valuetronics

Designing Excellence
Delivering Value

annual report 2007

contents

corporate profile

At Valuetronics, we believe we are amongst an emerging breed of EMS providers whose main focus is proactive engagement with the market – understanding trends in the market place, initiating solutions as well as designing and developing products that meet the ever-changing needs of customers.

Established in 1992, Valuetronics has grown through the years to become an integrated EMS provider with principal business segments ranging from Original Equipment Manufacturing ("OEM") to Original Design Manufacturing ("ODM") services. Our proactive philosophy in customer engagement, our design and development ("D&D") as well as integrated manufacturing capabilities ranging from plastic tool fabrication and injection molding, metal stamping and machining, SMT and finished product assembly on full turnkey basis. This sets us apart from traditional EMS providers.

Our wide product and customer range testifies to our design, development, engineering and manufacturing capabilities. Our customers include OEMs, ODMs as well as owners of well-known international brands such as NTT in the telecommunications sector, DYMO and HID in the industrial and commercial electronics sectors, to Philips and KitchenAid in the consumer electronics sector.

At Valuetronics, we deliver not just products, but total solutions that meet the needs of our diverse client base.

chairman's statement

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present Valuetronics Holdings Limited's ("Valuetronics'" or the "Group's") inaugural annual report as a public listed entity for the fiscal year ended 31 March 2007 ("FY2007").

This past year, we have achieved a number of historic milestones in the journey of the Group. First of all, our successful Initial Public Offering ("IPO") and subsequent admittance to the Mainboard of the Singapore Exchange on 28 March 2007, paved the way for new shareholders to participate in the Group's growth. Our IPO is an important strategic step in gaining access to the Singapore capital market.

Secondly, 2007 has been a fruitful year for us, with ensuing strong business and financial growth achieved by the Group, which I will review below.

Thirdly, as a testament of our continuous commitment to quality, in April, Valuetronics achieved the ISO 13485 certification, an international quality management standard that enables us to begin exploring the manufacture of medical devices, another key milestone for the Group.

Let me briefly highlight some of these key developments.

Sterling financial performance

I am pleased to announce that, with the continued support from our customers and the hard work and dedication of our employees and management staff, the Group's performance has met all our expectations. Our revenue surged 20.3% to HK$723.9 million in FY2007 compared to HK$601.9 million in FY2006. Overall shareholder value has increased with a net profit attributable to the shareholders of HK$74.2 million, a 26.4% year on year growth. Our gross profit rose from HK$119.9 million to HK$146.5 million whilst gross margins rose from 19.9% in FY2006 to 20.2% in FY2007.

Enforcing our proactive philosophy

Our success is closely tied to the success of our customers. We continue to engage deeply with our customers in understanding their market trends, competitive positioning, product lifecycles, cost structures and technical requirements. Instead of simply taking a product design and mass producing them, we find ways to enhance their functionality, marketability and manufacturability. In other words, we are proactive in our approach to incorporate better features into their products without sacrificing cost and production efficiency.

chairman's statement

Our success in adopting this philosophy can be seen in the strong repeat orders amongst some of our key customers such as Philips, Dymo and several others.

Design and Development

Design and development ("D&D") capabilities is one of the cornerstone for achieving high customer satisfaction. In FY2007, we continued to leverage on our key capabilities by combining radio frequency and microprocessor applications to design and produce a new line of video baby monitors. In addition, we built on our capabilities in microprocessor applications (including firmware) to design and produce a range of cold chain temperature monitors.

We continued to enhance our design and development skillset, by setting up a new tool design and fabrication section to boost our ability to produce complex mechanical parts. Together with this move, we have also upgraded our plastic injection moulding and metal machining capabilities.

These critical advances enable us to incorporate high precision mechanical parts into advanced electro-mechanical devices. For example, towards the end of FY2007, we have begun producing, on an OEM basis, a range of printers that are integrated into gaming and lottery machines for a customer in the United States.

Spearheading growth through innovations

Innovation remains the key ingredient in Valuetronics' strategic growth. Constant engagements with our customers have opened the doors to new product developments that will fuel our customers' success.

I am pleased to further mention that our design and development team has yielded a number of successes. Since April 2007, we have designed, developed and will begin to ship a range of home environmental products such as home heaters (on an ODM basis) as well as a range of portable battery chargers.

Extending our business arena

Going beyond the industry sectors we currently serve, we have identified the medical devices industry as a niche industry that is characterised by high entry barriers. The Group is therefore geared up to engage with customers in this industry via the attainment of ISO 13485, the quality management system dedicated for manufacturing of medical devices. At the time of publishing this annual report, we have begun initial dialogue with potential medical device companies.

Although it is still in the early days, we are confident of our entry into the medical device sector because of our experience and track record in designing, engineering and mass producing a wide range of products across various industries.

Looking Ahead

Gearing up for the coming year, we believe that both ODM and OEM segments will continue to grow. With our D&D capabilities, we will continue to develop new features and products. Added to this, the trend of increasing outsourcing to the PRC will remain a key driver for our future. Nonetheless, we will not sit on our laurel, as we push ahead with delivering new features and products that are in demand in our customers' market places.

I am confident that we will continue to demonstrate the strong growth that we have witnessed in FY2007 and deliver value to you, our shareholders. In conclusion, on behalf of the board of directors, I would like to express our tremendous appreciation to our customers for their support and our employees for their immense dedication throughout FY2007.

Finally, as this is our first annual report since our listing on the SGX, let me warmly welcome and invite all new shareholders to participate in this exciting journey ahead.

I look forward to bringing you even more good news in the year ahead.

Yours truly,

Tse Chong Hing
Chairman and Managing Director

financial review

Overview of Financial Performance

For the financial year ended 31 March 2007 ("FY2007"), the Group posted a year-on-year net profit growth of 26.4% to a record HK$74.2 million from HK$58.7 million for the financial year ended 31 March 2006 ("FY2006"). The Group's revenue rose by 20.3% from HK$601.9 million in 2006 to HK$723.9 million in 2007. This was attributable to increase in revenue for both the Original Equipment Manufacturing ("OEM") business as well as Original Design Manufacturing ("ODM") segments.

Segmental Revenue Analysis

OEM revenue increased by 13.9% from HK$459.7 million in FY2006 to HK$523.5 million in FY2007. The increase was mainly due to increased demand from two of its major customers.

ODM revenue also increased by 40.9% from HK$142.2 million in FY2006 to HK$200.3 million in FY2007. The increase was mainly due to an increase in overall sales from one of its major customers and strong orders following the successful launch of a series of electronic products with a leading infant products brand.

Gross Profit and Gross Margin Analysis

Gross profit increased by 22.2% from HK$119.9 million for FY2006 to HK$146.5 million for FY2007, in line with the rise in the Group's total revenue. Gross profit margin improved marginally from 19.9% to 20.2% driven by better margins from the OEM segment.

Other income increased by 211.8% from HK$3.0 million for FY2006 to HK$9.4 million for FY2007. This was due to an increase in tooling income and interest income resulting from higher level of bank and cash balances.

Operating Expenses

Selling and distribution costs increased by 38.5% from HK$12.2 million for FY2006 to HK$16.9 million for FY2007 due mainly to an increase in sales commission paid to sales representatives and higher staff cost for our sales and marketing team which was in line with the increase in revenue.

Administrative expenses increased by 38.8% from HK$45.0 million for FY2006 to HK$62.4 million for FY2007. The increase was mainly due to higher remunerations for directors, executives and staff, provision of legal and professional fees as well as listing expenses charged to the income statement.

Net other operating gain increased by HK$8.3 million from HK$0.8 million for FY2006 to HK$9.1 million for FY2007. This was due to reversal for inventories obsolescence.

financial review

Profit Before Tax

As a result of the above, on a year-on-year basis, profit before income tax increased by 28.8% or from HK$66.3 million for FY2006 to HK$85.4 million for FY2007.

Income Tax Expenses

Income tax expenses increased by 47.3% from HK$7.6 million in FY2006 to HK$11.2 million in FY2007. The increase was mainly due to an under provision of Hong Kong profits tax amounted to HK$1.1 million resulting from the revision of the Departmental Interpretation and Practice Notes by the Inland Revenue Department of Hong Kong which led to the cost of certain property, plant and equipment fully claimed by the Group as depreciation allowances in the years of acquisition were to deduct the assessable profits of the Group were not allowed. These property, plant and equipment would claim under the pooling system and lesser depreciation allowances were allowed to deduct for the assessable profits of the Group in the years of acquisition and such allowances would deduct by reducing balance method subsequent to the years of acquisition. As a result, the under provision of Hong Kong profits tax was charged in FY2007.

Balance Sheet Analysis

The Group's prepaid land lease payments and land use rights amounted to HK$18.6 million as at 31 March 2007. This represented HK$3.6 million of prepaid land lease payments of warehouse and ancillary office in Hong Kong and HK$15.0 million of land use rights of a piece of land in Daya Bay Economy and Technology Development District, Huizhou City, Guangdong Province, PRC ("the Daya Bay site").

The increase of HK$13.9 million in property, plant and equipment was mainly due to purchase of warehouse and ancillary office in Hong Kong, purchase of plant and machinery for the plastic tool fabrication and metal machining section and construction-in-progress of new factory premises in the Daya Bay site.

The Group's long term receivable amounted to HK$2 million as at 31 March 2007. This was interest-free, guaranteed by the legal representative of the vocational training school and repayable deposit placed to a vocational training school managed by Bureau of Education of Taihu Xian, Anhui Province, PRC for provision of on-the-job training to selected students. This long term receivable will be refundable from March 2009 by annual installment of HK$500,000.

Available-for-sale financial assets held by the Group increased by HK$7.8 million from HK$3.8 million as at 31 March 2006 to HK$11.6 million as at 31 March 2007 due to placement of a structured principal protected deposit.

The Group's inventories increased by HK$14.5 million from HK$54.7 million as at 31 March 2006 to HK$69.2 million as at 31 March 2007, with the higher level of finished goods maintained on a "vendor managed inventory" basis, in accordance with customers' confirmed purchase order.

