393,835

30. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**149,714**	137,151	**623**	394
Deposits received	**45,131**	33,967	**–**	–
Staff bonus payable	**24,943**	15,568	**–**	–
Bonus payable to directors	**10,323**	16,273	**–**	–
Provision for sales warranties	**20,738**	17,808	**–**	–
Provision for claims from customers	**14,113**	11,335	**–**	–
	264,962	232,102	**623**	394

The bonus payable to directors were unsecured, interest-free and repayable on demand.

The movements of the provisions are as follows:

The Group

	Provision for sales warranties HK$'000	Provision for claims from customers HK$'000	Total HK$'000
At 1 April 2011	12,741	4,596	17,337
Charge for the year	12,339	8,179	20,518
Reversal for the year	(845)	(1,052)	(1,897)
Realised during the year	(6,427)	(388)	(6,815)
At 31 March 2012 and 1 April 2012	17,808	11,335	29,143
Charge for the year	13,553	5,512	19,065
Reversal for the year	(23)	(188)	(211)
Realised during the year	(10,600)	(2,546)	(13,146)
At 31 March 2013	20,738	14,113	34,851

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Foreign exchange forward contracts	**75**	–

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Foreign exchange forward contracts - US$/RMB	**131,750**	–

At 31 March 2013, the fair value liability of the Group's foreign exchange forward contracts is estimated to be HK$75,000 (2012: HK$Nil).

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Additions to property, plant and equipment during the year of HK$1,915,000 (2012: HK$1,067,000) were prepaid in 2012 and recorded under prepayments, deposits and other receivables.

33. BANKING FACILITIES

At 31 March 2013 and 2012, the banking facilities of the Group were secured by corporate guarantees executed by the Company and two subsidiaries of the Group.

34. CONTINGENT LIABILITIES

At 31 March 2013 and 2012, the Group and the Company did not have any significant contingent liabilities.

35. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
Acquisition of property, plant and machinery	**749**	3,266

36. LEASE COMMITMENTS

At 31 March 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,059**	1,427
In the second to fifth years inclusive	**–**	101
	1,059	1,528

Operating lease payment represents rentals payable by the Group for certain of its offices, factory premises and staff dormitory. Lease are negotiated for an average term of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

37. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these financial statements, transactions between the Group and other related parties which were entered into by the Group with the related parties negotiated on terms mutually agreed with these related parties are disclosed as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Purchases of goods from:		
Nicecon Limited	**2,427**	3,083
KyoEyi Denso Limited	**–**	70
Technical consulting services fee paid to:		
Concord Building Company Limited	**360**	360

Trade payables to the related parties arising from the purchases of goods are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade payables to:		
Nicecon Limited	**674**	567

The Group made certain payments totalled approximately HK$Nil (2012: HK$1,000) during the year on behalf of KyoEyi Denso Limited which are repayable on monthly basis.

The Group's key management personnel are the directors and key executives. The remunerations of directors and key executives for the financial years ended 31 March 2012 and 2013 are disclosed in note 13 to the financial statements.

KyoEyi Denso Limited is beneficially owned by Mr. Tse Chong Hing, Mr. Chow Kok Kit and Mr. Hung Kai Wing, the executive directors of the Company.

Nicecon Limited is beneficially owned by the brother of Mr. Chow Kok Kit.

Concord Building Company Limited is beneficially owned by the brother of Mr. Tse Chong Hing.

38. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Consumer Electronics	–	consumer electronics products
Industrial and Commercial Electronics	–	industrial and commercial electronics products
Licensing	–	licensed products (discontinued operations)

In the previous years, the Group classified its business into three reportable segments, namely Original Equipment Manufacturers products ("OEM"), Original Design Manufacturers products ("ODM") and Licensing. Due to the high involvement in the designing and manufacturing engineering process of the Group's OEM customers' products, the differentiation between services provided to the OEM and ODM customers is blurring and may not reflect the actual performance of each business segment. Accordingly, the Group begins to classify the business segments with reference to the nature and characteristic of market where the product is sold, namely Consumer Electronics, Industrial and Commercial Electronics and Licensing from the financial year ended 31 March 2013 and the comparative figures have been restated accordingly.

