

ANNUAL REPORTS AND RELATED DOCUMENTS::

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VALUETRONICS HOLDINGS LIMITED

Securities

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Tse Chong Hing

Designation

Chairman and Managing Director

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please see attached -

(1) Announcement in relation to Annual General Meeting to be held on 17 July 2023

(2) Annual Report

(3) Circular to Shareholders

Additional Details

Period Ended

31/03/2023

Attachments

 [VHL-AGM Announcement-20230630.pdf](#)

 [VHL-FY2023 Annual Report.pdf](#)

 [VHL-Circular to Shareholders-20230630.pdf](#)

Total size =2198K MB



VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)
(Company Registration Number: 38813)

ANNUAL GENERAL MEETING TO BE HELD ON 17 JULY 2023

1. **Background:** Valuetronics Holdings Limited (the “**Company**”) refers to the Notice of Annual General Meeting dated 30 June 2023, which is published on the Company’s website at <https://www.valuetronics.com.hk/ir/agm.html> and the SGXNet (“**Notice of AGM**”).
2. **Date, time and conduct of Annual General Meeting:** The Annual General Meeting of the Company (“**AGM**” or “**Meeting**”) will be convened and held in physical format at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633 on Monday, 17 July 2023 at 10:00 am (Singapore time). **There will be no option for shareholders to participate virtually.**
3. **Despatch of Annual Report, Notice of AGM, Proxy Form and Circular to Shareholders:** The following documents are despatched to shareholders by electronic means via publication on the Company’s website at the URL <https://www.valuetronics.com.hk/ir/agm.html> and the SGXNet:
 - (a) Annual Report for the financial year ended 31 March 2023 (“**Annual Report**”);
 - (b) Notice of AGM;
 - (c) Depositor Proxy Form; and
 - (d) Circular to Shareholders in relation to the Proposed Renewal of the Share Buyback Mandate dated 30 June 2023 (“**Circular to Shareholders**”).

Printed copies of the Notice of AGM, Depositor Proxy Form and request form for a printed copy of the Annual Report and/or Circular to Shareholders (“**Request Form**”) have been despatched to shareholders.

4. **Participation in the AGM:** Shareholders, including investors holding shares in the Company through the Central Provident Fund (“**CPF**”) or Supplementary Retirement Scheme (“**SRS**”) (collectively, the “**CPF/SRS Investors**”) or through relevant intermediaries, may participate in the AGM by (a) attending the AGM in person; (b) submitting questions in advance of, or at, the AGM; and/or (c) voting at the AGM themselves or by appointing the Chairman of the Meeting or any other person(s) as proxy(ies) to vote on their behalf.

Please refer to the Notice of AGM for further details including submission of proxy forms and submission of questions prior to the AGM.

5. **Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore):**
 - (a) Investors holding shares in the Company through relevant intermediaries, other than CPF/SRS Investors, who wish to participate in the AGM should contact the relevant intermediaries through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

- (b) CPF/SRS Investors who wish to participate in the AGM must follow the instructions set out in the Notice of AGM and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies. CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5:00 pm on 5 July 2023**, being at least seven (7) working days before the date of the AGM.
6. **Key dates/deadlines:** The key dates/deadlines which shareholders should take note of are set out in the table below:

Key Dates	Actions
5:00 pm on 5 July 2023 (Wednesday)	Deadline for CPF/SRS Investors who wish to appoint the Chairman as proxy to approach their respective CPF Agent Banks or SRS Operators to submit their votes.
10:00 am on 7 July 2023 (Friday)	Deadline for shareholders to submit questions in advance of the AGM.
7 July 2023 (Friday)	Deadline for shareholders who wish to receive printed copies of the Annual Report and/or Circular to Shareholders to return the completed Request Form to the Company.
10:00 am on 14 July 2023 (Friday)	Deadline for shareholders (whose names appear in the CDP Depository Register) to submit Depositor Proxy Form appointing a proxy or proxies.
10:00 am on 17 July 2023 (Monday)	<p>Shareholders including CPF/SRS Investors and duly appointed proxies may attend the AGM in person at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633. There will be no option for shareholders to participate virtually.</p> <p>Please bring along your NRIC/passport to enable the Company to verify your identity. The Company reserves the right to refuse admittance to the AGM if the attendees' identity cannot be verified accurately.</p>

7. **Important:** Shareholders should note that the manner of conduct of the AGM may be subject to further changes at short notice. Shareholders are advised to check the Company's website at <https://www.valuetronics.com.hk/ir/agm.html> and the SGXNet regularly for updates.

BY ORDER OF THE BOARD
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
 Chairman and Managing Director

30 June 2023



ANNUAL REPORT 2023

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CORPORATE PROFILE

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

Valuetronics is part of an emerging breed of EMS providers with a multi-location manufacturing footprint in China and South East Asia, which also focuses on a proactive engagement with customers so as to understand market and industry trends and initiate product-oriented solutions to meet their ever-changing needs.

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

Our wide product manufacturing capability and range of customers from emerging enterprises to top global multinational corporations, is a testimony to the success in adopting this philosophy. It also highlights our ability to accommodate customers' requirements for various

volume mix, complexity and industrial standards, while demonstrating our spectrum of competence. By constantly focusing on their objectives, priorities, and needs, we continue to develop long-term relationships with our global customers in the consumer, commercial, industrial and automotive industries.

Today, we are a premier design, manufacturing partner for the world's leading brands in various sectors, which span across a wide geographical region that covers America, Europe and the Asia Pacific. We support these clients' supply chain requirements and multi-location production strategy by leveraging on our manufacturing sites located in China and Vietnam. We currently have a 110,000 sqm China Campus located at Huizhou City, Guangdong Province, PRC and a 52,541 sqm Vietnam Campus located at Vinh Phuc Province, Vietnam.

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



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the annual report of Valuetronics Holdings Limited ("Valuetronics" or the "Company" and collectively, with its subsidiaries, the "Group") for the financial year ended 31 March 2023 ("FY2023").

NAVIGATING AHEAD IN CHALLENGING TIMES

It has been a challenging period for the Group, starting with US-China trade tensions and the imposition of tariffs by the US in 2018 and 2019 that which affected our customers and these tariffs still continue to today, to the disruptions caused by the global COVID-19 pandemic. In the last couple of years, the Group has also had to deal with an industry shortage of electronics components, which the shortage of several highly demanded components has yet to be fully resolved. However, on a positive note, the opening up of countries and international travel has facilitated face-to-face interactions with the Group's different stakeholders including customers and the investment community.

The macro-environment still remains challenging and complex. Interest rate hikes and rising inflationary pressures continue to impact consumer spending patterns. In addition, geopolitical tensions, including the ongoing Russia-Ukraine conflict, and the potential ramifications of the US regional banking crisis, continue to generate cautious market sentiments.

In order to navigate these challenges, the Group will continue various mitigation strategies to deal with daily operational challenges while falling back on its disciplined business approach that focuses on the fundamentals of capability development, value-added service, operational excellence, and financial prudence, together with expansion of its manufacturing footprint. I am happy to report that our Vietnam campus has been steadily ramping up its production capacity and we have managed to acquire more new customers, which I will elaborate more on later.

We have been able to weather these challenging times because of our disciplined business approach and our strategic cash reserves, which have been built up over the years due to our financial prudence. Our cash reserves facilitated our speedy expansion into Vietnam and will also continually be deployed as we progressively ramp up operations there in tandem with customers' orders. It also puts us in a stronger position to overcome or smoothen out supply chain issues where possible and helps the Group ride out economic down cycles. It will also be used to fund our strategic plan for future greenfield expansions to boost organic growth, as well as inorganic growth such as M&A activities as and when such opportunities arise.

Additionally, to enhance shareholders' value and improve the return on equity of the Group, a HK\$250 million Share Buyback Program was announced on 28 February 2022. Since then, HK\$65 million has been utilised to repurchase an aggregate of 22 million company shares, and we intend to continue with this Share Buyback Program.

VIETNAM EXPANSION YIELDS POSTIVE RESULTS

Notwithstanding the challenging environment, the Group's strategic decision to establish a manufacturing site in Vietnam has yielded positive results. Through our regional multi-site strategy, the Group has attracted new customers seeking to diversify their supply chains while benefiting from lower labour costs in different countries across Asia. This move has positioned the Group well to capitalise on evolving global supply chain dynamics in its customer acquisition efforts.



Towards the end of FY2023, the Group has successfully commenced initial shipments to two new customers, namely, a hardware provider for retail chain stores and a customer providing cooling solutions for high performance computing environments. The Group foresees a full year revenue contribution from these two new customers in in the financial year ending 31 March 2024 ("FY2024") and they will also contribute to the diversification of the Group's revenue streams.

As part of its continued customer acquisition efforts, the Group has recently secured an additional two new customers. One of these customers supplies electronic products to leading global entertainment conglomerate, whilst another customer is a network access solutions provider. Their initial shipments are scheduled to commence in the second half of FY2024, and the Group expects to ramp up production for these two new customers in the financial year ending on 31 March 2025 ("FY2025"). These new customer acquisitions demonstrate the Group's continued success in expanding its customer base and ability to effectively serve diverse industries.

FY2023 FINANCIAL PERFORMANCE

The Group's revenue for FY2023 decreased slightly by 0.7% to HK\$2,013.7 million from HK\$2,027.4 million for the financial year ended 31 March 2022 ("FY2022"). However, gross profit decreased by 4.8% to HK\$261.7 million from HK\$274.8 million in FY2022 due to the severe component shortage in the first half of FY2023, which resulted in increased component prices and a decline in the gross profit margin on a full year basis. Nevertheless, the Group experienced a recovery in the gross profit margin in the second half of FY2023, as there has been some respite in the component shortage.

The Industrial and Commercial Electronics ("ICE") segment's revenue rose by 19.7% to HK\$1,580.3 million in FY2023 from HK\$1,320.5 million in FY2022, mainly due to the increase in demand from some of the Group's ICE customers, including several new customers. This was offset by a dip in Consumer Electronics ("CE") revenue by 38.7% to HK\$433.4 million from HK\$706.9 million in the previous corresponding period, largely due to softening demand in end-markets.

The Group's other income in FY2023 jumped 117.5% to HK\$32.0 million from HK\$14.7 million in FY2022 as interest income was boosted from the U.S. Fed's raising of interest rates several times during the year. In FY2023, selling and distribution expenses increased slightly by 1.1% to HK\$21.9 million from HK\$21.6 million in FY2022, while administrative expenses decreased by 1.9% to HK\$138.9 million from HK\$141.6 million in FY2022.

CHAIRMAN'S STATEMENT

As a result of the above, FY2023 net profit increased by 8.3% to HK\$123.0 million from HK\$113.5 million in FY2022, which translates into an earnings per share of approximately HK 29.1 cents for FY2023 as compared to HK 26.1 cents for FY2022.

As at 31 March 2023, the Group continues to maintain its resilient financial position with a net asset value per share (excluding treasury shares) of HK\$3.30, net current assets of HK\$993.3 million, total assets of HK\$2,075.9 million, and shareholders' equity of HK\$1,362.0 million. In addition, the Group continues to have no bank borrowings as at 31 March 2023 and has cash and cash equivalents of HK\$1,009.9 million, supported by its strong operating cash flows.

DIVIDEND

As you are aware, the Group remains committed to its formal dividend policy of declaring 30%-50% of net profit as normal dividends. However, taking the Company's FY2023 results performance, the Board is recommending a Final Dividend of HK 10 cents per share and a Special Dividend of HK 6 cents per share for FY2023, which is subject to the approval of shareholders at the upcoming Annual General meeting.

Together with the Interim Dividend of HK 4 cents per share paid out by the Company in December 2022, the aggregate dividend for FY2023 amounts to HK 20 cents per share, which represents approximately 68% of the net profit attributable to shareholders for FY2023.

OUTLOOK

The Group continues to face these challenges of an uncertain macro-environment and its effects on its business operations. Customers have deferred orders to manage their inventory levels in response to the weakened market demand for example, and this has adversely impacted revenue. Furthermore, despite some easing in the industry's component shortage problem faced compared to last year, significant reductions in component costs and improvements in lead time failed to materialise. In fact, these component supply chain challenges are expected to persist and will continue to exert pressure on the Group's gross profit margins in FY2024.

Despite all these challenges, the Group remains confident in its ability to navigate ahead with its strong balance sheet, diverse customer base, and proven track record of operational excellence. We continue to remain steadfast in our customer acquisition efforts and barring unforeseen circumstances, the Company expects to remain profitable for FY2024.

IN APPRECIATION

In closing, I would like to express my appreciation to my fellow directors for their stewardship of Valuetronics and for their continued advice and guidance during these challenging times. I would like to also take this opportunity accord my deepest appreciation to Mr Wong Hing Kwai, Director of one of our Group's principal operating subsidiary on his retirement in September 2022, and Mr Ong Siew Tiam who has retired as an independent director of the Board in November 2022 under the mandatory nine year tenure limit under the SGX Listing Rules, for their conscientious and sterling service to the Group. At the same time, I would like to also welcome our new independent director Mr Liu Chung Mun Wilson and the expertise and experience that he brings to the Board.

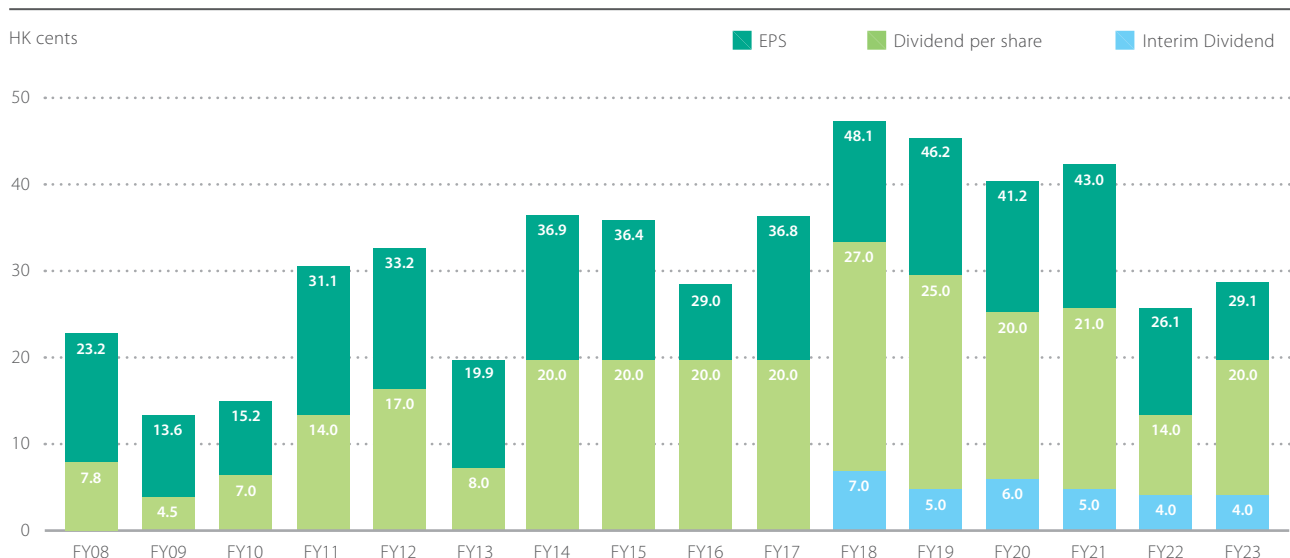
I would like to also thank the management and staff for resolute ability over the last few years to take on every challenge and overcome it. Not to mention our customers for their continued support and confidence in us and to our business partners who have helped and also supported us as we navigate through these challenging times together.

Last but not least, I would like to thank our shareholders and other stakeholders for their belief and trust in us as navigate ahead in these challenging times and capitalise on emergent opportunities. Even as our resilience is continually being tested by these challenging times, I believe Valuetronics will emerge a better and stronger company.

TSE CHONG HING

Chairman and Managing Director

EARNINGS PER SHARE (EPS) AND DIVIDENDS PER SHARE



FINANCIAL HIGHLIGHTS

5 YEARS SUMMARY

31 March		2019	2020	2021	2022	2023
RESULTS (HK\$ MILLION)						
Revenue	Consumer Electronics	1,161.2	916.0	680.7	706.9	433.4
	Industrial & Commercial Electronics	1,667.6	1,438.4	1,600.8	1,320.5	1,580.3
	Total	2,828.8	2,354.4	2,281.5	2,027.4	2,013.7
Gross profit		430.3	362.8	386.2	274.8	261.7
Profit before tax		224.1	196.2	208.7	125.7	132.9
Profit attributable to owners of the Company		199.5	178.9	187.1	113.5	123.0
ASSETS & LIABILITIES (HK\$ MILLION)						
Total assets		2,013.4	2,013.5	2,241.6	2,095.7	2,075.9
Total liabilities		854.1	781.9	894.5	727.1	713.9
Total equity		1,159.3	1,231.6	1,347.1	1,368.6	1,362.0
Net cash ⁽¹⁾		930.4	1,053.1	1,129.4	936.7	1,009.9
PER SHARE DATA (HK CENTS)						
Earnings per share – basic		46.2	41.2	43.0	26.1	29.1
Dividend per share		25.0 ⁽²⁾	20.0 ⁽³⁾	21.0 ⁽⁴⁾	14.0 ⁽⁵⁾	20.0⁽⁶⁾
Net asset value per share ⁽⁷⁾		267.5	283.1	309.2	316.9	329.1
KEY RATIOS (%)						
Gross profit margin		15.2%	15.4%	16.9%	13.6%	13.0%
Net profit margin ⁽⁸⁾		7.1%	7.6%	8.2%	5.6%	6.1%
Return on assets		9.9%	8.9%	8.3%	5.4%	5.9%
Return on equity		17.2%	14.5%	13.9%	8.3%	9.0%
Dividend payout ratio		54.4%	48.5%	48.9%	53.4%	67.5%

(1) Net cash is calculated by cash and bank deposits minus bank borrowings and overdrafts

(2) Included interim dividend of HK 5 cents and special dividend of HK 5 cents

(3) Included interim dividend of HK 6 cents

(4) Included interim dividend of HK 5 cents

(5) Included interim dividend of HK 4 cents

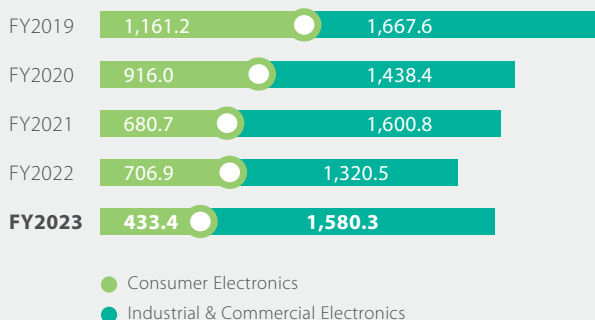
(6) Included Interim dividend of HK 4 cents and special dividend of HK 6 cents

(7) Based on issued share capital excluding treasury shares at the end of the year

(8) Net profit margin is calculated by profit attributable to owners of the Company to revenue

REVENUE

HK\$ MILLION



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK\$ MILLION



FINANCIAL REVIEW

REVENUE

The Group's FY2023 revenue slightly decreased by 0.7% to HK\$2,013.7 million from HK\$2,027.4 million in FY2022. Industrial and Commercial Electronics ("ICE") segment recorded a 19.7% increase in revenue from HK\$1,320.5 million in FY2022 to HK\$1,580.3 million in FY2023; while Consumer Electronics ("CE") segment recorded a revenue decrease of 38.7% to HK\$433.4 million in FY2023 from HK\$706.9 million in FY2022.

The increase in ICE revenue was mainly contributed by the increase in demand from some of our Industrial and Commercial Electronics customers, including several new customers. The revenue decline in CE segment was due to the softening demand in end-markets.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit for FY2023 decreased by 4.8% to HK\$261.7 million (FY2022: HK\$274.8 million), with the gross profit margin decreased to 13.0% (FY2022: 13.6%). The gross profit margin was eroded by higher component prices due to component shortage in the first half of FY2023 which resulted in increased component prices. The group experienced a recovery in the second half of FY2023 as the component shortage relaxed.

OTHER INCOME AND GAINS, NET

The Group's other income increased by 117.5% to HK\$32.0 million (FY2022: HK\$14.7 million), and was mainly due to the increase in interest income as US Fed lifted interest rate several time during the year.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses slightly increased by 1.1% to HK\$21.9 million (FY2022: HK\$21.6 million).