The Group's trade receivables increased by HK$43.8 million from HK$87.8 million to HK$131.6 million, in line with the Group's increase in business activities as well as longer credit terms granted to some of our customers.

The Group's trade payables increased by HK$21.7 million from HK$98.9 million as at 31 March 2006 to HK$120.6 million as at 31 March 2007 which were also in line with the increased business activities of the Group.

The increase of HK$24.9 million in accruals, other payables and deposits received was mainly due to increase in provision for bonus to its directors, executives and staff, staff related cost, deposits received from customers as well as outstanding professional fees for the Group listing exercise.

Cash Flow Analysis

The Group's cash and cash equivalents stood at HK$176.6 million as at 31 March 2007, an increase of HK$99.9 million from the same period a year ago.

The net increase in cash inflow from operating activities and financing activities was partially off-set by outflow for higher investing activities for purchase of property, plant and equipment. Positive net cash generated from operating activities amounted to HK$49.1 million whilst net cash generated from financing activities (including cash generated from issuance of new shares at IPO) amounted to HK$77.3 million. These were partially off-set by net cash outflow from investing activities amounting to HK$26.5 million mainly for the purchase of property, plant and equipment.

1 **ALCOHOL TESTERS>**By offering our unique design and development capabilities, we have successfully developed a digital alcohol tester platform and mass produced a new generation of personal alcohol testers on an ODM basis. This will boost our readiness in entering the non-invasive medical device sector in the long run.

operational review

capabilities development

In FY2007, the Group continued to leverage on key competencies in radio frequency and microprocessor applications and gradually built up its design and development capabilities in complex mechanical parts.

Firstly, the Group has successfully applied and combined its dual capabilities in radio frequency and microprocessor applications to design and produce a new line of video baby monitors. Furthermore, the Group also leveraged on its capabilities in microprocessor applications, to launch a new line of cold chain temperature monitors.

Secondly, the Group continued to enhance its design and development skillset, by setting up a new tool design and fabrication section to boost our ability to produce complex mechanical parts. Together with this move, we have also upgraded our plastic injection moulding and metal machining capabilities.

These critical advances enable the Group to incorporate high precision mechanical parts into advanced electro-mechanical devices such as the production of a range of printers for gaming and lottery machines for a customer in the United States, towards the end of FY2007.

1 **VIDEO BABY MONITORS>**With strong endorsement from our customer for our design and development capabilities in 2.4 GHz wireless platform, we designed, developed and manufactured a new line of video baby monitors that enabled our customer to gain a strategic advantage over their competitors in the infant products market.

human resource development

The Group had engaged in several strategic initiatives to ensure a constant inflow of skilled production work force as well as engineering and management talents.

In terms of production manpower, the Group partnered with a number of vocational training institutes in the Anhui Province and Guangxi Province, PRC, to provide on-the-job training for some of their students who may subsequently be selected as our full time production staff. Engineering staff and management trainees were recruited from universities in Wuhan Province, Jiangxi Province and Hubei Province, PRC, and provide them with structured training.

We believe this constant engagement with vocational training institutes and universities provides the Group with access to quality human resource, even as competition for skilled work force in the PRC is becoming more intense.

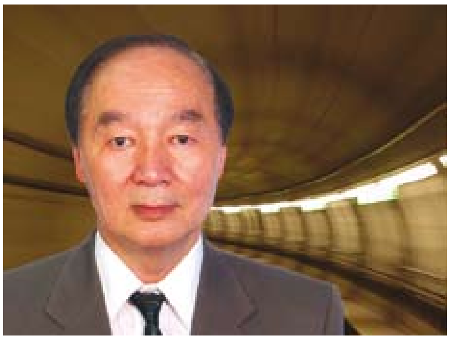
operational review

looking ahead

The operating landscape remains competitive and demanding, whilst raw material prices and labour supply conditions in China remain key challenges for the Group. Nonetheless, we remain confident of delivering strong growth in the coming year. The Group's continuous improvement in design and manufacturing capabilities, coupled with the confidence placed on us by existing customers will put us in good stead in both in the OEM and ODM segments. We expect to see increasing share of businesses from existing customers, while new customers in the industrial and consumer sectors are being developed.

1 **COLD CHAIN TEMPERATURE MONITOR>**This unique product measures temperature fluctuation of food or pharmaceutical products during transportation. Beyond the consumer sector, we continued to apply our capabilities to commercial products. The cold chain temperature monitor is one such product manufactured on an ODM basis.

board of directors



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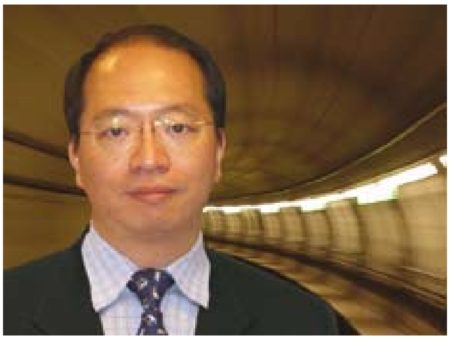

1. Mr Tse Chong Hing

Chairman and Managing Director

Tse Chong Hing is the Chairman and Managing Director of our Company. He joined HTL in November 1996 as the Assistant to the then Managing Director. Mr Tse is responsible for strategic planning and the general management of our Group and has over 15 years of experience in finance and operations management in the electronics manufacturing industry. Mr Tse is a practising member and fellow of the Hong Kong Institute of Certified Public Accountants (formerly The Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified 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.

2. Mr Chow Kok Kit

Executive Director

Chow Kok Kit is a founder 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 20 years of experience in the electronics manufacturing industry. Mr Chow 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.

3. Mr Hung Kai Wing

Executive Director

Hung Kai Wing joined the Group in March 2000, is an Executive Director of our Company. He oversees the manufacturing operations of our Group and has over 35 years of experience in the electronics manufacturing industry.Mr Hung 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.

4. 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). He was awarded the University Gold Medal for academic excellence. He also holds a Masters 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.

5. 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 Jiaxinda Printing Group (S) Pte Ltd. Mr Lim is a member of the Board of Governors of Nanyang Polytechnic and Ahmad Ibrahim Primary School Advisory Committee. Mr Lim has a Bachelor of Science (Hons) degree in Mechanical Engineering from the University of Leeds, England 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.

6. Mr Siu Ping-Kwong

Independent Director

Siu Ping-Kwong was appointed as an Independent Director of our Company on 6 February 2007. Mr Siu has 20 years of experience in accounting and finance, having overseen finance functions of various Hong Kong based companies since 1986. At present, Mr Siu heads the Finance Department of the Asia Pacific region of William Grant & Sons Distillers. Mr Siu is an associate of the Hong Kong Institute of Certified Public Accountants (formerly The Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants. He holds a Masters in Business Administration awarded by the Heriot-Watt University, Edinburgh, United Kingdom and a Masters of Science in Information System Management from the Hong Kong University of Science and Technology.

key executives

Mr Wong Hing Kwai

Director, HT Plastics Limited ("HTP")

Wong Hing Kwai is Director of HTP. Mr Wong is responsible for the overall management of HTP. He has over 30 years of experience in plastic injection moulding, and holds a Bachelor of Engineering Degree from Shanghai Jiao Tong University, PRC.

Mr Ngan Hing Hon

Chief Financial Officer

Ngan Hing Hon is our Group's Chief Financial Officer. He joined our Group in May 2004 and oversees all finance and accounting functions of our Group. He has more than twenty years' experience in audit, accounting and corporate finance in various organisations. Mr Ngan holds a Bachelor of Business Administration Degree from the Chinese University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants (formerly The Hong Kong Society of Accountants).

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. Mr Meston is responsible for our Group's business development activities and also provides customer support to our customers located in USA. He is also responsible for providing our D&D team with market analysis on product trends and regulatory requirements and has over 16 years of experience in sales and product development. Mr Meston holds a Degree in Engineering from the Higher School of Engineering, Marseilles, France, and a Master Degree in Business Administration from the University of Rochester, USA.

Mr Lau Tak Wah

Senior Program Manager

Lau Tak Wah is our Group's Senior Program Manager and is responsible for customer program management and customer service. He joined our Group in September 2004. Mr Lau has over 14 years of experience in customer management with various EMS companies in the PRC. Mr Lau holds a Master Degree in Business Administration 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.

Mr Hung Hok Cheung

Operations Manager

Hung Hok Cheung is our Group's Operations Manager and joined our Group in February 2001 as Manager of our Quality Assurance Department. He is responsible for general operations, materials and logistics arrangements, human resources and general administration within our Group. Prior to joining our Group, he was the quality and production manager of General Electronics Limited from May 1992 to November 2000. Mr Hung holds a Master Degree in Science in Quality Management from the University of Paisley and a Higher Diploma in Applied Science from the Hong Kong Polytechnic.

Mr Ho Yam Hin

General Manager, HT Plastics Limited ("HTP")

Ho Yam Hin is HTP's General Manager and assists Mr Wong Hing Kwai in the overall management of HTP. He joined our Group in March 2000 and has over 21 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 Richard Steven Lai Ming Shun

Materials Manager

Richard Steven Lai Ming Shun is our Group's Materials Manager. He joined our Group in March 2005 and has over 10 years of experience in purchasing and procurement. Mr Lai holds a Bachelor of Science Degree in Electrical and Electronic Engineering from the Central London Polytechnic and a Postgraduate Diploma in Product Design for Automated Manufacture from the Polytechnic of the South Bank, United Kingdom.

corporate information

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
Siu Ping-Kwong

Audit Committee

Chow Kok Kee (Chairman)
Lim Chin Tong
Siu Ping-Kwong

Nominating Committee

Siu Ping-Kwong (Chairman)
Chow Kok Kee
Lim Chin Tong

Remuneration Committee

Lim Chin Tong (Chairman)
Chow Kok Kee
Siu Ping-Kwong

Company Secretaries

Shirley Lim Keng San, FCIS
Hazel Chia Luang Chew, FCIS [(1)]
Appleby Corporate Services (Bermuda) Ltd [(2)]

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Business Office

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

Bermuda Share Registrar

Reid Management Limited
Argyle House
41a Cedar Avenue
Hamilton HM 12
Bermuda

Singapore Share Transfer Agent

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

Joint Auditors

RSM Nelson Wheeler
Certified Public Accountants
7th Floor, Allied Kajima Building
138 Gloucester Road
Hong Kong

Partner in charge: Wong Wo Cheung
(With effect from FY 2007)

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

Partner in charge: Leung Tak Kuen
(With effect from FY 2007)

(1) Hazel Chia Luang Chew is the deputy secretary of the Company.
(2) Appleby Corporate Services (Bermuda) Ltd is the assistant secretary of the Company.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of VALUETRONICS HOLDINGS LTD. ("Valuetronics" or the "Company") recognizes the importance of and is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group").

