WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

威雅利電子（集團）有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong stock code: 854)

(Singapore stock code: W12)

2014
ANNUAL REPORT

CORPORATE PROFILE

Established in the early 1980s, listed on the Main Board of the Singapore Exchange in 2001 (SGX: W12) and also on the Main Board of The Stock Exchange of Hong Kong in 2013 (SEHK: 854), Hong Kong-based Willas-Array Electronics (Holdings) Limited ("**Willas-Array**") is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliances, lighting, EMS and automotive segments, as well as the provision of engineering solutions.

Backed by long-standing relationships with over 20 internationally reputable principal suppliers, Willas-Array carries a wide product mix, distributing and marketing over 10,000 product items which cater to over 3,000 customers. Its main markets are in mainland China, Hong Kong and Taiwan.

The Group's reputation is well-established among suppliers, customers and banks, many of whom are its long term partners. Its sound management policies have ensured healthy inventory and cash flow levels. The Group was generally able to achieve healthy financial results and has strong profit track record period.

In China, Willas-Array has established a network of offices strategically located in Beijing, Chengdu, Chongqing, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen, and Zhongshan. It has a subsidiary in the Free Trade Zone in Shanghai which serves as a logistics centre for the Group in northern China.

Willas-Array also has a wholly-owned subsidiary in Taipei to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.

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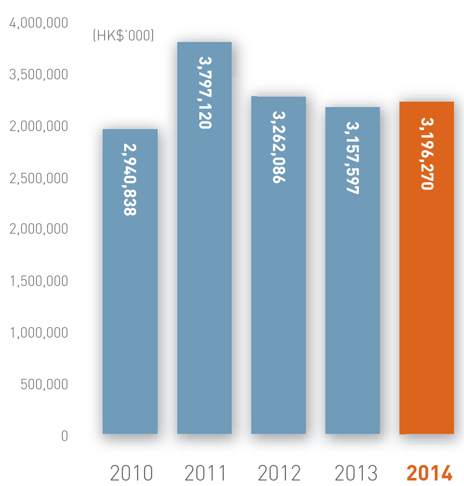
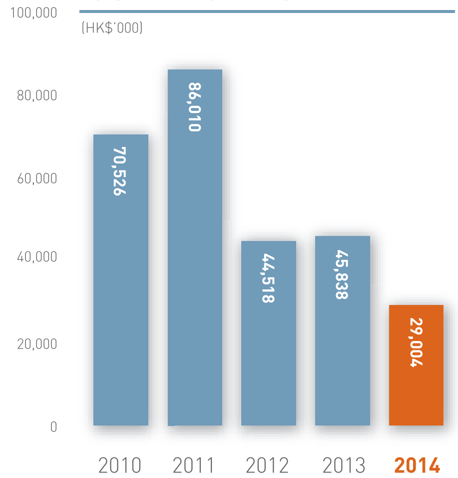
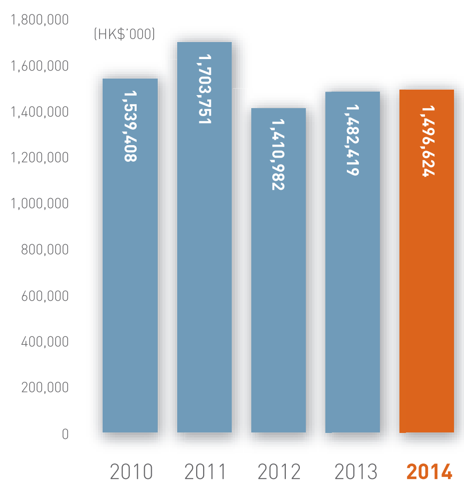


PROFIT ATTRIBUTABLE TO SHAREHOLDERS



TOTAL ASSETS



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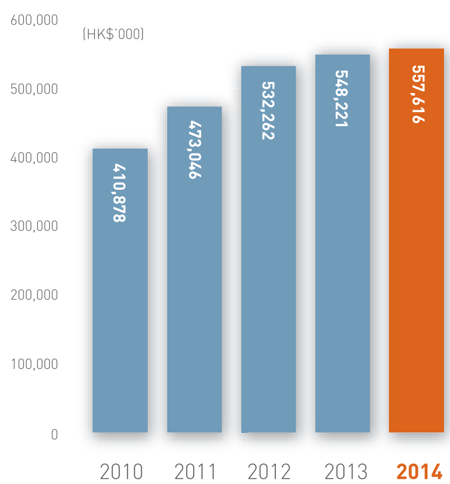

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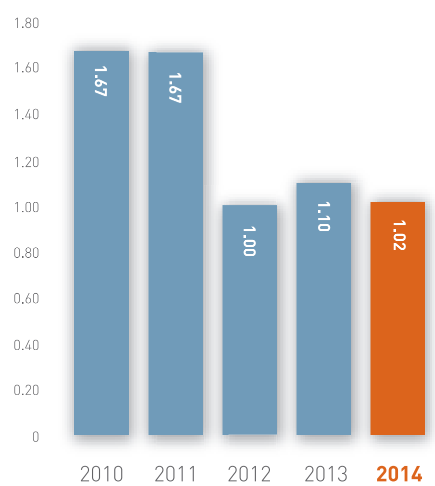

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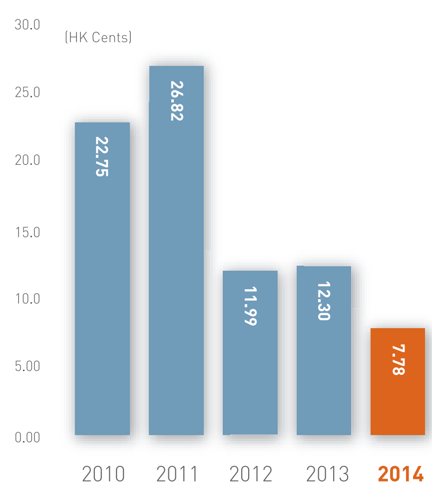

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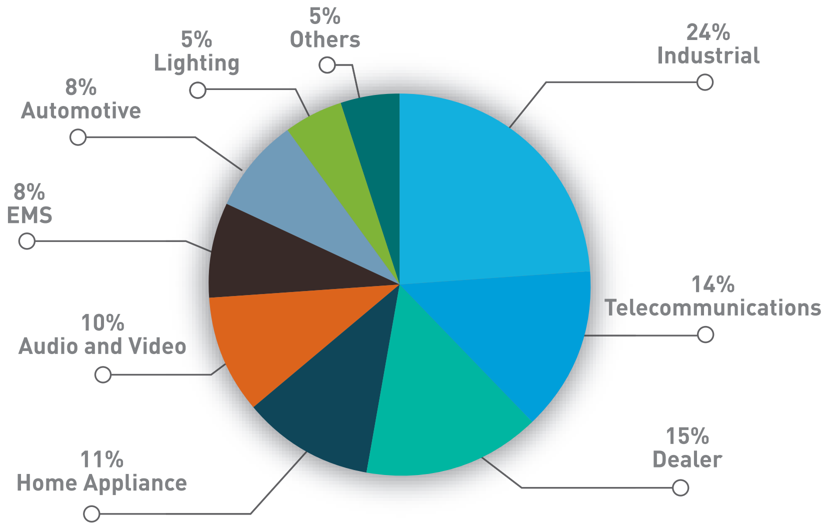
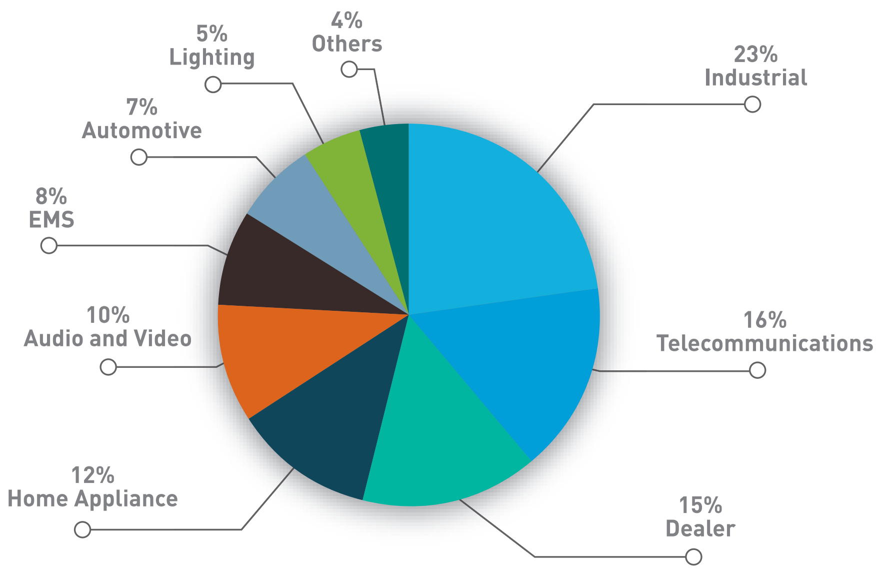


Turnover By Segments For The Year Ended March 31, 2013



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2010	2011	2012	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	2,940,838	3,797,120	3,262,086	3,157,597	**3,196,270**
Cost of sales	(2,626,616)	(3,411,444)	(2,959,401)	(2,851,940)	**(2,868,473)**
Gross profit	314,222	385,676	302,685	305,657	**327,797**
Other operating income	15,274	3,768	4,246	4,635	**4,216**
Distribution costs	(31,683)	(50,862)	(39,021)	(30,112)	**(46,115)**
Administrative expenses	(204,126)	(206,932)	(216,028)	(217,936)	**(211,524)**
Share of loss of jointly contolled entities	(198)	(22)	(21)	–	**–**
Share of profit of associates	–	–	–	808	**7,128**
Listing expenses	–	–	–	–	**(26,055)**
Amortization of financial guarantee liabilities	–	–	–	–	**1,523**
Other (losses) gains	–	(8,053)	19,538	7,623	**471**
Finance costs	(9,968)	(13,531)	(15,514)	(16,232)	**(17,202)**
Profit before tax	83,521	110,044	55,885	54,443	**40,239**
Income tax expense	(12,045)	(22,209)	(13,132)	(13,144)	**(14,852)**
Profit for the year	71,476	87,835	42,753	41,299	**25,387**
Non-controlling interests	(950)	(1,825)	1,765	4,539	**3,617**
Profit attributable to shareholders	70,526	86,010	44,518	45,838	**29,004**
Earnings per share (HK cents) (Note 2)	22.75	26.82	11.99	12.30	**7.78**

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2010	2011	2012	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Restated				
Current assets	1,438,981	1,522,109	1,224,132	1,265,770	1,276,950
Property, plant and equipment	82,681	166,380	172,288	162,278	157,128
Available-for-sale investments	2,001	2,001	2,001	2,001	2,001
Interest in jointly controlled entities	8,795	8,773	8,752	—	—
Interests in associates	—	—	—	49,809	59,172
Other non-current assets	6,950	4,488	3,809	2,561	1,373
Total assets	1,539,408	1,703,751	1,410,982	1,482,419	1,496,624
Current liabilities	1,119,328	1,162,062	801,200	927,947	939,064
Non-current liabilities	2,526	60,142	71,733	5,000	2,791
Non-controlling interests	6,676	8,501	5,787	1,251	(2,847)
Shareholders' equity	410,878	473,046	532,262	548,221	557,616
Total liabilities and equities	1,539,408	1,703,751	1,410,982	1,482,419	1,496,624
Net tangible assets per share (HK cents) (Note 3)	132.54	152.60	142.80	147.09	149.61

Notes:

(1) The financial summary for the five financial years ended March 31, 2010 to 2014 presented above is extracted from the annual reports of the Company from 2010 to 2014.

(2) The basic earnings per share for the year ended March 31, 2010 to 2014 are calculated based on profit attributable to shareholders of the Group and weighted average number of 310,000,000, 320,689,655, 371,421,413, 372,720,000 and 372,720,000 ordinary shares of the Company in issue during the financial years of 2010 to 2014 respectively.

(3) The net tangible assets per share for the year ended March 31, 2010 to 2014 are calculated based on share capital of the Company at the end of financial year of 310,000,000, 310,000,000, 372,720,000, 372,720,000 and 372,720,000 shares respectively.

CHAIRMAN'S STATMENT

Dear Shareholders,

Our latest financial year that ended March 31, 2014 ("**FY2014**") was yet another milestone year for Willas-Array Electronics (Holdings) Limited ("**Willas Array**" or the "**Group**") as we completed a successful dual primary listing on The Stock Exchange of Hong Kong Limited (the "**SEHK**") on December 6, 2013.

The dual listing was an important strategic decision that is consistent with our focus on the key regions in Greater China as it gave the Group greater exposure to customers in these markets. We believe that the move has strengthened our position and enhanced our ability to capture a larger market share and this will go towards ensuring the long-term sustainability of the Group.