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 1.9% to HK\$138.9 million (FY2022: HK\$141.6 million), which was mainly due to stringent cost control measures put in place by Management.

PROFIT FOR THE YEAR

As a result of the above, the Group achieved a commendable 8.3% profit growth to HK\$123.0 million (FY2022: HK\$113.5 million), which was largely due to the increase in interest income resulting from the interest rate hike despite the erosion in the Group's gross profit margin.

DIVIDEND

A final dividend of HK10.0 cents per share and a special dividend of HK6.0 cents per share are proposed for FY2023. Together with the Interim Dividend of HK4.0 cents per share paid in December 2022, aggregate dividend for FY2023 is HK20.0 cents per share (FY2022: HK14.0 cents per share).

FINANCIAL POSITION AND CASH FLOWS

As at 31 March 2023, the Group had net current assets of HK\$993.3 million (31 March 2022: HK\$962.1 million), total assets of HK\$2,075.9 million (31 March 2022: HK\$2,095.7 million) and shareholders' funds of HK\$1,362.0 million (31 March 2022: HK\$1,368.6 million).

The Group's trade receivables increased by HK\$33.1 million from HK\$430.7 million as at 31 March 2022 to HK\$463.8 million as at 31 March 2023. The Group's trade payables decreased by HK\$29.1 million from HK\$262.7 million as at 31 March 2022 to HK\$233.6 million as at 31 March 2023. The Group's inventories decreased by HK\$69.9 million from HK\$273.5 million as at 31 March 2022 to HK\$203.6 million as at 31 March 2023.

The working capital of the Group as at 31 March 2023, which is the sum of trade receivables and inventories less trade payables, was HK\$433.8 million (31 March 2022: HK\$441.5 million). The decrease in net working capital, reflecting the movement in trade receivables, inventories and trade payables, was mainly due to better working capital management.

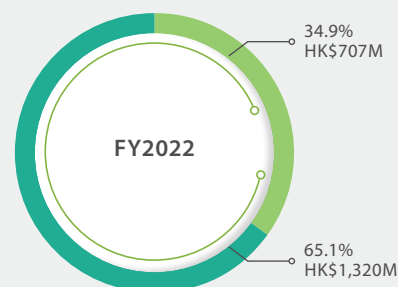
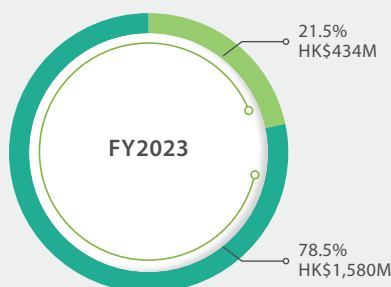
As at 31 March 2023, the Group had cash and cash equivalents of HK\$1,009.9 million (31 March 2022: HK\$936.7 million). Over 95% of its cash and cash equivalents were placed in reputable financial institutions in Hong Kong and Singapore. The remaining balance of the cash and cash equivalents, mainly in the PRC and Vietnam, were placed in equivalent reputable financial institutions. The cash and cash equivalents are annually audited by the Group's auditors.

The Group had no bank borrowings as at 31 March 2023 (31 March 2022: Nil).

REVENUE CONTRIBUTION

HK\$ MILLION

- Consumer Electronics
- Industrial & Commercial Electronics



OPERATIONS REVIEW

In the financial year ended 31 March 2023 ("FY2023"), the Group's operations were affected by the challenging macro-environment. Revenue for FY2023 decreased by 0.7% to HK\$2,013.7 million with gross profit decreasing by 4.8% to HK\$261.7 million. Gross profit margin was eroded in FY2023 by increased component prices due to the component shortage which relaxed in the second quarter of FY2023. Other income for FY2023 increased by 117.5% to HK\$32 million due to increase in interest income as the US Fed lifted interest rates several times for the year in review. As a result, the Group achieved a 8.3% net profit growth to HK\$123 million.

Looking ahead, the Group continues to face Interest rate hikes and rising inflationary pressures which will continue to impact consumer spending patterns. In addition, geopolitical tensions, including the ongoing Russia-Ukraine conflicts, as well as the potential ramifications of the US regional bank crisis, also continue to generate cautious market sentiments. In response to weakened market demands, customers have deferred orders to manage inventory levels which has led to an adverse impact on the Group's revenue. Furthermore, while there has been some respite in the component shortage problem faced by the industry compared to last year, significant reductions in component costs and improvements in lead time did not materialise. In fact, these challenges in the component supply chain are expected to persist, exerting pressure on the Group's gross profit margins in the financial year ending 31 March 2024 ("FY2024").

SEGMENTAL REVIEW

The Group's Industrial and Commercial Electronics ("ICE") revenue for FY2023 increased by 19.7% to HK\$1,580.3 million, with ICE revenue in the second half of FY2023 seeing a 23.9% increase year-on-year. The increase was mainly contributed by the increase in demand from some of ICE customers, including several new customers.

Consumer Electronics ("CE") revenue for FY2023 on the hand, decreased by 38.7% to HK\$433.4 million, with CE revenue in the second half of FY2023 falling 51.7% year-on-year, mainly due to the softening demand in end-markets.

EXTENSION OF MANUFACTURING EXECUTION SYSTEM ("MES")

In recent years, the Group has strategically implemented MES roll-out programs, targeting specific areas of process control, such as production processes and material kitting. Comprehensive MES controls have been established to ensure accurate utilization of jigs, fixtures, equipment parameters, and work instructions. Furthermore, the Group has implemented MES controls that seamlessly connect a distinct identity ("UID") to every material rack location, facilitating effortless material picking and efficient distribution from the warehouse to the Surface Mount Technology ("SMT") process and casing production floor.

In late 2022, the Group initiated a new MES roadmap to seamlessly integrate all manufacturing-related process controls into a comprehensive and digitally-driven manufacturing control system known as the Smart Manufacturing Control ("SMC") system. This strategic move enables the establishment of an end-to-end digitalized manufacturing environment, empowering streamlined operations and enhanced control.

The SMT manufacturing process was selected as Phase 1 of the SMC system roadmap. As a result, the Group has now achieved full MES control for the SMT manufacturing process. This includes accurate material kitting onto smart trolleys to ensure improved traceability based on the "first-in-first-out" ("FIFO") principles and error elimination in parts kitting. The semi-finished Printed Circuit Board Assembly ("PCBA") distribution center ensures FIFO implementation down to individual production workshops. The SMT process verification system ("PVS") guarantees thorough checks of correct stencils, fixtures, and equipment parameters before production commences. Additionally, real-time data monitoring and control were introduced as part of the SMC enhancement, covering equipment downtime through MES alerts for faster response, reducing waste and providing MES-generated "pre-alerts" for easier equipment maintenance management.

To facilitate oversight and monitoring, the Group developed an MES intranet page, enabling manager to remotely monitor production data across various campuses from Valuetronics' headquarters. This includes real-time MES status related to operating equipment efficiency ("OEE"), equipment downtime, equipment maintenance records, inspection first pass yields ("FPY"), PVS records, staff training records. By leveraging these enhancements, productivity is amplified through the implementation of advanced production monitoring and control systems, leveraging real-time data.

CONTINUOUS PROCESS IMPROVEMENT

To sustain its competitive edge, the Group has consistently prioritized enhancements in its manufacturing processes. Lean manufacturing is deeply ingrained as a philosophy and practice within the Group, and continuous improvement projects, such as Kaizen initiatives, are implemented across all manufacturing sections. These projects embrace various levels of automation to achieve improved productivity and efficiency outcomes.



OPERATIONS REVIEW

Given the stability and maturity of processes at the China campus, the Group is now directing more automation efforts towards enhancing the automation equipment at its Vietnam campus. This strategic focus aligns with the Vietnam campus's expanding scale, as it steadily increases production capacity and volumes to meet the growing influx of customer orders.

VIETNAM EXPANSION

The Group strategically expanded its manufacturing operations to Vietnam to meet the evolving diversification needs of existing customers and to accommodate the production requirements of new customers. The Vietnam campus replicates the capabilities of the China campus, providing comprehensive one-stop manufacturing solutions that encompass SMT, Chip-on-Board ("COB"), wave soldering, plastic injection molding, secondary operations, and box-build assembly.

In line with the Group's commitment to quality and environmental standards, the Vietnam campus has obtained ISO9000 and ISO14000 certifications. Throughout 2023, the Group continued its product transfer activities, resulting in approximately 20 products from various customers entering mass production at the Vietnam campus.

Additionally, in 2023, the Group also embarked on direct new product introduction ("NPI") programmes at the Vietnam campus. New customer products have the design verification test ("DVT") at the China campus, after which the pre-production verification builds and testing ("PVT") activities are subsequently conducted at the Vietnam campus with support from the experienced resources at the China campus. This collaborative approach ensures efficient and effective NPI processes at the Vietnam campus while capitalizing on the expertise available at the China campus.

OUTLOOK

Despite the challenging macro and operating environment, the Group's strategic decision to establish a manufacturing site in Vietnam has yielded positive results. Through the regional manufacturing footprint strategy, the Group has attracted new customers seeking to diversify their supply chains while benefiting from lower labour costs in different countries across Asia.

In late FY2023, the Group initiated shipments to two new customers, including a hardware provider for retail chains and a cooling solutions provider for high-performance computing. These new customers contribute to revenue diversification and anticipating their full-year revenue contributions in FY2024. Additionally, the Group secured two more customers, one serving a global entertainment conglomerate and another as a network access solutions provider in Canada. Shipments to these customers are scheduled for the second half of FY2024, with production expected to ramp up in the financial year ending on 31 March 2025 ("FY2025"). These new acquisitions demonstrate Valuetronics' expansion and ability to serve diverse industries effectively.

The Group maintains confident in its ability to navigate the challenges ahead, with its strong balance sheet, a diverse customer base, and a proven track record of operational excellence. At the same time, the Group remains steadfast in its customer acquisition efforts. Barring unforeseen circumstances, the Company expects to remain profitable for FY2024.



KEY MILESTONES



2022

- Vietnam Campus commenced mass production



2020

- Expanding into the second facility in Vietnam



2019

- Established manufacturing footprint in Vietnam

2017

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

2015

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

2014

- Adoption of formal dividend policy



2013

- Completed more than 40 in-house Process Automation Projects

2012

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



2011

- Branded electric fans and heaters shipped to US market

2010

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



2009

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

2008

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

2007

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



2003

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

2002

- Use of ROHS equipment and accredited with TL9000



1992

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

BOARD OF DIRECTORS



MR TSE CHONG HING

Chairman and Managing Director

Tse Chong Hing is the Chairman and Managing Director of our Company. He joined the Group in November 1996 as the Assistant to the then Managing Director. He is responsible for strategic planning and the general management of our Group. Mr Tse has over 30 years of experience in finance and operations management in the electronics manufacturing industry. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. He holds a Diploma in Business Studies from the Hang Seng School of Commerce and a Postgraduate Diploma in Management Studies from the Hong Kong Polytechnic.



MR CHOW KOK KIT

Executive Director

Chow Kok Kit is one of the founders of the Group and an Executive Director of our Company. He is responsible for the design and development ("D&D") as well as purchasing functions of our Group. Mr Chow has over 30 years of experience in the electronics manufacturing industry. He specialises in the D&D of telecommunication and computer products, and holds an Associateship in Mechanical Engineering and a Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic.

BOARD OF DIRECTORS



MR ONG TIEW SIAM

Lead Independent Director (Resigned on 21 November 2022)

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



MS TAN SIOK CHIN

Lead Independent Director (Appointed on 21 November 2022)

Tan Siok Chin was appointed to the Board in July 2014 as a Non-Executive Director and was redesignated as an Independent Non-Executive Director in August 2017. Ms Tan is an advocate and solicitor with over 30 years of legal practice in the fields of corporate finance, securities regulations, mergers and acquisitions and private equity. Ms Tan has also served on the boards of several public companies listed on the SGX-ST as an independent director since 2006. Her extensive experience in both legal practice and boardrooms has provided her with a broad perspective and a deep understanding of challenges faced by businesses making her an invaluable asset to our Group with her insightful guidance. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree. She is a Director with ACIES Law Corporation.



MR LOO CHENG GUAN

Independent Director

Loo Cheng Guan is CEO of King Tower Asset Management (Singapore) Pte Ltd and sits on HKSE-listed China First Capital Group Limited and SGX-listed Cosmosteel Holdings Limited as independent non-executive director. In addition, he is a non-executive director of several private companies, including Vermilion Gate Pte Limited, Amalgam Capital Partners Pte Limited, Brash Asia Pte Limited and New Energy Capital Asia Pte Limited. Having more than 25 years of experience in corporate finance, private equity and business management, Mr Loo has spent a significant portion of his career advising on growth strategies, mergers and acquisitions, as well as private market investments. He holds a Bachelor of Economics (Honours) degree and MBA from Monash University in Melbourne.

BOARD OF DIRECTORS



MR LIU CHUNG MUN WILSON

Independent Director (Appointed on 1 August 2022)

Liu Chung Mun Wilson has over 30 years of professional experience in providing audit and business advisory services in mainland China, Hong Kong and Australia. Mr Liu started his professional career with PricewaterhouseCoopers ("PwC") in Hong Kong and has also worked for PwC in Melbourne in the mid-1980s.

In 1995, Mr Liu joined PwC Zhong Tian LLP, Beijing Branch and was admitted as partner in 1997. He then relocated to PwC Zhong Tian LLP, Guangzhou Branch in 2015 until his retirement from the partnership of the firm in 2020. During his years at both branches, Mr Liu was a core member of the China Assurance Leadership Team and was also a member of the Board of Partners (Supervisory Board) from 2007 to 2013 where he assumed key roles in the sub-committees of the governance board for PwC Greater China and Singapore. In addition, Mr Liu was also the Greater China Automotive Industry Leader, Japanese Business Network Leader and Assurance Human Capital Partner.

Mr Liu is an independent non-executive director of Foran Energy Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2911.SZ). He received his bachelor's degree in commerce from the University of Western Australia, Australia, in 1983. Mr Liu has also been a member of the Chartered Accountants Australia and New Zealand (previously the Institute of Chartered Accountants Australia) since 1989, a fellow member of CPA Australia since 2005 and a fellow member of the Hong Kong Institute of Certified Public Accountants since 2010. He was the President of the CPA Australia North China Committee from 2005 to 2006 and is currently its Council Member.

KEY MANAGEMENT

MR WONG HING KWAI

Director, Honor Tone Limited (Retired on 1 September 2022)

Wong Hing Kwai is a Director of our Group's principal operating subsidiary, Honor Tone Limited. He is responsible for the overall management of Plastics Division. Mr Wong has over 40 years of experience in plastic injection moulding and holds a Bachelor of Engineering degree from Shanghai Jiao Tong University, PRC.

MR HUANG JIAN YUAN

Vice President, Operations

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

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

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. He is responsible for our Group's business development global activities and manages strategic growth projects. He is also responsible for providing our D&D team with market analysis on product trends and regulatory requirements.

Mr Meston has over 30 years of experience in sales, marketing and product development. He holds a degree in engineering from the Central School of Marseille, France, and a Master of Business Administration degree from the University of Rochester, USA.

MR JOSEPH LUI KA HO

Chief Financial Officer

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

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

CORPORATE GOVERNANCE REPORT

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

This Corporate Governance Report (the “Report”) describes the Company’s corporate governance practices with specific reference to each of the principles and provisions set out in the Code of Corporate Governance 2018 (the “2018 Code”).

The Board confirms that, as at the date of this Report, the Company has adhered to and complied with the principles and provisions set out in the 2018 Code, other than deviations in respect of the following, appropriate explanations for which have been provided in this Report:

- (i) Provisions 3.1 and 3.2
- (ii) Provisions 8.1 and 8.2
- (iii) Provision 11.4

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

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

- (a) Provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) Review and approve business plans, including annual budgets and approve key strategic and operational matters, financial and funding decisions;
- (c) Oversee and review the business of the Group and monitor financial performance;
- (d) Establish and oversee processes for evaluating the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems annually;
- (e) Set appropriate tone-from-the-top and desired organisational culture, and ensure proper accountability within the Company;
- (f) Set the Company’s values and standards (including ethical standards);
- (g) Work with Management for the long-term success of the Company, review Management’s performance and hold Management accountable for performance; and
- (h) Assume responsibility for corporate governance and sustainability issues.

The Board discharges its duties and responsibilities as fiduciaries objectively exercising diligence and independent judgement at all times.

Every Director is required to disclose any conflict or, potential conflict of interest, whether direct or indirect, in relation to a transaction or, proposed transaction, with the Company. In a conflict of interest situation, a Director recuses/abstains himself/herself from discussions and decisions involving the matter/issue of conflict.

CORPORATE GOVERNANCE REPORT

Provision 1.2

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

In addition to the induction program, newly appointed Directors who do not have prior experience as director of a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") are also required to attend relevant training courses organized by the Singapore Institute of Directors ("SID"). Mr Liu Chung Mun Wilson who was appointed onto the Board during the financial year, had attended all the specified modules in the Listed Entity Director Programme conducted by SID. All Board members have also completed the sustainability training course organized by SID to fulfill the enhanced SGX Sustainability Reporting requirements.

Annual site visits to the Group's manufacturing facilities ("Site Visits") are conducted to provide Directors with updates and understanding of the Group's business operations. During such visits, Directors interact with Key Management Personnel who brief the Directors on the Group's facilities, development, products and business operations. Due to travel restrictions during the Covid-19 pandemic, no site visits were organized. With the re-opening of borders in FY2023, all Directors visited the new Vietnam Campus in Vinh Phuc province, Vietnam, to inspect the new manufacturing facilities and understand the business and operations on the ground.

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

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

During the year, training courses attended by Directors were:

Director	Training Course/Seminar	Conducted/Organized By
Mr Tse Chong Hing	LED – Environmental, Social and Governance Essentials (Core)	Singapore Institute of Directors ("SID")
Mr Chow Kok Kit	LED – Environmental, Social and Governance Essentials (Core)	SID
Mr Liu Chung Mun Wilson	Listed Entity Director Program	SID
Ms Tan Siok Chin	LED – Environmental, Social and Governance Essentials (Core)	SID
Mr Loo Cheng Guan	SGX-GCNS Workshop on Task Force on Climate Related Financial Disclosures ("TCFD") – Emissions & TCFD	SGX & Global Compack Network Singapore
	LED – Environmental, Social and Governance Essentials (Core)	SID
Mr Ong Tiew Siam (resigned on 21 November 2022)	Looking Beyond the Pandemic	SID
	LED – Environmental, Social and Governance Essentials (Core)	

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

CORPORATE GOVERNANCE REPORT

Provision 1.3

The approval of the Board is required for any matter which is likely to have a material impact on the Group's operating divisions and/or financial positions.

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

Provision 1.4

The Board is supported by a number of committees who assist in the discharge of its responsibilities and to enhance the Group's corporate governance framework. These committees comprise the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which have been delegated with specific authority and function and would submit their recommendations or decisions to the Board. Board Committees are chaired by Independent Non-Executive Directors.

The responsibilities of Board Committees are set out in their respective terms of reference which are aligned with the 2018 Code. Further information on the AC, NC and RC, including names of the Board Committees' members and summaries of activities, are set out in the various sections in this Report.

Provision 1.5

The Board conducts regular scheduled meetings on a quarterly basis to keep the Board apprised on the Group's financial position, business activities and the overall business environment in which the Group operates and, to review and approve the release of the half-year and full-year results announcements.

Dates for Board and Board Committee meetings and the Annual General Meeting are scheduled in advance to facilitate the attendance of all Directors. Ad-hoc meetings are held as and when required to address significant issues that may arise.

The Company's Bye-Laws provide for meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously. When a physical meeting is not possible, timely communication with the Directors is achieved through electronic means and the Board/Board Committees' approval is sought for important and critical matters concerning the Company via circulation of written resolutions.

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

Meeting of	Board	AC	NC	RC
No. of meetings held in FY2023	6	4	2	6
Executive Directors				
Tse Chong Hing	6	*4	*1	*1
Chow Kok Kit	6	*4	*1	n/a
Independent Non-Executive Directors				
Ong Tiew Siam ⁽¹⁾	5	3	2	6
Tan Siok Chin	6	4	2	6
Loo Cheng Guan	6	4	2	6
Liu Chung Mun Wilson ⁽²⁾	3	3	n/a	n/a

⁽¹⁾ Mr Ong Tiew Siam resigned as Independent Non-Executive Director on 21 November 2022.