The Company has adopted most of the recommendations of the new Code of Corporate Governance 2005 (the "Code") issued by the Council on Corporate Disclosure and Governance. This report describes the Group's corporate governance practices implemented after the Company's listing on Singapore Exchange Securities Trading Limited ("SGX-ST"), with specific reference to each of the principles of the Code. Other than deviations which are explained in this report, the Company has generally complied with the principles and guidelines of the Code.

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 Directors' Report thereto, approval on the nomination of directors and appointment of key personnel and the company secretary, as well as other significant corporate actions.

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 include 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 non-executive 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 update the Board on significant business activities and overall business environment. Ad-hoc meetings will be 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 meeting to communicate with each other simultaneously.

The Company was listed on SGX-ST on 28 March 2007 and the first meeting of the Board, AC, NC and RC were held on 22 May 2007. Details of directors' attendance at the Board and Board committee meetings held, are summarized in the table below :

Meeting of	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2007	**1**	**1**	**1**	**1**
Tse Chong Hing	1	N/A	N/A	N/A
Chow Kok Kit	1	N/A	N/A	N/A
Hung Kai Wing	1	N/A	N/A	N/A
Chow Kok Kee	1	1	1	1
Lim Chin Tong	1	1	1	1
Siu Ping-Kwong	1	1	1	1

Directors, when appointed, will receive an orientation that includes briefing by management on the Group's structure, businesses, operations and policies. Directors are also invited to visit Group's facilities for a better understanding of the Group's operations.

The current directors have been in the office since the Company's listing on SGX-ST in March 2007. Management is currently reviewing the letter of appointment to be issued to new directors.

Principle 2: Board Composition and Balance

The Board comprises of three executive directors and three independent non-executive directors: -

Name of Directors	Board of Directors	Date of appointment	Audit Committee	Nominating Committee	Remuneration Committee
Tse Chong Hing	Chairman and Managing Director	25 August 2006	-	-	-
Chow Kok Kit	Executive Director	25 August 2006	-	-	-
Hung Kai Wing	Executive Director	25 August 2006	-	-	-
Chow Kok Kee	Lead Independent Director	6 February 2007	Chairman	Member	Member
Lim Chin Tong	Independent Director	6 February 2007	Member	Member	Chairman
Siu Ping-Kwong	Independent Director	6 February 2007	Member	Chairman	Member

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

Independent non-executive 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 management proposals or, decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

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 ("CEO") and Chairman of the Board. The Chairman and Managing Director functions in the Company are assumed by Mr Tse Chong Hing. The Board has adopted a single leadership structure with the Chairman of the Board and the Managing Director roles held by the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. The working of the Board and the executive responsibilities of the Company's business are interconnected. The executive directors, including the Chairman, are deeply involved in managing the daily operations of the Company, understand the business of the Company and the Group thoroughly, will provide better guidance to the decisions and workings of the Board. The Chairman schedules meetings and sets the Board agenda in consultation with management and the company secretary.

Mr Chow Kok Kee was appointed the lead independent director. Mr Chow is available to address shareholders' concerns on issues that cannot be appropriately dealt with by the Chairman, CEO or Chief Financial Officer.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership
Principle 5: Board Performance

The Nominating Committee ('NC'), regulated by a set of written terms of reference, comprises three independent non-executive directors:

Siu Ping-Kwong, Chairman
Chow Kok Kee
Lim Chin Tong

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

The NC, in accordance with written terms of reference duly adopted by the Board, is primarily responsible for:
- regularly reviewing the structure, size and composition of the Board;
- determine annually whether a director is independent;
- make recommendations to the Board on all board appointments;
- recommend the nomination of directors retiring by rotation to be put forward for re-election;
- assess the effectiveness of the Board as a whole and the contribution of each of the directors to the effectiveness of the Board; and
- assess the commitment of each director of the Company, in relation to multiple directorships held by directors.

The NC had not adopted a process for the selection and appointment of new directors. The Board is of the opinion that there is no requirement at present to induct a new member to the Board as the Company was recently listed on the SGX-ST in March 2007. The NC will put in place a process for selection and appointment of new directors, when the need to induct a new Board member arises.

The Company's Bye-Laws provides that one-third of the Board is to retire annually by rotation at 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. All newly appointed directors will have to retire at the next AGM following their appointments.

The NC has recommended the nominations of Mr Tse Chong Hing, Mr Chow Kok Kit, Mr Hung Kai Wing, Mr Chow Kok Kee, Mr Lim Chin Tong and Mr Siu Ping-Kwong, for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

The NC has also reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined that Mr Chow Kok Kee, Mr Lim Chin Tong and Mr Siu Ping-Kwong to be independent.

As Mr Chow Kok Kee was appointed as a director of the Company on 6 February 2007, the NC has agreed that the assessment of his ability to discharge his duties and responsibilities as AC Chairman and lead independent director, despite his multiple directorships, be deferred to FY2008. This will enable the NC to conduct a fair assessment of Mr Chow's ability based on his performance, contribution and commitment for the full financial year.

As the Company was listed in March 2007, the NC has agreed to defer the assessment of the Board's performance to FY2008. This will provide more time for Board members to interact and work with one another.

The NC will develop and adopt a process to evaluate the Board's performance and to assess the effectiveness of the Board as a whole and the contribution of each director, in FY2008.

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.

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

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

The Remuneration Committee ('RC'), regulated by a set of written terms of reference, comprises three independent non-executive directors:

Lim Chin Tong, Chairman
Chow Kok Kee
Siu Ping-Kwong

Although none of the members specializes in the field of executive compensation, the 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 the 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 contracts. These include a profit sharing scheme that is performance related to align their interests with those of the shareholders. The remuneration packages for key executives comprise a basic salary component and a variable component which is the annual incentive bonus based on the performance of the Group as a whole and their individual performance. In determining specific remuneration packages for each executive director and key executives, the RC will take into account pay and employment conditions within the same industry and in comparable companies as well as the Company's performance and that of the individuals.

Executive Directors' Service Agreements are for an initial period of 5 years, commencing 6 February 2007, and will continue thereafter unless terminated by not less than 6 months' notice in writing by either party.

The independent non-executive 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 non-executive directors' fees are subject to shareholders' approval at the AGM.

The RC has recommended to the Board an amount of S$23,671.23 as directors' fees for the year ended 31 March 2007. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

Principle 9: Disclosure of Remuneration

A summary remuneration table of the directors and key executives for the year ended 31 March 2007 is shown below. For competitive reasons, the Company is not disclosing the identity of the directors and key executives and the percentage breakdown of their remuneration.

Directors

Remuneration bands	Number of Directors
S$1,000,000 - S$1,250,000	1
S$750,000 - S$999,999	2
Less than S$250,000	3

Key Executives

Remuneration bands	Number of executives
S$1,000,000 - S$1,250,000	1
S$250,000 - S$499,999	1
Less than S$250,000	5

No employee of the Company and its subsidiaries was an immediate family of a director or Managing Director, and whose remuneration exceeded S$150,000 in FY2007.

The Company has adopted a share option scheme for eligible employees, including all directors of the Company and the Group. No options were granted under the option scheme in FY2007.

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 assessment of the Group's financial position and prospects. Management provides the Board with detailed management accounts of the Group's performance, financial position and prospect on a quarterly basis.

Principle 11: Audit Committee

The Audit Committee ('AC'), regulated by a set of written terms of reference, comprises three independent non-executive directors :

Chow Kok Kee, Chairman
Lim Chin Tong
Siu Ping-Kwong

The members of the AC are appropriately qualified to discharge their responsibilities and they have financial management or related expertise.

The AC, in accordance with written terms of reference duly adopted by the Board, is responsible for reviewing the scope, the audit plans and the results and effectiveness of the external auditors. The committee also reviews the financial statements of the Company and the consolidated financial statements of the Group together with the external auditors' report thereon before their submission to the Board of Directors of the Company and shareholders. The AC evaluates the Group's system of internal controls and assesses the effectiveness and adequacy of internal accounting and financial control procedures.

Besides the Group's transactions with Interested Persons, the AC has also tasked with transactions involving persons or companies connected to directors and/or Controlling Shareholders but which do not fall within the ambit of the definition of an "Interested Person" under Chapter 9 of the Listing Manual.

The AC also reviews the appointment and re-appointment of external auditors, including their independence, seeking to balance the maintenance of objectivity and value for money.

The AC met with external auditors without the presence of management in respect of the Group's FY2007 audit.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and the co-operation of management, full discretion to invite any director or key executive to attend its meetings and has been given adequate resources to enable it to discharge its functions.

The AC is currently reviewing the adoption of a Whistle-Blowing Programme ("Programme"), in consultation with management. This Programme will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters.

The AC has reviewed non-audit services provided by the joint external auditors, RSM Nelson Wheeler and Foo Kon Tan Grant Thornton for FY2007, and is of the opinion that the provision of such services did not affect the independence or, objectivity of the external auditors. The external auditors have affirmed their independence in this respect.

The AC had recommended the re-appointment of RSM Nelson Wheeler and Foo Kon Tan Grant Thornton as joint external auditors at the forthcoming AGM.