In addition, having a dual listing in Hong Kong has not only put us on par with our peers, but it has also provided our existing shareholders with enhanced liquidity and opened the door for a wider community of investors to partake in the growth of our company.

STRENGTHENING THE TEAM

Willas-Array's achievements and strategies have always been tied directly to our belief in deploying the right people, processes and engineering efforts to provide high-value services and solutions to a broad range of customers. In line with this, we announced in March 2014, several management promotions targeted at driving further growth of the Group, particularly in our key markets in Greater China.

Mr. Ringo Chan, who was Sales Director of the Group was promoted to Deputy Managing Director of Sales and Marketing, responsible for developing and managing Willas-Array's sales and marketing operations. Mr. Derek Choi, who was General Manager for the Northern China Region, was promoted to Sales Director of the Northern China Region. Mr. Ken Lam, who was General Manager for the Southern China Region, was promoted to Sales Director of Southern China Region.

The Group has also promoted Mr. Raymond Leung, who has served the Group since 2002, from Financial Controller to Chief Financial Officer, responsible for Willas-Array's overall corporate financing management. The nomination committee of the Board has also recommended that Mr. Leung be considered and appointed as an Executive Director at the upcoming Annual General Meeting ("**AGM**") on July 31, 2014.

Another long serving member of the Group, Mr. Alvin Hon, who joined the Group in 1986 and who is also an Executive Director of the Board, will be appointed as the Managing Director with effect from the conclusion of the AGM. Mr. Hon will be responsible for executing the corporate direction as well as advancing the Group's business. Mr. Kwok Chan Cheung, the Deputy Chairman and Managing Director of the Company, will cease to be the Managing Director but remains as the Deputy Chairman and will focus on guiding the Group in its strategic decisions.

To attract and retain the best talent for the Group, we will continue to review and improve our human resource policies.

CHAIRMAN'S STATMENT

YEAR IN REVIEW

Despite the challenging operating environment, I am pleased to report that the Group put in a better performance in FY2014 as compared to the preceding year ended March 31, 2013 ("**FY2013**").

On the macro front, global market sentiment was better with the US economy exhibiting signs of a gradual turnaround and the Eurozone showing economic improvement. China's export market also turned positive and this was reflected in an increase in orders from Original Equipment Manufacturers and Electronic Manufacturing Services in the second half of FY2014.

Notwithstanding this, our customers remained cautious about the sustainability of this recovery. During the year, we faced a situation of some customers not wanting to place long-term orders. This meant that the Group had to deal with short-term orders and maintain a relatively low inventory level within the supply chain. We were able to overcome the situation by monitoring the market's demand as well as by laying down better buffers for our stock inventory.

Thanks to the support of our principals and the dedication of our staff, our revenue increased 1.2% to HK$3,196.3 million as a result of better performance by our sales teams particularly in the second half of the year, which partially offset the fall in revenue in the first half of the year due to the gradual transfer of the Group's Toshiba-related business to our 49.0% owned associated company, GW Electronics Company Limited ("**GW Electronics**").

The Group enjoyed healthier average selling prices for its products in FY2014 due to stablising market conditions. This pushed up gross profit by 7.2% from HK$305.7 million in FY2013 to HK$327.8 million in FY2014. Gross profit margin rose in tandem from 9.68% to 10.26% over the same period.

Listing Ceremony on SEHK
on December 6, 2013

The Group also registered a HK$7.1 million share of profit of associates in FY2014, being the first full financial year since GW Electronics commenced operations in early 2013.

Operationally, distribution costs increased 53.1% year-on-year from HK$30.1 million to HK$46.1 million due to normal accrued sales incentive for the sales staff in FY2014 compared with a reversal of sales incentive provision as a result of lower sales in FY2013.

In addition, the Group incurred a listing expense of HK$26.1 million for its successful dual primary listing on SEHK on December 6, 2013. Excluding this one-off listing expense, the Group would have achieved a 20.1% increase in net profit attributable to shareholders of HK$55.1 million as compared to HK$45.8 million in FY2013.

However, despite the listing-related expenses, the Group ended the year with healthy net earnings of HK$29.0 million, which is a strong verification of our growth strategies.

PROPOSED DIVIDEND

In keeping with the Group's healthy performance and to reward our shareholders for your support, the Directors have proposed a first and final dividend of 6.822 Hong Kong cents or 1.1 Singapore cents per share, which if approved at the AGM, will be paid to shareholders on August 22, 2014.

OUTLOOK

We are optimistic about our performance in FY2015. Despite a slowdown in the China economy, this market remains one of the biggest economic entities in the world and its growth continues to surpass other major economic regions in the west.

We will maintain a strategic focus on the Greater China region as we have established a significant sales network and gathered deep experience in this region, enabling us to read and adapt quickly to changing trends.

In line with the green movement seen in our key markets, we will continue to intensify our engineering and R&D efforts to develop energy-saving products, which include power inverters for home appliances and smart utilities meters. Concurrently, the Group will also source for relevant products from existing principals, or partner with new suppliers, in order to capitalize on this growing trend.

As always, the Group will remain vigilant in looking out for factors that may affect our operating environment and performance. We are confident that our core values and best business practices including prudent capital management through cost and credit controls, strong relationships with principals, sharp material and resource planning and exceptional customer service, will put us in good stead and enable us to continue delivering results to our shareholders.

CHAIRMAN'S STATMENT

Hong Kong head office

APPRECIATION

On behalf of the Board, I want to express my sincere gratitude to the management and staff of Willas-Array, whose hard work made it possible for us to achieve a good and healthy performance in FY2014.

The Board and management team will also like to extend a big thank you to our Deputy Managing Director, Mr. Hung Yuk Choy, who joined our Group in 1986 and over the years contributed his valuable experience that led to the growth and productivity of our IT and logistics departments. Mr. Hung will be retiring at the end of July 2014 and we wish him a happy retirement.

Lastly, I want to thank our customers, principals and business partners as well as our shareholders for your continued support.

Leung Chun Wah
Chairman

May 30, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

In FY2014, Group revenue increased 1.2% year-on-year to HK$3,196.3 million from HK$3,157.6 million, stemming from a 5.2% growth in revenue in the second half of the year from increased sales efforts, partially offsetting the 2.3% fall in sales revenue in the first half of the year. The fall in revenue in the first half was due mainly to the gradual transfer of the Group's Toshiba-related business to GW Electronics Company Limited which commenced operations in January 2013.

GW Electronics Company Limited is the Group's 49.0% owned associated company, established in November 2012 in collaboration with Taiwan Stock Exchange listed G.M.I. Technology Inc. ("**G.M.I.**"), for the purpose of distributing Toshiba's brand of electronics components in the People's Republic of China ("**PRC**") and Hong Kong.

Turnover by Market Segment Analysis

(in HK$'000)

	FY2014		FY2013		Increase (Decrease)	
		%		%		%
Industrial	779,400	24.4%	735,829	23.3%	43,571	5.9%
Dealer	490,094	15.3%	462,232	14.6%	27,862	6.0%
Telecommunications	436,265	13.7%	519,841	16.5%	(83,576)	-16.1%
Home Appliance	364,857	11.4%	365,537	11.6%	(680)	-0.2%
Audio and Video	303,226	9.5%	316,654	10.0%	(13,428)	-4.2%
EMS	262,241	8.2%	242,050	7.7%	20,191	8.3%
Automotive	251,847	7.9%	219,638	7.0%	32,209	14.7%
Lighting	164,179	5.1%	149,406	4.7%	14,773	9.9%
Others	144,161	4.5%	146,410	4.6%	(2,249)	-1.5%
	3,196,270	100.0%	3,157,597	100.0%	38,673	1.2%

In FY2014, we continued to invest resources towards enhancing our engineering capability in our key business segments. The performance of all our business segments was in-line with our expectations, with the exception of the telecommunications segment, which was affected by one of our sizable Taiwan-based mobile phone makers switching purchasing channels, leading to a 16.1% fall in revenue.

Adapting strategically to the market situation, we strengthened our resources in applications that were high in demand, and this enabled the Group to capture new opportunities and sustain our market share.

Industrial

This segment continued to be our largest contributor, with a revenue of HK$779.4 million, representing 24.4% of Group revenue. In addition to intensifying our sales efforts, which resulted in an increase in our market share and also helped us to maintain the segments growth momentum, we deployed our engineering team to develop more applications and solutions related to inverter motor control, smart home and other energy saving applications. We are confident that this segment has long term growth prospects and it is worthwhile for us to devote more resources to further develop new applications and solutions for the market.

Dealer

This segment's revenue increased 6% as compared to the previous year to reach HK$490.1 million. The increase was due to more package deals coming through from our principal suppliers to our dealer customers, which enabled us to gain further market share.

Telecommunications

The revenue from the telecommunications segment was HK$436.3 million, representing a decrease of 16.1% compared to the previous year. Performance was affected by the decision of one of our sizable Taiwan-based customers to switch its purchasing channel, which resulted in the termination of some telecommunications projects with us.

However we believe there are long term opportunities as smartphone and internet device technology remains a key growth driver for the segment. In addition, we believe the launch of the 4G network in China this year will further boost the demand for 4G mobile phones. We will continue our efforts to gain more market share in this segment.

Home Appliance

The revenue from this segment was HK$364.9 million, which was almost flat as compared to the previous year. In the first half of FY2014, the segment recorded a revenue drop of 10.1% primarily due to the higher expenses as a result of the PRC government's electronic appliance subsidy program coming to an end last year.

However in the second half, the Group was able to regain market share because of more stable demand from the domestic market in China as well as higher demand from export markets. Overall, revenue from this segment dipped just 0.2% as compared to the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Audio and Video

The audio and video segment was affected by the decrease in revenue from the distribution of our audio products that were developed by our non-wholly owned subsidiary, ValenceTech Group.

In FY2014, the demand for smartphone audio docking solutions reduced, leading to a decrease in revenue from these products. We adapted to the market situation by switching our focus to the higher-end audio products, which became another source of revenue to cover the shortfall.

The combined effect of the abovementioned factors resulted in an overall 4.2% decrease in our revenue from this segment compared to the previous financial year. We will continue our focus on high-end audio and wireless audio applications to counter the overall slowdown of the global audio and video market.

EMS

This segment achieved an 8.3% increase in revenue year-on-year to HK$262.2 million. In the first half of FY2014, the export market was still very soft and we recorded a revenue drop of 11.3%. However in the second half of FY2014, the export market become more active and orders increased, especially from the US market, where buyers were willing to order in advance. We believe that as the global economy become stable and start to pick up, the export market for China's electronics products will stand to benefit. We will work closely with our EMS customers to monitor the forecast and inventory levels, in order to take advantage of the upward trend.

Automotive

The Automotive segment accounted for 7.9% of total Group revenue in FY2014 and it was our strongest growing business segment. It recorded a two-digit growth of 14.7% in revenue to HK$251.8 million. The potential of this segment in the China market is promising. The characteristic of this segment is long design cycle and product life cycle. We plan to commit more resources in terms of Sales and Marketing as well as Engineering in this segment in order to capture the best return.

Hong Kong head office

Lighting

Revenue from this segment increased 9.9% year-on-year to HK$164.2 million in FY2014. The market conditions faced by this segment was similar to that of our EMS segment where poor export demand in the first half was partially offset by improved conditions in the second half.

We recorded a revenue drop of 8.4% in the first half of FY2014. As the overall economy improved and became more stable, the export demand for lighting products increased and we received more orders from both commercial and retail consumers. We will continue to develop engineering solutions and source for new product suppliers to obtain higher market share for this segment.

Others

This segment covers personal computers, toys security equipment and renewable energy. The overall performance was stable with a slight revenue decline of 1.5% year-on-year to HK$144.2 million.

Profit Margin

Owing to more stable market conditions, the Group no longer required to offer highly competitive pricing for clearance of our inventories, our margin increased from 9.68% in FY2013 to 10.26% in FY2014.

Distribution costs

Distribution costs increased by HK$16.0 million, or 53.1%, from HK$30.1 million for FY2013 to HK$46.1 million for FY2014. The increase in distribution costs were mainly attributable to the reversal of sales incentive provision for sales people as a result of the decline in sales in FY2013 versus a normal accrued sales incentive for the same period in FY2014.

Hong Kong warehouse

Administrative expenses

Administrative expenses primarily consist of staff costs, research and development expenses, insurance charge, depreciation and other general & administrative expenses. Administrative expenses stood at a similar level of HK$211.5 million for FY2014 (FY2013: HK$217.9 million).

Other gains

Other gains of HK$0.5 million for FY2014 was mainly due to an exchange gain offset by an allowance for doubtful trade receivables made in FY2014 while other gains in FY2013 was mainly attributable to the reversal of allowance for doubtful trade receivables.