⁽²⁾ Mr Liu Chung Mun Wilson was appointed Independent Non-Executive Director on 1 August 2022.

* Executive Directors are invited to attend Board Committee meetings.

CORPORATE GOVERNANCE REPORT

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

The NC has adopted internal guidelines to address competing time commitments of Directors who serve on multiple boards and have other principal commitments. The Board has determined that a Director should serve on not more than 6 boards of listed companies. The NC has considered, and is of the opinion, that the limit of 6 listed company board representations held by the Directors of the Company would not impede the time allocated in carrying out their duties/obligations to the Company. At present, no Director has reached the limit set by the Board.

Provision 1.6

Management provides the Board with complete and adequate information on a timely basis to enable Board members to make informed decisions and discharge their duties and responsibilities. Such information includes, amongst others:

- documents on matters to be discussed at Board meetings, which are circulated to Board members in advance; and
- financial statements, management reports and relevant forecast and analysis of the Group's results on a quarterly basis and/or as and when required,

to enable the Board to make informed assessment of the Group's performance, financial position and prospects. The Managing Director also provides updates on the Group's business, prospects and other developments impacting the Group, at scheduled meetings and, whenever circumstances warrant. The aforesaid reports/updates enable the Board to be kept abreast of key issues and developments, as well as opportunities and challenges, within the Group and the industry.

In accordance with SGX-ST's requirements, the Board issued negative assurance statement in its announcement of the financial results for the six months ended 30 September 2022 ("1H FY2023"), confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The negative assurance statement was backed by written representation of the Managing Director and Chief Financial Officer.

Provision 1.7

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

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

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1

Provision 2.2

Provision 2.3

The Board currently comprises 2 Executive Directors and 3 Independent Non-Executive Directors ("INEDs"). Ms Tan Siok Chin was appointed Lead Independent Director on 21 November 2022, in place of Mr Ong Tiew Siam.

In compliance with the 2018 Code, INEDs form a majority of the Board and includes 1 female Director.

CORPORATE GOVERNANCE REPORT

Executive Directors

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

Independent Non-Executive Directors

Ms Tan Siok Chin	–	Lead Independent Director & Chairman of Remuneration Committee
Mr Loo Cheng Guan	–	Chairman of Nominating Committee
Mr Liu Chung Mun Wilson	–	Chairman of Audit Committee

Provision 2.4

The NC and Board consider the current structure, size and composition of the Board and Board Committees appropriate for the Group's present scope and nature of operations, which facilitate effective decision making, where no individual dominates the Board's decision-making process. The NC and Board also consider the current mix and composition of the Board reflects the Company's commitment to Board diversity. The Company has 1 female member (representing 20%) and 3 INEDs (representing 60%) on the Board of 5 members. The Board has the appropriate level of independence and comprises Directors with different backgrounds, experience and qualifications/specialization. The Directors as a group possesses the appropriate balance and diversity of skills, experience, knowledge and gender to provide the Company with the requisite core competencies in areas such as accounting, business, management, financial, legal and industry knowledge, allow for diverse and objective perspectives on the Group's business direction and growth as well as help to avoid group think and foster constructive debate. Management will continue to benefit from the Directors' respective expertise and diverse backgrounds.

The Company recognizes the benefits of having a diverse Board and has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The NC is responsible to review and monitor its implementation and will recommend appropriate changes to the Board for consideration and approval.

Pursuant to the Board Diversity Policy, the NC reviews annually the appropriateness of the current Board size and composition, taking into consideration, *inter alia*, the needs of the Company and the environment in which it operates, the collective skills and competencies of the Board, gender, service tenure spread of the Directors, the need for progressive renewal of the Board and changes (if any) in the regulatory environment. When the need arises, the NC will make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that there is an appropriate composition of members of the Board from suitably diverse backgrounds to meet the Group's operational and business requirements. The Company remains committed to implementing the Board Diversity Policy and any further progress made towards implementation of the policy will be disclosed in future Annual Reports.

Provision 2.5

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

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

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1

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

Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that notwithstanding that the Chairman and Managing Director is the same person, there are sufficient safeguards and checks, which include the following, to ensure the independent exercise of objective judgement on affairs and operations of the Group:

- (i) The Board is comprised of a majority of INEDs.
- (ii) As disclosed in this Report, the Company has appointed Ms Tan Siok Chin as the Lead Independent Director to provide leadership in any situation where the Chairman is conflicted and to address shareholders' concerns on issues that cannot be appropriately or adequately dealt with by the Chairman and Managing Director or the Chief Financial Officer.
- (iii) All the Board Committees are chaired by INEDs and all the Board Committees' members are INEDs.
- (iv) The performance of the Chairman is reviewed by the NC, through the conduct of peer evaluation by Board members. The remuneration package of the Chairman is reviewed by the RC.
- (v) Major decisions which have a material impact on the Group's business are made collectively by the Board.
- (vi) INEDs contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. They are encouraged to constructively challenge and help develop proposals on strategy. Their views and opinions provide alternative perspectives to the Group's business. When challenging proposals or decisions, they individually bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The INEDs communicate amongst themselves both formally at scheduled meetings without the presence of Management and, informally via email or telephone on matters concerning the Company.

As hereinbefore disclosed, the Board conducts regular scheduled meetings on a quarterly basis to keep the Board apprised on the Group's financial position, business activities and the overall business environment in which the Group operates and to review and approve the release of the half-year and full-year results announcements. Ad-hoc meetings are held as and when required to address significant issues that may arise. When a physical meeting is not possible, timely communication with the Directors is achieved through electronic means and the Board/Board Committees' approval is sought for important and critical matters concerning the Company via circulation of written resolutions.

CORPORATE GOVERNANCE REPORT

The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company's business are separated to ensure a balance of power and authority and that no one individual Director has unfettered powers of decision-making. The Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Provision 3.2

The Chairman –

- leads the Board to ensure its effectiveness on all aspects of its role;
- sets the agenda and ensures that Directors receive complete, adequate and timely information;
- ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promotes a culture of openness and debate at the Board;
- ensures effective communication with shareholders;
- encourages constructive relations within the Board and between the Board and Management;
- facilitates the effective contribution of INEDs in particular; and
- promotes high standards of corporate governance.

As Managing Director, Mr Tse Chong Hing is responsible for strategic planning and the general management of the Group. Mr Tse oversees the business direction and operations, leads the management team and facilitates effective planning and execution of long-term business strategies.

Provision 3.3

Ms Tan Siok Chin has been appointed Lead Independent Director ("LID") to provide leadership in any situation where the Chairman is conflicted and to address shareholders' concerns on issues that cannot be appropriately or, adequately dealt with by the Chairman and Managing Director or, the Chief Financial Officer. When necessary, she facilitates meetings or discussions with the other INEDs on board matters and provides her feedback to the Chairman after such meetings.

Her other specific roles as LID are as follows:

- (a) acts as liaison between the INEDs and the Chairman and Managing Director and leads the INEDs to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- (b) advises the Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the INEDs to effectively and responsibly perform their duties; and
- (c) assists the Board and Company officers in ensuring compliance with and implementation of corporate governance practices.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

The key responsibilities of the NC are as follows:

- (a) to review the structure, size, composition, diversity and skills of the Board;
- (b) to determine and assess the independence of Directors;
- (c) to make recommendations to the Board on all board appointments;
- (d) to recommend the nomination of Directors retiring by rotation to be put forward for re-election;
- (e) to review Board succession plans for Directors, in particular, the Chairman, the Executive Directors and Key Management Personnel;
- (f) to review the training and professional development programs for the Board and its Directors;
- (g) to develop a process for evaluation of the performance of the Board, its Board Committees and Directors;
- (h) to assess the effectiveness of the Board as a whole and its Board Committees and the contribution of the Chairman and of each individual Director to the effectiveness of the Board; and
- (i) to determine if a Director who has multiple board representations is able to carry out and/or has adequately carried out his/her duties as a Director of the Company.

As part of the Board renewal process, the NC sourced and interviewed candidates through recommendations from Directors and business associates to replace directors who will be fulfilling their 9 years tenure in FY2023. Mr Liu Chung Mun Wilson, who is a Chartered Accountant, was appointed as INED on 1 August 2022. Mr Liu was subsequently appointed Chairman of the AC to replace Mr Ong Tiew Siam who retired from the Board in November 2022.

The Company's Bye-laws provide for the appointment of alternate directors. In line with the Practice Guidance accompanying the 2018 Code, the Company generally avoids the appointment of alternate directors and should any appointment be made, it will be due to exceptional circumstances and for limited periods only. No alternate director was appointed in FY2023.

Provision 4.2

The NC is regulated by a set of written terms of reference and comprises 3 Directors, all of whom are independent. Currently, the NC is chaired by an INED, Mr Loo Cheng Guan and its members comprise Ms Tan Siok Chin (who is the LID) and Mr Liu Chung Mun Wilson.

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

Provision 4.3

New appointments to the Board are first considered and reviewed by the NC. Potential candidates are sourced through contacts or recommendations from Directors. An external consultant may be engaged to source for qualified candidates, if required. Having due regard for the benefits of diversity on the Board, the NC evaluates the suitability of candidates taking into account various aspects, including but not limited to, his/her character, knowledge, skills, experience, gender, age and, his/her ability and willingness to commit time to the Company, before making recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

The Bye-laws of the Company require all Directors to submit themselves for re-election at least once in every 3 years. In particular, one-third of the Directors shall retire annually by rotation at every Annual General Meeting ("AGM") and newly appointed Directors are required to submit themselves for re-election at the AGM next following their appointment.

Provision 4.4

The independence of Directors is reviewed by the NC on an annual basis. The NC noted that Ms Tan Siok Chin (INED) and her spouse are directors and shareholders of ACIES Law Corporation, which provides legal services to the Company on a retainer basis as well as, legal services (outside the scope of the retainer) to the Company from time to time. Based on its assessment and declaration by Ms Tan, the NC has determined that Ms Tan is independent notwithstanding the existence of such relationship, taking into account Ms Tan's actual performance and contributions to the Company and at Board and Board Committees meetings, and the findings of peer evaluation of Board members carried out for FY2023. Ms Tan has at all times discharged her duties with professionalism and objectivity, acted with independence of mind, consistently exercised independent judgement in the best interests of the Company and recusing herself in situations when her independence may be compromised. The Board concurred with the NC's views and determined that Ms Tan is independent notwithstanding the existence of the relationship disclosed herein.

In line with Provision 2.1 of the 2018 Code, the NC has also assessed and determined that, other than the relationship as disclosed above, none of the INEDs has any relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. The INEDs are independent in conduct, character and judgement.

The NC reviews independence of the Directors annually, and as and when circumstances require, having regard to the definition of independence/circumstances as stated in the 2018 Code and accompanying Practice Guidance and Listing Manual of the SGX-ST. In its annual review for FY2023, the NC has determined Mr Liu Chung Mun Wilson, Mr Loo Cheng Guan and Ms Tan Siok Chin to be independent, which was concurred by the Board.

Each member of the NC and of the Board had abstained from deliberation in respect of assessment of his/her own independence.

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

Provision 4.5

The NC ensures that new directors are aware of their duties and obligations. For FY2023, the NC is satisfied that each Director had accorded sufficient time, attention and effort in fulfilling his/her duties, responsibilities and obligations as a Board member and was able to adequately carry out his/her duties as a Director of the Company. The Board concurred with the NC's views.

CORPORATE GOVERNANCE REPORT

Key information of Directors as at 26 June 2023 is set out below:

Name	Date of First Appointment	Date of Last Re-election	Directorships or Chairmanships in Other Listed Companies		Other Principal Commitments
			Present	Past (Preceding 5 Years)	
Tse Chong Hing	25 August 2006	29 July 2022	Chairman & Managing Director of Valuetronics Holdings Limited	Nil	–
Chow Kok Kit	25 August 2006	14 August 2020	Executive Director of Valuetronics Holdings Limited	Nil	–
Tan Siok Chin	22 July 2014	29 July 2022	Non-Executive Director of Cosmosteel Holdings Limited	Independent Chairman of Design Studio Group Limited	Director of ACIES Law Corporation
Loo Cheng Guan	24 July 2015	29 July 2022	Independent Director of China First Capital Group Ltd and Cosmosteel Holdings Limited	Datapulse Technology Ltd Mirach Energy Limited (delisted from SGX-ST on 30 September 2021)	–
Liu Chung Mun Wilson	1 August 2022	N/A	Independent Director of Foran Energy Group Co Ltd	Nil	–

The profiles of Board members are set out on pages 9 to 11 of the Annual Report.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1

Provision 5.2

The NC has in place a performance evaluation process where the effectiveness of the Board as a whole, and of each Board Committees separately, and the contribution by each individual Director (including the Chairman) to the Board are assessed. This annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director or committee member on whether the Board or Board Committee's procedures and processes enabled Directors to discharge their duties effectively and to propose changes which may be made to enhance Board/Board Committee effectiveness as a whole.

Board performance evaluation for FY2023 was conducted by having all Directors complete a questionnaire covering the following areas/performance criteria –

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

CORPORATE GOVERNANCE REPORT

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

Separate assessments of performance of Board Committees were carried by the AC, RC and NC for FY2023 by having all the Board Committee members complete a separate questionnaire in respect of each Board Committee. The performance criteria include, amongst others –

- The respective Board Committees' structure, size and expertise
- Accountability and performance
- Board Committee Function – Information to the Board Committees, processes, relationship with or reporting to the Board and Standards of Conduct
- Attendance, contribution and participation of each member at Board Committee meetings
- Communications with shareholders.

Peer evaluation of Board members, including the Chairman, was also conducted in FY2023. For this evaluation, each Board member completes a questionnaire in respect of every other Board member as well as the Chairman. The questionnaire required the evaluator to rate the Director he/she is evaluating based on his/her duties as Director, leadership and communication skills, strategy and risk management capabilities, knowledge and interaction with fellow Directors, Management team, Company Secretary, Auditors and other professionals who render services to the Company.

For each of the performance evaluations of the Board, Board Committees and Directors, a summary of findings is prepared by the Company Secretary based on the completed questionnaires and is reviewed and deliberated by the NC before submitting to the Board. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary.

The NC, having reviewed the performance of the Board, Board Committees and individual Directors for FY2023, determined that the Directors have demonstrated commitment to their roles and contributed effectively to the discharge of their duties.

No external facilitator was engaged by the Board for the above evaluations.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1

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

- (1) the framework of remuneration for the Board and Key Management Personnel;
- (2) long-term incentives and performance-based incentives, including share option scheme and performance share plan;
- (3) specific remuneration packages for each Director and Key Management Personnel;
- (4) remuneration packages of employees related to Directors or controlling shareholders of the Company; and
- (5) the Company's obligations arising in the event of termination of Executive Directors and Key Management Personnel's contracts of services, to ensure that such contracts are fair and reasonable and termination clauses are not overly generous.

CORPORATE GOVERNANCE REPORT

Provision 6.2

Currently, the RC is chaired by Ms Tan Siok Chin and its members comprise Mr Loo Cheng Guan and Mr Liu Chung Mun Wilson. All members of the RC are independent.

Provision 6.3

The RC considers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards and benefits-in-kind and termination terms to ensure they are fair. In its review, the RC ensures that the remuneration of the Directors and Key Management Personnel commensurate with their performance and value-add to the Group, giving due regard to the sustainability of performance, value creation and strategic objectives of the Company and/or the Group.

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

Provision 6.4

The RC may, during its review of remuneration of Directors and Key Management Personnel, seek advice from external remuneration consultants, as and when necessary. No external facilitator/consultant had been engaged by the Board to advise on remuneration matters in FY2023.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1

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

The remuneration packages of Key Management Personnel comprise a fixed component and a variable component. The fixed component is in the form of a base salary and the variable component includes performance-based cash incentive bonus and the share-based Valuetronics Employee Share Option Scheme with share options awarded based on a set of performance-related criteria.

The performance-related remuneration is to align Executive Directors and Key Management Personnel's interests with those of the shareholders and other stakeholders, for the long-term success of the Company, and link rewards to corporate and individual performance.

CORPORATE GOVERNANCE REPORT

Provision 7.2

INEDs receive Directors' fees, which are subject to shareholders' approval at the AGM. INED's fees comprise a basic fee and, additional fees for serving on any of the Board Committees and attendance at ad-hoc meetings. The fees take into account their responsibilities, effort and time accorded in discharging their duties and, market practices.

The fee structure for INEDs comprises the following components:

- (1) A basic fee for each INED;
- (2) A percentage of basic fee for each additional role on Board Committees; and
- (3) Attendance fee for participation in additional/ad-hoc Board/Board Committees meetings.

No Director is involved in determining his/her own remuneration.

INED fees proposed for FY2024 will be S\$300,000 (FY2023: S\$350,000). The proposed fee has taken into account (i) the appointment of an additional INED in FY2024 as part of the Board renewal process and (ii) additional fees (if any) which may be payable for unscheduled Board and Board Committee meetings.

Provision 7.3

In determining specific remuneration packages for each Executive Director and Key Management Personnel, the pay and employment conditions within the same industry and in comparable companies as well as the Company's performance and that of the individual are taken into account, so as to ensure the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and Key Management Personnel to successfully manage the Company for the long term.

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1

While the 2018 Code recommends that companies fully disclose the amount and breakdown of remuneration for each individual director and the CEO on a named basis, the Board is of the view that such disclosure is not in the interest of the Company considering confidentiality and sensitivity attached to remuneration matters given the highly competitive industry in which the Group operates.

The remuneration of Directors and top Key Management Personnel is, however, disclosed in the bands of S\$250,000 with a breakdown showing the level and mix of remuneration in percentage terms. The Board is of the view that the information disclosed in this Report, including the disclosure of remuneration in bands of S\$250,000, is sufficient for shareholders to have adequate understanding of the Company's remuneration framework, policies and practice for Directors and Key Management Personnel, as well as the link between performance and remuneration. In addition, the fees for INEDs are put to shareholders for approval annually at the Company's AGM.

The Board is of the opinion that the practices the Company has adopted are consistent with the intent of Principle 8 of the 2018 Code as a balance is struck between the requirement for transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, vis-à-vis the Group's need to maintain confidentiality of sensitive information.

CORPORATE GOVERNANCE REPORT

A breakdown (in percentage terms) of Directors' remuneration and that of the Group's top 5 Key Management Personnel who are not Directors or, the Managing Director, for the financial year ended 31 March 2023, falling within broad bands, are set out below –

(A) Directors' remuneration

Name	Salary (%)	Bonus (%)	Fee (%)	Benefits* (%)	Total (%)
Below S\$250,000					
Ong Tiew Siam	–	–	100%	–	100%
Tan Siok Chin	–	–	100%	–	100%
Loo Cheng Guan	–	–	100%	–	100%
Liu Chung Mun Wilson	–	–	100%	–	100%
Between S\$1,250,001 – S\$1,500,000					
Chow Kok Kit	36%	64%	–	–	100%
Between S\$1,750,001 – S\$2,000,000					
Tse Chong Hing	34%	66%	–	–	100%

(B) Remuneration of top 5 Key Management Personnel (who are not Directors or, the Managing Director)

Name	Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below S\$250,000				
Cheng Lup Ming	73%	14%	13%	100%
Huang Jian Yuan	74%	14%	12%	100%
Between S\$250,001 – S\$500,000				
Lui Ka Ho Joseph	68%	8%	24%	100%
Wong Hing Kwai	8%	69%	23%	100%
Between S\$750,001 – S\$1,000,000				
Loic Meston	43%	46%	11%	100%

* Share-based payments and post-employment benefits are included in the column "Benefits" above.

Note: Mr Wong Hing Kwai retired as Director, Honor Tone Limited on 1 September 2022.

In FY2023, the annual aggregate remuneration paid to the top 5 Key Management Personnel (who are not Directors or, the Managing Director) was approximately S\$2,146,000.

(C) Remuneration of employees who are substantial shareholders of the Company, or who are immediate family members of a Director, the Managing Director or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year

Mr Tse Chong Hing (Chairman and Managing Director) and Mr Chow Kok Kit (Executive Director) are substantial shareholders of the Company.