Principle 12: Internal Controls
Principle 13: Internal Audit

The effectiveness of the internal control system and procedures at present are monitored by management. The Board is satisfied that the system of internal controls that was in place throughout the financial year provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Board recognizes that no system of internal control could preclude all errors or irregularities.

The AC is, in consultation with management on the appointment of internal auditors. The AC will assess the adequacy of the internal audit function on an annual basis and consider that one key challenge is to establish risk management policies and processes within the Group.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

The Board is aware of its obligation to shareholders in providing regular, effective and fair communication with shareholders. In line with continuous disclosure obligations of the Company pursuant to the rules of the SGX-ST, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Company.

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, as appropriate; and
- Annual Report/Circulars that sent to all shareholders and notices of general meeting are advertised.

The AGM is the principal forum for dialogue with shareholders. The Board encourages 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 on matters affecting the Company. The Chairman 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 Code of Best Practices on Securities Transactions (the "Securities Code") which sets out the Group's policy on dealings in securities of the Company and implications of Insider Trading. In line with the Securities Code, directors, key executives and other employees of the Group, who have access to price-sensitive and confidential information are not permitted to deal in securities of the Company during the periods commencing at least 2 weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group monitors all transactions with interested person closely.

The IPTs for the financial year ended 31 March 2007 are as follows:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100, 000)
	HKD'000	HKD'000
(a) Concord Building Company Limited – project management fee paid for new site construction	621	N/A
(b) Nicecon Limited - purchase	2,093	N/A

MATERIAL CONTRACTS

Other than the Share Swap Agreement and Service Agreements entered into with Mr Tse Chong Hing, Mr Chow Kok Kit and Mr Hung Kai Wing (as disclosed in the Company's Prospectus dated 16 March 2007), there were no material contracts 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 the management, who will then 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 hedging, 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.

STATUS REPORT ON USE OF IPO PROCEEDS

As at 30 April 2007, the Group has utilized approximately S$300,000 for the first phase of construction of the factory premises at Daya Bay and S$400,000 to acquire machinery and equipment. Management has confirmed that this was in line with the Company's planned utilization of funds.

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 2007.

Pursuant to an invitation to subscribe for the Company's shares by way of public offer and placement shares, the Company was listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 28 March 2007. Details of the invitation can be found in the Company's prospectus dated 16 March 2007.

1. DIRECTORS AT DATE OF REPORT

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

Executive Directors

Tse Chong Hing	(appointed on 25 August 2006)
Chow Kok Kit	(appointed on 25 August 2006)
Hung Kai Wing	(appointed on 25 August 2006)

Independent Directors

Chow Kok Kee	(appointed on 6 February 2007)
Lim Chin Tong	(appointed on 6 February 2007)
Siu Ping-Kwong	(appointed on 6 February 2007)

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

Save for the Restructuring Exercise, neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations except as follows:

	In the Name of Directors		**Deemed interest**	
	At end of the financial year	At the date of appointment	At end of the financial year	At the date of appointment
	Ordinary Share of HK$0.10 each	Ordinary Share of HK$0.38 each	Ordinary Share of HK$0.10 each	Ordinary Share of HK$0.38 each
The Company				
Mr. Tse Chong Hing	77,920,442#	280,000	-	-
Mr. Chow Kok Kit	73,076,738#	-	-	-
Mr. Hung Kai Wing	36,150,237#	-	-	-
Mr. Chow Kok Kee	50,000	-	-	-
Mr. Lim Chin Tong	50,000	-	-	-
Mr. Siu Ping-Kwong	50,000	-	-	-

- After Restructuring Exercise for the Company's Initial Public Offering.

There was no change in Directors' interest between the end of the financial year and 21 April 2007.

Our Chairman and Managing Director, Mr.Tse Chong Hing, holds one share in the capital of Honor Tone Limited and one share in HT Plastics Limited in trust for Value Creation Enterprises Limited.

4. CONTRACTUAL BENEFITS OF DIRECTOR

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 that certain directors has received remuneration from the Company in the capacity as Directors which was disclosed in the financial statements.

5. Options Exercised

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group was granted.

6. Options to take up unissued shares

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

7. Unissued share under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Chow Kok Kee	-	Chairman of Audit Committee
Lim Chin Tong	-	Independent Director
Siu Ping-Kwong	-	Independent Director

The Audit Committee carried out its duties according to written terms of reference and among others, performed the following functions:-

- Reviewed with the external auditors their audit plan;
- Reviewed with the external auditors their evaluation of the Company's system of internal controls, and their audit report on the financial statements;
- Reviewed the financial statements of the Group and the Company prior to its submission to the Board of Directors for adoption;
- Reviewed non-audit services provided by the external auditors and the independence and objectivity of the external auditors; and
- Reviewed Interested Person Transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST) and transactions with persons involving persons or companies connected to Directors and/or Controlling Shareholders, not falling within the ambit of the definition of an "Interested Person" under Chapter 9 of the Listing Manual.

The Audit Committee has recommended to the Board of Directors that the joint auditors, RSM Nelson Wheeler and Foo Kon Tan Grant Thornton, be nominated for re-appointment at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

9. AUDITORS

The joint auditors, RSM Nelson Wheeler and Foo Kon Tan Grant Thornton, have expressed their willingness to accept the re-appointment.

10. 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 22 May 2007, 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 DIRECTORS

Tse Chong Hing
Director
11 June 2007

Chow Kok Kit
Director

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

The Board of Directors is responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the Directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's results and cash flows for the financial year ended on that date and 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Tse Chong Hing
Chairman

Chow Kok Kit
Executive Director

11 June 2007

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 (together the "Group") set out on pages 29 to 60, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Foo Kon Tan Grant Thornton
Certified Public Accountants
Singapore

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

11 June 2007

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	Note	**2007** **HK$'000**	2006 HK$'000
REVENUE	8	**723,867**	601,890
Cost of sales		**(577,403)**	(482,032)
Gross profit		**146,464**	119,858
Other income	9	**9,477**	3,039
Selling and distribution costs		**(16,874)**	(12,180)
Administrative expenses		**(62,429)**	(44,962)
Net other operating gain	10	**9,096**	826
PROFIT FROM OPERATIONS	11	**85,734**	66,581
Finance costs	12	**(328)**	(287)
PROFIT BEFORE TAX		**85,406**	66,294
Income tax expense	14	**(11,191)**	(7,600)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**74,215**	58,694
Dividends	15	**42,365**	26,001
EARNINGS PER SHARE	16		
- Basic (Hong Kong cents)		**27.4**	21.7
- Diluted		**N/A**	N/A

VALUETRONICS HOLDINGS LIMITED

BALANCE SHEETS
AS AT 31 MARCH 2007

	Note	The Group		The Company
		2007	2006	**2007**
		HK$'000	HK$'000	**HK$'000**
ASSETS				
Non-current assets				
Prepaid land lease payments and land use rights	17	**18,244**	-	**-**
Property, plant and equipment	18	**38,823**	24,917	**-**
Investments in subsidiaries	19	**-**	-	**83,330**
Deposits paid for acquisition of properties and land use rights	20	**6,144**	9,548	**-**
Club membership, at cost		**200**	-	**-**
Long term receivable	21	**2,000**	-	**-**
		65,411	34,465	**83,330**
Current assets				
Available-for-sale financial assets	22	**11,610**	3,850	**-**
Inventories	23	**69,197**	54,743	**-**
Trade receivables	24	**131,624**	87,778	**-**
Prepaid land lease payments and land use rights	17	**392**	-	**-**
Prepayments, deposits and other receivables		**5,521**	4,437	**-**
Due from a subsidiary	19	**-**	-	**28,015**
Pledged fixed deposit		**-**	3,102	**-**
Bank and cash balances	25	**176,590**	76,651	**99,858**
		394,934	230,561	**127,873**
Total assets		**460,345**	265,026	**211,203**
EQUITY				
Equity attributable to shareholders of the Company				
Share capital	27	**35,500**	130	**35,500**
Reserves	28	**187,623**	74,687	**169,592**
Total equity		**223,123**	74,817	**205,092**
LIABILITIES				
Current liabilities				
Trade payables	29	**120,555**	98,939	**-**
Accruals, other payables and deposits received	30	**110,392**	85,481	**6,111**
Current tax liabilities		**4,217**	4,882	**-**
		235,164	189,302	**6,111**
Non-current liabilities				
Deferred tax liabilities	31	**2,058**	907	**-**
Total liabilities		**237,222**	190,209	**6,111**
Total equity and liabilities		**460,345**	265,026	**211,203**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

		Attributable to the shareholders of the Company							
			Reserves						
	Note	Share capital	Share premium	Merger reserve (note 28(a))	Translation reserve	Dividend reserve	Retained earnings	Total reserves	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005		130	12,650	-	(15)	12,667	41,607	66,909	67,039
Profit for the year		-	-	-	-	-	58,694	58,694	58,694
Total recognised income and expense for the year		-	-	-	-	-	58,694	58,694	58,694
Repurchase of shares by Value Creation		(32)	(12,216)	-	-	-	-	(12,216)	(12,248)
Bonus issue by Value Creation		32	(32)	-	-	-	-	(32)	-
Interim dividend paid to the then shareholders of Value Creation	15	-	-	-	-	-	(26,001)	(26,001)	(26,001)
Final dividend in respect of the previous year approved and paid by Value Creation		-	-	-	-	(12,667)	-	(12,667)	(12,667)
At 31 March 2006 and 1 April 2006		130	402	-	(15)	-	74,300	74,687	74,817
Share issue expenses	27(c)	-	(5,614)	-	-	-	-	(5,614)	(5,614)
Net expense recognised directly in equity		-	(5,614)	-	-	-	-	(5,614)	(5,614)
Profit for the year		-	-	-	-	-	74,215	74,215	74,215
Total recognised income and expense for the year		-	(5,614)	-	-	-	74,215	68,601	68,601
Issuance of new shares pursuant to the Restructuring Exercise	27(b)(ii)	27,000	-	-	-	-	-	-	27,000
Adjustment arising from the Restructuring Exercise		(130)	(402)	(26,468)	-	-	-	(26,870)	(27,000)
Transfer to merger reserve		-	-	26,468	-	-	(26,468)	-	-
Issuance of new shares pursuant to public offer and placement	27(c)	8,500	91,205	-	-	-	-	91,205	99,705
Interim dividend paid to the then shareholders of Value Creation	15	-	-	-	-	-	(20,000)	(20,000)	(20,000)
Proposed final dividend	15	-	-	-	-	22,365	(22,365)	-	-
At 31 March 2007		35,500	85,591	-	(15)	22,365	79,682	187,623	223,123