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.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities:

	Consumer Electronics HK$'000	Industrial and Commercial Electronics HK$'000	(Discontinued operations) Licensing HK$'000	Total HK$'000
Year ended 31 March 2013				
Segment revenue	1,608,174	628,802	32,722	2,269,698
Inter-segment revenue	(26,810)	–	–	(26,810)
Revenue from external customers	1,581,364	628,802	32,722	2,242,888
Segment profit/(loss)	154,323	108,124	(38,635)	223,812
As at 31 March 2013				
Segment assets	382,942	88,563	10,004	481,509
Segment liabilities	61,326	35,164	63,504	159,994

38. **SEGMENT INFORMATION** (continued)

Information about reportable segment profit or loss, assets and liabilities: (continued)

	Consumer Electronics HK$'000	Industrial and Commercial Electronics HK$'000	(Discontinued operations) Licensing HK$'000	Total HK$'000
Year ended 31 March 2012 (restated)				
Segment revenue	1,709,898	604,742	90,326	2,404,966
Inter-segment revenue	(26,341)	–	–	(26,341)
Revenue from external customers	1,683,557	604,742	90,326	2,378,625
Segment profit/(loss)	225,402	83,783	(23,658)	285,527
As at 31 March 2012 (restated)				
Segment assets	423,713	61,604	24,428	509,745
Segment liabilities	48,939	29,902	13,515	92,356

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2013 HK$'000	2012 HK$'000 (restated)
Revenue		
Total revenue of reportable segments customers	**2,242,888**	2,378,625
Elimination of discontinued operations	**(32,722)**	(90,326)
Consolidated revenue	**2,210,166**	2,288,299
Profit or loss		
Total profit or loss of reportable segments	**223,812**	285,527
Elimination of inter-segment profits	**–**	(197)
Unallocated corporate expenses	**(145,129)**	(155,004)
Elimination of discontinued operations	**39,752**	29,955
Consolidated profit for the year from continuing operations	**118,435**	160,281
Assets		
Total assets of reportable segments	**481,509**	509,745
Club membership	**250**	248
Unallocated corporate assets	**630,684**	723,393
Consolidated total assets	**1,112,443**	1,233,386

38. **SEGMENT INFORMATION** (continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities: (continued)

	2013 HK$'000	2012 HK$'000 (restated)
Liabilities		
Total liabilities of reportable segments	**159,994**	92,356
Deferred tax liabilities	**3,388**	3,944
Unallocated corporate liabilities	**356,834**	568,711
Consolidated total liabilities	**520,216**	665,011
Other material items		
Depreciation and amortisation	**44,411**	43,487
Additions of property, plant and equipment	**20,115**	49,876

Geographical information:

	Revenue		Non-current assets	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States of America	**855,380**	917,498	–	404
PRC	**705,524**	582,377	**217,645**	243,804
Netherlands	**325,112**	346,594	–	–
Canada	**96,135**	158,056	–	–
Other countries	**260,737**	374,100	–	–
Consolidated total	**2,242,888**	2,378,625	**217,645**	244,208

The geographical revenue is prepared based on the shipment destination so that the economic environments, in which the goods are shipped, can be evaluated.

Revenue from major customers

During the year ended 31 March 2013, the Group's external revenue amounting to approximately HK$1,466 million (2012: HK$1,409 million) was generated from two (2012: two) major customers, each of which accounted for 10% or more of the Group's total external revenue. This revenue was attributable to Consumer Electronics.

39. **EVENTS AFTER THE REPORTING PERIOD**

On 22 May 2013, a final dividend of approximately HK$0.08 were proposed by the Company to its shareholders in respect of the financial year ended 31 March 2013 (note 14).