CORPORATE GOVERNANCE REPORT

Considering confidentiality and sensitivity attached to remuneration matters and based on the Board's views as disclosed above, the Company has not complied with Provision 8.2 of 2018 Code as to disclosure on remuneration of employees who are substantial shareholders of the Company and whose remuneration exceeds S\$100,000 during the year (namely, Mr Tse Chong Hing and Mr Chow Kok Kit), in bands no wider than S\$100,000. The remuneration paid to Mr Tse and Mr Chow (who are Directors and substantial shareholders of the Company) for the financial year ended 31 March 2023 are disclosed in the bands of S\$250,000 with a breakdown (in percentage terms) showing the level and mix of remuneration, as set out in the above table relating to Directors' remuneration.

There were no termination, retirement or post-employment benefits granted to Directors during the year. Termination, retirement or post-employment benefits granted to Key Management Personnel was approximately S\$106,000.

Provision 8.2

Save as disclosed above, there were no employees who were substantial shareholders, or who were immediate family members of any Director or, the Managing Director or, a substantial shareholder of the Company, in FY2023.

Provision 8.3

The remuneration of the Company's Executive Directors and Key Management Personnel are borne by the Company's operating subsidiaries. Other than as disclosed herein, there were no remuneration and other payments and benefits paid by the Company's subsidiaries to Directors and Key Management Personnel of the Company.

The Company currently has in place 2 share schemes in the form of the Valuetronics Share Option Scheme 2017 ("ESOS") and the Valuetronics Performance Share Plan 2017 ("PSP") for eligible employees, including Directors of the Company and the Group. Details of ESOS grants and PSP awards are disclosed in the Report of the Directors.

Details of the Company's ESOS and PSP are set out in pages 86 to 89 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1

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

The primary task of identifying business risks lies with Management, who recommends to the Board processes for the formulation of policies to mitigate such risks. The Risk Management process, which is approved by the Board, includes a combination of measures/controls to reduce or, mitigate the Group's exposure to risks and/or, possible losses. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Board and AC will be responsible for (a) monitoring the Company's risk of becoming subject to, or violating, any sanctions-related law or regulation and (b) ensuring timely and accurate disclosures to SGX-ST and other relevant authorities. As at the date of this Report, the Company does not have existing business in a country which is subject to sanctions-related law or regulation, and has no exposure to sanctions-related risks.

Provision 9.2

For FY2023, the Board has received the following assurances –

- (a) Written confirmation from the Managing Director (equivalent to CEO) and Chief Financial Officer that the Company's financial records have been properly maintained and the financial statements for FY2023 give a true and fair view of the Company's operations and finances; and
- (b) Written confirmation from the Managing Director (equivalent to CEO), Chief Financial Officer and relevant Key Management Personnel that the Company's risk management, compliance and internal controls (including financial, operational, compliance and information technology controls) systems are adequate and effective.

Based on the internal controls established and risk management framework maintained by the Group, work performed by the Internal Auditors and External Auditors, and the reviews performed by Management and the RMC for FY2023, the Board, with the concurrence of the AC, is satisfied that, as at the date of this Report, the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are effective and adequate in its current business environment. No material weaknesses of internal controls and risk management systems were identified in respect of FY2023.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

Provision 10.2

Provision 10.3

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

Currently, the AC comprises 3 Directors, all of whom are independent. The Chairman of the AC is Mr Liu Chung Mun Wilson and its members are Ms Tan Siok Chin and Mr Loo Cheng Guan.

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

CORPORATE GOVERNANCE REPORT

The AC Chairman who was appointed to the Board on 1 August 2022, was a partner of PricewaterhouseCoopers, China/Hong Kong (a member firm of the External Auditors, PricewaterhouseCoopers LLP) up till 30 June 2020. Save as disclosed, no former partner or director of the External Auditors is a member of the AC. The AC Chairman and members do not have any financial interest in the External Auditors.

Provision 10.1

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

- (a) To review with the External Auditors, the scope and results of the external audit, evaluation of the accounting controls, audit reports and any matters which the External Auditors wish to discuss;
- (b) To review with the Internal Auditors, their audit plan and reports, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control system, including financial, operational and compliance controls and risk management system;
- (c) To review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (d) To review significant financial reporting issues and judgements so as to ensure the integrity of financial statements of the Company and any announcements relating to the Company's financial performance;
- (e) To review the quarterly and annual financial statements of the Company and the Group, including half-year and full-year results announcements to shareholders and the SGX-ST, prior to submission to the Board for approval;
- (f) To review and to report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, which address the Group's financial, operational, compliance and information technology risks and risk management systems, and any other matters requiring the Board's attention;
- (g) To evaluate the Group's system of internal controls with the Internal Auditors and to assess the effectiveness and adequacy of internal accounting and financial control procedures;
- (h) To review the assurance from the Managing Director (equivalent to CEO) and Chief Financial Officer on the financial records and financial statements;
- (i) To review the Company's Whistle-Blowing Policy and to ensure that arrangements are in place for concerns about possible improprieties in financial reporting or other matters to be safely raised and independently investigated, and for appropriate follow-up action to be taken;
- (j) To review Interested Person Transactions and to report its findings to the Board;
- (k) To conduct annual reviews of the cost effectiveness of the external audit, the adequacy, effectiveness, independence and objectivity of the External Auditors, including the volume of non-audit services provided by the External Auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors before confirming their re-nomination; and
- (l) To make recommendations to the Board on the appointment, re-appointment and removal of the External Auditors and to approve their remunerations and terms of engagement.

CORPORATE GOVERNANCE REPORT

During the financial year, the AC had reviewed –

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

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

Provision 10.4

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

Internal Audit

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

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

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

The AC assesses the adequacy, effectiveness and independence of the internal audit function annually. For FY2023, the AC is satisfied that the IA is independent, effective, has the necessary resources to adequately perform its functions and staffed by qualified and experienced personnel.

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

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

External Audit

In compliance with Rule 712 of the SGX-ST Listing Manual which requires all SGX-ST primary-listed issuers to appoint an auditing firm which is approved under the Accountants Act 2004 of Singapore, PricewaterhouseCoopers LLP ("PwC Singapore") was appointed External Auditors of the Company with effect from the financial year ended 31 March 2023.

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In reviewing the nomination of PwC Singapore for re-appointment as External Auditors, the AC had considered the adequacy of resources, experience and competence of PwC Singapore and, had taken into account the Audit Quality Indicators Disclosure Framework of PwC Singapore at firm level and on audit engagement level. Consideration was also given to the experience of the engagement partner and members of the audit team and, the ability of the audit team to work cohesively with Management within the agreed timelines.

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

Provision 10.5

In FY2023, the AC met with the External Auditors and the Internal Auditors twice, to review the Group's accounting, auditing and financial reporting and internal control matters, so as to ensure that an effective system of control is maintained in the Group. The AC has also met with External Auditors and Internal Auditors without the presence of Management.

Aggregate audit service fees paid to the Company's External Auditors, PwC Singapore and member firms of PricewaterhouseCoopers ("PwC") for FY2023 amounted to HK\$2.6 million for the Group. The Group did not engage PwC Singapore or its member firms to provide non-audit services in FY2023.

In FY2023, PwC Singapore was the sole auditor of the Company, whilst its principal subsidiaries were audited by member firms of PwC. The Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of audit firms.

WHISTLE-BLOWING POLICY

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

The objectives of the Whistle-Blowing Policy are:

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

The AC is responsible for oversight and monitoring of whistleblowing and ensures that arrangements are in place for independent investigation of matters raised. The AC will review investigation reports on whistleblowing cases (if any) and decide/recommend follow-up or remedial actions to be taken, where appropriate, and report the same to the Board accordingly. The Company and/or AC may in its absolute discretion designate an independent function/party as it deems fit to investigate whistleblowing reports made in good faith.

The Company will exercise great care, sensitivity and timeliness whilst carrying out investigation of matters raised; and protect the identity of all whistle-blowers, except as necessary or appropriate to conduct the investigation and to take any remedial action and subject to legal or regulatory requirements. Investigation results are confidential and will not be disclosed or discussed with anyone other than those with a legitimate need to know. The Company will also protect a whistle-blower acting in good faith and who has not himself or herself engaged in serious misconduct or illegal conduct from any forms of harassment, retaliation, adverse employment or career advancement consequence or discrimination, including but not limited to demotion, dismissal or reduction of compensation or privileges of employment.

Details of the Whistle-Blowing Policy have been disseminated and made available to all employees of the Group.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1

As general meetings are the principal forum for dialogue with shareholders, the Board encourages all shareholders to attend the general meetings, to stay informed of the Group's developments. Shareholders are also given the opportunity to air their views and direct questions to the Board and Board Committees. Notices of general meetings are issued with Annual Reports or, relevant circulars and sent to shareholders within the prescribed time frame. Such notices are also advertised in a Singapore newspaper and posted on SGXNet and the Company's website.

Every shareholder is entitled to vote in person or by appointing up to 2 proxies to attend and vote on his or her behalf. With poll voting, shareholders and/or, their proxies are entitled to 1 vote for every share represented at general meetings.

In compliance with Bermuda law, the Company's Bye-laws do not allow corporations which provide nominee or custodial services to appoint more than 2 proxies to attend and participate in general meetings as proxies.

Provision 11.2

At general meetings, separate resolutions are proposed for each substantially separate issue to avoid bundling of resolutions unless, the resolutions are inter-dependent and linked to form 1 significant proposal.

Provision 11.3

The Directors, including the Chairman of the respective Board Committees and the External Auditors attend general meetings to address issues or queries raised by shareholders. The External Auditors is present at the AGM to address shareholders' queries on the conduct of the audit and the preparation and content of the auditors' report. For the last AGM held in July 2022, all the Directors attended the meeting, which was conducted by way of electronic means.

Provision 11.4

The Company has not implemented voting in absentia due to concerns on information control and security. In this connection, the Company has not amended its Bye-laws to allow shareholders to vote in absentia at general meetings. Voting in absentia may only be possible following careful study/review of feasibility to ensure that integrity of the information and authentication of the identity of shareholders is not compromised.

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

CORPORATE GOVERNANCE REPORT

Provision 11.5

The Company Secretary prepares minutes of general meetings which are available to shareholders present at the relevant meeting, upon request. Minutes of AGMs/general meetings of shareholders, incorporating substantial and relevant comments or queries from shareholders relating to the agenda of general meetings and responses from the Board, Management and/or Auditors, are published via SGXNet and on the Company's website.

Provision 11.6

DIVIDEND POLICY

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

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

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

- (i) the Group's actual and expected financial performance and financial conditions;
- (ii) retained earnings and distributable reserves;
- (iii) results of operations and cash flow;
- (iv) the level of the Company's debts to equity ratio and return on equity;
- (v) the ability of the Company's subsidiaries to make dividend payments to the Company;
- (vi) restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements;
- (vii) the Group's expected working capital requirements, the Group's expected capital expenditure, future expansion, other investment plans and other funding requirements;
- (viii) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which the Board may consider appropriate in the interests of the Company; and
- (ix) such other factors that the Board deems appropriate.

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

CORPORATE GOVERNANCE REPORT

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1

The Board recognises the importance and is aware of its obligations in providing regular, effective and fair communication with shareholders. It provides prompt, consistent and relevant information with regard to the Group's corporate developments and financial performance, which complies with disclosure obligations prescribed under the 2018 Code and the SGX-ST Listing Manual.

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

The Group keeps all shareholders informed of developments that would have a material impact on the Group through announcements on SGXNet and on the Company's website at www.valuetronics.com.hk. Shareholders may at any time send their enquiries and/or feedback about the Company to the Board in writing through its corporate website, under "Contact Us" or "IR Contact" section.

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

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

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

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

Provision 12.2

The Group's Investor Relations ("IR") Policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

Provision 12.3

The Company has put in place a formal IR Policy which is available on the Company's website at www.valuetronics.com.hk. The IR Policy sets out, *inter alia*, (i) the principles, policies and practices that are adopted by the Company in the course of a two way communication between the Company and its shareholders and the investment community, and (ii) mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1

Provision 13.2

The Company has in place a Stakeholder Engagement Policy which sets out the principles, policies and practices that are adopted by the Company in the course of its stakeholder engagement activities so as to provide opportunities to further align its business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company adopts an inclusive approach by considering and balancing the needs and interests of its key stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served. The key stakeholders include, but not limited to, customers, suppliers, employees, investors, and local government. The Company adopts both formal and informal channels of communication to understand the needs of its key stakeholders, and incorporate their feedback into the evolution of corporate strategies so as to achieve mutually beneficial relationships.

The Company discloses in its Sustainability Report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period. Further details can be found in the Company's Sustainability Report for the financial year ended 31 March 2023.

Provision 13.3

The Company maintains a corporate website at www.valuetronics.com.hk to communicate and engage with its stakeholders.

SECURITIES TRANSACTIONS

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

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

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

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS ("IPTs")

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

Save as disclosed in the consolidated financial statements, the aggregate value of all approved IPTs conducted during the financial year ended 31 March 2023 (excluding transactions less than S\$100,000), are set out below:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
		Year ended 31 March 2023 HK\$'000	Year ended 31 March 2022 HK\$'000
Chow Kok Kit ("Mr Chow")	Purchase of goods from Nicecon Limited, which is owned by Mr Chow's brother	–	2,855
Tse Chong Hing ("Mr Tse")	Project management consultancy services for the Vietnam factory from Concord Buildings Co. Ltd, which is owned by Mr Tse's brother and wife.	160	1,286

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

MATERIAL CONTRACTS

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

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

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 2023.

1. DIRECTORS AT DATE OF REPORT

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

Tse Chong Hing	Chairman and Managing Director
Chow Kok Kit	Executive Director
Tan Siok Chin	Lead Independent Director
Loo Cheng Guan	Independent Director
Liu Chung Mun Wilson	Independent Director

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

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

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of Directors	In the name of Directors		Deemed Interest	
	At 1 April 2022	At 31 March 2023	At 1 April 2022	At 31 March 2023
	Ordinary shares of HK\$0.10 each			
Tse Chong Hing	75,990,411	75,990,411	—	—
Chow Kok Kit	32,000,361	32,000,361	—	—
Tan Siok Chin	—	—	—	—
Loo Cheng Guan	—	—	—	—
Liu Chung Mun Wilson	—	—	—	—

There was no change in Directors' interests between the end of the financial year and 21 April 2023.

4. CONTRACTUAL BENEFITS OF DIRECTORS

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

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

5. SHARE OPTIONS AND AWARDS

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

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

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

Tan Siok Chin (Chairman)
Loo Cheng Guan
Liu Chung Mun Wilson

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

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

- (a) Group Employees (including Executive Directors but excluding Controlling Shareholders and/or their Associates); and
- (b) Non-Executive Directors (including Independent Directors).

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

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

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

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

During the financial year, 1,300,000 options to subscribe for shares in the Company were granted to the Company's executives and staff under the ESOS 2017. No exercise of options was noted and 310,000 options were forfeited during the financial year.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

As at 31 March 2023, the Company has the following outstanding share options:

Date of grant (Note)	Exercise Price	Outstanding at 1 April 2022	Granted	Forfeited	Outstanding at 31 March 2023
24 August 2015	S\$0.268*	27,500	–	–	27,500
18 August 2016	S\$0.379*	132,000	–	–	132,000
24 September 2017	S\$0.701	2,895,000	–	(125,000)	2,770,000
21 September 2018	S\$0.530	2,245,000	–	(80,000)	2,165,000
15 November 2019	S\$0.570	3,095,000	–	(105,000)	2,990,000
18 November 2020	S\$0.460	2,400,000	–	–	2,400,000
7 December 2021	S\$0.530	1,890,000	–	–	1,890,000
15 November 2022	S\$0.490	–	1,300,000	–	1,300,000
Total		12,684,500	1,300,000	(310,000)	13,674,500

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

Note:

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

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

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

(ii) **The Valuetronics Performance Share Plan (“PSP 2008”) and the Valuetronics Performance Share Plan 2017 (“PSP 2017”)**

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

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

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

The PSP 2017 is administered by the Remuneration Committee.

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

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

As at 31 March 2023, the Company has no outstanding Share Awards.

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

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

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

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

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

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

6. AUDIT COMMITTEE

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

Liu Chung Mun Wilson (Chairman)
Tan Siok Chin
Loo Cheng Guan

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

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

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

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

7. AUDITORS

The Directors of the Company, with the concurrence of the AC, propose the re-appointment of PricewaterhouseCoopers LLP as External Auditors of the Company for the financial year ending 31 March 2024 at the forthcoming AGM.

8. DEVELOPMENTS SUBSEQUENT TO ANNOUNCEMENT OF RESULTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 30 May 2023, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

ON BEHALF OF THE BOARD OF DIRECTORS

TSE CHONG HING
Chairman

CHOW KOK KIT
Executive Director

26 June 2023

STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

In the opinion of the Directors,

- (a) The accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 47 to 92, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2023 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

TSE CHONG HING
Chairman

CHOW KOK KIT
Executive Director

26 June 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALUETRONICS HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Valuetronics Holdings Limited ("the Company") and its subsidiaries ("the Group") as at 31 March 2023 and their consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income of the Group for the year then ended;
- the statements of financial position of the Group and of the Company as at 31 March 2023;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALUETRONICS HOLDINGS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<p>Assessment of impairment indicator of property, plant and equipment</p> <p>Refer to Note 3.4 "Summary of significant accounting policies – Property, plant and equipment" and Note 5(c).</p> <p>As at 31 March 2023, the Group held property, plant and equipment ("PP&E") of HK\$286,039,000, of which HK\$177,400,000 of the Group's total PP&E balance are in the Vietnam plant which is referred to as the Vietnam campus. The Vietnam campus commenced mass production in the previous financial year.</p> <p>Management assesses whether there are indications that the carrying value of an asset or a group of assets may be impaired. As at 31 March 2023, management performed this assessment to determine whether there is any indicator that the PP&E in the Vietnam campus might be impaired.</p> <p>We focused our audit effort on the assessment of impairment indicator of PP&E in the Vietnam campus due to the magnitude of the PP&E balance in the Vietnam campus and the judgement involved in assessing whether there is any indicator that the PP&E in the Vietnam campus may be impaired.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">– Obtained an understanding and evaluated the effectiveness of management's control over the assessment of impairment indicator over PP&E; and– Assessed whether there was any evidence that indicates that the PP&E in the Vietnam campus may be impaired by reviewing external and internal sources of information. This included, amongst others, comparing the actual financial results of the Vietnam campus during the current year against the respective forecasts in the prior year, reviewing the budgeted operating profits for the Vietnam campus to determine whether there is any significant decline in the profitability of these assets, and attending the physical observations at production premises at the Vietnam campus to identify any obsolescence or physical damage on the PP&E. <p>Based on the above, we did not identify any indicator of impairment over the PP&E in the Vietnam campus and the result of management's assessment over the impairment indicators of PP&E in the Vietnam campus was supported by the evidence we obtained.</p>
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Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALUETRONICS HOLDINGS LIMITED

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALUETRONICS HOLDINGS LIMITED

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Zen Yun.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 26 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	6	2,013,688	2,027,426
Cost of sales	8	(1,751,993)	(1,752,611)
Gross profit		261,695	274,815
Selling and distribution expenses	8	(21,870)	(21,636)
Administrative expenses	8	(138,946)	(141,585)
Other income and gains, net	7	32,040	14,734
Operating profit		132,919	126,328
Finance costs		(508)	(583)
Profit before income tax		132,411	125,745
Income tax expense	11	(9,421)	(12,199)
Profit for the year		122,990	113,546
Attributable to:			
Owners of the Company		122,990	113,546
Earnings per share for profit attributable to owners of the Company for the year		HK cents	HK cents
– Basic	12	29.1	26.1
– Diluted	12	29.1	26.0

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$'000	2022 HK\$'000
Profit for the year	122,990	113,546
Other comprehensive income, net of tax		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(19,174)	2,923
Total comprehensive income for the year	103,816	116,469
Attributable to:		
Owners of the Company	103,816	116,469