The Company was incorporated in Bermuda on 18 August 2006. For the purpose of the preparation of the Group's comparative figures for the financial year ended 31 March 2006, the Group's share capital and share premium prior to the date of completion of the Restructuring Exercise represented the share capital and share premium of Value Creation Enterprises Limited ("Value Creation"), which was the holding company of the other companies comprising the Group prior to the completion of the Restructuring Exercise.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**85,406**	66,294
Adjustments for:		
Amortisation of prepaid land lease payments and land use rights	**50**	-
Depreciation	**11,021**	11,047
Gain on disposals of property, plant and equipment	**(174)**	(138)
Interest expenses	**4**	103
Interest income	**(3,116)**	(1,548)
Operating profit before working capital changes	**93,191**	75,758
Increase in prepaid land lease payments and land use rights	**(9,138)**	-
Increase in deposits paid for acquisition of properties and land use rights	**(6,144)**	(9,548)
Increase in long term receivable	**(2,000)**	-
Increase in inventories	**(14,454)**	(9,129)
Increase in trade receivables	**(43,846)**	(21,147)
Increase in prepayments, deposits and other receivables	**(1,084)**	(1,393)
Increase in trade payables	**21,616**	17,381
Increase in accruals, other payables and deposits received	**21,671**	20,546
Cash generated from operations	**59,812**	72,468
Income tax paid	**(10,705)**	(2,654)
Interest paid	**(4)**	(103)
Net cash from operating activities	**49,103**	69,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of available-for-sale financial assets	**-**	2,150
Proceeds from disposals of property, plant and equipment	**247**	161
Purchase of available-for-sale financial assets	**(7,760)**	-
Purchase of property, plant and equipment	**(25,000)**	(5,218)
Decrease in pledged fixed deposit	**3,102**	2,581
Purchase of club membership	**(200)**	-
Interest received	**3,116**	1,548
Net cash (used in)/from investing activities	**(26,495)**	1,222
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for repurchase of shares of Value Creation	**-**	(12,248)
Dividend paid	**(20,000)**	(38,668)
Net proceeds from issuance of new shares	**97,331**	-
Repayment of bank loans	**-**	(5,528)
Net cash from/(used in) financing activities	**77,331**	(56,444)
INCREASE IN CASH AND CASH EQUIVALENTS	**99,939**	14,489
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**76,651**	62,162
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**176,590**	76,651
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**176,590**	76,651

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

1. GENERAL INFORMATION

The financial statements of the Company and of the Group for the financial year ended 31 March 2007 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 19 to the financial statements.

On 28 March 2007, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

2. THE RESTRUCTURING EXERCISE

Pursuant to a restructuring exercise (the "Restructuring Exercise") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the SGX-ST, the Company became the holding company of the subsidiaries now comprising the Group on 6 February 2007. Details of the Restructuring Exercise are set out in the Company's prospectus dated 16 March 2007 (the "Prospectus"). Details of the subsidiaries now comprising the Group are set out in note 19 to the financial statements.

As part of the Restructuring Exercise, on 6 February 2007, the Company and the shareholders of Value Creation entered into a share swap agreement (the "Share Swap Agreement"). Pursuant to the Share Swap Agreement, the Company acquired the entire issued and paid-up share capital of Value Creation of 16,667 ordinary shares of US$1 each in consideration and in exchange for which, the Company:

(a) credited as fully paid the 1,064,000 then existing nil-paid ordinary shares of HK$0.10 each in the capital of the Company; and

(b) allotted and issued 268,936,000 new ordinary shares of HK$0.10 each in the capital of the Company, credited as fully paid.

3. BASIS OF PRESENTATION

During the year, the Group undertook a Restructuring Exercise as disclosed in note 2 to the financial statements. The Restructuring Exercise involved companies which are under common control since all of the entities which took part in the Restructuring Exercise were controlled by the same ultimate shareholders before and immediately after the Restructuring Exercise. Consequently, immediately after the Restructuring Exercise, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Restructuring Exercise. The Restructuring Exercise has been accounted for using the pooling-of-interests method of consolidation, under which the Company has been treated as the holding company of its subsidiaries during the financial years ended 31 March 2007 and 2006 or since their respective dates of incorporation whichever is shorter. Accordingly, the consolidated income statement and consolidated cash flow statement include the results of operations and cash flows of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the financial years ended 31 March 2007 and 2006. The comparative consolidated balance sheet as at 31 March 2006 has been prepared to present the financial position of the Group as if the current Group structure had been in existence as at that date.

3. BASIS OF PRESENTATION (continued)

Under the pooling-of-interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess of amount recorded as share capital issued over the amount recorded for the share capital acquired is adjusted to the merger reserve.

There are no comparative figures for the Company as this is the first set of financial statements of the Company since its incorporation on 18 August 2006.

4. ADOPTION OF NEW AND REVISED IFRSs

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee of the IASB. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations.

Impact of recently issued IFRSs

In the current year, the Group has adopted the following new and revised IFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006:

Amendment to IAS 19	Actuarial gains and losses, group plans and disclosures
Amendment to IAS 21	Net investment in a foreign operation
Amendments to IAS 39 and IFRS 4	Financial guarantee contracts

The adoption of the above IFRSs did not result in substantial changes to the Group's accounting policies.

IFRSs not yet effective

At the date of authorisation of these financial statements, the following IFRSs and the Interpretation of IFRSs ("IFRIC") were issued but not yet effective:

Amendment to IAS 1	Capital disclosures
Amendment to IAS 23	Removal of option to expense all borrowing costs
IFRS 7	Financial instruments: Disclosures
IFRS 8	Operating segments
IFRIC 7	Applying the restatement approach under IAS 29: Financial reporting in hyperinflationary economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	IFRS 2: Group and treasury share transactions
IFRIC 12	Service concession arrangements

The directors do not anticipate that the adoption of these IFRSs and IFRIC in future periods will have a material impact on the financial statements of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires management 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 6 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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised profits on transactions between Group entities 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.

In the Company's balance sheet 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) 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 Company's functional and presentation currency.

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

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation (continued)

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

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the 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 are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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 expensed in the income statement during the year 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:

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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 the income statement.

(d) Operating leases and land use rights

Leases and land use rights in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(e) Research and development costs

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

(f) 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.

(g) 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.

(h) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments (continued)

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

Financial assets at fair value through profit or loss are either investments 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 the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are investments not classified as 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 directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement 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.

(i) Trade and other receivables

Trade and other receivables 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 the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement 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.

(j) Cash and cash equivalents

For the purpose of the cash flow statement, 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.

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

(k) 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.

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.

(l) 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.

Revenues from the sales of manufactured goods 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.

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

(m) 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 balance sheet date.

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 the income statement represents contributions payable by the Group to the funds.

(n) Borrowing costs

Borrowing costs are recognised in the income statement in the year in which they are incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 as reported in the income statement 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 balance sheet date.

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, and is accounted for using the balance sheet liability method. 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 each balance sheet date 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 year when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable rights 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.

(p) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
(ii) the party is an associate;
(iii) the party is a joint venture;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(r) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets, except investments, inventories and receivables, 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 the income statement, 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 the income statement, 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) Events after the balance sheet date

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

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 reported 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 management's 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 balance sheet date, 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.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives 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 of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives 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.

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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Receivables - Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowance is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and allowance for doubtful debts in the year in which such estimate has been changed.

Inventories - Allowance for obsolete inventories

The Group makes allowance for obsolete inventories based on an assessment of the utilisation of the inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the inventories may not be utilised. The identification of obsolete inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories and allowance for obsolete inventories in the year in which such estimate has been changed.

7. 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.

The Group's financial assets mainly include bank and cash balances, trade receivables, other receivables, available-for-sale financial assets and long term receivable. The Group's financial liabilities mainly include trade payables and other payables.

(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$, Singapore dollars ("S$"), United States dollars ("US$"), Renminbi ("RMB") and Japanese Yen ("JPY"). The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

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

(c) Credit risk

The carrying amounts of the trade and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. As at 31 March 2007, the five largest trade receivables represent approximately 68.4% (2006: 65.9%) 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.

7. FINANCIAL RISK MANAGEMENT (continued)

(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.

(e) Interest rate risk

As the Group has significant interest-bearing assets, the Group's income and operating cash flows are dependent of changes in market interest rates.