Shareholders' Information

As at 18 June 2013

Authorised share capital	:	HK$190,000,000
Issued and fully paid-up capital	:	HK$36,003,875
Number of shares issued	:	360,038,750 shares
Number/Percentage of Treasury Shares	:	NIL
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 – 999	6	0.31	3,276	0.00
1,000 – 10,000	619	31.55	4,187,670	1.16
10,001 – 1,000,000	1,311	66.82	89,918,000	24.98
1,000,001 and above	26	1.32	265,929,804	73.86
	1,962	100.00	360,038,750	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Tse Chong Hing	66,357,192	18.43
2.	Chow Kok Kit	62,641,238	17.40
3.	HSBC (Singapore) Nominees Pte Ltd	31,285,000	8.69
4.	Hung Kai Wing	27,714,737	7.70
5.	Citibank Nominees Singapore Pte Ltd	13,381,000	3.72
6.	UOB Kay Hian Pte Ltd	12,612,773	3.50
7.	DBS Vickers Securities (S) Pte Ltd	11,647,692	3.23
8.	CIMB Securities (Singapore) Pte Ltd	8,345,000	2.32
9.	Ho Yam Hin	3,439,935	0.96
10.	DBS Nominees Pte Ltd	3,283,000	0.91
11.	Wong Hing Kwai	2,739,237	0.76
12.	OCBC Securities Private Ltd	2,569,000	0.71
13.	Ng Yee Hoon	2,200,000	0.61
14.	Phillip Securities Pte Ltd	2,187,000	0.61
15.	Tsui Sung Lam	1,900,000	0.53
16.	Raffles Nominees (Pte) Ltd	1,439,000	0.40
17.	Oon Hwee Boon Hazel (Wen Huiwen Hazel)	1,400,000	0.39
18.	Heng Siew Eng	1,397,000	0.39
19.	Migan Sdn Bhd	1,350,000	0.37
20.	Maybank Kim Eng Securites Pte Ltd	1,265,000	0.35
		259,153,804	71.98

Shareholders' Information

As at 18 June 2013

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Tse Chong Hing	66,357,192	18.43	–	–
Chow Kok Kit	62,641,238	17.40	–	–
Hung Kai Wing	27,714,737	7.70	–	–
Populus Fund#	21,555,000	5.99	–	–

Shares are held through Populus Fund sub-custodian, The Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

50.48% 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 Pan Pacific Hotel, Ocean 5, Level 2, 7 Raffles Place Boulevard, Marina Square, Singapore 039595, on Monday, 29 July 2013 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 March 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of HK8.0 cents per ordinary share (tax not applicable) for the year ended 31 March 2013 (2012: Final dividend of HK16.0 cents and special dividend of HK1.0 cent per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Bye-law 104 of the Company's Bye-laws:

   Tse Chong Hing **(Resolution 3)**
   Chow Kok Kit **(Resolution 4)**

4. To approve the payment of Directors' fees of S$176,000 for the year ending 31 March 2014, to be paid quarterly in arrears at the end of each calendar quarter (2013: S$176,000). **(Resolution 5)**

5. To re-appoint RSM Nelson Wheeler, Certified Public Accountants, Hong Kong and RSM Chio Lim LLP as auditors of the Company to act jointly and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly 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 any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares – Ordinary Resolution**

   That pursuant to Rule 806 of the Listing Manual of the SGX-ST, authority be given to the Directors to issue ordinary shares in the capital of the Company **("Shares")** whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, **"Instruments"**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:-

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares (excluding treasury shares) in the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

      (i) new Shares arising from the conversion or exercise of convertible securities;
      (ii) new Shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
      (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of such convertible securities.
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to allot and issue Shares under the Valuetronics Employee Share Option Scheme and the Valuetronics Performance Share Plan – Ordinary Resolution**

That authority be and is hereby given to the Directors to offer and grant options in accordance with the Valuetronics Employee Share Option Scheme (the **"ESOS"**) and/or to grant awards in accordance with the Valuetronics Performance Share Plan (the **"PSP"**) and allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS and/or the vesting of awards under the PSP, provided always that the aggregate number of additional Shares to be allotted and issued pursuant to the ESOS and the PSP shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
[See Explanatory Note (ii)] **(Resolution 8)**

9. **Renewal of Share Buyback Mandate – Ordinary Resolution**

THAT:

(1) the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire from time to time issued Shares not exceeding in aggregate the Prescribed Limit (as defined below), at such price(s) as may be determined by the Directors at their discretion up to the Maximum Price (as defined below), whether by way of:

(a) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(b) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST 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 10% of the issued share in the capital of the Company as at the date of passing of this Resolution; and "**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:-

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

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

"**Average Closing Price**" means (1) 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 (2) 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, 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.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Hazel Chia Luang Chew
Company Secretary

Singapore, 12 July 2013

Explanatory Notes:

(i) 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 per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (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 Scheme.

(iii) 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 Shares of the Company by way of Market Purchases or Off-Market Purchases of up to 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 is set out in the Circular dated 12 July 2013.

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, 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.

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

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