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2023

		Group		Company	
	Note	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	286,039	318,319	–	–
Right-of-use assets	15(a)	42,909	47,451	–	–
Investment in subsidiaries	16	–	–	83,330	83,330
Financial assets at fair value through profit or loss	17	22,200	24,600	–	–
Other non-current assets	18	18,009	19,105	–	–
		369,157	409,475	83,330	83,330
Current assets					
Inventories	19	203,625	273,508	–	–
Trade receivables	20	463,811	430,681	–	–
Other receivables		6,845	4,191	–	–
Prepayments and other current assets	18	22,535	41,135	314	300
Due from subsidiaries	16	–	–	468,987	487,560
Cash and cash equivalents	21	1,009,930	936,665	3,795	212
		1,706,746	1,686,180	473,096	488,072
Total assets		2,075,903	2,095,655	556,426	571,402
EQUITY					
Equity attributable to owners of the Company					
Share capital	26	43,563	43,563	43,563	43,563
Treasury shares	26	(64,504)	(11,138)	(64,504)	(11,138)
Reserves	28	1,382,936	1,336,178	576,902	538,146
Total equity		1,361,995	1,368,603	555,961	570,571
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	22	474	2,974	–	–
		474	2,974	–	–
Current liabilities					
Trade payables	23	233,565	262,733	–	–
Other payables and accruals	24	397,681	385,987	465	831
Contract liabilities	25	30,553	24,299	–	–
Current income tax liabilities		51,635	51,059	–	–
		713,434	724,078	465	831
Total liabilities		713,908	727,052	465	831
Total equity and liabilities		2,075,903	2,095,655	556,426	571,402

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

Attributable to equity owners of the Company								
	Reserves							
	Share capital HK\$'000	Treasury shares HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Currency translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000
	(Note 26)	(Note 26)	(Note 28(ii))	(Note 28(iii))	(Note 28(iv))	(Note 28(v))		
Balance at 1 April 2022	43,563	(11,138)	164,515	15,000	22,669	5,244	1,128,750	1,336,178
Total comprehensive income for the year	-	-	-	-	(19,174)	-	122,990	103,816
Dividends paid (Note 13)	-	-	-	-	-	-	(59,434)	(59,434)
Share-based compensation	-	-	-	2,376	-	-	-	2,376
Forfeiture of share option	-	-	-	(608)	-	-	608	-
Purchase of treasury shares (Note 26)	-	(53,366)	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	262	(262)	-
	-	(53,366)	-	1,768	(19,174)	262	63,902	46,758
Balance at 31 March 2023	43,563	(64,504)	164,515	16,768	3,495	5,506	1,192,652	1,382,936

The accompanying notes form an integral part of these financial statements

FOR THE YEAR ENDED 31 MARCH 2023

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Profit before income tax	132,411	125,745
Adjustments for:		
Depreciation on right-of-use assets	1,621	3,644
Depreciation on property, plant and equipment	53,397	58,028
Provision for impairment of trade receivables	–	1,499
Gain on disposals of property, plant and equipment	(1,858)	(1,101)
Investment income	–	(2,694)
Share-based compensation expense	2,376	3,286
Interest income, net	(21,238)	(2,289)
	166,709	186,118
Changes in working capital:		
Inventories	69,883	(59,428)
Trade receivables	(33,130)	58,329
Other receivables	(2,654)	(3,560)
Prepayments and other current assets	13,375	(7,845)
Trade payables	(29,168)	(102,448)
Other payables and accruals	11,694	(60,225)
Contract liabilities	6,254	108
Net cash generated from operations	202,963	11,049
Income tax paid	(4,790)	(21,968)
Net cash generated from/(used in) operating activities	198,173	(10,919)
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,627)	(92,284)
Acquisition of right-of-use assets	–	(1,032)
Proceeds from disposals of property, plant and equipment	2,563	3,091
Proceeds from returns on financial assets at fair value	–	2,694
Interest received	21,238	2,289
Net cash used in investing activities	(10,826)	(85,242)
Cash flows from financing activities		
Purchase of treasury shares	(53,366)	(11,120)
Dividends paid to equity holders of the Company	(59,434)	(87,125)
Net cash used in financing activities	(112,800)	(98,245)
Net increase/(decrease) in cash and cash equivalents	74,547	(194,406)
Cash and cash equivalents at beginning of the financial year	936,665	1,129,446
Effect of foreign exchange rate changes	(1,282)	1,625
Cash and cash equivalents at end of the financial year	1,009,930	936,665

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

Valuetronics Holdings Limited (the “Company”) (Registration number: 38813) was incorporated in Bermuda on 18 August 2006 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its principal place of business is Unit 9-11, 7/F., Technology Park, No. 18, On Lai Street, Shatin, New Territories, Hong Kong. The Company’s shares are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 16 to the consolidated financial statements.

These consolidated financial statements have been presented in thousands of HK dollar (“HK\$’000”), unless otherwise stated, and is approved for issue by the Board of Directors on 26 June 2023.

2 BASIS OF PREPARATION

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (“IFRSs”) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2.1 Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with IFRSs.

2.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“FVPL”) which are measured at fair value.

2.3 New and amended standards

(a) Adoption of new and amended standards

The Group has adopted the following new/revised standards and amendments to standards which are mandatory for the financial year beginning on or after 1 April 2022:

- | | |
|---------------------------------------|---|
| • Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| • Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| • Amendments to IFRS 3 | Reference to the Conceptual Framework |
| • Annual Improvements 2018-2020 cycle | |

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.3 New and amended standards (Continued)

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

The following are new/revised standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 April 2023, but have not been early adopted.

• IFRS 17	Insurance Contracts
• Amendments to IAS 1	Classification of Liabilities as Current/Non-current
• Amendments to IAS 1	Non current liabilities with covenants
• Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
• Amendments to IAS 8	Definition of Accounting Estimates
• Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
• Amendment to IFRS 16	Leases on sale and leaseback

These new standards or amendments to existing standards are not expected to have any material impact on the Group and the Company in the current or future reporting periods and on foreseeable future transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Subsidiaries

(a) Consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

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

3.4 Property, plant and equipment

Property, plant and equipment (except for construction-in-progress as outlined below) are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction-in-progress is stated at cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred out from construction-in-progress and depreciated in accordance with the policy as stated below.

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

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

Land and buildings	20-50 years
Equipment and machinery	2-10 years
Computers	2-5 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	3-6 years

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.5).

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

3.5 Impairment of non-financial assets

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

3.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(b) Recognition and derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (Continued)

(c) Measurement

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

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

(i) Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in "Other income and gains, net" together with foreign exchange gains and losses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income and gains, net". Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income and gains, net" and impairment expenses are presented as separate line item in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement and presented net within "Other income and gains, net" in the period in which it arises.

(ii) Equity instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (Continued)

(d) Impairment

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

(e) Offsetting financial instruments

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

3.7 Inventories

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

3.8 Trade and other receivables

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

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

3.9 Cash and cash equivalents

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

3.10 Share capital

Ordinary shares are classified as equity.

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Treasury shares

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

3.12 Trade and other payables

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

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

3.13 Contract liabilities

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

3.14 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.15 Employee benefits

(a) Retirement benefit schemes

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

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

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

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

(c) Employee leave entitlements

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits (Continued)

(d) Termination benefits

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

3.16 Share-based payments

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

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

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

3.17 Provision

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.18 Revenue recognition

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

(a) Sales of goods and materials

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue recognition (Continued)

(a) Sales of goods and materials (Continued)

No significant element of financing is deemed present as the sales are made with the credit terms which are consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see Note 24.

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

After signing contracts with customers and receiving orders, the Group recognises the amount of contract consideration received from the customers as contract liabilities before delivering products to customers.

(b) Services

Revenue from providing tooling services is recognised in the accounting period in which the services are rendered. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the services.

A fulfilment cost is the Group's right to consideration in exchange for goods or services which the Group has transferred to customers. Fulfilment costs incurred to obtain a contract, if recoverable, are capitalised and presented as fulfilment costs.

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.19 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as part of "Other income and gains, net".

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

3.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Leases (Continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that termination option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group may be exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.21 Dividend distribution

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

3.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. There are no unfulfilled conditions for government grants recognised during the current financial year.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 March 2023, if RMB had weakened/strengthened 5 per cent against HK\$ with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$4,523,000 (2022: 5 per cent & HK\$2,191,000) lower/higher, arising mainly as a result of the net foreign exchange differences cash and cash equivalents, receivables and payables denominated in RMB.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period.

(ii) Price risk

The Group's financial assets at fair value are measured at fair value at the end of each reporting period.

At 31 March 2023, if the market price of the financial assets at fair value at that date had been increased/decreased by 5 per cent with all other variables held constant, the consolidated profit after tax for the year would increase/decrease by approximately HK\$833,000 (2022: HK\$923,000) arising as a result of gain/loss on financial assets at FVPL.

(iii) Interest rate risk

As the Group has significant interest-bearing assets, the Group's operating cash flows are dependent of changes in market interest rates. The Group's exposure to interest rate risk relates principally to its cash and cash equivalents. Certain of the Group's cash and cash equivalents bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The cash and cash equivalents bear interests at fixed interest rates ranging from approximately 4.75% to 4.96% (2022: 0.26% to 0.65%) per annum as at 31 March 2023. Other than these, the cash and cash equivalents bear interests at variable rates varied with the then prevailing market condition and thus exposing the Group to cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

At 31 March 2023, if interest rates at that date had been 5 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$111,000 higher/lower, arising mainly as a result of higher/lower interest income on cash and cash equivalents. At 31 March 2022, if interest rates at that date had been 5 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$140,000 higher/lower, arising mainly as a result of higher/lower interest income on cash and cash equivalents.

The sensitivity analysis has been determined assuming that the change in rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the statement of financial position date.

(b) Credit risk

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

(i) Risk management

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. As at 31 March 2023, the five largest trade receivables represent approximately 69% (2022: 69%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

Cash at bank and short-term bank deposits are deposited with high-credit-quality financial institutions. As at 31 March 2023, majority of the bank deposits are placed with state-owned banks and listed financial institutions, which are at lower credit risks.

(ii) Impairment of financial assets

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

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and credit rating. The expected loss rates are based on the historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Details of loss allowance of trade receivables as at 31 March 2023 were included in Note 20.

The Group has identified macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Other financial assets at amortised cost

For other financial assets at amortised cost, the Group and the Company recognise loss allowances equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowances are measured at amounts equal to lifetime expected credit losses. The expected credit losses for other financial assets at amortised cost are not material as those relates to the amounts due from corporates or subsidiaries who have strong financial capacity to meet their contractual obligations.

(c) Liquidity risk

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

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Group					
At 31 March 2023					
Trade payables	233,565	–	–	–	233,565
Other payables	80,884	–	–	–	80,884
	314,449	–	–	–	314,449
At 31 March 2022					
Trade payables	262,733	–	–	–	262,733
Other payables	87,242	–	–	–	87,242
	349,975	–	–	–	349,975
Company					
At 31 March 2023					
Other payables	465	–	–	–	465
At 31 March 2022					
Other payables	831	–	–	–	831

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares and buy-back shares, raise new debts, or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debts less cash and cash equivalents. Total equity was shown in the consolidated balance sheet. At the end of the year, the Group has no debt outstanding (2022: nil) and the gearing ratio has not been disclosed.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 10% limit throughout the year. As at 31 March 2023, 74% (2022: 75%) of the shares were in public hands.

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 March 2023				
Financial assets at FVPL	–	–	22,200	22,200
At 31 March 2022				
Financial assets at FVPL	–	–	24,600	24,600

There were no transfers between different levels during the year. In the current year, there was a currency translation loss of HK\$2,400,000 recognised in other comprehensive income and investment income of HK\$nil in profit or loss (2022: currency translation loss of HK\$2,094,000 in other comprehensive income and investment income of HK\$2,694,000 in profit or loss).

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

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Financial instruments by category

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at amortised cost				
Trade receivables	463,811	430,681	–	–
Other receivables	6,845	4,191	–	–
Due from subsidiaries	–	–	468,987	487,560
Cash and cash equivalents	1,009,930	936,665	3,795	212
Financial assets at FVPL	22,200	24,600	–	–
	1,502,786	1,396,137	472,782	487,772
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	233,565	262,733	–	–
Other payables	80,884	87,242	465	831
	314,449	349,975	465	831

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Taxation

The Group is subject to income taxes. Judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax (Note 11) and deferred tax provisions (Note 22) in the period in which such determination is made.

(b) Measurement of financial assets at FVPL

In determining the fair value of unquoted investment in private equity funds, the Group relies on the net asset values as reported in the latest available fund statements provided by third-party fund managers. As the fund invests in unquoted investments, the fund manager uses valuation techniques to determine the fair value which may use unobservable inputs that are judgemental. The fair value of the financial assets as at the current financial year end is HK\$22,200,000 and the key assumptions are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment indicator of property, plant and equipment

The Group assesses whether there is any indication that the property, plant and equipment in the Vietnam campus amounting to HK\$177,400,000, which commenced mass production in the previous financial years, may be impaired at the end of each reporting period. If any indication exists, the Group shall estimate the recoverable amount of the asset. The Group uses judgement in determining the budgeted operating profits and selecting the inputs used in the forecasts, based on the Group's existing market conditions as well as forward looking estimates. Where the actual result is different from the original estimate, such difference will impact the presence of any indication. As at 31 March 2023, management has determined that there was no indicator that the property, plant and equipment in the Vietnam campus was impaired.

6 REVENUE AND SEGMENT INFORMATION

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

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

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

Depreciation, amortisation, capital expenditure, other non-cash expenses and other assets and liabilities cannot be directly attributable to individual segments and it is impractical to arbitrarily allocate them to the segments.

Segment assets and liabilities are evaluated based on the total assets and total liabilities in the balance sheet.

	Consumer Electronics HK\$'000	Industrial and Commercial Electronics HK\$'000	Total HK\$'000
Year ended 31 March 2023			
Revenue (from external customers)	433,366	1,580,322	2,013,688
Timing of revenue recognition			
– at a point in time (sales of goods and materials)	433,285	1,576,249	2,009,534
– over time (services)	81	4,073	4,154
Segment profit	28,294	228,202	256,496
Assets and liabilities			
Unallocated assets			2,075,903
Total asset			2,075,903
Unallocated liabilities			713,908
Total liabilities			713,908

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Consumer Electronics HK\$'000	Industrial and Commercial Electronics HK\$'000	Total HK\$'000
Year ended 31 March 2022			
Revenue (from external customers)	706,862	1,320,564	2,027,426
Timing of revenue recognition			
– at a point in time (sales of goods and materials)	706,379	1,311,957	2,018,336
– over time (services)	483	8,607	9,090
Segment profit	51,803	203,546	255,349
Assets and liabilities			
Unallocated assets			2,095,655
Total asset			2,095,655
Unallocated liabilities			727,052
Total liabilities			727,052

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

Reconciliation of segment profit to profit for the year:

	2023 HK\$'000	2022 HK\$'000
Segment profit	256,496	255,349
Unallocated corporate expenses		
– staff costs	(120,276)	(116,698)
– income tax expense	(9,421)	(12,199)
– others	(3,809)	(12,906)
Profit for the year	122,990	113,546
Revenue		
Sales of goods	2,009,534	2,018,336
Tooling	4,154	9,090
	2,013,688	2,027,426

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information:

	Revenue		Non-current assets (other than financial instruments)	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
United States of America	857,272	710,907	–	–
The PRC	315,796	493,726	120,127	145,391
Poland	207,140	222,473	–	–
Hong Kong	162,074	170,997	14,876	15,573
Netherlands	121,838	95,744	–	–
Indonesia	74,259	87,619	–	–
Canada	69,114	38,825	–	–
South Korea	19,952	21,970	–	–
Germany	14,938	45,063	–	–
France	9,952	9,914	–	–
Vietnam	–	12,686	211,954	223,911
Other countries	161,353	117,502	–	–
Total	2,013,688	2,027,426	346,957	384,875

During the financial year ended 31 March 2023, the Group's external revenue of approximately HK\$1,091 million (2022: HK\$1,156 million) was generated from three (2022: three) major customers, each of which accounted for 10% or more of the Group's total external revenue. These revenues were attributable to both Consumer Electronics and Industrial and Commercial Electronics segments.

7 OTHER INCOME AND GAINS, NET

	2023 HK\$'000	2022 HK\$'000
Other income		
– sales of scrap materials	2,010	3,992
– investment income	–	2,694
– interest income	21,238	2,289
– government grants	2,756	599
– rework income	615	85
– sundry income	716	1,035
Gain on		
– disposals of property, plant and equipment	1,858	1,101
– net foreign exchange	2,847	2,939
	32,040	14,734

NOTES TO THE FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	2023 HK\$'000	2022 HK\$'000
Changes in inventories of finished goods and work-in-progress	(4,631)	4,836
Raw materials and consumables used	1,457,928	1,403,330
Depreciation of right-of-use assets (Note 15)	1,621	3,644
Depreciation of property, plant and equipment (Note 14)	53,397	58,028
Provision for impairment of trade receivables	–	1,499
Auditors' remuneration		
– audit services	2,591	1,847
– other auditors	219	213
Non-audit fees		
– other auditors	386	316
Legal and professional fees	4,617	4,666
Staff costs, excluding directors' remuneration (Note 9)	299,052	329,342
Directors' remuneration (Note 10)	19,183	21,206
Others	78,446	86,905
Total cost of sales, selling and distribution expenses and administrative expenses	1,912,809	1,915,832

9 STAFF COSTS, EXCLUDING DIRECTORS' REMUNERATION

	2023 HK\$'000	2022 HK\$'000
Salaries, wages, bonuses and allowances	278,663	305,022
Retirement benefit scheme contributions and post-employment benefits	18,013	21,034
Share-based compensation	2,376	3,286
	299,052	329,342

10 DIRECTORS' REMUNERATION

	2023 HK\$'000	2022 HK\$'000
Independent directors		
– fee	1,583	1,442
Executive directors		
– salaries, wages, bonuses and allowances	17,564	19,728
– retirement benefit scheme contributions	36	36
	19,183	21,206

NOTES TO THE FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current income tax expense		
– Hong Kong profits tax	10,761	8,900
– PRC enterprise income tax	1,160	5,399
Deferred income tax credit (Note 22)	(2,500)	(2,100)
	9,421	12,199

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

(a) Hong Kong

Hong Kong profits tax is provided at 16.5% (2022: 16.5%) based on the estimated assessable profit for the year.

(b) The PRC

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High/New Technology Enterprise ("HNTE") status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2022: 25%). On 20 December 2021, one of the Group's subsidiary obtained the HNTE certificate.

(c) Vietnam

Pursuant to relevant income tax rules and regulations in the Vietnam, the subsidiary in the Vietnam is required to pay Vietnam enterprise income tax at a rate of 20% (2022: 20%).

In accordance with the relevant income tax rules and regulations of the PRC, the Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiaries in respect of their profits generated on or after 1 January 2008. As at 31 March 2023, the aggregate amount of the temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to approximately HK\$20,701,000 (2022: HK\$21,691,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (CONTINUED)

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

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	132,411	125,745
Tax calculated at Hong Kong profits tax rate of 16.5%	21,848	20,748
Expenses not deductible for tax purposes	488	720
Income not subject to tax	(3,543)	(508)
Tax losses for which no deferred tax asset was recognised	4,117	7,792
Tax concession	(11,260)	(9,741)
Effect of different tax rate of subsidiaries operating in other jurisdiction	(1,091)	(1,815)
Previously unrecognised tax losses used to reduce deferred tax expense	(61)	(2,889)
Over provisions in prior periods	–	(2,000)
Others	(1,077)	(108)
Tax charge	9,421	12,199

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of HK\$122,990,000 (2022: HK\$113,546,000) by the weighted average number of ordinary shares of 422,556,132 (2022: 435,451,270) in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of HK\$122,990,000 (2022: HK\$113,546,000) by the weighted average number of ordinary shares of 422,746,996 (2022: 436,026,145), being the weighted average number of ordinary shares of 422,556,132 (2022: 435,451,270) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 190,864 (2022: 574,875) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

13 DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Interim dividend, paid of HK\$0.04 (2022: HK\$0.04) per ordinary share	16,766	17,425
Final dividend, proposed of HK\$0.10 (2022: HK\$0.10) per ordinary share	41,391	43,191
Special dividend, proposed of HK\$0.06 (2022: HK\$ nil) per ordinary share	24,834	–
	82,991	60,616

The Company paid a final dividend attributable to the previous financial year of HK\$42,669,000 (2022: HK\$69,700,000).