(f) Fair values

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

8. REVENUE

	The Group	
	2007	2006
	HK$'000	HK$'000
Sales of goods	**723,867**	601,890

9. OTHER INCOME

	The Group	
	2007	2006
	HK$'000	HK$'000
Gain on disposals of property, plant and equipment	**174**	138
Exchange gain	**822**	320
Interest income	**3,116**	1,548
Tooling and rework income	**3,723**	-
Sundry income	**1,642**	1,033
	9,477	3,039

10. NET OTHER OPERATING GAIN

	The Group	
	2007	2006
	HK$'000	HK$'000
Reversal of inventories obsolescence (note11 (a))	**9,438**	1,375
Allowance for doubtful debts	**(342)**	(549)
	9,096	826

11. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	The Group	
	2007	2006
	HK$'000	HK$'000
Depreciation	**11,021**	11,047
Directors' remuneration		
As directors-independent directors	**122**	-
For management-executive directors		
Salaries, wages, bonus and allowance	**14,675**	12,730
Retirement benefit scheme contributions	**36**	36
	14,833	12,766
Key management personnel remuneration (including remuneration of the executive directors)		
Salaries, wages, bonus and allowance	**26,442**	22,027
Retirement benefit scheme contributions	**96**	96
	26,538	22,123
Auditors' remuneration		
Current year	**723**	407
Over-provision in prior year	**(151)**	(11)
	572	396
Cost of inventories sold	**512,539**	426,934
Reversal of inventories obsolescence (note (a))	**(9,438)**	(1,375)
Operating lease charges in respect of leasehold land and buildings (including the amortisation of prepaid land lease payments and land use rights)	**3,384**	3,025
Allowance for doubtful debts	**342**	549
Research and development costs (note (b))	**6,175**	5,201
Staff costs excluding directors' remuneration		
Salaries, wages, bonus and allowance	**57,376**	48,615
Retirement benefit scheme contributions	**6,662**	4,552
	64,038	53,167

Notes:

(a) The reversal of inventories obsolescence for the year is due to written back of allowance for inventories obsolescence as the value of obsolete inventories identified in the latest regular review is less than the allowance brought forward.

(b) Research and development costs include approximately HK$6,175,000 (2006:HK$5,201,000) relating to staff costs, which are included in the amount of staff costs disclosed separately above for the financial year ended 31 March 2007.

12. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank overdrafts	**1**	34
Interest on bank loans	**3**	69
Bank charges	**324**	184
	328	287

13. RETIREMENT BENEFIT COSTS

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 HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

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

14. INCOME TAX EXPENSE

(a) The amount of tax represents:

	The Group	
	2007	2006
	HK$'000	HK$'000
Current		
Hong Kong	**8,095**	6,515
The PRC	**800**	300
Under/(over)-provision in previous years	**1,145**	(12)
Deferred	**1,151**	797
	11,191	7,600

Hong Kong Profits Tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year ended 31 March 2007.

Pursuant to relevant laws and regulations in the PRC, the subsidiaries of the Company in the PRC are exempted from PRC enterprise income tax for the two years from the first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise income tax for the following three years.

The first profit-making year of Honor Tone Electronic (Hui Yang) Enterprise Ltd. ("HTE") under the tax relief period was the period from 1 January 2002 to 31 December 2002. The tax rate applicable to HTE, after the 50% relief, was 15% for the period from 1 April 2006 to 31 December 2006. The tax rate applicable to HTE is 27% since 1 January 2007.

Huizhou Daya Bay Honor Tone Industrial Ltd. has not generated any assessable profits since the date of its establishment and, accordingly, no provision for PRC enterprise income tax has been made.

14. INCOME TAX EXPENSE (continued)

(b) A reconciliation of the expected theoretical taxation with the taxation charged to the consolidated income statement is presented below:

	The Group	
	2007	2006
	HK$'000	HK$'000
Profit before tax	**85,406**	66,294
Tax at the applicable tax rate at 17.5% (2006: 17.5%)	**14,946**	11,601
Tax effect of expenses that are not deductible	**2,433**	404
Tax effect of income that are not taxable	**(529)**	(232)
Tax effect of temporary differences not recognised	**1,110**	(209)
Tax effect of tax concession	**(8,533)**	(5,259)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**689**	(51)
(Under)/over-provision in current year	**(70)**	1,358
Under/(over)-provision in previous years	**1,145**	(12)
Income tax expense	**11,191**	7,600

15. DIVIDENDS

	The Group	
	2007	2006
	HK$'000	HK$'000
Declared and paid during the year:		
Interim dividends declared and paid by Value Creation to its then shareholders	**20,000**	26,001

	The Group and the Company	
	2007	2006
	HK$'000	HK$'000
Proposed but not recognised as a liability as at 31 March	**22,365**	-

On 22 May 2007, a final dividend of HK$0.063 was proposed by the Company to its shareholders in respect of the financial year ended 31 March 2007 (note 37). The proposed dividend is not recognised as a liability at 31 March 2007 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of approximately HK$74,215,000 (2006: HK$58,694,000) by the weighted average number of ordinary shares in issue of 271,164,384 (2006: 270,000,000) during the financial year ended 31 March 2007.

For comparative purpose, the number of ordinary shares in issue for the financial year ended 31 March 2006 was taken as 270,000,000 ordinary shares of HK$0.10 each comprising 1,064,000 ordinary shares of HK$0.10 each issued nil paid on incorporation of the Company and 268,936,000 ordinary shares of HK$0.10 each issued for the acquisition of the share capital of Value Creation.

No diluted earnings per share had been presented as the Company did not have any dilutive potential shares for the two financial years ended 31 March 2007.

17. PREPAID LAND LEASE PAYMENTS AND LAND USE RIGHTS

	The Group 2007 HK$'000
Cost	
Additions and at 31 March 2007	**18,686**
Amortisation	
Provided for the year and at 31 March 2007	**50**
Carrying amount	
At 31 March 2007	**18,636**

The prepaid land lease payments and land use rights are held under medium term leases and analysed as follows:

	The Group 2007 HK$'000
Hong Kong	**3,655**
The PRC	**14,981**

The following is the analysis of the prepaid land lease payments and land use rights for financial reporting purposes:

	The Group 2007 HK$'000
Carrying amount	**18,636**
Less: Amount to be amortised within one year (shown under current assets)	**(392)**
Amount to be amortised after one year	**18,244**

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Plant and machinery	Computers	Furniture and fittings	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost								
At 1 April 2005	-	73,000	4,557	7,935	4,199	1,032	-	90,723
Additions	-	2,979	236	205	1,792	6	-	5,218
Disposals	-	(572)	(252)	-	(14)	-	-	(838)
At 31 March 2006 and at 1 April 2006	-	75,407	4,541	8,140	5,977	1,038	-	95,103
Additions	1,605	10,823	1,472	1,683	35	237	9,145	25,000
Disposals	-	(666)	(275)	(286)	(21)	-	-	(1,248)
At 31 March 2007	1,605	85,564	5,738	9,537	5,991	1,275	9,145	118,855
Accumulated depreciation								
At 1 April 2005	-	47,475	3,817	7,028	1,122	512	-	59,954
Charge for the year	-	8,847	631	360	863	346	-	11,047
Written back on disposals	-	(552)	(249)	-	(14)	-	-	(815)
At 31 March 2006 and at 1 April 2006	-	55,770	4,199	7,388	1,971	858	-	70,186
Charge for the year	34	8,485	724	417	1,111	250	-	11,021
Written back on disposals	-	(664)	(272)	(221)	(18)	-	-	(1,175)
At 31 March 2007	34	63,591	4,651	7,584	3,064	1,108	-	80,032
Carrying amount								
At 31 March 2007	1,571	21,973	1,087	1,953	2,927	167	9,145	38,823
At 31 March 2006	-	19,637	342	752	4,006	180	-	24,917

Buildings are situated in Hong Kong under medium term leases.

19. INVESTMENTS IN SUBSIDIARIES

	The Company 2007 HK$'000
Unquoted investments, at cost	83,330

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand. The balance mainly represented the dividend receivable from a subsidiary.

Details of the subsidiaries as at 31 March 2007 are as follows:

Name	Date and place of incorporation/ establishment	Group's effective equity interest	Paid-up share/ registered capital	Principal activities
Directly held:				
Value Creation Enterprises Limited*	12 April 2001 British Virgin Islands	100%	US$16,667	Investment holding
Indirectly held:				
Maxhall Ltd. *	12 July 2000 British Virgin Islands	100%	US$1	Investment holding
Mighty Resources Inc. *	27 October 2003 British Virgin Islands	100%	US$1	Investment holding
Honor Tone Limited ("HTL")**	19 March 1992 Hong Kong	100%	HK$5,487,804	Electronics manufacturing
HT Plastics Limited ("HTP")**	15 November 1999 Hong Kong	100%	HK$3,000,000	Plastic injection moulding
Honor Tone Electronic (Hui Yang) Enterprise Ltd ("HTE") (Note (a)) ***	15 September 2000 PRC	100%	HK$5,500,000	Electronics manufacturing
Huizhou Daya Bay Honor Tone Industrial Ltd. (Note (b)) ***	21 April 2006 PRC	100%	US$2,381,315	Not yet commence business

Notes:

(a) HTE was established as a wholly foreign-owned enterprise in the PRC on 15 September 2000 with a registered capital of HK$3,400,000 and an operation period of 15 years commencing from 15 September 2000. The registered capital of HTE was fully paid up in 2001. On 18 December 2003, the registered capital was increased by HK$100,000 to HK$3,500,000 and was fully paid up on 9 February 2004. On 28 February 2005, the registered capital was further increased by HK$2,000,000 to HK$5,500,000 and was fully paid up on 11 March 2005.

(b) Huizhou Daya Bay Honor Tone Industrial Ltd. was established as a wholly foreign-owned enterprise in the PRC on 21 April 2006 with a registered capital of US$6,000,000 and an operation period of 50 years commencing from 21 April 2006. The registered capital of US$1,231,315, US$300,000 and US$850,000 were injected on 30 December 2005, 27 June 2006 and 17 October 2006 respectively and the remaining balance of US$3,618,685 will be contributed within two years after the establishment.

* Not required to be audited by law of country of incorporation.

** The statutory financial statements of HTL and HTP for the year ended 31 March 2007 were audited by RSM Nelson Wheeler.

*** The statutory financial statements of the subsidiaries established and operating in the PRC, prepared in accordance with generally accepted accounting principles in the PRC, were audited by 惠州榮德合伙會計師事務所(Huizhou Rongde Certified Public Accountants) for tax filing and annual registration purposes.

20. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES AND LAND USE RIGHTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Buildings	**1,878**	-
Prepaid land lease payments and land use rights	**4,266**	9,548
	6,144	9,548

During the year, the Group entered into sale and purchase agreements to acquire properties which include the land use rights of approximately HK$4,266,000 and buildings of approximately HK$1,878,000. At 31 March 2007, the consideration to acquire properties was fully paid and the buildings are still under construction.