Finance costs

Finance costs increased by HK$1.0 million, or 6.0%, from HK$16.2 million for the FY2013 to HK$17.2 million for FY2014. It was mainly due to increase of trust receipt loans when compared to previous year.

Listing expenses

Listing expenses of HK$26.1 million for FY2014 refers to the expenses incurred for the dual primary listing exercise on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The Company was successfully listed on the Main Board of SEHK on December 6, 2013 under stock code 854 and in board lots of 5,000 shares.

Share of profit of associates

Share of profit of associates of HK$7.1 million refers to the investment in an associated company named GW Electronics Company Limited in November 2012 to engage in the distribution of Toshiba brand electronic components in the PRC and Hong Kong. This associated company is 49% and 51% owned respectively by the Company and G.M.I., a company listed on the Taiwan Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Compared to FY2013, the increase in trust receipt loans and trade and bills payables by HK$63.5 million were due to the increase in purchasing activity in the current financial period. Trade debtors increased by HK$99.1 million was due to increase in sales revenue towards the end of this period when compared to FY2013. The debtors turnover days increased from 1.9 months to 2.3 months.

Inventories

Inventories increased from HK$353.6 million as at March 31, 2013 to HK$440.1 million as at March 31, 2014. The inventory turnover days increased from 1.5 months to a more normal turnover period of 1.9 months over last year.

Cash Flow

As at March 31, 2014, the Group had a working capital of HK$337.9 million, which included a cash balance of HK$219.0 million, compared to a working capital of HK$337.8 million, which included a cash balance of HK$390.4 million at March 31, 2013. The decrease in cash by HK$171.4 million was attributable to the net effect of cash outflow of HK$106.3 million in operating activities, HK$4.5 million in investing activities and HK$59.5 million in financing activities.

Cash outflow in operating activities was mainly attributable to the increase in inventories and trade receivables towards the end of the period under review.

Cash outflow from financing activities was attributable to repayment of bank loans in FY2014.

Borrowing and Banking Facilities

As at March 31, 2014, bank loans of approximately HK$112.3 million were all unsecured and repayable in quarterly or monthly installments ending in FY2015. As at March 31, 2014, bank loans bore interest at a weighted annual effective rate of 2.69% for fixed rate borrowing and 2.99% for variable rate borrowings. As at March 31, 2014, the Group had variable rate borrowings, with interest rates repriced at 1.4% to 2.75% per annum over the respective bank's cost of fund or Hong Kong Interbank Offer Rate (HIBOR).

As at March 31, 2014, trust receipt loans were unsecured, repayable within one year and bore effective interest rate of 1.86% to 2.77% per annum. As at March 31, 2014, the Group had unutilized banking facilities of approximately HK$725.5 million.

Foreign Exchange Risk Management

The Group incurs foreign currency risk mainly on sales and purchases that are denominated in currencies other than our functional currencies. The Group is mainly exposed to the fluctuations in the United States dollar and Japanese yen against the Hong Kong dollar. However, as the Hong Kong dollar is pegged to the United States dollar, the exposure of entities that use Hong Kong dollars as their respective functional currency to the fluctuations in the United States dollar is minimal. The major foreign currency giving rise to our foreign exchange risk is Japanese yen. The Group has a foreign currency hedging policy to monitor and maintain its foreign exchange exposure at an acceptable level.

Gearing Ratio

The gearing ratios as at March 31, 2014 and March 31, 2013 were approximately 102.1% and 109.8% respectively. Gearing ratio is derived by dividing total debt (represents interest-bearing bank loans, trust receipt loans and bills payables) by shareholders' equity at the end of a given period. The decrease was mainly due to a decrease in bank borrowings from HK$168.3 million to HK$112.3 million.

Contingent Liabilities

As at March 31, 2014, the Company had given corporate guarantees (unsecured) of approximately HK$156.4 million to its banks in respect of banking facilities granted to its associates, of which approximately HK$112.3 million was utilized.

As at March 31, 2014, the Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. The aggregate banking facilities granted to the subsidiaries were approximately HK$1,294.8 million, of which approximately HK$571.1 million was utilized and guaranteed by the Company.

As at March 31, 2014, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were approximately HK$216.5 million.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2014, the Group had a workforce of 517 full-time employees, of which approximately 38.9% worked in Hong Kong, 56.7% in the People's Republic of China (the "PRC") and the remaining in Taiwan.

The Group actively pursues a strategy of recruiting, developing and retaining talented employees by (i) providing them with regular training programs to ensure that they are kept abreast of the latest information pertaining to products distributed by the Group, technological developments and market conditions of the electronics industry; (ii) aligning employees' compensation and incentives with their performance; and (iii) providing them with a clear career path with opportunities for taking on additional responsibilities and securing promotions.

While the Group's employees in Hong Kong and Taiwan are required to participate in the Mandatory Provident Fund scheme and a defined contribution pension scheme respectively, the Group makes contributions to various government sponsored employee-benefit funds, including social insurance fund, housing fund, basic pension insurance fund and unemployment, maternity and work-related insurance funds for its employees in the PRC in accordance with the applicable PRC laws and regulations.

Further, the remuneration committee of the Company reviews and determines the remuneration and compensation packages of the directors of the Company (the "Directors") and senior management with reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

STRATEGY AND PROSPECTS

Looking ahead, the Group expects the overall global economy will recover steadily as the US economy showed gradual improvement and signs of stability emerged across major economies in the Eurozone area. However the Group remains cautious as the market is still marked by intense competition, together with volatility in raw material prices, foreign currency fluctuations, rising staff cost and inflation in China, all these would have an adverse impact on the economic recovery.

The Group will continue to be prudent in managing its operations while maintaining a healthy liquidity position.

BOARD OF DIRECTORS

From left to right: **Iu Po Chan, Eugene; Hon Kar Chun; Wong Kwan Seng, Robert; Leung Chun Wah; Kwok Chan Cheung; Jovenal R. Santiago**

EXECUTIVE DIRECTORS

Leung Chun Wah, 64, is our chairman. He is also a director of various subsidiaries of our Group. Mr. Leung was appointed as a Director and our chairman on January 1, 2001 and is responsible for determining our overall strategies and direction. Mr. Leung has more than 30 years of experience in the electronics industry. Mr. Leung was an inspection supervisor/process controller of Stuart Limited from 1967 to 1970 and established Willas Company Limited in 1981. Mr. Leung is also the father of Leung Chi Hang, Daniel, our general manager for information technology and logistics. Mr. Leung and his family members are the ultimate beneficiaries of a discretionary trust held by Max Power Assets Limited, a substantial shareholder of the Company.

BOARD OF DIRECTORS

Kwok Chan Cheung, 66, is our Deputy Chairman and Managing Director. He is also a director of Global Success International Limited ("**Global Success**") and various subsidiaries of our Group. Mr. Kwok established Array Electronics Limited (now known as Willas-Array Electronics (Hong Kong) Limited) (our subsidiary) in 1982. He was appointed as Managing Director on January 1, 2001 and is responsible for overseeing our sales and marketing activities and determining our sales and marketing strategy. As Global Success, a substantial shareholder of the Company, is wholly-owned by him, Mr. Kwok is deemed to be interested in all of the Company's shares held by Global Success.

Hung Yuk Choy, 65, (to be retired on July 31, 2014) is our Deputy Managing Director. He is also a director of various subsidiaries of our Group. Mr. Hung was appointed as Deputy Managing Director on January 1, 2001 and is responsible for overseeing our information technology department and our logistics department. Mr. Hung has over 30 years of experience in the electronics industry. Mr. Hung joined Willas Company Limited (our subsidiary) as a director in 1986. Mr. Hung worked as a buyer for Amcol Electronics Limited in 1972 and as a warehouse leader for Electronic Industry Limited from 1969 to 1971.

Hon Kar Chun, 51, was appointed as an Executive Director on June 28, 2013 and is responsible for developing and managing our sales and marketing operations. He is also a director of various subsidiaries of our Group. Mr. Hon obtained a bachelor of science degree in physics from the University of Hong Kong in November 1986 and a master's degree in business administration from The Hong Kong University of Science and Technology in November 2000. Mr. Hon joined Array Electronics Limited on August 26, 1986 as a marketing executive and he was the general manager of Willas-Array Singapore (Private) Limited between 2000 and 2001. Mr. Hon became the general manager of a business group of Array Electronics Limited in September 2001. In 2003, he was promoted to be the general manager of the central product marketing department of Willas-Array Electronics Management Limited, which was responsible for most of the semiconductor product lines of Willas-Array Electronics Management Limited. Mr. Hon became our sales director in 2006 and was appointed as our marketing director in 2010. He was promoted to the deputy managing director of sales and marketing in 2012.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jovenal R. Santiago, 76, was appointed as an Independent Non-executive Director on June 14, 2001. He obtained a bachelor of science in commerce degree from the University of Santo Tomas, the Philippines in March 1957 and a master's degree in business administration from New York University, USA in June 1969. Mr. Santiago is a Certified Public Accountant (Philippines) and has many years of experience in the accounting and auditing profession in Singapore before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore. He is also an independent director of Cosmosteel Holdings Limited, a company listed on the Singapore Exchange (the "SGX-ST").

Wong Kwan Seng, Robert, 57, was appointed as an Independent Non-executive Director on June 14, 2001. He graduated with a bachelor's degree in law from the National University of Singapore in June 1983 and was called to the Singapore bar in 1984. Mr. Wong is a lawyer by profession. He practices mainly corporate law with a particular emphasis in corporate finance. He has acted as solicitor in numerous initial public offers, rights issues, issues of debentures, takeovers, mergers and acquisitions and joint ventures. He is also an independent director of Wee Hur Holdings Limited, listed on the SGX-ST.

Iu Po Chan, Eugene, 65, was appointed as an Independent Non-executive Director on June 28, 2013. He obtained a master's degree in banking from City University of Hong Kong in November 2002. Mr. Iu is a fellow of The Chartered Institute of Bankers, England and of The Hong Kong Institute of Bankers. He has over 40 years of experience in commercial banking. Mr. Iu has also held senior positions in various international and local banks in Hong Kong, Shenzhen and Macau until his retirement in 2013. Mr. Iu is also a member of the Professional Standard & Examination Board and the chairman of the Examination Moderating Committee of the Hong Kong Institute of Bankers.

SENIOR MANAGEMENT

Chan Fan Cheong, Patrick
Assistant General Manager – Risk Management

Chan Fan Cheong, Patrick, 55, is our assistant general manager of risk management and is responsible for establishing our policy and collection procedures, and strengthening our internal control system and risk management. He obtained a master's degree in professional accounting from the Open University of Hong Kong in 2001. He has been elected as an associate of the Hong Kong Institute of Bankers in 1998. Mr. Chan joined us on May 6, 2002 as an assistant credit control manager and was promoted to credit control manager in 2003, senior credit manager in 2007 and assistant general manager of risk management on January 1, 2012. Prior to joining us, he worked as a credit control officer for Circle International Limited from 1993 to 1999 and a credit manager for Future Electronics (HK) Limited from 2000 to 2001.

Chan Sik Kong, Ringo
Deputy Managing Director of Sales and Marketing

Chan Sik Kong, Ringo, 47, is our deputy managing director of sales and marketing and is responsible for overseeing all of our sales and marketing activities. He obtained a certificate in electrical engineering from The Morrison Hill Technical Institute in 1986. Mr. Chan first joined us on October 3, 1991 as a sales engineer for two years. Mr. Chan rejoined us on June 23, 1997 as a marketing manager and he was seconded to work in our Shanghai office from May 2002 to March 2003, where he oversaw our overall operations in the Northern China Region. He was appointed as the general manager of Willas-Array Electronics (Hong Kong) Limited in 2006 and our sales director in 2012, and then appointed as the deputy managing director of sales and marketing in April 2014.

Cheung Yiu Wing, Teddy
Assistant General Manager – Sales, South China

Cheung Yiu Wing, Teddy, 40, is our assistant general manager of sales in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He graduated from Hong Kong Technical College with a higher diploma in communications engineering in 1996 and holds an executive certificate in supply chain strategy from The University of Hong Kong. Mr. Cheung joined Willas Company Limited as a sales engineer on July 31, 1996 and he was promoted to assistant product manager and senior sales manager in 2000 and 2007, respectively. He was appointed as our assistant general manager of sales in the Southern China Region in 2012.

Choi Pik Sing, Derek
Sales Director – North China

Choi Pik Sing, Derek, 45, is our sales director for the Northern China Region and is responsible for all of our business operations in the Northern China Region. He obtained a bachelor's degree in electrical engineering from the University of Ottawa, Canada in 1991. Mr. Choi joined Array Electronics Limited on May 11, 1992 as a product engineer and was promoted to marketing manager in 1999. In October 2003, Mr. Choi was transferred to northern China and he became our assistant general manager for the Northern China Region. He became the general manager for north China in 2006. He was appointed as sales director in north China in April 2014. Prior to joining Array Electronics Limited, Mr. Choi worked as a sales engineer for Instrument Agency Hong Kong Ltd. from 1991 to 1992.