As announced by the Company on 30 May 2023, a special dividend of HK\$0.06 per share and final dividend of HK\$0.10 per share amounting to a total of HK\$24,834,000 and HK\$41,391,000 respectively will be recommended at the Annual General Meeting held in July 2023. These dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2024 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Land and buildings	Equipment and machinery	Computers	Furniture and fittings	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost							
At 1 April 2022	262,964	459,882	5,900	50,453	27,717	5,068	811,984
Additions	24,504	9,689	67	1,271	929	–	36,460
Disposals	–	(37,445)	(37)	(38)	(14)	(655)	(38,189)
Exchange differences	(17,163)	(5,941)	(23)	–	(120)	(79)	(23,326)
At 31 March 2023	270,305	426,185	5,907	51,686	28,512	4,334	786,929
Accumulated depreciation and accumulated impairment							
At 1 April 2022	69,721	350,304	5,351	42,377	21,829	4,083	493,665
Charge for the year	10,646	36,758	394	3,167	2,190	242	53,397
Disposals	–	(36,743)	(37)	(38)	(11)	(655)	(37,484)
Exchange differences	(6,165)	(2,449)	(16)	(3)	(20)	(35)	(8,688)
At 31 March 2023	74,202	347,870	5,692	45,503	23,988	3,635	500,890
Net book amount							
At 31 March 2023	196,103	78,315	215	6,183	4,524	699	286,039

	Group							
	Land and buildings	Equipment 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 2021	135,821	441,893	5,741	48,415	23,965	4,226	79,583	739,644
Additions	459	36,756	580	2,039	3,912	845	44,773	89,364
Disposals	–	(19,004)	(423)	–	(140)	–	–	(19,567)
Transfers	124,356	–	–	–	–	–	(124,356)	–
Exchange differences	2,328	237	2	(1)	(20)	(3)	–	2,543
At 31 March 2022	262,964	459,882	5,900	50,453	27,717	5,068	–	811,984
Accumulated depreciation and accumulated impairment								
At 1 April 2021	61,650	322,099	5,239	39,204	19,437	3,878	–	451,507
Charge for the year	6,604	45,025	532	3,173	2,497	197	–	58,028
Disposals	–	(17,165)	(306)	–	(106)	–	–	(17,577)
Exchange differences	1,467	345	(114)	–	1	8	–	1,707
At 31 March 2022	69,721	350,304	5,351	42,377	21,829	4,083	–	493,665
Net book amount								
At 31 March 2022	193,243	109,578	549	8,076	5,888	985	–	318,319

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses were charged to the consolidated income statement as follows:

	2023 HK\$'000	2022 HK\$'000
Cost of sales	52,642	57,270
Administrative expenses	755	758
	53,397	58,028

15 LEASES

(a) Right-of-use assets

	Group		
	Land use rights HK\$'000	Buildings HK\$'000	Total HK\$'000
At 1 April 2021	47,839	1,950	49,789
Additions	–	1,032	1,032
Depreciation	(1,172)	(2,472)	(3,644)
Exchange differences	271	3	274
At 31 March 2022	46,938	513	47,451
Depreciation	(1,112)	(509)	(1,621)
Exchange differences	(2,917)	(4)	(2,921)
At 31 March 2023	42,909	–	42,909

(b) Other amounts recognised in the income statement and statement of cash flows

	2023 HK\$'000	2022 HK\$'000
Expenses related to short-term leases (included in administrative expenses)	36	34
Total cash outflow for leases	36	(1,066)

note:

As the rent amounts related to leases had been fully prepaid by the Group at the inception of lease agreements, there were no lease liabilities as at 31 March 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN SUBSIDIARIES

	Company	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Unquoted investments, at cost	83,330	83,330

The amounts due from subsidiaries amounting to HK\$468,987,000 (2022: HK\$487,560,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries as at 31 March 2023 are as follows:

	Date and place of incorporation/ establishment	Group's effective equity interest		Paid-up share/registered capital		
Name		2023	2022	2023	2022	Principal activities
Directly held:						
Value Creation Enterprises Limited*	12 April 2001 British Virgin Islands	100%	100%	US\$16,667	US\$16,667	Investment holding
Indirectly held:						
Maxhall Ltd. *	12 July 2000 British Virgin Islands	100%	100%	US\$1	US\$1	Investment holding
Mighty Resources Inc. *	27 October 2003 British Virgin Islands	100%	100%	US\$1	US\$1	Investment holding
Honor Tone Limited**	19 March 1992 Hong Kong	100%	100%	HK\$6,000,000	HK\$6,000,000	Electronics manufacturing
Value Chain Limited**	15 November 1999 Hong Kong	100%	100%	HK\$3,000,000	HK\$3,000,000	Investment holding
Honer Tone Electronics (Hui Yang) Enterprises Limited ("HTE") (note (a))***	15 September 2000 PRC	100%	100%	HK\$5,500,000	HK\$5,500,000	Electronics manufacturing
Huizhou Daya Bay Honor Tone Industrial Ltd. ("Daya Bay") (note (b))****	21 April 2006 PRC	100%	100%	US\$12,100,000	US\$12,100,000	Property holding and electronics manufacturing
Valuetronics Asia Limited**	7 May 2009 Hong Kong	100%	100%	HK\$20,000,000	HK\$20,000,000	Trading and provision of business services
Value Match Company Limited**	30 May 2014 Hong Kong	100%	100%	HK\$1	HK\$1	Investment holding
Valuetronics Vietnam Company Limited ("Valuetronics Vietnam")*****	16 October 2019 Vietnam	100%	100%	VN\$262,119,000,000	VN\$262,119,000,000	Electronics manufacturing

notes:

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

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

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

** The statutory financial statements of these subsidiaries were audited by PricewaterhouseCoopers Zhong Tian LLP.

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

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

***** The statutory financial statements of this subsidiary, prepared in accordance with generally accepted accounting principles in Vietnam, were audited by PricewaterhouseCoopers (Vietnam) Limited.

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Financial asset at FVPL	22,200	24,600

note:

As at 31 March 2023, the Group holds participating shares of a private equity fund with fair value of RMB20.0 million (equivalent to approximately HK\$22.2 million) (2022: RMB20.0 million, equivalent to approximately HK\$24.6 million). Given all relevant investment decision making power is rested with the management shareholder and investment manager, there is no mechanism in place that allow participating shareholder to participate in investment related decision making. The Group has neither significant influence nor joint control over this investment and therefore accounted for this investment as financial assets at FVPL.

Valuation techniques and inputs used in Level 3 fair value measurements

Description	Fair value as at 31 March 2023	Valuation technique	Relationship of unobservable inputs to fair value
	HK\$'000		
Investment in private equity fund	22,200 (2022: 24,600)	Adjusted net asset value*	The higher the adjusted net asset value, the higher the valuation.

* Fair value of investment in private equity fund is determined by reference to the underlying assets value of the investee companies, which are measured by the third-party fund manager using recent arm's length transactions between knowledgeable, willing parties (if available) and latest round of fund raising along with discount adjustments as the estimated net asset value does not necessarily represent the amounts that may be ultimately realised upon sale of the fund.

18 PREPAYMENT AND OTHER ASSETS

	Group	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Current		
Prepayment for goods	8,140	10,229
Others	14,395	30,906
	22,535	41,135
Non-current		
Prepayments for property, plant and equipment	8,737	10,570
Asset recognised from costs incurred to fulfil contracts	9,050	8,289
Others	222	246
	18,009	19,105

NOTES TO THE FINANCIAL STATEMENTS

19 INVENTORIES

	Group	
	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
Raw materials	131,583	206,097
Work-in-progress	28,789	24,994
Finished goods	43,253	42,417
	203,625	273,508

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK\$1,453,297,000 (2022: HK\$1,408,166,000).

20 TRADE RECEIVABLES

	Group		
	As at 31 March		
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Trade receivables from contracts with customers	465,310	432,180	490,509
Less: credit loss allowance	(1,499)	(1,499)	–
	463,811	430,681	490,509

The Group normally grant credit periods ranging from 60 days to 120 days. The expected credit loss of trade receivables and the Group's exposure to credit risk are disclosed in Note 4.1(b)(ii).

As at 31 March 2023 and 2022, the aging analysis of trade receivables based on due date are as follows:

	Group	
	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
Current portion	445,617	401,743
1 to 90 days	19,693	30,437
	465,310	432,180

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

	Group	
	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
US\$	442,795	392,324
RMB	21,016	38,357
	463,811	430,681

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE RECEIVABLES (CONTINUED)

Movements on the Group's credit loss allowance for trade receivables are as follows:

	For the year ended 31 March 2023 HK\$'000
As at 1 April 2022	(1,499)
Credit loss allowance recognised, net	–
As at 31 March 2023	(1,499)

The credit loss allowance of trade receivables as at 31 March 2023 is determined as follows:

	Group		
	As at 31 March 2023		
	Gross carrying amount HK\$'000	Expected credit loss rate	Credit loss allowance HK\$'000
By credit risk category			
– Type I	193,051	0.07%	127
– Type II	214,779	0.20%	428
– Type III	57,480	1.64%	944
	465,310		1,499

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 March		As at 31 March	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Cash at bank and on hand	223,407	281,063	3,795	212
Short-term bank deposits	786,523	655,602	–	–
	1,009,930	936,665	3,795	212

NOTES TO THE FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	968,602	885,096	147	14
RMB	17,041	26,767	–	–
HK\$	15,552	19,078	138	93
Singapore Dollars ("S\$")	5,164	907	3,510	105
Vietnamese Dong ("VND")	3,527	4,781	–	–
Japanese Yen ("JPY")	44	36	–	–
	1,009,930	936,665	3,795	212

Conversion of RMB and VND into foreign currencies are subject to the rules and regulations of foreign exchange control promulgated by the PRC and Vietnam Governments respectively.

22 DEFERRED INCOME TAX LIABILITIES

	Group	
	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000
At 1 April 2021	5,074	5,074
Credited to consolidated income statement (Note 11)	(2,100)	(2,100)
At 31 March 2022	2,974	2,974
Credited to consolidated income statement (Note 11)	(2,500)	(2,500)
At 31 March 2023	474	474

The above deferred tax assets and deferred tax liabilities are offset in the consolidated statement of financial position as a consequence to the conditions in Note 3.14(c).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$18,206,000 (2022: HK\$14,150,000) in respect of losses amounting to HK\$89,805,000 (2022: HK\$70,807,000) that can be carried forward against future taxable income without expiries except for certain tax losses HK\$89,790,000 (2022: HK\$70,470,000) which will expire within five years.

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE PAYABLES

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

	Group	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
US\$	168,275	216,980
HK\$	42,352	25,280
RMB	19,119	17,010
JPY	1,752	2,081
Others	2,067	1,382
	233,565	262,733

As at 31 March 2023 and 2022, the aging analysis of trade payables based on invoice date are as follows:

	Group	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Within 1 year	218,132	248,678
1 to 2 years	3,083	7,290
2 to 3 years	6,205	1,463
Over 3 years	6,145	5,302
	233,565	262,733

24 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals and other payables	185,404	199,988	465	831
Deposits received	152,794	125,004	–	–
Staff bonuses payables	11,798	13,750	–	–
Bonuses payables to directors	17,534	18,982	–	–
Provision for sales returns (note (i))	17,063	15,175	–	–
Provision for claims from customers (note (i))	13,088	13,088	–	–
	397,681	385,987	465	831

NOTES TO THE FINANCIAL STATEMENTS

24 OTHER PAYABLES AND ACCRUALS (CONTINUED)

notes:

(i) Movements of the provisions are as follows:

	Group	
	Sales returns HK\$'000	Claims from customers HK\$'000
At 1 April 2021	29,808	15,184
Charge for the year	117	–
Settlements	(604)	–
Reversals	(14,146)	(2,096)
At 31 March 2022	15,175	13,088
Charge for the year	4,356	–
Settlements	(1,815)	–
Reversals	(653)	–
At 31 March 2023	17,063	13,088

(ii) Sales return

The Group records provision for sales return on the basis of return of goods incurred or estimation under its historical experience. The specific sales return terms and conditions vary depending upon the product and the country in which it was sold. The Group re-evaluates its estimates at the end of each reporting period to assess the adequacy of its recorded sales return liabilities and adjusts the amounts as necessary.

(iii) Claim

Provision for claims is in respect of certain claims brought against the Group by customers. The specific claim terms and conditions vary depending upon the product and the country in which it was sold. The period ranges from one to seven years.

25 CONTRACT LIABILITIES

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

	Group		
	As at 31 March		As at 1 April
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Advance payments from customers with underlying performance obligations yet to be satisfied as at 31 March	30,553	24,299	24,191
Income recognised that was included in the contract liabilities balance at beginning of the financial year	4,154	9,090	21,686

Management expects that HK\$6,285,000 of the transaction price allocated to unsatisfied performance obligations as of 31 March 2023 will be recognised as revenue during the next reporting period. The remaining HK\$24,268,000 will be recognised beyond the next reporting period.

NOTES TO THE FINANCIAL STATEMENTS

26 SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
<i>Authorised</i>		
At 1 April 2021, 31 March 2023 and 31 March 2022	1,900,000,000	190,000
<i>Issued and fully paid</i>		
At 1 April 2021	435,630,837	43,563
Issue of shares under ESOS (Note 27(a))	–	–
At 31 March 2022	435,630,837	43,563
Issue of shares under ESOS (Note 27(a))	–	–
At 31 March 2023	435,630,837	43,563

notes:

(a) Each ordinary share carries one vote.

(b) During the financial year ended 31 March 2023, the Company purchased 18,008,400 (2022:3,711,100) shares from open market. Total consideration of the treasury shares purchased is S\$9,482,000 (2022: S\$1,947,000) which is equivalent to approximately HK\$53,366,000 (2022:HK\$11,120,000). The shares were purchased at an average price of S\$0.526 (2022: S\$0.523) per share, with prices ranging from S\$0.495 to S\$0.545 (2022: S\$0.510 to S\$0.540).

27 SHARE-BASED COMPENSATION

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

The particulars of the Company Incentive Plans are as follows:

(a) Equity-settled ESOS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Equity-settled ESOS (Continued)

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise Price		Number of outstanding share options	
			2023	2022	2023	2022
2016B	24 August 2015	25 August 2018 to 24 August 2025	S\$0.268	S\$0.268	27,500	27,500
2017C	18 August 2016	19 August 2019 to 18 August 2026	S\$0.379	S\$0.379	132,000	132,000
2018A	27 September 2017	28 September 2019 to 27 September 2027	S\$0.701	S\$0.701	800,000	825,000
2018B	27 September 2017	28 September 2020 to 27 September 2027	S\$0.701	S\$0.701	1,970,000	2,070,000
2019A	21 September 2018	22 September 2020 to 21 September 2028	S\$0.530	S\$0.530	195,000	195,000
2019B	21 September 2018	22 September 2021 to 21 September 2028	S\$0.530	S\$0.530	1,970,000	2,050,000
2020A	15 November 2019	16 November 2021 to 15 November 2029	S\$0.570	S\$0.570	680,000	705,000
2020B	15 November 2019	16 November 2022 to 15 November 2029	S\$0.570	S\$0.570	2,310,000	2,390,000
2021A	18 November 2020	19 November 2022 to 18 November 2030	S\$0.460	S\$0.460	635,000	635,000
2021B	18 November 2020	19 November 2023 to 18 November 2030	S\$0.460	S\$0.460	1,765,000	1,765,000
2022A	7 December 2021	8 December 2023 to 7 December 2031	S\$0.530	S\$0.530	500,000	500,000
2022B	7 December 2021	8 December 2024 to 7 December 2031	S\$0.530	S\$0.530	1,390,000	1,390,000
2023A	15 November 2022	16 November 2024 to 15 November 2032	S\$0.490	–	220,000	–
2023B	15 November 2022	16 November 2025 to 15 November 2032	S\$0.490	–	1,080,000	–
					13,674,500	12,684,500

NOTES TO THE FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Equity-settled ESOS (Continued)

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

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

	2023		2022	
	Number of Options	Weighted average exercise price S\$	Number of Options	Weighted average exercise price S\$
Outstanding at beginning of the year	12,684,500	0.563	11,194,500	0.571
Granted	1,300,000	0.490	1,890,000	0.530
Exercised	–	–	–	–
Forfeited	(310,000)	0.613	(400,000)	0.608
Outstanding at end of the year	13,674,500	0.555	12,684,500	0.563
Exercisable at end of the year	8,719,500	0.891	6,004,500	0.613

The weighted average share price at the date of exercise for Options exercised during the year was nil (2022: nil). The Options outstanding at the end of the year have a weighted average remaining contractual life of 6.0 years (2022: 6.0 years) and the exercise price ranged from S\$0.268 to S\$0.701 (2022: S\$0.268 to S\$0.701). During the financial year ended 31 March 2023, Options were granted on 15 November 2022 and the estimated fair value of the Options on that date is S\$194,882. During the financial year ended 31 March 2022, Options were granted on 7 December 2021 and the estimated fair value of the Options on that date is S\$271,017.

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

	2023A and 2023B	2022A and 2022B
Weighted average share price	S\$0.490	S\$0.530
Exercise price	S\$0.490	S\$0.530
Expected volatility	34.99%	35.85%
Expected life	10 years	10 years
Risk free rate	3.25%	1.71%
Expected dividend yield	4.25%	4.80%

NOTES TO THE FINANCIAL STATEMENTS

27 SHARE-BASED COMPENSATION (CONTINUED)

(b) Equity-settled PSP

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

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

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

- (i) allot and issue the relevant Shares to the PSP Participant, and apply to the SGX-ST, for permission to deal in and for quotation of such Shares; and/or
- (ii) deliver existing Shares to the PSP Participant, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares; and/or
- (iii) subject to the prior approval of the Committee and at the Committee's absolute discretion, pay the equivalent value in cash (after deduction of any applicable taxes) to the PSP Participant, in lieu of the Shares to be issued or delivered to the PSP Participant.

There are no Awards outstanding at 31 March 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

28 RESERVES

Movement in the reserves of the Company are set out below.

	Company				
	Share premium HK\$'000 (note (i))	Contributed surplus HK\$'000 (note (ii))	Share-based compensation reserve HK\$'000 (note (iii))	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2022	164,515	67,239	15,000	291,392	538,146
Total comprehensive income for the year	–	–	–	95,814	95,814
Dividends paid (Note 13)	–	–	–	(59,434)	(59,434)
Share-based compensation	–	–	2,376	–	2,376
Forfeiture of share options	–	–	(608)	608	–
At 31 March 2023	164,515	67,239	16,768	328,380	576,902
At 1 April 2021	164,515	67,239	12,254	231,753	475,761
Total comprehensive income for the year	–	–	–	146,224	146,224
Dividends paid (Note 13)	–	–	–	(87,125)	(87,125)
Share-based compensation	–	–	3,286	–	3,286
Forfeiture of share options	–	–	(540)	540	–
At 31 March 2022	164,515	67,239	15,000	291,392	538,146

notes:

(i) Share premium

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

(ii) Contributed surplus

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

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

(iii) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised Options and Awards granted to ESOS Participants and PSP Participants recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 3.16 to the consolidated financial statements.

(iv) Currency translation reserve

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

(v) Statutory reserve

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

NOTES TO THE FINANCIAL STATEMENTS

29 COMMITMENTS

(a) Capital commitments

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

	Group	
	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
Acquisition of property, plant and equipment – contracted but not provided for	3,863	23,644

(b) Lease commitments

The future minimum lease payables under non-cancellable short-term or low-value leases not recognised at the end of each financial year are as follows:

	Group	
	As at 31 March	
	2023 HK\$'000	2022 HK\$'000
Buildings – within 1 year	143	611

30 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties:

	Group	
	2023 HK\$'000	2022 HK\$'000
Purchases of goods from – Nicecon Limited (note (a))	–	2,855
Purchases of services from – Concord Building Co., Ltd (note (a) & (b))	160	1,286
Key management compensations – Salaries, wages, bonuses and allowances	27,992	33,782
– Retirement benefit scheme contributions and post-employment benefits	672	72
– Share-based compensation	1,056	1,454

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties:

	Group	
	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Trade payables		
– Nicecon Limited (note (a))	–	86
Other payables and accruals		
– Concord Building Co., Ltd (note (a) & (b))	–	242

notes:

(a) Beneficially owned by brothers of executive directors of the Company.