21. LONG TERM RECEIVABLE

During the year, the Group paid HK$2 million to a vocational training school managed by Bureau of Education of Taihu Xian, Anhui Province, the PRC. The purpose of the receivable placed with the vocational training school is to ensure that sufficient work force will be supplied by the vocational training school to the Group. The receivable is interest-free, guaranteed by the legal representative of the vocational training school and repayable commencing from March 2009 by annual instalment of HK$500,000.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2007	2006
	HK$'000	HK$'000
Quoted debt instruments, at fair value	**3,850**	3,850
Structured term deposit, at fair value	**7,760**	-
	11,610	3,850

The quoted debt instruments and structured term deposit are denominated in HK$ and US$ respectively. The fair values are based on quoted market prices.

The structured term deposit represented a structured principal protected currency deposit of approximately HK$7,760,000 (equivalent to US$1,000,000) (the "Principal Amount") placed by the Group with a bank on which interest return is dependent on foreign exchange movements with a yield rate ranging from a minimum of nil% to a maximum of 7.25% per annum and has a maturity date on 28 December 2007. On the maturity date, the Principal Amount will be repaid together with the amount of the interest return.

23. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**26,032**	24,282
Work in progress	**14,729**	14,510
Finished goods	**28,436**	15,951
	69,197	54,743

The inventories are stated at cost less allowance of inventories obsolescence.

24. TRADE RECEIVABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**136,056**	91,869
Less: Allowance for doubtful debts	**(4,432)**	(4,091)
	131,624	87,778

Included in trade receivables are the following amounts denominated in a currency other than the presentation currency of the Group to which they relate:

	The Group	
	2007	2006
	HK$'000	HK$'000
US$	**125,290**	78,765
RMB	**5,619**	8,618
	130,909	87,383

25. BANK AND CASH BALANCES

Included in bank and cash balances are the following amounts denominated in a currency other than the presentation currency of the Group to which they relate:

	The Group		The Company
	2007	2006	**2007**
	HK$'000	HK$'000	**HK$'000**
US$	**46,258**	50,586	**-**
S$	**100,274**	452	**99,858**
RMB	**21,236**	8,847	**-**
JPY	**3,595**	3,482	**-**
	171,363	63,367	**99,858**

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.

26. BANKING FACILITIES

At 31 March 2007, the banking facilities of the Group were secured by the following:

(a) Personal guarantee executed by the executive directors of the Company; and

(b) Corporate guarantee executed by certain subsidiaries of the Group.

In addition, the Group is required to maintain the bank balances with two banks of not less than HK$9,100,000.

27. SHARE CAPITAL

Shares

	Note	The Company Number	HK$'000
Authorised share capital			
At the date of incorporation, 18 August 2006, ordinary shares of HK$0.38 each		**280,000**	**106**
Consolidation of shares	(a)(i)	**(252,000)**	**-**
Subdivision of shares	(a)(ii)	**1,036,000**	**-**
Increase in authorised share capital	(b)(i)	**1,898,936,000**	**189,894**
At 31 March 2007, ordinary shares of HK$0.10 each		**1,900,000,000**	**190,000**
Issued and fully paid share capital			
At the date of incorporation, 18 August 2006, issue of nil-paid ordinary shares of HK$0.38 each		**280,000**	**-**
Consolidation of shares	(a)(i)	**(252,000)**	**-**
Subdivision of shares	(a)(ii)	**1,036,000**	**-**
Credited as fully paid, ordinary shares of HK$0.10 each pursuant to the Restructuring Exercise	(b)(ii)	**1,064,000**	**106**
Issue of ordinary shares of HK$0.10 each pursuant to the Restructuring Exercise	(b)(ii)	**268,936,000**	**26,894**
Issue of ordinary shares of HK$0.10 each pursuant to public offer and placement	(c)	**85,000,000**	**8,500**
At 31 March 2007, ordinary shares of HK$0.10 each		**355,000,000**	**35,500**

Notes:

(a) Pursuant to written resolutions dated 24 January 2007, the sole shareholder of the Company approved, inter alia, the following:

(i) the consolidation of 280,000 nil-paid ordinary shares of HK$0.38 each in the authorised and issued share capital of the Company into 28,000 nil-paid ordinary shares of HK$3.80 each; and

(ii) the subdivision of the aforesaid 28,000 nil-paid ordinary shares of HK$3.80 each in the authorised and issued share capital of the Company into 1,064,000 nil-paid ordinary shares of HK$0.10 each.

(b) Pursuant to written resolutions dated 6 February 2007, the sole shareholder of the Company approved, inter alia, the following:-

(i) the increase of the authorised share capital of the Company from HK$106,400 divided into 1,064,000 ordinary shares of HK$0.10 each to HK$190,000,000 divided into 1,900,000,000 ordinary shares of HK$0.10 each; and

(ii) the allotment and issue of 268,936,000 ordinary shares of HK$0.10 each credited as fully paid and crediting as fully paid of the 1,064,000 nil-paid ordinary shares of HK$0.10 each, pursuant to the Restructuring Exercise as disclosed in note 2 of the financial statements.

27. SHARE CAPITAL (continued)

(c) Pursuant to written resolutions dated 27 March 2007, the shareholders of the Company approved the allotment and issue of 85,000,000 new ordinary shares of the Company (the "New Shares"), which are the subject of the invitation to the public for the subscription of the New Shares, at S$0.23 each for a total cash consideration, before expenses, of S$19,550,000. The New Shares, issued on 27 March 2007, and fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company.

Share options

The Company has a Valuetronics Employee Share Option Scheme (the "ESOS") adopted by the shareholders of the Company (the "Shareholders") on 7 February 2007 (the "Commencement Date"), pursuant to which the remuneration committee of the Company (the "Remuneration Committee") may grant options to confirmed employees of the Group (including directors of the Company) to subscribe for ordinary shares of the Company (the "Shares"), subject to a maximum entitlement determined at the discretion of the Remuneration Committee. The subscription price will be determined by the Remuneration 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 per cent of the Market Price and the Shareholders 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. The ESOS shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten years, starting from the Commencement Date. Further rules of the ESOS are detailed in the Appendix J of the Prospectus.

During the year, no share options have been granted under the ESOS and no share options are outstanding as at 31 March 2007 accordingly.

28. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current financial year are presented in the consolidated statement of changes in equity.

The merger reserve arose as a result of the Restructuring Exercise and represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of Value Creation.

In accordance with the relevant PRC regulations, the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

28. RESERVES (continued)

(b) The Company

	Note	Share premium	Contributed surplus	Dividend reserve	Accumulated losses	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At the date of incorporation - 18 August 2006		-	-	-	-	-
Arising from Restructuring Exercise	27(b)(ii)	-	89,664	-	-	89,664
New issue of shares on public offer and placing	27(c)	91,205	-	-	-	91,205
Share issue expenses	27(c)	(5,614)	-	-	-	(5,614)
Loss for the year		-	-	-	(5,663)	(5,663)
Transfer to accumulated losses		-	(22,365)	-	22,365	-
Proposed final dividend	15	-	-	22,365	(22,365)	-
At 31 March 2007		85,591	67,299	22,365	(5,663)	169,592

The share premium of the Group and the Company includes the premium arising from the issue of New Shares during the financial year ended 31 March 2007, net of the share issue expenses.

Contributed surplus of the Company arose as a result of the Restructuring Exercise and represents 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.

29. TRADE PAYABLES

Included in trade payables are the following amounts denominated in a currency other than the presentation currency of the Group to which they relate:

	The Group	
	2007	2006
	HK$'000	HK$'000
US$	**77,294**	54,718
RMB	**2,587**	2,023
JPY	**1,215**	1,673
Others	**593**	410
	81,689	58,824

30. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	The Group		The Company
	2007	2006	**2007**
	HK$'000	HK$'000	**HK$'000**
Accruals and other payables	**44,305**	29,741	**6,111**
Deposits received	**13,614**	8,692	**-**
Due to directors	**15,427**	15,029	**-**
Staff bonus payable	**12,992**	10,670	**-**
Provision for sales warranties	**10,346**	9,875	**-**
Provision for legal and professional fee	**4,000**	3,054	**-**
Provision for claims from customers	**9,708**	8,420	**-**
	110,392	85,481	**6,111**

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

The movements of the provisions are as follows:

The Group

	Provision for sales warranties	Provision for legal and professional fee	Provision for claims from customers
	HK$'000	HK$'000	HK$'000
At 1 April 2005	10,113	1,904	5,502
Charge for the year	123	1,150	3,118
Realised during the year	(361)	-	(200)
At 31 March 2006 and 1 April 2006	9,875	3,054	8,420
Charge for the year	788	2,000	1,288
Reversal for the year	-	(600)	-
Realised during the year	(317)	(454)	-
At 31 March 2007	10,346	4,000	9,708

Provision for legal and professional fee of HK$4,000,000 (2006: HK$3,054,000) mainly represented the provision of the legal and professional fee for any liability which the Group may have in the event of a claim by a customer against the Group. Details of the provision are set out in the sub-section headed "Litigation" in the Prospectus.