SENIOR MANAGEMENT

Chu Ki Pun, Joseph
Marketing Director – Business Unit 1

Chu Ki Pun, Joseph, 53, is our marketing director and is responsible for overseeing our marketing activities. He obtained a higher certificate in electronic engineering from The Hong Kong Polytechnic University in 1985. Mr. Chu has over 25 years of experience in the electronics industry. He joined us on August 27, 1985 as a sales engineer for approximately two years. He rejoined us on January 9, 1989 as our senior sales engineer and was promoted to general manager overseeing both the sales and product marketing activities in 2003. He was our marketing director from 2006 to 2010 and our sales director from 2010 to 2011. He was appointed as our marketing director in 2012.

Chu Man Choi, Tony
Assistant General Manager – Sales, South China

Chu Man Choi, Tony, 50, is our assistant general manager of sales in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He obtained a higher diploma in engineering management from the Hong Kong Institute of Vocational Education in July 2001. Mr. Chu joined Array Electronics Limited as a sales engineer on April 2, 1990 and was promoted to assistant sales manager and to senior sales manager of Willas-Array Electronics (Hong Kong) Limited in 1995 and 2008, respectively. He was appointed as our assistant general manager of sales in the Southern China Region in 2012.

Ho Hung Kai, James
Assistant General Manager – Human Resources

Ho Hung Kai, James, 59, is our assistant general manager of human resources and is responsible for all of our human resources operations, issues and administration affairs. He obtained a bachelor's degree in computer science from the University of Toronto, Canada in June 1984. Mr. Ho has over 15 years of experience in administration and information technology. He joined Willas Company Limited as an assistant administration manager on February 3, 1987 and stayed in this position until 1991. Mr. Ho rejoined us as a business analyst on March 8, 2005 and became human resources manager in November 2005. He was made our assistant general manager of human resources in 2012. Prior to rejoining us, he was the vice president of U-Drive Company Limited from 2001 to 2004.

Hon Wai Keung, Ken
Assistant General Manager – Technical Marketing/Field Application

Hon Wai Keung, Ken, 41, is our assistant general manager of technical marketing and field application and is responsible for supervising our technical marketing and field application department. He obtained a bachelor's degree in engineering from The Chinese University of Hong Kong in May 1995. Mr. Hon has over 15 years of experience in the electronics and semiconductor industry. He joined us as a field application manager on September 1, 2008 and was promoted to senior technical manager in 2010 and to assistant general manager of technical marketing and field application in 2012. Prior to joining us, he worked as an application engineer for Protech Components Ltd. from 1995 and was subsequently promoted to assistant general manager of the engineering department in 2006.

SENIOR MANAGEMENT

Kwan Wing Kin, Samuel
General Manager – Business Unit 1

Kwan Wing Kin, Samuel, 47, is our general manager of business unit 1 and is responsible for all of our product lines in the unit. He obtained a bachelor's degree in electronics engineering from the City College of The City University of New York, United States in February 1993. Mr. Kwan joined Array Electronics Limited as a product engineer on July 1, 1993 and was promoted to product manager in 2001, to senior product manager in 2006, to assistant general manager of central product marketing in 2008 and to general manager of central product marketing in 2013. He was appointed general manager of business unit 1 in January 2014.

Lai Sze Chuen, Pele
General Manager – Marketing

Lai Sze Chuen, Pele, 50, is our general manager of the central product marketing responsible for all product lines of STMicroelectronics. He obtained a bachelor's degree in engineering (electrical) from Carleton University, Ottawa, Canada in June 1986. Mr. Lai joined us on October 21, 2013. Prior to joining us, Mr. Lai worked as sales director for Valence Technology Limited (a subsidiary of Willas-Array Electronics (Holdings) Limited) from 2005 and was subsequently promoted to vice president of sales and marketing in 2012.

Lam Chi Cheung, Ken
Sales Director – South China

Lam Chi Cheung, Ken, 54, is our sales director in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He obtained a higher certificate in electronic engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1985. Mr. Lam first joined us on June 1, 1986 as a sales engineer and was promoted to various positions with responsibilities in various areas ranging from sales to product marketing until 1999. He rejoined us on April 9, 2003 as a general manager of sales and marketing for the Southern China Region and was promoted to general manager of branch offices in the Southern China Region in 2012 and to general manager of the Southern China Region in 2013. He was then appointed as sales director in south China in April 2014. He has had extensive exposure to the mainland China market by developing sales and marketing channels in various cities, including Beijing, Shanghai, Guangzhou and Zhuhai.

Leung Chi Hang, Daniel
General Manager – Information Technology/Logistics

Leung Chi Hang, Daniel, 38, is our general manager for information technology and logistics and is responsible for overseeing the daily operations of our information technology and logistics departments. Mr. Leung obtained a bachelor of science degree in business administration from The Ohio State University, United States in June 1998 and a master's degree in business administration from The Max M. Fisher College of Business at The Ohio State University, United States in June 2004. Upon his graduation from his bachelor's degree and prior to obtaining his MBA, Mr. Leung worked at a trading company in Los Angeles, USA, for four years, overseeing its daily operations. Prior to joining us, Mr. Leung worked at Accenture, a global management consulting, technology services and outsourcing firm. Mr. Leung joined us as the general manager for information technology and logistics on September 1, 2008. Mr. Leung is the eldest son of our chairman, Mr. Leung Chun Wah.

SENIOR MANAGEMENT

Leung Hon Shing, Raymond
Chief Financial Officer and Company Secretary

Leung Hon Shing, Raymond, 48, is our chief financial officer and company secretary and is responsible for our financial management. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He also holds a professional diploma in company secretaryship and administration from The Hong Kong Polytechnic University that he obtained in 1988. Mr. Leung joined us on January 2, 2002 as a financial controller and was appointed as our company secretary on March 28, 2006. He then became our chief financial officer in April 2014. Prior to joining us, he worked in a subsidiary of a public listed company in Hong Kong from 1996 to 2001 and an international accounting firm from 1993 to 1996, where he gained extensive auditing, accounting and financial management experience.

Leung Man Kwong, Alfred
Marketing Director – Business Unit 2

Leung Man Kwong, Alfred, 51, is our marketing director and is responsible for all of our marketing activities. He obtained a bachelor's degree in management from the Management Centre of Buckingham (UK) in 1990. Mr. Leung joined Smartcard Technology Limited (previously a subsidiary of Willas-Array (Holdings) Limited) on January 5, 1998 and was responsible for its operations in Hong Kong and the Southern China Region. In April 2003, he was appointed as the general manager of the central product marketing department until his promotion as marketing director in 2012. Prior to joining us, he worked in the electronic components department of Inchcape Industrial Holdings Limited for ten years.

Li Rong Qi
General Manager – Beijing Office

Li Rong Qi, 54, is the general manager of our Beijing office and is responsible for all of our business operations in Beijing. Mr. Li was employed by us from December 11, 1992, as an engineer, but during the period from November 1991 to November 1994, he worked as an engineer in the Tenth Design and Research Institute of the Ministry of Machinery and Electronics Industry. He was promoted to assistant operations manager in 2001, manager in 2003 and senior manager in 2006. He was appointed as the general manager of our Beijing office in 2013. Mr. Li obtained a bachelor's degree in physical chemistry and instrumental analysis from Tsinghua University in July 1984.

SENIOR MANAGEMENT

Or To Ching, Chris

Assistant General Manager – Information Technology

Or To Ching, Chris, 54, is our assistant general manager of information technology and is responsible for overseeing the daily operations of our information technology department. He obtained a bachelor of science degree from the University of Auckland, New Zealand in May 1983 and a master's degree in information systems from the City University of Hong Kong in November 1999. Mr. Or joined us on May 24, 1993 as a systems analyst and was promoted to a managerial position in 1995 and to assistant general manager of information technology in 2012. Prior to this, he worked as a systems engineer in Bank of America Trust Company (HK) Limited from 1988 to 1990 and as an systems analyst programmer for Colonial Mutual Life from 1991 to 1993.

Zhao Hou Min, Wilson

Assistant General Manager – Qingdao Office

Zhao Hou Min, Wilson, 40, is the assistant general manager of our Qingdao office and is responsible for all of our business operations in Qingdao. Prior to joining us on April 1, 2001 as a field application engineer, he worked in the technical department of Qingdao Mitsumi Electric Co., Ltd. for six years from 1995 to 2001. He became our assistant manager in 2003 and was subsequently promoted to senior manager in 2010. He rose to the position of assistant general manager of our Qingdao office in 2013. Mr. Zhao obtained a graduation certificate in electrical technology from Qingdao University in July 1995. Mr. Zhao attended a long distance course in computers and application at the University of Petroleum and graduated in June 2001.

Zhu Yi, Roy

Assistant General Manager – Northern China

Zhu Yi, Roy, 38, is our assistant general manager for the Northern China Region. He is responsible for all of our business operations in the Northern China Region, including our product marketing department for the Northern China Region and the sales offices for the middle and western parts of China. Prior to joining us on June 1, 2002 as a sales manager, he worked for Guangdong Shunde Songben Electrician Industries Limited from July 1995 to September 1998, for Shanghai Anpu Connector Co., Ltd. from November 1998 to July 2000 and for Tyco Electronics (Shanghai) Co., Ltd. as a senior sales engineer from July 2000 to May 2002. Mr. Zhu was promoted to be our product manager in 2006 and our assistant general manager for the Northern China Region in 2013. Mr. Zhu has more than 15 years of experience working in the PRC and has extensive knowledge of the PRC market. Mr. Zhu studied the manufacture of electrical machinery and equipment at the Shanghai College of Electricity and Machinery Technology from September 1990 to July 1995.

CORPORATE INFORMATION

DIRECTORS	*Executive Directors* Leung Chun Wah *(Chairman)* Kwok Chan Cheung *(Deputy Chairman and Managing Director)* Hung Yuk Choy *(Deputy Managing Director)* *(to be retired on July 31, 2014)* Hon Kar Chun *Independent Non-executive Directors* Jovenal R. Santiago Wong Kwan Seng, Robert Iu Po Chan, Eugene
COMPANY SECRETARY	Leung Hon Shing
AUDIT COMMITTEE	Jovenal R. Santiago *(Chairman)* Wong Kwan Seng, Robert Iu Po Chan, Eugene
REMUNERATION COMMITTEE	Iu Po Chan, Eugene *(Chairman)* Jovenal R. Santiago Wong Kwan Seng, Robert
NOMINATION COMMITTEE	Wong Kwan Seng, Robert *(Chairman)* Jovenal R. Santiago Iu Po Chan, Eugene
COMPLIANCE COMMITTEE	Iu Po Chan, Eugene *(Chairman)* Jovenal R. Santiago Wong Kwan Seng, Robert
AUTHORISED REPRESENTATIVES	Hon Kar Chun Leung Hon Shing
REGISTERED OFFICE	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	24/F, Wyler Centre, Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Appleby Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
SINGAPORE SHARE TRANSFER AGENT	Intertrust Singapore Corporate Services Pte. Ltd. 3 Anson Road #27-01 Springleaf Tower Singapore 079909
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
AUDITOR	Deloitte & Touche LLP Public Accountants and Chartered Accountants 6 Shenton Way OUE Downtown 2 #32-00 Singapore 068809
COMPLIANCE ADVISER	Octal Capital Limited 801-805, 8/F, Nan Fung Tower 173 Des Voeux Road Central Hong Kong
COMPANY'S WEBSITE	www.willas-array.com
STOCK CODE	Hong Kong: 854 Singapore: W12

CORPORATE GOVERNANCE PRACTICES

The board of directors ("**Board**") and the management of Willas-Array Electronics (Holdings) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to the maintenance of good corporate governance practices and procedures. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serves its long-term interests and those of shareholders.

As the Company has been dually listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**") since December 6, 2013 (the "**Listing Date**"), the Company has adopted, for corporate governance purposes, the provisions of the Corporate Governance Code (the "**HK CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**HK Listing Rules**") from the Listing Date, in addition to the Code of Corporate Governance 2012 of Singapore (the "**Singapore CG Code**"). In the event of any conflict between the HK CG Code and the Singapore CG Code, the Company will comply with the more onerous provisions. Throughout the year ended March 31, 2014 (the "**Year**"), the Company has generally complied with the principles of the Singapore CG Code. And, except for the following, the Company has complied with all the code provisions of the HK CG Code during the relevant period of the Year:

Code provision A.4.1 of the HK CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-executive Directors of the Company (the "**INEDs**") is appointed for a specific term. This constitutes a deviation from the above code provision. However, all the directors are subject to retirement by rotation at each annual general meeting of the Company ("**AGM**") under the Bye-Laws of the Company (the "**Bye-Laws**"). As such, the Board considers that sufficient measures are in place to ensure the Company's corporate governance practices relating to the appointment of INEDs.