(b) In September 2019, the Group entered into the service agreement with Concord Building Co., Ltd to purchase project management consultancy services for the Vietnam campus.

SHAREHOLDERS' INFORMATION

AS AT 7 JUNE 2023

Authorised share capital	:	HK\$190,000,000
Issued and fully paid-up capital	:	HK\$43,563,084
Number of shares issued (excluding Treasury Shares)	:	413,906,337
Number/Percentage of Treasury Shares	:	21,724,500 (5.25%)
Class of shares	:	Ordinary share of HK\$0.10 each
Voting rights	:	One vote per share
Subsidiary holdings	:	Nil

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of		Number of	
	Shareholders	%	Shares	%
1 – 99	33	0.76	1,647	0.00
100 – 1,000	244	5.60	152,418	0.04
1,001 – 10,000	1,752	40.20	10,584,280	2.56
10,001 – 1,000,000	2,297	52.71	118,720,599	28.68
1,000,001 and above	32	0.73	284,447,393	68.72
	4,358	100.00	413,906,337	100.00

SHAREHOLDERS' INFORMATION

AS AT 7 JUNE 2023

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Tse Chong Hing	75,990,411	18.36
2.	Chow Kok Kit	32,000,361	7.73
3.	Raffles Nominees (Pte) Limited	27,275,831	6.59
4.	DBS Nominees Pte Ltd	23,334,408	5.64
5.	UOB Kay Hian Pte Ltd	20,811,088	5.03
6.	Citibank Nominees Singapore Pte Ltd	19,026,070	4.60
7.	HSBC (Singapore) Nominees Pte Ltd	9,981,320	2.41
8.	Phillip Securities Pte Ltd	9,600,410	2.32
9.	Leap International Pte Ltd	9,000,000	2.17
10.	iFast Financial Pte Ltd	8,487,614	2.05
11.	Hung Kai Wing	6,300,000	1.52
12.	ABN Amro Clearing Bank N.V.	5,616,040	1.36
13.	Ho Kum Wing Eddie	3,166,800	0.76
14.	Oon Hwee Boon Hazel (Wen Huiwen Hazel)	2,800,000	0.68
15.	Ho Su Chin	2,730,310	0.66
16.	United Overseas Bank Nominees Pte Ltd	2,718,900	0.66
17.	Chow Kok Kee	2,500,400	0.60
18.	OCBC Nominees Singapore Pte Ltd	2,389,750	0.58
19.	Jack Investment Pte Ltd	2,242,400	0.54
20.	Meston Loic Paul Thierry	2,200,000	0.53
		268,172,113	64.79

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tse Chong Hing	75,990,411	18.36	–	–	75,990,411	18.36
Chow Kok Kit	32,000,361	7.73	–	–	32,000,361	7.73

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

73.38% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDENDUM TO THE ANNUAL REPORT 2023

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

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as required in Appendix 7.4.1 to the SGX-ST's Listing Manual in relation to Directors seeking re-election at the Company's forthcoming Annual General Meeting ("AGM") to be convened on 17 July 2023 is set out below:

NAME OF DIRECTOR	CHOW KOK KIT	LIU CHUNG MUN WILSON
Date of appointment	25 August 2006	1 August 2022
Date of last re-appointment (if applicable)	14 August 2020	Not applicable
Age	64	63
Country of principal residence	Hong Kong, SAR	Hong Kong, SAR
The Board's comments on this appointment/re-appointment (including rationale, selection criteria, and the search and nomination process)	The Nominating Committee has recommended the nomination of Mr Chow for re-election to the Board. After taking into account his skills, experience, performance and contribution to the growth of the Company since its inception, the Board approved the proposal for Mr Chow to be re-elected at the forthcoming AGM.	The Board is of the view that Mr Liu is independent and had provided valuable contribution to the Board through his integrity, objectivity and professionalism. In the discharge of his duties as Director, he had actively participated in, questioned and sought clarification on matters discussed at Board and Board Committee meetings. Accordingly, the Nominating Committee and Board support the nomination of Mr Liu for re-appointment at the forthcoming AGM.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Chow is responsible for the design and development as well as purchasing functions of the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Non-Executive Director, Chairman of Audit Committee, and Member of Nominating and Remuneration Committee
Professional qualifications	Associateship in Mechanical Engineering	Member of the Institute of Chartered Accountants in Australia, and Fellow Member of CPA Australia and the Hong Kong Institute of Certified Public Accountants
Working experience and occupation(s) during the past 10 years	Executive Director of Valuetronics Holdings Limited & subsidiaries	Partner – PricewaterhouseCoopers, China/Hong Kong
Shareholding interest in the listed issuer and its subsidiaries	32,000,361 shares in listed issuer	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil

ADDENDUM TO THE ANNUAL REPORT 2023

NAME OF DIRECTOR	CHOW KOK KIT	LIU CHUNG MUN WILSON
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments[#] including Directorships [#] "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance of Singapore.		
Past (for the last 5 years)	Nil	Partner of PricewaterhouseCoopers, China/Hong Kong
Present	Executive Director of Valuetronics Holdings Limited & Group	Independent Non-Executive Director of Foran Energy Group Co Ltd (listed on Shenzhen Stock Exchange)
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No

ADDENDUM TO THE ANNUAL REPORT 2023

NAME OF DIRECTOR	CHOW KOK KIT	LIU CHUNG MUN WILSON
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDENDUM TO THE ANNUAL REPORT 2023

NAME OF DIRECTOR	CHOW KOK KIT	LIU CHUNG MUN WILSON
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: -		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?		

ADDENDUM TO THE ANNUAL REPORT 2023

NAME OF DIRECTOR	CHOW KOK KIT	LIU CHUNG MUN WILSON
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

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

Independent and Non-Executive

Tan Siok Chin (Lead Independent Director)
Loo Cheng Guan
Liu Chung Mun Wilson

AUDIT COMMITTEE

Liu Chung Mun Wilson (Chairman)
Tan Siok Chin
Loo Cheng Guan

NOMINATING COMMITTEE

Loo Cheng Guan (Chairman)
Tan Siok Chin
Liu Chung Mun Wilson

REMUNERATION COMMITTEE

Tan Siok Chin (Chairman)
Loo Cheng Guan
Liu Chung Mun Wilson

COMPANY SECRETARIES

Shirley Lim Keng San
Hazel Chia Luang Chew
Ocorian Services (Bermuda) Limited

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

BUSINESS OFFICE

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

BERMUDA SHARE REGISTRAR

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

SINGAPORE SHARE TRANSFER AGENT

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
7 Straits View, Marina One East Tower Level 12,
Singapore 018936
Partner-in-charge: Yong Zen Yun⁽¹⁾

⁽¹⁾ Appointed with effect from the financial year ended 31 March 2023



VALUETRONICS HOLDINGS LIMITED

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

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www.valuetronics.com.hk

CIRCULAR DATED 30 JUNE 2023

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to its contents or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The purpose of this Circular is to provide Shareholders with information pertaining to and to explain the rationale for the ordinary resolution in relation to the Proposed Renewal of the Share Buyback Mandate to be tabled at the Annual General Meeting of the Company to be held on 17 July 2023 at 10.00 am (the “**AGM**”). This Circular is to be read together with the Company’s Annual Report for the financial year ended 31 March 2023 and the Company’s Notice of Annual General Meeting dated 30 June 2023 (the “**Notice of AGM**”).

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (the “**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by the CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company which are represented by physical share certificate(s), you should forward this Circular immediately to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. Your attention is drawn to pages 23 and 24 of this Circular in respect of action to be taken if you wish to attend and/or vote at the AGM.

This Circular, together with Notice of AGM and the accompanying proxy form, has been made available on SGXNet and the Company’s website at the URL <https://www.valuetronics.com.hk/ir/agm.html>. **A printed copy of this Circular will NOT be dispatched to Shareholders.** Printed copies of the Notice of AGM and the accompanying proxy form have been dispatched to Shareholders (including depositors whose names are listed against the Depository Register maintained by CDP on 23 June 2023).

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Circular.



CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

IMPORTANT DATES AND TIMES:

Last date and time for the lodgment of the Proxy Form	:	14 July 2023 at 10.00 am
Date and time of the Annual General Meeting	:	17 July 2023 at 10.00 am
Place of the Annual General Meeting	:	Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633

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DEFINITIONS

In this Circular, unless the context otherwise requires or it is otherwise stated, the following words and expressions shall have the following meanings: –

“2008 SGM”	:	The special general meeting of the Company convened on 28 July 2008
“2022 AGM”	:	The annual general meeting of the Company convened on 29 July 2022
“Act”	:	The Companies Act 1967 of Singapore, as amended, modified or supplemented from time to time
“AGM”	:	The annual general meeting of the Company to be convened on 17 July 2023, at 10.00 am
“Annual Report”	:	The annual report of the Company for the financial year ended 31 March 2023
“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Board”	:	The board of directors of the Company as at the date of this Circular
“Bye-Laws”	:	The Bye-Laws of the Company, as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 30 June 2023
“Company”	:	Valuetronics Holdings Limited
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	<p>A person who:–</p> <p>(a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or</p> <p>(b) in fact exercises control over the Company</p>
“Council”	:	The Securities Industry Council
“Directors”	:	The directors of the Company as at the date of this Circular

DEFINITIONS

“EPS”	:	Earnings per Share
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	31 May 2023, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maximum Price”	:	Has the meaning ascribed to it in Section 2.3(iv) of this Circular
“Notice of AGM”	:	The notice of AGM as set out in the Annual Report
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3(iii)(b) of this Circular
“Official List”	:	The official list of the SGX-ST
“On-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3(iii)(a) of this Circular
“Proposed Renewal of the Share Buyback Mandate”	:	The proposed renewal of the Share Buyback Mandate by the Company
“Proxy Form”	:	The proxy form in respect of the AGM
“Relevant Period”	:	The period commencing from the date of the AGM and expiring on the date on which the following annual general meeting of the Company will be held or is required by law to be held, whichever is the earlier. For the purposes herein, it is assumed that the ordinary resolution relating to the Proposed Renewal of the Share Buyback Mandate is passed at the AGM
“Resolution 9”	:	The ordinary resolution set out in the Notice of AGM as “Resolution 9” which pertains to the Proposed Renewal of the Share Buyback Mandate
“Securities Account”	:	Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent

DEFINITIONS

“SFA”	:	The Securities and Futures Act 2001 of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	The ordinary shares in the capital of the Company with a par value of HK\$0.10 each
“Shareholders”	:	Registered holders of Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors in the Depository Register maintained by CDP and to whose Securities Accounts are credited with Shares
“Share Buyback Mandate”	:	A general mandate to be given by Shareholders to authorise the Directors to exercise all powers of the Company to purchase or acquire, on behalf of the Company, Shares in accordance with the terms set out in this Circular
“Share Purchases”	:	On-Market Purchases or Off-Market Purchases undertaken by the Company during the Relevant Period and “Share Purchase” shall be construed accordingly
“Substantial Shareholder”	:	A substantial Shareholder as defined under the Act
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Treasury Shares”	:	Shares that were or are treated as having been acquired and held by the Company and have been held continuously by the Company since they were so acquired and have not been cancelled
“%”	:	Per centum or percentage

Currencies

“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The term **“associate”**, **“associated company”** and **“subsidiary”** shall have the same meanings ascribed to them respectively in the Listing Manual and the Act.

DEFINITIONS

The expressions “**our**”, “**ourselves**”, “**us**”, “**we**” or other grammatical variations thereof shall, unless otherwise stated, mean the Company and its subsidiaries.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to “**persons**” shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or any statutory modifications thereof and used in this Circular shall, where applicable, have the same meaning ascribed to it under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or any statutory modifications thereof, as the case may be, unless the context requires otherwise.

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

ACIES Law Corporation has been appointed as the legal adviser to the Company as to Singapore law in relation to the Proposed Renewal of the Share Buyback Mandate.

LETTER TO SHAREHOLDERS

VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)

(Registration Number 38813)

Board of Directors

Tse Chong Hing (Chairman and Managing Director)
Chow Kok Kit (Executive Director)
Tan Siok Chin (Lead Independent Director)
Loo Cheng Guan (Independent Non-Executive Director)
Liu Chung Mun Wilson (Independent Non-Executive Director)

Registered Office

Victoria Place
5th Floor
31 Victoria Street Hamilton
HM 10 Bermuda

30 June 2023

To: The Shareholders of Valuetronics Holdings Limited

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1 INTRODUCTION

1.1 AGM

The Directors wish to refer to (i) the Notice of AGM dated 30 June 2023, accompanying the Annual Report to convene the AGM to be held on 17 July 2023; and (ii) Resolution 9 for the Proposed Renewal of the Share Buyback Mandate.

1.2 Circular

The purpose of this Circular is to provide Shareholders with information relating to, and to seek the approval of Shareholders at the forthcoming AGM for, the Proposed Renewal of the Share Buyback Mandate.

For the avoidance of doubt, Depositors holding Shares through CDP are not to be treated, under the Bye-Laws and the Bermuda Companies Act, as members of the Company in respect of the number of Shares credited to their respective Securities Accounts. Accordingly, Depositors do not have a right under the Bermuda Companies Act to attend and to vote at the AGM. Depositors will be able to participate in the Proposed Renewal of the Share Buyback Mandate only through CDP, the latter being the registered holder of Shares in the Company's Register of Members.

However, administrative arrangements have been made with CDP to allow Depositors to take part in the Proposed Renewal of the Share Buyback Mandate. Depositors who wish to participate in the AGM and exercise their votes, and whose names are shown in the records of CDP as at a time not earlier than 72 hours prior to the time of the AGM supplied by CDP to the Company, may participate in the AGM as CDP's proxies. Please refer to pages 23 and 24 of this Circular in respect of action to be taken if you wish to attend and/or vote at the AGM.

For the purpose of this Circular, the term "**Shareholders**" has been defined to also include reference to Depositors where the context admits and they will accordingly be treated administratively herein, where the context admits, as shareholders of the Company with entitlements in respect of the Proposed Renewal of the Share Buyback Mandate.

LETTER TO SHAREHOLDERS

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

1.3 SGX-ST

The SGX-ST assumes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Circular.

2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Share Buyback Mandate was first approved by Shareholders at the 2008 SGM to enable the Company to purchase or otherwise acquire Shares and to hold such Shares as Treasury Shares. The Share Buyback Mandate was last renewed at the 2022 AGM and will expire on the date of the forthcoming AGM. Accordingly, Shareholders' approval for the Proposed Renewal of the Share Buyback Mandate is being sought to allow the Company to continue the buyback of its Shares. Subject to the approval of the Shareholders at the forthcoming AGM, the Proposed Renewal of the Share Buyback Mandate will take effect from the date of passing of such ordinary resolution. The Proposed Renewal of the Share Buyback Mandate is set out under Resolution 9 in the Notice of AGM.

Any Share Purchase by the Company will have to be made in accordance with, and in the manner prescribed by, the Bermuda Companies Act and such other laws and regulations as may be applicable. As the Company is listed on the SGX-ST, it is also required to comply with Part XIII of Chapter 8 of the Listing Manual, which relates to the purchase or acquisition of issued ordinary shares in the capital of a company listed on the SGX-ST.

The Company may purchase or acquire Shares by way of On-Market Purchases and/or Off-Market Purchases subject to compliance with all applicable laws and rules. In the event that subsequent to the AGM, there are new rules, regulations, directives or laws enacted or promulgated by the relevant competent authorities including but not limited to the SGX-ST and the Council (hereinafter, collectively referred to as the "**Further Rules**") that augment, supplement or vary the existing governing provisions set out in the Bermuda Companies Act and/or the Listing Manual, the Company shall, to the extent that the Further Rules impact on the Share Buyback Mandate, disseminate to the public by announcement(s), a memorandum setting out such Further Rules and the extent to which the Share Buyback Mandate is affected by such Further Rules. In such an event, the Company shall not undertake any Share Purchase until such a memorandum has been publicly disseminated.

2.2 Rationale for the Share Buyback Mandate

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:–

- (i) the Directors and management of the Company constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A Share Purchase made at an appropriate price level is one of the ways through which the EPS, NTA and the return on equity of the Group may be enhanced. The Share Buyback Mandate will give the Directors the flexibility to purchase or acquire Shares as and when the circumstances permit;

LETTER TO SHAREHOLDERS

- (ii) Share Purchases provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost efficient manner; and
- (iii) the Share Buyback Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help mitigate short-term market volatility and to offset the effects of short-term speculation and, in turn, bolster Shareholder confidence and employee morale.

The Share Purchases pursuant to the Share Buyback Mandate will only be undertaken as and when circumstances permit and only when the Directors are of the view that such purchases are in the interest of the Company and Shareholders. No purchases or acquisitions of Shares will be made in circumstances which the Directors believe will have or may have a material adverse effect on the liquidity and the orderly trading of the Shares and the working capital requirements and gearing level of the Company and the Group.

2.3 Authority and Limitations on the Share Buyback Mandate

The authority and limitations placed on the Share Purchases by the Company under the Share Buyback Mandate, if approved at the forthcoming AGM, are summarised below:–

- (i) Maximum Number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited in aggregate to that number of Shares representing not more than 10% of the total number of issued Shares of the Company, ascertained as at the date of the forthcoming AGM at which the Proposed Renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For the purposes of calculating the percentage of issued Shares above, Shares which are held as Treasury Shares and subsidiary holdings will be disregarded.

For illustrative purposes only, based on 413,906,337 Shares, being the total number of Shares in issue excluding Treasury Shares and subsidiary holdings as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 41,390,633 Shares (representing 10% of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

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(ii) Duration of Authority

Under the Share Buyback Mandate, Share Purchases may be made, at any time and from time to time, on and from the date of the AGM (at which the Proposed Renewal of the Share Buyback Mandate is approved) up to the earlier of:–

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the Share Purchases are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by Shareholders by ordinary resolution in a general meeting.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed at each annual general meeting or other general meeting of the Company. When seeking the Shareholders' approval for the Proposed Renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to any Share Purchases made during the previous 12 months (whether an On-Market Purchase or an Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases.

(iii) Manner of Share Purchases

Share Purchases may be made by way of:–

- (a) on-market purchases through the SGX-ST's ready market, or as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**On-Market Purchases**"); and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme (as defined in Section 76C of the Act), which scheme shall satisfy all the conditions prescribed by the Listing Manual ("**Off-Market Purchases**").

The Directors may impose such terms and conditions, which are not inconsistent with the Share Buyback Mandate, the Listing Manual, the Bye-Laws, the Bermuda Companies Act and Section 76C of the Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Act, an Off-Market Purchase must be effected in accordance with an equal access scheme, which must satisfy all of the following conditions: –

- (aa) offers for Share Purchases shall be made to every person who holds Shares, to purchase or acquire the same percentage of their Shares;
- (bb) all of those persons shall be given a reasonable opportunity to accept the offer made to them; and

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(cc) the terms of all the offers are the same, except that there shall be disregarded:–

(zz) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;

(yy) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and

(xx) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:–

(A) the terms and conditions of the offer;

(B) the period and procedures for acceptances;

(C) the reasons for the proposed Share Purchases;

(D) the consequences, if any, of Share Purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;

(E) whether the Share Purchases, if made, could affect the listing of the Company's equity securities on the Official List;

(F) details of any Share Purchases made by the Company in the previous 12 months (whether an On-Market Purchase or an Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and

(G) whether the Shares purchased or acquired by the Company will be cancelled or kept as Treasury Shares.

(iv) Maximum Purchase Price

The purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:–

(a) in the case of an On-Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

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

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in either case, excluding related expenses of the Share Purchase (the “**Maximum Price**”).

For the above purposes:–

“**Average Closing Price**” means (aa) the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the date of the On-Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and (bb) deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the day on which the purchase is made; and

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

2.4 Status of Purchased Shares

Under the Bermuda Companies Act, any Share which is purchased by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless such Share is purchased or acquired to be held, and is held by the Company as a Treasury Share. When Shares purchased or acquired by the Company are cancelled and not held as Treasury Shares, the issued share capital of the Company will be diminished by the nominal value of such Shares purchased or acquired by the Company. This shall not be taken as reducing the Company’s authorised share capital.

Any Shares purchased or acquired by the Company (and not held as Treasury Shares by the Company) and cancelled will be automatically de-listed by the SGX-ST and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase.