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets and liabilities recognised by the Group and movement thereon during the financial year ended 31 March 2007:

The Group

	Accelerated tax depreciation	Allowance for inventories obsolescence	Allowance for doubtful debts	Provision for retirement benefit obligations and individual income tax	Tax loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	2,389	(1,153)	(264)	(728)	(134)	110
Charge/(credit) to the income statement for the year	(427)	1,153	264	(327)	134	797
At 31 March 2006 and 1 April 2006	1,962	-	-	(1,055)	-	907
Charge to the income statement for the year	96	-	-	1,055	-	1,151
At 31 March 2007	2,058	-	-	-	-	2,058

32. CAPITAL COMMITMENTS

At 31 March 2007, the Group had the following capital commitments:

	The Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for:		
Acquisition of property, plant and machinery	**863**	-
Construction of factory premises	**2,117**	-
	2,980	-

33. LEASE COMMITMENTS

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**2,215**	8,926
In the second to fifth years inclusive	**162**	-
	2,377	8,926

34. RELATED PARTY TRANSACTIONS

Transactions within the Group have been eliminated and are not disclosed in this note. Transactions between the Group and other related parties, apart from those disclosed elsewhere in these financial statements, were entered into by the Group with the related parties negotiated on terms mutually agreed with these related parties, and are disclosed as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Purchases of goods from:		
Semk Industrial (Holdings) Company Limited	**-**	1,097
Techni Technology Limited	**-**	48
Nicecon Limited	**2,093**	3,111
KyoEyi Denso Limited	**430**	-
Sales of goods to:		
Semk Industrial (Holdings) Company Limited	**-**	62,321
Rental paid to:		
Semk Industrial (Holdings) Company Limited	**-**	436
Semk Electrical (International) Limited	**-**	40
Management fee received from:		
KyoEyi Denso Limited	**170**	40
Project management fee paid to:		
Concord Building Company Limited	**621**	-

Trade receivables from and payables to the related parties arising from the sales or purchases of goods are as follow:

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables from:		
Semk Industrial (Holdings) Company Limited	**-**	5,938
Trade payables to:		
Semk Industrial (Holdings) Company Limited	**-**	327
Techni Technology Limited	**-**	20
Nicecon Limited	**199**	529

During the financial year ended 31 March 2007, the Group has made certain temporary advances totalled approximately HK$2,067,000 which are unsecured, interest-free and of which approximately HK$2,016,000 are repayable at the same date and the rest are repayable within one to two days. The Group also made certain payments totalled approximately HK$624,000 on behalf of KyoEyi Denso Limited of which approximately HK$438,000 are paid out of deposits received before payment and the rest are repayable on monthly basis. At 31 March 2007, there was no outstanding balance due from KyoEyi Denso Limited.

During the financial year ended 31 March 2006, the Group made an advance of S$1,495,000 (approximately HK$7.1 million) to Addvalue Communications Pte Ltd ("Addvalue"), a then shareholder of Value Creation. The loan bore an interest rate of 5% per annum and was settled in December 2005. Total interest income received from Addvalue amounted to approximately HK$168,000 for the financial year ended 31 March 2006.

34. RELATED PARTY TRANSACTIONS (continued)

The remunerations of key management personnel for the financial years ended 31 March 2006 and 2007 are disclosed in note 11.

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.

Semk Industrial (Holdings) Company Limited and Semk Electrical (International) Limited are beneficially owned by the brother of Mr. Chow Kok Kit's mother.

Techni Technology Limited and Nicecon Limited are 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.

35. CONTINGENT LIABILITIES

At 31 March 2007, the Group and the Company did not have any significant contingent liabilities.

36. STATEMENT OF OPERATIONS BY SEGMENTS

The Group's primary format for reporting segment information is business segments with each segment representing a strategic business segment that offers different products. The two business segments are original equipment manufacturer ("OEM") products and original design manufacturer ("ODM") products.

There are no inter-segment sales between the respective segments.

(a) Business segments

Year ended 31 March 2007	OEM products	ODM products	Consolidated
	HK$'000	HK$'000	HK$'000
REVENUE			
External sales	523,524	200,343	723,867
RESULTS			
Segment results	102,378	39,209	141,587
Interest income			3,116
Finance costs			(328)
Unallocated corporate expenses			(58,969)
Income tax expense			(11,191)
Profit attributable to shareholders of the Company			74,215
ASSETS			
Segment assets	81,565	50,059	131,624
Unallocated corporate assets			328,721
Total assets			460,345
LIABILITIES			
Segment liabilities	29,175	10,231	39,406
Unallocated corporate liabilities			197,816
Total liabilities			237,222
OTHER INFORMATION			
Unallocated capital expenditure			26,878
Unallocated depreciation			11,021
Unallocated amortisation			50
Unallocated reversal of inventories obsolescence			(9,438)
Allowance for doubtful debts	196	146	342

36. STATEMENT OF OPERATIONS BY SEGMENTS (continued)

(a) Business segments (continued)

Year ended 31 March 2006	OEM products	ODM products	Consolidated
	HK$'000	HK$'000	HK$'000
REVENUE			
External sales	459,689	142,201	601,890
RESULTS			
Segment results	82,940	32,261	115,201
Interest income			1,548
Finance costs			(287)
Unallocated corporate expenses			(50,168)
Income tax expense			(7,600)
Profit attributable to shareholders of the Company			58,694
ASSETS			
Segment assets	63,229	24,549	87,778
Unallocated corporate assets			177,248
Total assets			265,026
LIABILITIES			
Segment liabilities	21,737	8,237	29,974
Unallocated corporate liabilities			160,235
Total liabilities			190,209
OTHER INFORMATION			
Unallocated capital expenditure			5,218
Unallocated depreciation			11,047
Unallocated reversal for inventories obsolescence			(1,375)
(Reversal)/allowance for doubtful debts	(598)	1,147	549

(b) Geographical segments

The Group's customers are located in North and Central America, Greater China (including the PRC, Taiwan and Hong Kong), Asia Pacific and Europe.

The following table provides an analysis of the Group's sales by geographical market, based on the location of customers.

	2007	2006
	HK$'000	HK$'000
North and Central America	303,066	313,688
Greater China	338,666	245,198
Asia Pacific	9,320	13,085
Europe	72,815	29,919
	723,867	601,890

36. STATEMENT OF OPERATIONS BY SEGMENTS (continued)

(b) Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

Carrying amount of segment assets

	2007 HK$'000	2006 HK$'000
Greater China	**360,487**	265,026
Asia Pacific	**99,858**	-
	460,345	265,026

Capital expenditure

	2007 HK$'000	2006 HK$'000
Greater China	**26,878**	5,218

37. EVENTS AFTER THE BALANCE SHEET DATE

On 22 May 2007, a final dividend of HK$0.063 was proposed by the Company to its shareholders in respect of the financial year ended 31 March 2007 (note 15).

SHAREHOLDERS' INFORMATION

As at 7 June 2007

Authorised share capital	:	HK$190,000,000
Issued and fully paid-up capital	:	HK$35,500,000
Number of shares issued	:	355,000,000 shares
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	5	0.35	3,192	0.00
1,000	-	10,000	646	45.85	4,149,995	1.17
10,001	-	1,000,000	740	52.52	45,247,970	12.75
1,000,001		and above	18	1.28	305,598,843	86.08
			1,409	100.00	355,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	TSE CHONG HING	77,920,442	21.95
2.	CHOW KOK KIT	73,076,738	20.59
3.	HUNG KAI WING	36,150,237	10.18
4.	WONG HING KWAI	36,150,237	10.18
5.	YUEN WAI KHEONG	11,339,773	3.19
6.	YEUNG MIU CHOY	10,519,806	2.96
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	9,957,000	2.81
8.	CIMB-GK SECURITIES PTE. LTD.	9,100,000	2.56
9.	UNITED OVERSEAS BANK NOMINEES PTE LTD	6,964,000	1.96
10.	CHAN SHUN HANG	6,479,870	1.83
11.	MESTON LOIC PAUL THIERRY	6,479,870	1.83
12.	CITIBANK NOMINEES S'PORE PTE LTD	5,919,000	1.67
13.	HO YAM HIN	3,239,935	0.91
14.	NGAN HING HON	3,239,935	0.91
15.	OCBC SECURITIES PRIVATE LTD	3,169,000	0.89
16.	KIM ENG SECURITIES PTE. LTD.	2,697,000	0.76
17.	CITIBANK CONSUMER NOMINEES PTE LTD	1,600,000	0.45
18.	UOB KAY HIAN PTE LTD	1,596,000	0.45
19.	GOH TIONG YONG	1,000,000	0.28
20.	TSUI SUNG LAM	950,000	0.27
	TOTAL	307,548,843	86.63

SHAREHOLDERS' INFORMATION
As at 7 June 2007

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Tse Chong Hing	77,920,442	21.95	-	-
Chow Kok Kit	73,076,738	20.59	-	-
Hung Kai Wing	36,150,237	10.18	-	-
Wong Hing Kwai	36,150,237	10.18	-	-

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 36.14% 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 Connection 3, Level 3, Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 on Friday, 27 July 2007 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 year ended 31 March 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of HK6.3 cents per ordinary share (tax not applicable) for the year ended 31 March 2007. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to the Company's Bye-laws 107(A) & 107(B):

Mr Tse Chong Hing	[Retiring under Bye-law 107(A)]	**(Resolution 3)**
Mr Chow Kok Kit	[Retiring under Bye-law 107(A)]	**(Resolution 4)**
Mr Hung Kai Wing	[Retiring under Bye-law 107(A)]	**(Resolution 5)**
Mr Chow Kok Kee	[Retiring under Bye-law 107(B)]	**(Resolution 6)**
Mr Lim Chin Tong	[Retiring under Bye-law 107(B)]	**(Resolution 7)**
Mr Siu Ping-Kwong	[Retiring under Bye-law 107(B)]	**(Resolution 8)**

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

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

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

4. To approve the payment of Directors' fees of S$23,671.23 for the year ended 31 March 2007. **(Resolution 9)**

5. To re-appoint RSM Nelson Wheeler and Foo Kon Tan Grant Thornton as the Joint Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

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**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("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:

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONTINUED)

(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 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 in the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be based on the issued 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 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 11)

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

That pursuant to Rule 845 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Valuetronics Employees' Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.
[See Explanatory Note (ii)]

(Resolution 12)

By Order of the Board

Shirley Lim Keng San
Hazel Chia Luang Chew
Company Secretaries

Singapore, 4 July 2007

Explanatory Notes:

(i) The Ordinary Resolution 11 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 issued 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 12 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

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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Valuetronics Holdings Limited
Unit 9-11, 7/F Technology Park
No. 18 On Lai Street
Shatin, New Territories
Hong Kong

Tel : (852) 2790 8278
Fax: (852) 2304 1851

www.valuetronics.com.hk

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