BOARD OF DIRECTORS - PRINCIPLES 1, 2, 3, & 6

Composition

The Board comprises seven members, four of whom are Executive Directors and three of whom are INEDs. The composition of the Board is as follows:

Executive Directors

Mr. Leung Chun Wah *(Chairman)*
Mr. Kwok Chan Cheung *(Deputy Chairman and Managing Director)*
Mr. Hung Yuk Choy *(Deputy Managing Director) (to be retired on July 31, 2014)*
Mr. Hon Kar Chun *(appointed on June 28, 2013)*
Mr. Phaisalakani, Vichai @ Hung, Andy *(resigned on June 28, 2013)*

INEDs

Mr. Jovenal R. Santiago
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene *(appointed on June 28, 2013)*
Mr. Tse Pui Kee, Albert *(resigned on June 28, 2013)*

The Board is in the process of appointing one of the existing INEDs as the Lead Independent Director.

The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making. Key information regarding the directors' background, qualifications, and other appointments is set out on pages 17 to 19 of the Annual Report. There was no financial, business, family or other material relationship amongst the directors.

INEDs

During the Year, the Board at all times met with the requirements of the HK Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board. The Board also complied with the requirement that at least one of such INEDs should possess the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the HK Listing Rules. Further, the Company has received from each INED a confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules and the Board is satisfied that all the INEDs were independent and met the independent guidelines set out in Rule 3.13 of the HK Listing Rules from the HK Listing Date to the date of this annual report. Mr. Jovenal R. Santiago and Mr. Wong Kwan Seng, Robert have been serving as our INEDs for more than nine years. The Nomination Committee considers that this long service does not interfere with their exercise of independent judgment in carrying out the duties and responsibilities of an INED to maintain an independent view of the Group's affairs, in particular when their past performance is taken into account. The Nomination Committee regards them as independent and believes they will continue to contribute effectively to the Board because of their familiarity with the Group's business and affairs. As such, the Board and the Nomination Committee are of the view that all the INEDs are considered independent for the purposes of the Singapore CG Code.

BOARD OF DIRECTORS - PRINCIPLES 1, 2, 3, & 6 - *continued*

Role and Functions

The Board has the responsibility for the overall management of the Group. Apart from its statutory duties and responsibilities, the Board approves nomination of directors to the Board and appointment of key managerial personnel, oversees the management of the business and affairs of the Group, approves the Company's corporate and strategic directions, reviews the financial performance of the Group and approves any investment proposals. The Board is accountable to the shareholders while the management is accountable to the Board. To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board has reserved for its decision and consideration issues in relation to formulating the Group's strategic objectives; considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; overseeing the Group's corporate governance practices; determining the remuneration packages of all directors and senior management; and directing and monitoring senior management in pursuit of the Group's strategic objectives. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

Role of Chairman and Chief Executive

Mr. Leung Chun Wah is the Chairman and Mr. Kwok Chan Cheung is the Managing Director of the Company. The roles of the Chairman and the Managing Director of the Company are separate and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual of the Board. The Chairman gives guidance on the corporate direction of the Group and is also involved in the scheduling and chairing of Board meetings and the controlling of the quality, quantity and timeliness of information supplied to the Board. The Managing Director assists the Chairman in setting the business strategies and directions for the Company and manages the business operations of the Company with other management staff. Each of the Chairman and Managing Director performs separate functions to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised. In addition, the Chairman and the Managing Director are not related to each other.

Induction, Orientation, Training and Continuous Professional Development

Each new Director is issued with a formal letter of appointment and is informed of the Company's policies, procedures, and committee charters. New Directors are provided appropriate orientation to acquaint them with the business, operational structure, strategy, management and governance practices of the Company.

The Board recognizes the importance of appropriate training for its Directors and participation in continuous development by its Directors. All the Directors and senior management personnel of the Company (the "**Senior Management Personnel**") are encouraged to participate in continuous development to develop and refresh their skills and knowledge, particularly on relevant new laws and regulations affecting, and the changing commercial risks relating to, the Group's business and governance practices from time to time.

BOARD OF DIRECTORS - PRINCIPLES 1, 2, 3, & 6 - *continued*

Induction, Orientation, Training and Continuous Professional Development - *continued*

During the Year, all the Directors have attended an in-house seminar on the obligations and responsibilities of directors of companies listed on SEHK and the connected transactions under the HK Listing Rules. Besides, all the Directors were provided with copies of "Guidelines for Directors" and "Guide for Independent Non-executive Directors" published by Hong Kong Institute of Directors, and "A Guide on Directors' Duties" issued by Hong Kong Companies Registry for their reading in order to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of their functions and the exercise of their powers. The above trading was arranged and funded by the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a service agreement or letter of appointment with the Company for a term of less than three years.

All the Directors, including the INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Bye-Laws. At each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third but not greater than one-third shall retire from office by rotation provided that the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Directors to retire in every year will be those who have been the longest in office since their last election but as between persons who became Directors on the same day; those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Companies Act 1981 of Bermuda and the Bye-Laws, a retiring Director shall be eligible for re-election at the meeting at which he retires.

The Bye-Laws further provides that the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed and any Director appointed by the Board to fill a casual vacancy or as an additional Director will hold office only until the next following AGM and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

All Directors have separate and independent access to senior management and the Company Secretary of the Company (the "**Company Secretary**"). The Company Secretary ensures that minutes of Board, Audit Committee, Nomination Committee, Remuneration Committee, Compliance Committee and general meetings are prepared and kept, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively. Draft and final versions of minutes of all meetings would be sent to all Board and Board committee members for their comment and records within a reasonable time after the meetings. The Company Secretary also ensures that the Bye-Laws and relevant rules and regulations, including requirements of the Companies Act 1981 of Bermuda, the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the HK Listing Rules, are complied with. Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The Directors and key officers of the Group are under insurance cover on Directors' and key officers' liabilities in respect of their risks arising from the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS - *continued*

The Board met twice during the Year and will, pursuant to the HK CG Code, meet four times a year as from the financial year ending March 31, 2015 at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. Before each Board meeting, a draft agenda is sent out to all Directors at least fourteen days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors three days or such other period as agreed before each Board meeting. According to the HK Listing Rules, any Directors and their associates (as defined in the HK Listing Rules) with a material interest in the transactions to be discussed in the Board meetings will abstain from voting on resolutions approving such transactions and are not to be counted in the quorum at the meetings. However, the Executive Directors met more regularly and as required to review and discuss management and operational matters. In addition, Directors' resolutions in writing were also circulated for transactions that require Directors' approval. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. The number of Board, Audit Committee, Nomination Committee, Remuneration Committee and general meetings held in the Year as well as the attendance record of every Board member at those meetings are as follows:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
No. of Meetings held in the Year	2	2	1	2	2
Name & Attendance of Director:					
Leung Chun Wah	2	2*	1*	2*	2
Kwok Chan Cheung	2	x	x	x	2
Hung Yuk Choy	2	x	x	x	x
Hon Kar Chun (appointed on June 28, 2013)	1	x	x	x	2
Phaisalakani, Vichai @ Hung, Andy (resigned on June 28, 2013)	1	1*	1*	1*	x
Jovenal R. Santiago	2	2	1	2	2
Wong Kwan Seng, Robert	2	2	1	2	2
Iu Po Chan, Eugene (appointed on June 28, 2013)	1	1	x	1	2
Tse Pui Kee, Albert (resigned on June 28, 2013)	1	1	1	1	x

x indicates not applicable

* not a member but attended by invitation

APPOINTMENT AND RE-ELECTION OF DIRECTORS - *continued*

The Board Committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board Committee are in line with the HK Listing Rules and they are posted on the respective websites of the SEHK and the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Deloitte & Touche LLP has stated its reporting responsibility in the independent auditor's report on the Company's consolidated financial statements for the Year.

NOMINATION COMMITTEE - PRINCIPLES 4 & 5

The Nomination Committee currently comprises Mr. Wong Kwan Seng, Robert (as Chairman), Mr. Jovenal R. Santiago and Mr. Iu Po Chan, Eugene (appointed on June 28, 2013 in place of Mr. Tse Pui Kee, Albert who resigned as an INED on the same day). All members of the Nomination Committee are INEDs.

The Nomination Committee performs the following key functions:

(a) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

(b) Reviewing all candidates nominated for appointment as senior management staff;

(c) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent directors and having regard at all times to the principles of corporate governance under the Singapore CG Code and the HK CG Code;

(d) Identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each AGM, having regard to the Directors' contribution and performance, including independent directors;

(e) Determining whether a Director is independent (taking into account the circumstances set out in the Singapore CG Code and the HK Listing Rules and other salient factors);

(f) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, and each Board committee;

NOMINATION COMMITTEE - PRINCIPLES 4 & 5 - *continued*

(g) Reviewing and making recommendations to the Board on board succession; and

(h) Reviewing of training and continuous professional development for the Directors.

The Nomination Committee meets at least once a year and additional meetings are held whenever necessary.

During the Year, the Nomination Committee held one meeting and passed the resolutions on accepting the resignations of Mr. Phaisalakani, Vichai @ Hung, Andy as an Executive Director and Mr. Tse Pui Kee, Albert as an INED, as well as appointing Mr. Hon Kar Chun as an Executive Director and Mr. Iu Po Chan, Eugene as an INED, all effective June 28, 2013; and recommending the re-election of Mr. Wong Kwan Seng, Robert as an INED at the 2013 AGM.

The Nomination Committee evaluated the effectiveness of the Board as a whole and each of the Board committees, based on a set of objective performance criteria, including factors such as its processes and access to information and management, and oversight of the Company's performance or its relevant function. Each Director was also individually assessed by the Nomination Committee having regard to his contribution to the Board and the relevant Board committees, based on relevant criteria such as his attendance both at meetings and on an ad hoc basis, his participation and contributions at Board and Board committee meetings, as well as business and industry knowledge. Executive Directors were also assessed based on qualitative and quantitative performance criteria, taking into account the profits, revenue growth and economic value added of the Company. Each member of the Nomination Committee abstained from making any recommendations and/or participating in any deliberation and voting on any resolution in respect of the assessment of his own performance or re-appointment as a Director.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Matters requiring approval of the Nomination Committee may also be approved by resolutions in writing. Pursuant to the Bye-Laws, one-third of the Directors for the time being are required to retire by rotation in each AGM and a newly appointed Director must retire and be eligible for re-election at the next AGM following his appointment. Mr. Leung Chun Wah and Mr. Hung Yuk Choy, both Executive Directors, will retire from office by rotation at the forthcoming AGM pursuant to Bye-Law 104 of the Bye-Laws. Mr. Leung has offered himself for re-election whilst Mr. Hung has not as he will retire after such AGM. Therefore, the Nomination Committee has recommended to the Board that Mr. Leung Chun Wah be nominated for re-appointment at the forthcoming AGM. The Nomination Committee has also recommended to the Board that Mr. Leung Hon Shing, the Chief Financial Officer and Company Secretary, be nominated for election as an Executive Director at the forthcoming AGM. The Nomination Committee has also recommended to the Board that Mr. Hon Kar Chun, an Executive Director, be nominated for Managing Director and Mr. Kwok Chan Cheung, the Deputy Chairman and Managing Director, will cease to be the Managing Director but remains as the Deputy Chairman after the conclusion of the forthcoming AGM. In making these recommendations, the Nomination Committee has considered the overall contribution and performance of the relevant Directors and senior management.

NOMINATION COMMITTEE - PRINCIPLES 4 & 5 - *continued*

The Board has not determined the maximum number of listed company board representations which any Director may hold, and leaves it to each Director to personally determine the demands of his other responsibilities and commitments, and to assess if he can continue to serve on the Board effectively. However, guided by the Nomination Committee, the Board considers if each Director has dedicated sufficient time and attention to, and is able to perform and has adequately performed his duties as a Director.

REMUNERATION COMMITTEE - PRINCIPLE 7

In compliance with the Singapore CG Code which requires all Committee members to be Non-executive Directors, the Remuneration Committee comprises Mr. Iu Po Chan, Eugene (appointed on June 28, 2013 in place of Mr. Tse Pui Kee, Albert who resigned as an INED on the same day) (as Chairman), Mr. Wong Kwan Seng, Robert and Mr. Jovenal R. Santiago. Currently, all members of the Remuneration Committee are INEDs.

The major functions of the Remuneration Committee are as follows:

(a) Recommending to the Board a framework of remuneration for the Board and the Senior Management Personnel of the Company covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) Proposing to the Board appropriate and meaningful measures for assessing the Executive Directors' performance;

(c) Determining the specific remuneration package for each Executive Director; and

(d) Recommending to the Board of the Directors' fee of the INEDs.

The Remuneration Committee meets at least once a year and additional meetings are held whenever necessary.