2.5 Treasury Shares

Under the Bermuda Companies Act, a company may purchase its own shares if authorised by its memorandum of association or bye-laws. Some provisions on treasury shares under the Bermuda Companies Act are summarised below:–

(i) Maximum Holdings

The shares so purchased may either be cancelled or may be held as treasury shares. If the shares purchased are cancelled, the company’s issued, but not its authorised share capital will be diminished accordingly. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the registry of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares (including any right to attend and vote at meetings), and any purported exercise of such right is void.

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A company may not acquire its own shares to be held as treasury shares if, as a result of the acquisition, all of the company's issued shares, other than the shares to be held as treasury shares, would be non-voting shares.

No acquisition by a company of its own shares to be held as treasury shares may be effected if, on the date on which the acquisition is to be effected, there are reasonable grounds for believing that the company is, or after the acquisition would be, unable to pay its liabilities as they become due.

(ii) Voting and Other Rights

A company cannot exercise any right in respect of treasury shares including any right to attend and vote at meetings and any purported exercise of such a right is void.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distributions of assets to members on a winding up) may be made, to the company in respect of treasury shares. However, the making of an allotment of shares as fully paid bonus shares in respect of treasury shares is allowed and any such bonus shares shall be treated for the purposes of the Bermuda Companies Act as if they had been acquired by the company at the time they were allotted. Also, a subdivision or consolidation of any treasury shares into shares of a different amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where shares are held as treasury shares, a company may, *inter alia*, at any time:–

- (a) continue to hold all or any of such treasury shares;
- (b) dispose of or transfer all or any of the treasury shares for the purpose of or pursuant to any employee share scheme;
- (c) dispose of or transfer all or any of the treasury shares for cash or other consideration;
- (d) cancel all or any of the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance.

A company may transfer any treasury shares for the purpose of or pursuant to an employee share option or award scheme. The number of shares held as treasury shares shall not at any time exceed 10% of the total issued ordinary share capital of the company. In the event of any sale, transfer, cancellation and/or use of treasury shares, the Listing Manual requires the company to make an immediate announcement stating the following:–

- (aa) the date of such sale, transfer, cancellation and/or use;
- (bb) the purpose of such sale, transfer, cancellation and/or use;

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- (cc) the number of treasury shares sold, transferred, cancelled and/or used;
- (dd) the number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (ee) the percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (ff) the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Source of Funds

Under the Bermuda Companies Act, a purchase of shares may only be funded, so long as the company is solvent, out of the capital paid-up on the shares to be purchased, or out of the funds of the company which would otherwise be available for dividend or distribution, or out of the proceeds of a fresh issue of shares made for the purpose of the purchase and the premium payable on the purchase (i.e. the amount paid in excess of the nominal value of the shares to be purchased) must be provided for out of the funds of the company which would otherwise be available for dividend or distribution, or out of the company's share premium account before the shares are purchased. Any amount due to a Shareholder by the Company on purchase of its own Shares may be (i) paid in cash, (ii) satisfied by the transfer of any part of the undertaking or property of the Company having the same value or (iii) satisfied partly in cash and partly by the transfer of any part of the undertaking or property of the Company having the same value.

In undertaking Share Purchases, the Company may only apply funds legally available for such purchase in accordance with the Bermuda Companies Act, the Bye-Laws and the applicable laws in Singapore. The Company may not purchase its Shares for consideration other than cash or, in the case of an On-Market Purchase, for settlement other than in accordance with the trading rules of the SGX-ST. No purchase or acquisition by the Company of its own shares may be effected if, on the date on which the purchase or acquisition is effected, there are reasonable grounds for believing that the Company is, or after the purchase or acquisition would be, unable to pay its liabilities as they become due.

The Company may use its internal resources of funds and/or external borrowings, or a combination of internal resources and external borrowings to finance buyback of its Shares. It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buyback Mandate on the Company's consolidated NTA and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchase.

Where the Share Purchase is made out of distributable profits, such purchase (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

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Where the Share Purchase is financed through internal resources, it will reduce the cash reserves of the Company, and thus the current assets and Shareholders' funds of the Company. This will result in an increase in the gearing ratios of the Company and a decline in the current ratios of the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the Share Purchase is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Company and a decline in the current ratios of the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial condition of the Company and would cause the Company to be insolvent.

2.7 Financial Effects

The financial effects on the Company and the Group arising from Share Purchases will depend on, *inter alia*, the number of Shares purchased, whether the Shares are purchased out of profits and/or capital of the Company, the price paid for such Shares and whether the Shares purchased are held in treasury or cancelled.

The financial effects on the Company and the Group, based on the audited consolidated financial statements of the Company for the financial year ended 31 March 2023, are based on the following principal assumptions:—

- (i) the number of Shares purchased was 41,390,633 (representing 10% of 413,906,337 issued Shares excluding Treasury Shares and subsidiary holdings as at the Latest Practicable Date and assuming no further Shares were issued and no Shares were held by the Company as Treasury Shares on or prior to the AGM);
- (ii) in the case of On-Market Purchases, the Maximum Price was S\$0.54 per Share (being the price equivalent to 5% above the Average Closing Prices of the Shares for the five Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for the purchase or acquisition of 41,390,633 Shares (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees) is approximately S\$22,512,365;
- (iii) in the case of Off-Market Purchases, the Maximum Price was S\$0.57 per Share (being the price equivalent to 10% above the Average Closing Prices of the Shares for the five Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date) and accordingly the maximum amount of funds required for the purchase or acquisition of 41,390,633 Shares (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees) is approximately S\$23,584,383;
- (iv) the Share Purchases took place on 31 March 2023; and
- (v) transaction costs incurred for the Share Purchases are assumed to be insignificant and have been ignored for the purpose of computing the financial effects.

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For illustrative purposes only, based on the assumptions set out above, the financial effects of the purchase of 41,390,633 Shares by the Company pursuant to the Share Buyback Mandate by way of:–

- (a) purchases made entirely out of capital and held as Treasury Shares; and
- (b) purchases made entirely out of capital and cancelled,

on the audited consolidated financial statements of the Company for the financial year ended 31 March 2023, are set out in “*Scenario 1 – Share Purchases made entirely out of capital and held as Treasury Shares*” and “*Scenario 2 – Share Purchases made entirely out of capital and cancelled*” below, respectively.

As the financial effects of Share Purchases made entirely out of profits are similar to that of purchases made entirely out of capital, only the financial effects by way of purchases made entirely out of capital are illustrated below in this Circular.

Scenario 1 – Share Purchases made entirely out of capital and held as Treasury Shares

	Group			Company		
	Before Share buyback	After Share buyback assuming On-Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming On-Market Purchase	After Share buyback assuming Off-Market Purchase
(HK\$'000)						
Share capital	43,563	43,563	43,563	43,563	43,563	43,563
Shareholders' funds	1,361,995	1,231,419	1,225,201	555,961	425,385	419,167
NTA	1,361,773	1,231,197	1,224,979	555,961	425,385	419,167
Current assets	1,706,746	1,576,170	1,569,952	473,096	342,520	336,302
Current liabilities	713,434	713,434	713,434	465	465	465
Working capital	993,312	862,736	856,518	472,631	342,055	335,837
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	1,009,930	879,354	873,136	3,795	(126,781)	(132,999)
Profit after tax and minority interest	122,990	122,990	122,990	95,814	95,814	95,814
Number of Shares ('000)						
Number of Treasury Shares	21,725	63,115	63,115	21,725	63,115	63,115
Number of Issued Shares (excluding Treasury Shares)	413,906	372,516	372,516	413,906	372,516	372,516
Weighted average number of issued Shares (excluding Treasury Shares)	422,556	381,165	381,165	422,556	381,165	381,165
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	329.00	330.51	328.84	134.32	114.19	112.52
Basic EPS (HK cents) ⁽²⁾	29.11	32.27	32.27	22.67	25.14	25.14
Net gearing (times) ⁽³⁾	–	–	–	–	0.30	0.32
Return on equity (%) ⁽⁴⁾	9.03%	9.99%	10.04%	17.23%	22.52%	22.86%

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Scenario 2 – Share Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share buyback	After Share buyback assuming On-Market Purchase	After Share buyback assuming Off-Market Purchase	Before Share buyback	After Share buyback assuming On-Market Purchase	After Share buyback assuming Off-Market Purchase
(HK\$'000)						
Share capital	43,563	39,424	39,424	43,563	39,424	39,424
Shareholders' funds	1,361,995	1,231,419	1,225,201	555,961	425,385	419,167
NTA	1,361,773	1,231,197	1,224,979	555,961	425,385	419,167
Current assets	1,706,746	1,576,170	1,569,952	473,096	342,520	336,302
Current liabilities	713,434	713,434	713,434	465	465	465
Working capital	993,312	862,736	856,518	472,631	342,055	335,837
Total borrowings	–	–	–	–	–	–
Cash & cash equivalents	1,009,930	879,354	873,136	3,795	(126,781)	(132,999)
Profit after tax and minority interest	122,990	122,990	122,990	95,814	95,814	95,814
Number of Shares ('000)						
Number of Treasury Shares	21,725	21,275	21,725	21,725	21,725	21,725
Number of Shares (excluding Treasury Shares)	413,906	372,516	372,516	413,906	372,516	372,516
Weighted average number of issued Shares (excluding Treasury Shares)	422,556	381,165	381,165	422,556	381,165	381,165
Financial Ratios						
NTA per Share (HK cents) ⁽¹⁾	329.00	330.51	328.84	134.32	114.19	112.52
Basic EPS (HK cents) ⁽²⁾	29.11	32.27	32.27	22.67	25.14	25.14
Net gearing (times) ⁽³⁾	–	–	–	–	0.30	0.32
Return on equity (%) ⁽⁴⁾	9.03%	9.99%	10.04%	17.23%	22.52%	22.86%

Notes:–

- (1) NTA per Share equals NTA divided by number of Shares (excluding Treasury Shares) as at 31 March 2023.
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of Shares (excluding Treasury Shares) as at 31 March 2023.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Return on equity equals profit after tax and minority interest divided by Shareholders' funds.

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Shareholders should take note that the financial effects as set out in “*Scenario 1 – Share Purchases made entirely out of capital and held as Treasury Shares*” and “*Scenario 2 – Share Purchases made entirely out of capital and cancelled*” above are purely for illustration purposes. In particular, it is important to note they are based on audited historical numbers for the financial year ended 31 March 2023 and, are not necessarily representative of the Company’s future financial performance.

Although the Share Buyback Mandate would authorise the Company to purchase up to 10% of the Company’s issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or acquired or hold all or part of the Shares purchased or acquired as Treasury Shares.

2.8 Tax Implications

Shareholders who are in any doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or who may be subject to tax whether inside or outside Singapore, should consult their own professional advisers.

2.9 Listing Status

The Directors will ensure that the Share Purchases will not have any effect on the listing of the Company’s securities including the Shares listed on the SGX-ST. The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The “**public**”, as defined in the Listing Manual, are persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

The Directors shall safeguard the interests of the public (as defined above) before undertaking any Share Purchase. Before exercising the Share Buyback Mandate, the Directors shall at all times take due cognisance of (i) the then shareholding spread of the Company in respect of the number of Shares held by Substantial Shareholders and by non-Substantial Shareholders; and (ii) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any Share Purchase.

As at the Latest Practicable Date, there are 305,915,565 Shares in the hands of the public (as defined above) representing 73.9% of the issued Shares excluding Treasury Shares. Assuming that the Company purchases 41,390,633 Shares through market purchases up to the full 10% limit pursuant to the Share Buyback Mandate, the number of Shares in the hands of the public would be reduced to 264,524,932 Shares, representing 71.0% of the issued Shares excluding Treasury Shares.

Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public (as defined above) which would permit the Company to undertake purchases or acquisitions of its Shares through market purchases up to the full 10% limit pursuant to the Share Buyback Mandate without adversely affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading.

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2.10 SGX-ST – Listing Manual

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term “**average closing market price**” is defined in the Listing Manual as (i) the average of the closing market prices of shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which purchases are made; and (ii) deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made. The Maximum Price for a Share in relation to market purchases by the Company, referred to in Section 2.3(iv) of this Circular, conforms to this restriction.

Additionally, the Listing Manual also specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 am:–

- (a) in the case of an On-Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such notification shall include, details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, the purchase price per share, the total purchase price for the shares, the highest and lowest prices per share for the shares purchased to date and the number of issued shares after purchase, in the form prescribed under the Listing Manual.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Buyback Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period commencing one month immediately preceding the announcement of the Company’s half year and annual financial statements and ending on the date of the announcement of the relevant results.

2.11 Application of the Take-over Code

- (i) Obligations to make a take-over offer

Under Rule 14 of the Take-over Code, a person will be required to make a general offer for a public company if:–

- (a) he acquires 30% or more of the voting rights in the company; or
- (b) he, together with persons acting in concert with him, holds between 30% and 50% of the voting rights in the company and he, or any person acting in concert with him, increases their voting rights in the company by more than 1% in any six-month period.

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If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert under the Take-over Code:–

(aa) the following companies:–

(zz) a company;

(yy) the parent company of (zz);

(xx) the subsidiaries of (zz);

(ww) the fellow subsidiaries of (zz);

(vv) the associated companies of any of (zz), (yy), (xx) or (ww);

(uu) companies whose associated companies include any of (zz), (yy), (xx), (ww) or (vv); and

(tt) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

(bb) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status. The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

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Under Appendix 2 of the Take-over Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties would:–

- (A) increase to 30% or more; or
- (B) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six months.

In calculating the percentages of voting rights in the Company of such Directors and their concert parties, Treasury Shares shall be excluded.

A Shareholder who is not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or if the voting rights of such Shareholder fall between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder increases by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Buyback Mandate.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer under Rule 14 of the Take-over Code as a result of any Share Purchases by the Company pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the Council before they acquire any Shares during the period when the renewed Share Buyback Mandate is in force.

Details of the interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out in Section 3 of this Circular.

(ii) Take-over implications arising from the Share Buyback Mandate

Based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholders before and after the Share Buyback Mandate (assuming (a) the Company purchased a maximum number of 41,390,633 Shares, being 10% of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, and (b) there was no change in the number of Shares held or deemed to be held by the Directors and the Substantial Shareholders) are as follows:–

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	Before Share Buyback			After Share Buyback		
Substantial Shareholders	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾	Direct Interest	Deemed Interest	Total Interest (%) ⁽²⁾
Tse Chong Hing ⁽³⁾	75,990,411	–	18.4	75,990,411	–	20.4
Chow Kok Kit ⁽⁴⁾	32,000,361	–	7.7	32,000,361	–	8.6

Notes:–

- (1) As a percentage of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 413,906,337 Shares.
- (2) As a percentage of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 372,515,704 Shares (assuming that the Company purchased or acquired the maximum number of 41,390,633 Shares under the Share Buyback Mandate).
- (3) Mr. Tse Chong Hing is the Chairman and Managing Director of the Company.
- (4) Mr. Chow Kok Kit is an Executive Director of the Company.

Based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, in the event the Company undertakes Share Purchases within the Relevant Period of up to 10% of the issued Shares of the Company as at the Latest Practicable Date as permitted by the Share Buyback Mandate, the shareholdings and voting rights of each of Mr. Tse Chong Hing and Mr. Chow Kok Kit will remain below 30% respectively. Accordingly, neither Mr. Tse Chong Hing nor Mr. Chow Kok Kit is required to make a general offer pursuant to Rule 14 of the Take-over Code.

2.12 Share Purchases in the previous 12 months

As at the Latest Practicable Date, the Company had, pursuant to the Share Buyback Mandate approved by Shareholders at the 2022 AGM, purchased or acquired an aggregate of 13,202,300 Shares by way of On-Market Purchases. The highest and lowest price paid was S\$0.545 and S\$0.495 per Share respectively. The total consideration paid (excluding brokerage, commission, applicable goods and services tax, and other related expenses) was S\$6,914,412. As at the Latest Practicable Date, the Company had not purchased or acquired any Shares by way of an Off-Market Purchase pursuant to the Share Buyback Mandate approved by Shareholders at the 2022 AGM.

3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors in the Shares as recorded in the Company's Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:–

Name of Director	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾
Tse Chong Hing	75,990,411	–	18.4
Chow Kok Kit	32,000,361	–	7.7
Tan Siok Chin	–	–	–
Loo Cheng Guan	–	–	–
Liu Chung Mun Wilson	–	–	–

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Note:–

- (1) As a percentage of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 413,906,337 Shares.

The interests of the Substantial Shareholders as recorded in the Company's Register of Substantial Shareholders as at the Latest Practicable Date are set out below:–

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Total Interest (%) ⁽¹⁾
Tse Chong Hing	75,990,411	–	18.4
Chow Kok Kit	32,000,361	–	7.7

Note:–

- (1) As a percentage of the total number of issued Shares excluding Treasury Shares and subsidiary holdings of the Company as at the Latest Practicable Date, comprising 413,906,337 Shares.

Save for their respective shareholdings in the Company set out above, none of the Directors and the Substantial Shareholders have any interest, direct or indirect, in the Share Buyback Mandate.

4 DIRECTORS' RECOMMENDATION

The Directors having fully considered, *inter alia*, the terms and rationale of the Proposed Renewal of the Share Buyback Mandate as set out in this Circular, are of the opinion that the Proposed Renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Resolution 9 to be proposed at the forthcoming AGM.

5 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

6 ANNUAL GENERAL MEETING

The Directors are convening an annual general meeting to be held at Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633 on 17 July 2023 at 10.00 am for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of AGM.

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7 ACTION TO BE TAKEN BY SHAREHOLDERS

- 7.1** A Shareholder who is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, may complete, sign and return the Proxy Form in accordance with the instructions printed thereon to the Company by depositing the Proxy Form at the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 **by 10.00 am on 14 July 2023**, being not less than 72 hours before the time fixed for holding the AGM.
- 7.2** The completion and return of the Proxy Form by a Shareholder will not preclude him from attending and voting at the AGM, if he wishes to do so, in place of his proxy. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM. Only Shareholders whose names are entered in the Register of Members and who are entitled to attend and vote at a general meeting of the Company will receive a Proxy Form. A proxy need not be a Shareholder.
- 7.3** A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat. Depositors who are individuals and who wish to attend and vote at the AGM, and whose names are shown in the records of CDP as at a time not earlier than 72 hours prior to the time of the AGM supplied by CDP to the Company, may attend as CDP's proxies. Depositors who wish to attend the AGM in person need not take any further action and can attend and vote at the AGM without the lodgment of any Proxy Form. Depositors who are individuals and are unable to attend the AGM personally and wish to appoint their nominee or nominees to attend and vote on their behalf and Depositors who are not individuals, will find attached to the Notice of AGM the Depositor Proxy Form which they are requested to complete, sign and return to the Company in accordance with the instructions printed thereon by depositing the Depositor Proxy Form at the office of the Singapore share transfer agent of the Company, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 **by 10.00 am on 14 July 2023**, being not less than 72 hours before the time fixed for holding the AGM.
- The Depositor Proxy Form may also be accessed at the Company's website at <https://www.valuetronics.com.hk/ir/agm.html>, and will also be made available on the website of the SGX-ST.
- 7.4** The completion and return of the Depositor Proxy Form by an individual Depositor does not preclude him from attending and voting in person at the AGM in place of his nominee or nominees if he so wishes.
- 7.5** Investors holding Shares through the Supplementary Retirement Scheme ("**SRS**") who wish to vote should approach their respective SRS Operators to submit their votes **by 5.00 pm on 5 July 2023**, being at least seven working days before the date of the AGM.
- 7.6** Investors holding Shares through Relevant Intermediaries ("**Investors**") (other than SRS Investors) who wish to attend and/or vote at the AGM should approach his/her Relevant Intermediary as soon as possible in order to make the necessary arrangements including to specify his/her voting instructions.

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- 7.7** Please refer to the Notice of AGM for further details, including submission of questions in advance of the AGM.

8 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of the Company's Singapore share transfer agent, B.A.C.S Private Limited at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 during normal business hours from the date of this Circular up to the date of the AGM:–

- (i) the Memorandum of Association and Bye-Laws of the Company; and
- (ii) the Annual Report of the Company for the financial year ended 31 March 2023.

Yours faithfully,

For and on behalf of the Board of Directors of
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director

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