Matters requiring approval of the Remuneration Committee may also be approved by resolutions in writing. In carrying out the above, the Remuneration Committee may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company.

During the Year, the Remuneration Committee has discussed and reviewed the performance and the remuneration packages for the Directors and Senior Management Personnel.

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE SENIOR MANAGEMENT PERSONNEL - PRINCIPLES 8 & 9

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and senior management of the required experience and expertise to run the Company successfully. The following table shows a breakdown of the remuneration of the Directors for the Year:

	Salary	Bonus	Directors' Fees	Others	Total	Total
	%	%	%	%	%	S$'000
Directors						
Leung Chun Wah	74	19	–	7	100	607
Kwok Chan Cheung	75	19	*	6	100	468
Hung Yuk Choy	76	18	–	6	100	407
Hon Kar Chun (appointed on June 28, 2013)	59	21	–	20	100	263
Phaisalakani, Vichai @ Hung, Andy (resigned on June 28, 2013)	44	29	*	27	100	126

* During the Year, the Director received a notional amount of Director's fee from one of the subsidiaries of the Company. The amount of fee is insignificant and constitutes less than half a percentage point of the total remuneration of such Director.

Jovenal R. Santiago	–	–	100	–	100	59
Wong Kwan Seng, Robert	–	–	100	–	100	59
Iu Po Chan, Eugene (appointed on June 28, 2013)	–	–	100	–	100	45
Tse Pui Kee, Albert (resigned on June 28, 2013)	–	–	100	–	100	14

INEDs are only paid Directors' fees.

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE SENIOR MANAGEMENT PERSONNEL - PRINCIPLES 8 & 9 - *continued*

The remuneration of the top five Senior Management Personnel of the Company for the Year is as follows:

Remuneration Bands	Salary	Performance Bonus	Others	Total
	%	%	%	%
Senior Management Personnel				
S$250,000 - S$499,999				
Chan Sik Kong, Ringo	65	21	14	100
Chu Ki Pun, Joseph	56	21	23	100
Choi Pik Sing, Derek	62	24	14	100
Leung Man Kwong, Alfred	72	24	4	100
Below S$250,000				
Lam Chi Cheung, Ken	68	20	12	100

On September 1, 2008, Mr. Leung Chi Hang, Daniel, the eldest son of the Chairman of the Company, was employed as the General Manager for Information Technology and Logistics. His remuneration for the Year is within the range of S$200,000 - S$249,999.

On July 3, 2007, Mr. Leung Chi Yung, Albert, the second son of the Chairman of the Company, was employed as a trainee officer and was subsequently promoted to Assistant Sales Manager in the Southern China Region. His remuneration for the Year is within the range of S$50,000 - S$99,999.

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

The Employee Share Option Scheme Committee comprises Mr. Leung Chun Wah (as Chairman), Mr. Kwok Chan Cheung, Mr. Hung Yuk Choy (resigned on May 30, 2014), all being Executive Directors and Mr. Iu Po Chan, Eugene, an INED. The Committee is responsible for determining the persons who may be participate in the Willas-Array Electronics Employee Share Option Scheme ("**ESOS**") as well as the size, terms and conditions of the grants of share options. In pursuance of the ESOS Scheme II ("**ESOS II**"), an aggregate of 18,532,800 share options were outstanding as at March 31, 2014. Of these outstanding share options, 2,010,000 were granted to Mr. Hon Kar Chun, an Executive Director while the remaining share options were granted to the employees of the Company. The ESOS II, approved by the written resolutions of the shareholders dated June 11, 2001 in lieu of a special general meeting, expired on June 10, 2011. The ESOS Scheme III ("**ESOS III**") was established pursuant to the approval of the shareholders at a special general meeting of the Company held on July 30, 2013. No options have been granted under ESOS III. For more information on ESOS II and ESOS III, please refer to the Report of the Directors (in particular, paragraph 18 thereof) and the Financial Statements (in particular, Note 28 thereof).

COMPLIANCE COMMITTEE

The Compliance Committee comprises Mr. Iu Po Chan, Eugene (as Chairman), Mr. Jovenal R. Santiago and Mr. Wong Kwan Seng, Robert. All members of the Compliance Committee are INEDs.

The Compliance Committee performs the following functions:

(a) reviewing and making recommendations to the Board in respect of the Company's policies and practices on corporate governance, compliance with applicable laws of Singapore and Hong Kong;

(b) monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and

(d) reviewing the Company's compliance with the code provisions of the HK CG Code and Singapore CG Code and the disclosure as required under the SGX-ST Listing Manual, the Singapore CG Code and the HK Listing Rules in relation to the Company's interim and annual reports.

The Compliance Committee meets at least once a year and additional meetings are held whenever necessary.

The Compliance Committee was established on November 14, 2013 and no meeting was held during the Year. The first Compliance Committee meeting was held on May 30, 2014.

ACCOUNTABILITY - PRINCIPLE 10

The Board is accountable to the shareholders while the management of the Company is accountable to the Board. The management presents to the Board monthly management accounts as well as the unaudited half-year and the audited full-year financial statements and the Audit Committee reports on the results for review and approval. The Board approves the results and authorises the release of the results to the SGX-ST, the SEHK and the public via SGXNET and the Company's website.

AUDIT COMMITTEE - PRINCIPLE 12

The Audit Committee comprises Mr. Jovenal R. Santiago (as Chairman), Mr. Iu Po Chan, Eugene (appointed on June 28, 2013 in place of Mr. Tse Pui Kee, Albert who resigned as an INED on the same day) and Mr. Wong Kwan Seng, Robert. All members of the Audit Committee are INEDs.

The Audit Committee performs, amongst others, the following major functions:

(a) Reviewing the indenpendence and objectivity of the external auditors;

(b) Reviewing with external auditors the audit plan and their audit report;

(c) Reviewing with the internal auditors the scope and results of the internal audit procedures and their evaluation of the overall internal control system;

(d) Reviewing the Company's financial results and the announcements before submission to the Board for approval;

(e) Reviewing the assistance given by management to external and internal auditors;

(f) Reviewing significant findings of internal investigations, significant financial reporting issues and judgements;

(g) Considering the appointment/re-appointment of the external auditors; and

(h) Reviewing the interested person transactions (as defined under the SGX-ST Listing Manual) and the connected transactions (as defined under the HK Listing Rules).

The Audit Committee meets periodically and also holds informal meetings and discussions with the management from time to time. The Audit Committee has full discretion to invite any Director or executive officer to attend its meetings.

The Audit Committee has been given full access to and is provided with the co-operation of the Company's management. In addition, the Audit Committee has independent access to both internal and external auditors.

The Audit Committee meets periodically with external auditors without the presence of management. The Audit Committee has reasonable resources to enable it to discharge its functions properly.

The Audit Committee has reviewed the fees of non-audit services provided by the external auditors to the Company, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee has noted the Company's intention to appoint Deloitte Touche Tohmatsu in place of the existing auditor, Deloitte & Touche LLP and has recommended the appointment of Deloitte Touche Tohmatsu as the new auditor in the forthcoming AGM. During the Year, the Audit Committee met two times and has reviewed the interim and annual financial results of the Group, the audit plans and findings of external auditor, external auditor's independence, compliance with accounting standards, the HK Listing Rules and the SGX-ST Listing Manual and regulatory requirements, internal controls, risk management, adequacy of resources, staff qualifications and experience of the Company's finance and accounting functions.

INDEPENDENT AUDITOR'S REMUNERATION

For the Year, the fees charged by Deloitte & Touche LLP in respect of the audit of the Group's financial statements for the Year amounted to HK$341,000. Its affiliate Deloitte Touche Tohmatsu was the reporting accountant of the Company in relation to the listing of the Company's shares on the Main Board of the SEHK on December 6, 2013 and charged HK$2,900,000 for such service.

COMPANY SECRETARY

Mr. Leung Hon Shing is the Company Secretary, who has taken no less than 15 hours of relevant professional training under the HK Listing Rules during the Year.

SHAREHOLDERS' RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS - PRINCIPLES 14, 15 & 16

All shareholders are treated fairly and equitably and the Company fully recognises the need to facilitate the exercise of their rights as shareholders of the Company.

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the respective websites of the Company and the SEHK on a timely basis. Price-sensitive information is publicly released, announced within the mandatory period and available on the respective websites of the Company and the SEHK. All shareholders will receive the Interim and Annual Reports and the notices of annual and special general meetings of the Company. At the annual general meeting, all shareholders will be given the opportunity to air their views and direct their questions regarding the Group to the Directors, including the chairmen of each of the Board committees. The external auditors are also requested to be present to assist the Directors in addressing any relevant queries by shareholders. Shareholders are also given the opportunity to participate effectively in and vote at all general meetings of shareholders. The Company informs shareholders of the rules governing such general meetings, including voting procedures.

In addition to issuing announcements and disclosures on SGXNET and the SEHK, the Company also maintains an informative investor relations website through which its shareholders and stakeholders can receive quality, meaningful and timely information on the Company. The Company also holds annual results briefings made available via webcast on its corporate website.

SHAREHOLDERS' RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS - PRINCIPLES 14, 15 & 16 - *continued*

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholder may put forward proposals in general meetings to nominate any person to stand for election as a Director.

A Shareholder who wishes to nominate a person to stand for election as a Director must duly lodge the following documents at the Head Office or at the Registration Office of the Company for the attention of the Company Secretary:

(a) a notice of the Shareholder's intention to propose such a resolution in the general meeting, duly signed by the Shareholder with his/her name and address stated clearly in an eligible manner, the validity of which is subject to the verification and confirmation by the Company's share registrar according to its records; and

(b) a notice executed by the nominated candidate of the candidate's willingness to be appointed together with (i) such information of that candidate as would be required to be disclosed under Rule 13.51(2) of the HK Listing Rules, (ii) the candidate's written consent to the publication of his/her personal data, and (iii) contact address and contact telephone number etc. of the candidate.

In order to ensure other Shareholders to have sufficient time to receive and consider the information of the nominated candidate(s), Shareholders are urged to submit their proposals in case of nominating candidate(s) for election as Director, as early as practicable in advance of the relevant general meeting, but not less than 11 clear days (where "clear days" in relation to a notice and/or a meeting means a period of days exclusive of the day on which it is served or deemed to be served and of the day for which it is given or scheduled to occur) before the date scheduled for holding the relevant general meeting, so that the Company can complete the verification procedure with the Company's share registrars, and procure the publication of an announcement and/or the despatch of a supplementary circular to Shareholders (where required) in compliance with the applicable requirements under the HK Listing Rules and the SGX-ST Listing Manual. In the event that any such proposal is received by the Company later than the 12th business day (where a "business day" means a day on which there are dealings/trading of securities on both the SEHK and the SGX-ST) before the date of holding the relevant general meeting, the Company will need to consider whether to adjourn the relevant general meeting so as to give Shareholders a notice of at least 10 business days of the proposal in accordance with the HK Listing Rules.

SHAREHOLDERS' RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS - PRINCIPLES 14, 15 & 16 - *continued*

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR - *continued*

Details of the Head Office and Registration Offices are set out below:

Head Office:
24/F, Wyler Centre, Phase 2
200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

Registration Office – Singapore:
Willas-Array Electronics (Holdings) Limited
c/o Intertrust Singapore Corporate Services Pte. Ltd.
3 Anson Road
#27-01 Springleaf Tower
Singapore 079909

Registration Office – Hong Kong:
Willas-Array Electronics (Holdings) Limited
c/o Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Shareholders may refer to the relevant procedures available on the website of the Company at www.willas-array.com

PROCEDURES FOR SHAREHOLDERS TO CONVENE SPECIAL GENERAL MEETING ("SGM")

Shareholders who hold not less than 10% of the paid-up capital of the Company as at the date of depositing the requisition can convene a SGM by serving a written requisition notice to the Board or the Company Secretary for the purpose of requesting for convening a SGM. The written requisition shall be deposited to the Company's principal place of business in Hong Kong located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, and to the Company's registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda for the attention of the Board or the Company Secretary.

If the requisition is well-founded, the Board will, according to the applicable rules and regulations, issue sufficient notice to all Shareholders for convening the SGM. If the requisition is improper, the Company will notify the relevant requesting shareholders of the objection and no SGM will be convened.

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES TO THE BOARD

Shareholders can forward their questions about shareholding, share transfer, registration and dividend payment to the Company's transfer agent in Singapore, Intertrust Singapore Corporate Services Pte. Ltd. or the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited (as the case may be) whose contact particulars are provided above.

For enquiries about the Company's information, Shareholders can contact Mr. Leung Hon Shing, the Company Secretary, whose contact particulars are as follows:

Email address: raymondleung@willas-array.com
Address: 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong
Tel. No.: (852) 2418 3700
Fax. No.: (852) 2484 1050

or direct the enquiries to the Company's principal place of business in Hong Kong located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

To put forward proposals at an AGM or a SGM, Shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified by the Company's branch share registrar in Hong Kong or the Company's transfer agent in Singapore (as the case may be) and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the Shareholders for consideration of the proposals submitted by the Shareholders concerned varies as follows pursuant to Bye-Law 66 of the Bye-Laws and the HK Listing Rules as appropriate:

(a) for an AGM, it shall be called by not less than twenty-one (21) clear days' notice and not less than twenty (20) clear business days and any SGM at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days; and

(b) for all other SGMs, they may be called by not less than fourteen (14) clear days' notice and not less than ten (10) clear business days.

For the above purposes, a business day means any day on which the SEHK and the SGX-ST is/are open for the business of dealing in securities.

CONSTITUTIONAL DOCUMENTS

Except for the amendments to Bye-Laws as approved by the Shareholders at the SGM of the Company held on July 30, 2013, there were no changes in the constitutional documents of the Company during the Year.

Pursuant to Rule 13.90 of the HK Listing Rules, the Company has published its Memorandum of Association and Bye-Laws on the respective websites of the SEHK and the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS AND INTERNAL AUDIT - PRINCIPLES 11 & 13

The Company regularly reviews and improves its business and operational activities by taking into account the risk management perspective. The Board is directly responsible for the governance of risk and works closely with management to maintain a sound system of risk management and internal controls. The Board seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks, and then reviews all significant control policies and procedures. Implementation of risk mitigation measures is done under the direct oversight of the Board. All significant matters and issues relating to financial matters are brought to the attention of the Audit Committee. For more information on the Company's risk management policies and processes, please refer to the Financial Statements.

The Company's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the Shareholders' investment and the Company's assets.

The review of the system of internal controls is an ongoing process and the Board recognises the importance of such system. In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has continued to outsource the internal audit function to an external accounting firm. RSM Nelson Wheeler Consulting Limited, an international accounting firm, was re-appointed on April 1, 2013 as the Company's internal auditors. They had reviewed the effectiveness of the Company's material internal controls during the preparation of dual primary listing exercise in Hong Kong and had visited the Company during the Year. The internal auditors reported directly to the Chairman of the Audit Committee and the Audit Committee is satisfied that there has been no major shortfall in the system of internal controls of the Company in the areas evaluated and adequate internal controls are in place.

In addition to this outsourcing of the internal audit function to an external accounting firm, the Board, with the concurrence of the Audit Committee, after carrying out a review, is of the opinion that the internal controls of the Group are adequate and effective to address operational, financial and compliance and information technology risks. In arriving at the opinion, the Board is of the view that the internal controls of the Group have reasonable assurance about achieving the objectives set out below.

For the purpose of the Board expressing its opinion and in line with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") Internal Controls Integrated Framework, "internal controls" is broadly defined as a process effected by an entity's board of directors and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

RISK MANAGEMENT AND INTERNAL CONTROLS AND INTERNAL AUDIT - PRINCIPLES 11 & 13 - *continued*

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second category relates to the preparation of reliable published financial statements, including interim and full year financial reports and financial information derived from such statements, reported publicly. The third category deals with compliance with those laws and regulations to which the entity is subject.

The Directors are of the view that the enhanced internal control measures are adequate and effective.

The Board has received assurance from the Managing Director and the Chief Financial Officer that:

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

(b) the system of risk management and internal controls in place is adequate and effective in addressing the material risks in the Group in its current business environment.

DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct on share dealings by Directors and key officers. The code of conduct was modelled after the SGX-ST Best Practices Guide with some modification. The guidelines set out in the code of conduct include the following:

1. Directors and key officers are prohibited from trading in the Company's shares for a period of one month prior to the announcement of the Company's results;

2. Directors and key officers are strictly required to observe the insider trading laws under the Securities and Futures Act (Chapter 289 of Singapore) at all times; and

3. Directors and key officers are required to report to the Company whenever they deal in the Company's shares. The Company will in turn report to the public through SGXNET announcements as required under the Securities and Futures Act.

DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS - *continued*

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the HK Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Since the listing of the Company's shares on the SEHK commenced only on December 6, 2013, the Model Code was not applicable to the Company before the Listing Date. Following specific enquiry made by the Company to all Directors, all Directors confirmed that all dealings in the Company's securities were disclosed in the listing document in connection with the listing of the Company's shares dated December 6, 2013 and they had complied with the required standard set out in the Model Code since the Listing Date.

MATERIAL CONTRACTS (SGX-ST LISTING MANUAL RULE 1207(8))

There are no material contracts of the Company or its subsidiaries involving the interest of the chief executive officer or any Director or controlling shareholders subsisting at the end of the Year.

INTERESTED PERSON TRANSACTIONS (SGX-ST LISTING MANUAL RULE 907)/CONNECTED TRANSACTIONS (CHAPTER 14A OF HK LISTING RULES)

The Group has established procedures to ensure that all transactions with interested persons (as defined under the SGX-ST Listing Manual) and connected transactions (as defined under the HK Listing Rules) are reported in a timely manner to the Audit Committee and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. For the Year, there were no interested person or connected transactions.

REPORT OF THE DIRECTORS

The directors of Willas-Array Electronics (Holdings) Limited (the "**Company**" and the "**Directors**", respectively) present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") including the statement of financial position and the statement of changes in equity of the Company for the financial year ended March 31, 2014 (the "**Year**").

1. PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company. The principal activities of its subsidiaries were the distribution of electronic components in mainland China, Hong Kong and Taiwan.

2. RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this annual report.

The board of Directors (the "**Board**") recommends the payment of a first and final dividend of HK$0.06822 (2013: HK$0.06132) per ordinary share of HK$0.2 each (the "**Share**") for the Year to those shareholders whose names appear on the register of members of the Company on August 11, 2014. The said dividend is expected to be payable on August 22, 2014 following shareholders' approval at the 2014 annual general meeting of the Company (the "**AGM**").

3. FIVE-YEAR FINANCIAL SUMMARY

A summary of the results as well as the assets and liabilities of the Group for the past five financial years is set out on pages 4 to 5 of this annual report.

4. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

5. RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 27 to the consolidated financial statements and in the consolidated statement of change in equity.

6. SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries and associates of the Group at March 31, 2014 are set out in notes 19 and 20 to the consolidated financial statements, respectively.

7. SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

8. DIRECTORS

The Directors during the Year and up to the date of this report are named as follows:

Executive Directors:

Mr. Leung Chun Wah *(Chairman)*
Mr. Kwok Chan Cheung *(Deputy Chairman and Managing Director)*
Mr. Hung Yuk Choy *(Deputy Managing Director) (to be retired on July 31, 2014)*
Mr. Hon Kar Chun *(appointed on June 28, 2013)*
Mr. Phaisalakani, Vichai @ Hung, Andy *(resigned on June 28, 2013)*

Independent Non-Executive Directors (the "INEDs"):

Mr. Jovenal R. Santiago
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene *(appointed on June 28, 2013)*
Mr. Tse Pui Kee, Albert *(resigned on June 28, 2013)*

In accordance with the Company's Bye-Laws, Mr. Leung Chun Wah and Mr. Hung Yuk Choy will retire from office by rotation and are eligible for re-election at the forthcoming AGM. While Mr. Leung Chun Wah, has offered himself for re-election, Mr. Hung Yuk Choy will not seek for re-election at the forthcoming AGM as he has decided to retire.

From December 6, 2013, the date on which the listing of the Company's Share on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") commenced to March 31,2014, at all times during the Year, the Company had met the requirements under Rule 3.10 and 3.10A of the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules") relating to the appointment of at least three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise.

The Company has received from each of the INEDs an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules as well as the provisions of the Singapore Corporate Governance Code and the Company considers that all INEDs are independent.

9. DIRECTORS' SERVICE CONTRACTS

Mr. Leung Chun Wah entered into a service agreement with the Company on February 27, 2013 for his appointment as Chairman and Executive Director of the Company, for a term of two years from January 1, 2013 to December 31, 2014. He is entitled to a basic annual salary of HK$2,797,795 plus a one-time bonus payment of HK$1,398,897.50, which is determined annually by the Board with the recommendation of the Remuneration Committee by reference to his duties and responsibilities in the Company, the Company's performance and the prevailing market situation.

10. DIRECTORS' INTERESTS IN COMPETING BUSINESS

No director had a material interest in business, apart from the business of the Group, which competes or was likely to compete, either directly or indirectly, with the business of the Group during the Year.

11. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

12. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Neither at the end of the Year nor at any time during the Year did there subsist any arrangement (to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party) whose object is to enable the Directors to acquire benefits by means of the acquisition of Share or debt securities (including debentures) of the Company or any other body corporate except for the options mentioned in paragraphs 18 and 19 of this report.

13. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of the Year	At end of the Year	At beginning of the Year	At end of the Year
The Company		(Ordinary shares of HK$0.20 each)		
Mr. Leung Chun Wah	–	–	94,158,854	94,158,854
Mr. Kwok Chan Cheung	–	–	39,477,771	39,477,771
Mr. Hung Yuk Choy	25,801,194	25,801,194	–	–
Mr. Hon Kar Chun	54,000	54,000	–	–

The Directors' interests as at April 21, 2014 were the same as those at the end of the Year.

14. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at March 31, 2014, the interests and short positions of the Directors and chief executives of the Company and their associates (as defined under the HK Listing Rules) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the HK Listing Rules, were as follows:

(i) Interests in the Shares

Long position in shares

Name of Directors	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company (%)
Leung Chun Wah (1) ("Mr. Leung")	Interest of spouse Beneficiary of a trust	3,659,700 90,499,154	0.98 24.28
Kwok Chan Cheung (2) ("Mr. Kwok")	Interest in a controlled corporation	39,477,771	10.59
Hung Yuk Choy	Beneficial owner	25,801,194	6.92
Hon Kar Chun	Beneficial owner	54,000	0.01

Notes:

(1) Mr. Leung, being the Chairman and an Executive Director of the Company, is deemed to be interested in the 3,659,700 Shares held by his wife, Cheng Wai Yin, Susana. He and his family members are the ultimate beneficiaries of a discretionary trust, of which HSBC International Trustee Limited is the trustee. The 90,499,154 Shares are held by Max Power Assets Limited ("**Max Power**"), with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC International Trustee Limited in its capacity as trustee of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(2) Global Success International Limited ("**Global Success**"), which is wholly-owned by Mr. Kwok, being the Deputy Chairman and an Executive Director of the Company, is the beneficial owner of 39,477,771 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

14. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES - *continued*

(ii) Interests in equity derivatives (including share options and warrants) of the Company

Name of Director	Capacity/ Nature of Interest	Number of Equity Derivatives	Approximate Percentage of Shareholding in the Company (%)
Hon Kar Chun	Beneficial owner/ Share Options	2,010,000*	0.54

* Mr. Hon Kar Chun beneficially owns share options entitling him to subscribe for a total of :

(a) 600,000 Shares at a price of S$0.150 per Share within the period from April 17, 2006 to April 16, 2014 and the subject options were granted on April 17, 2004; and

(b) 1,410,000 Shares at a price of S$0.067 per Share within the period from October 2, 2011 to October 1, 2019 and the subject options were granted on October 2, 2009.

15. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at March 31, 2014, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:-

Long position

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding In the Company (%)
Cheng Wai Yin, Susana[1]	Beneficial owner	3,659,700	0.98
	Interest of spouse	90,499,154	24.28
Max Power [2]	Beneficial owner	90,499,154	24.28
HSBC International Trustee Limited[2]	Trustee	90,499,154	24.28
Global Success[3]	Beneficial owner	39,477,771	10.59
Lim Mee Hwa[4] ("Ms. Lim")	Beneficial owner	1,250,000	0.34
	Interest of spouse	1,300,000	0.35
	Interest of controlled corporations	16,199,420	4.35
Yeo Seng Chong[5] ("Mr. Yeo")	Beneficial owner	1,300,000	0.35
	Interest of spouse	1,250,000	0.34
	Interest of controlled corporations	16,199,420	4.35

15. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY - *continued*

Notes:

(1) Ms. Cheng Wai Yin, Susana, the wife of Mr. Leung, Chairman and Executive Director of the Company, is deemed under the SFO to be interested in the Shares held by Mr. Leung. The 90,499,154 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC International Trustee Limited in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC International Trustee Limited is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(2) The 90,499,154 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC International Trustee Limited in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC International Trustee Limited is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(3) Global Success, which is wholly-owned by Mr. Kwok, being the Deputy Chairman and an Executive Director of the Company, is the beneficial owner of 39,477,771 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

(4) Ms. Lim, the wife of Mr. Yeo and who beneficially owned 1,250,000 Shares, is deemed under the SFO to be interested in 1,300,000 Shares held by Mr. Yeo. Mr. Yeo is deemed to be interested in 16,199,420 Shares under the SFO by virtue of (a) his interests in more than one-third of the voting shares in Yeoman Capital Management Pte Ltd. which held 225,000 Shares; (b) the holding of 15,699,420 Shares by Yeoman 3-Rights Value Asia Fund, which is wholly owned by Yeoman Capital Management Pte Ltd.; and (c) the holding of 275,000 Shares by BMT Yeoman Client which is wholly owned by Yeoman Capital Management Pte Ltd. Ms. Lim is also deemed under the SFO to be interested in 16,199,420 Shares held by Mr. Yeo through the respective controlled corporations described herein.

(5) Mr. Yeo, the husband of Ms. Lim and who beneficially owned 1,300,000 Shares, is deemed under the SFO to be interested in 1,250,000 Shares held by Ms. Lim. Mr. Yeo is deemed to be interested in 16,199,420 Shares under the SFO by virtue of (a) his interests in more than one-third of the voting shares in Yeoman Capital Management Pte Ltd. which held 225,000 Shares; (b) the holding of 15,699,420 Shares by Yeoman 3-Rights Value Asia Fund which is wholly owned by Yeoman Capital Management Pte Ltd.; and (c) the holding of 275,000 Shares by BMT Yeoman Client which is wholly owned by Yeoman Capital Management Pte Ltd.

16. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the 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 salaries, bonuses and other benefits as disclosed in the attached consolidated financial statements.

17. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are set out on pages 17 to 24 of this annual report.

18. OPTIONS TO TAKE UP UNISSUED SHARES

The Company adopts the Willas-Array Electronics Employee Share Option Scheme I ("**ESOS I**"), the Willas-Array Electronics Employee Share Option Scheme II ("**ESOS II**") and the Willas-Array Electronics Employee Share Option Scheme III ("**ESOS III**") to grant share options to eligible employees, including the Executive Directors of the Company and its subsidiaries. The above share option schemes are administered by a committee ("**ESOS Committee**") which has been authorised to determine the terms and conditions of the grant of the options.

The options under ESOS I grant the right to the holder to subscribe for new Shares at a price equal to that offered to the public at the initial public offering of the new Shares, which is set at S$0.28 per Share and the maximum number of Shares in respect of which options might be granted under ESOS I was 25,000,000.

Under ESOS I, the period for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant.

The purpose of ESOS II was established to motivate staff to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group and to retain key employees and Executive Directors whose contributions are essential to the long-term growth and prosperity of the Group.

Executive Directors and employees of the Group are eligible to participate in ESOS II.

The options under ESOS II grant the right to the holder to subscribe for new Shares at a discount to the market price of the Shares (subject to a maximum discount of 20%) or at a price equal to the average of the closing prices of the Shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the five trading days immediately preceding the date of the grant of the option. The number of Shares in respect of which options may be granted under ESOS II, when aggregated with those granted under any other share option schemes of the Company and the time being in force, shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

18. OPTIONS TO TAKE UP UNISSUED SHARES - *continued*

Under ESOS II, the period for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at the market price; and after the second anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at a discount to the market price.

The purpose of ESOS III was established to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and Executive Directors who have contributed to the growth of the Group.

Employees (including Group Executive Directors) who are controlling shareholders and their associates are eligible to participate in ESOS III at the sole and absolute discretion of ESOS Committee.

The options under ESOS III grant the right to the holder to subscribe for new Shares at the exercise price to be determined by the ESOS Committee, in its sole and absolute discretion, on the date of grant, which must be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of the SEHK or the SGX-ST (whichever is higher) on the date of grant, which must be a business day; and (ii) the average closing prices of the Shares as stated in the daily quotations sheets of the SEHK or the SGX-ST for the five consecutive business days immediately preceding the date of the grant of the option (whichever is higher). The number of Shares in respect of which options may be granted under ESOS III, when aggregated with those granted under any other share option schemes of the Company and the time being in force, shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

Under ESOS III, the period for the exercise of an option will commence after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant.

ESOS I was terminated on July 2, 2001 upon admission of the Company to the Official List of the SGX-ST pursuant to the rules of the scheme and no further options would be granted by the Company under ESOS I. The unissued Shares under option pursuant to ESOS I lapsed on June 13, 2011. There are no outstanding share options granted under ESOS I to the Directors.

ESOS II, approved by the written resolutions in lieu of a Special General Meeting of the Shareholders held on June 11, 2001, had expired on June 10, 2011.

EOSO III was adopted by a special resolution of the shareholders of the Company at the special general meeting of the Company held on July 30, 2013. No options has been granted under ESOS III since its adoption.

18. OPTIONS TO TAKE UP UNISSUED SHARES - *continued*

The movement of options granted under ESOS II during the Year and the unissued Shares under options pursuant to ESOS II were as follows:

	Number of share options							
Date of grant	Balance at the Beginning of the Year	Exercise during the Year	Lapsed during the Year	Cancelled during the Year (Note)	Balance at the end of the Year	Exercise price per Share	Discount	Exercise period
May 6, 2003	600,000	–	(600,000)	–	–	S$0.092	20%	May 6 ,2005 to May 5, 2013
April 17, 2004	10,200,000	–	–	(2,040,000)	8,160,000	S$0.15	20%	April 17, 2006 to April 16, 2014
November 18, 2004	420,000	–	–	–	420,000	S$0.121	20%	November 18, 2006 to November 17, 2014
October 2, 2009	10,918,800	–	–	(966,000)	9,952,800	S$0.067	20%	October 2, 2011 to October 1, 2019

Note: These options were cancelled upon resignation of the holders.

No participants to the above share options schemes received options representing 5% or more of the total number of share options available under the above schemes, except as disclosed below:

		Number of share options			
	Name of participant	Aggregate options granted since commencement up to March 31, 2014	Aggregate options exercised since commencement up to March 31, 2014	Aggregate options lapsed/ cancelled since commencement up to March 31, 2014	Aggregate options outstanding as at March 31, 2014
ESOS II	Mr. Hon Kar Chun*	2,010,000	–	–	2,010,000
ESOS II	Mr. Chu Ki Pun	2,010,000	–	–	2,010,000

* Mr. Hon Kar Chun is an Executive Director of the Company.

Each option grants the holder the right to subscribe for one Share in the Company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other member companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any member corporation in the Group subject to certain exceptions at the discretion of the Company.

18. OPTIONS TO TAKE UP UNISSUED SHARES - *continued*

There were no participants to the above share option schemes who are controlling shareholders (as defined under the HK Listing Rules and the Listing Manual of the SGX-ST) of the Company and their associates.

Other than disclosed above, there were no options granted by the Company to any person to take up unissued shares of the Company or any member corporations in the Group during the Year.

19. OPTIONS EXERCISED

During the Year, there were no Shares issued by virtue of the exercise of an option to take up unissued Shares.

20. UNISSUED SHARES UNDER OPTION

At the end of the Year, there were no unissued shares of the Company or any member corporation in the Group under option, except for the share option schemes disclosed in paragraph 18 above.

21. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

22. SUFFICIENCY OF PUBLIC FLOAT

The listing of the Shares on the Main Board of the SEHK commenced on December 6, 2013 (the "**Listing Date**"). Based on the information that is publicly available of the Company and within the knowledge of the Directors, at least 25% of the issued Shares have been held by the public (i.e. the prescribed public float applicable to the Company under the HK Listing Rules) since the Listing Date up to the date of this report.

23. MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 13.8% of the total sales for the Year and the single largest customer accounted for approximately 3.4%; purchases from the Group's five largest suppliers accounted for approximately 77.7% of the total purchases for the Year and the single largest supplier accounted for approximately 37.8%.

None of the Directors or any of their associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

24. EMOLUMENT POLICY

The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

25. RETIREMENT BENEFIT SCHEMES/PENSION SCHEMES

The Group's employees in Hong Kong and Taiwan are required to participate in the Mandatory Provident Fund scheme and a defined contribution pension scheme respectively. The Group makes contributions to various government sponsored employee-benefit funds, including social insurance fund, housing fund, basic pension insurance fund and unemployment, maternity and work-related insurance funds for its employees in China in accordance with the applicable laws and regulations of China.

26. MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

27. REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Company has established an audit committee (the "**AC**") with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the HK Listing Rules and the Listing Manual of the SGX-ST and the AC has performed the functions as detailed in the Corporate Governance Report contained in this annual report. The AC comprises all the three INEDs, namely Jovenal R. Santiago (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group's audited consolidated results for the Year have been reviewed by the AC.

28. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares of the Company were listed on the Main Board of the SEHK on the Listing Date. The Company did not redeem any of its Share listed on the Main Board of the SEHK nor did the Company or any of its subsidiaries purchase or sell any of such Share during the period from the Listing Date to March 31, 2014, being the year end date.

29. ADOPTION OF CHINESE NAME

Pursuant to a special resolution passed by the shareholders of the Company on July 30, 2013, the Chinese name 威雅利電子(集團)有限公司 was adopted as the Company's secondary name.

30. AMENDMENT OF BYE-LAWS

Pursuant to a special resolution passed by the shareholders of the Company on July 30, 2013, certain amendments to the Bye-Laws of the Company was adopted for the purposes of compliance with the requirements under HK Listing Rules and to consistent with the then provisions of the Listing Manual of the SGX-ST.

31. INDEPENDENT AUDITORS

Deloitte & Touche LLP will retire at the forthcoming AGM and will not seek for re-appointment as auditors of the Group. The Board, which concurs with the AC's recommendation, has proposed the nomination of Deloitte Touche Thomatsu for appointment as external independent auditors of the Group at the forthcoming AGM.

Deloitte Touche Thomatsu have expressed their willingness to accept the appointment.

On behalf of the Board of Directors

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman and Managing Director

May 30, 2014

STATEMENT OF DIRECTORS

In the opinion of the board of directors (the "**Board**") of Willas-Array Electronics (Holdings) Limited (the "**Company**") the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**"), including the statement of financial position and the statement of changes in equity of the Company as set out on pages 62 to 158 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at March 31, 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board of Directors

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman and Managing Director

May 30, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and the Company as at March 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 62 to 158.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Company Ordinance so as to give a true and fair view of the state of affairs of the Group and of the Company as at March 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Michael Kee C. K.
Partner
Appointed on July 30, 2013

May 30, 2014

STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2014

	NOTES	THE GROUP 2014 HK$'000	THE GROUP 2013 HK$'000	THE COMPANY 2014 HK$'000	THE COMPANY 2013 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	218,977	390,395	2,925	1,816
Restricted bank deposits	8	7,296	7,161	–	–
Trade and bills receivables	9	602,266	503,125	–	–
Other receivables and prepayment - current	10	6,994	11,318	149,733	215,627
Prepaid lease payments - current	11	12	12	–	–
Derivative financial instruments	12	–	136	–	–
Income tax recoverable		1,338	62	168	–
Inventories	13	440,067	353,561	–	–
Total current assets		1,276,950	1,265,770	152,826	217,443
Non-current assets					
Other receivables - non-current	10	–	–	49,000	–
Prepaid lease payments - non-current	11	607	619	–	–
Property, plant and equipment	14	157,128	162,278	–	–
Long-term deposits	15	427	1,683	–	–
Goodwill	16	–	–	–	–
Available-for-sale investments	17	2,001	2,001	–	–
Other intangible assets	18	–	–	–	–
Investments in subsidiaries	19	–	–	117,470	117,470
Interests in associates	20	59,172	49,809	2,183	–
Deferred tax assets	25	339	259	–	–
Total non-current assets		219,674	216,649	168,653	117,470
Total assets		1,496,624	1,482,419	321,479	334,913
LIABILITIES AND EQUITY					
Current liabilities					
Trust receipt loans	21	440,805	421,473	–	–
Trade and bills payables	22	339,535	295,400	–	–
Other payables	23	40,663	38,226	10,701	9,944
Income tax payable		4,833	4,548	–	189
Derivative financial instruments	12	268	–	–	–
Financial guarantee liabilities	39	660	–	660	–
Bank borrowings	24	112,300	168,300	–	–
Total current liabilities		939,064	927,947	11,361	10,133

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2014

		THE GROUP		THE COMPANY	
	NOTES	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Non-current liabilities					
Derivative financial instruments	12	–	2,389	–	–
Deferred tax liabilities	25	2,791	2,611	–	–
Total non-current liabilities		2,791	5,000	–	–
Capital, reserves and non-controlling interests					
Issued capital	26	74,544	74,544	74,544	74,544
Capital reserves	27	195,716	196,500	195,716	196,500
Other reserves		287,356	277,177	39,858	53,736
Equity attributable to owners of the Company		557,616	548,221	310,118	324,780
Non-controlling interests		(2,847)	1,251	–	–
Total equity		554,769	549,472	310,118	324,780
Total liabilities and equity		1,496,624	1,482,419	321,479	334,913

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	29	3,196,270	3,157,597
Cost of sales		(2,868,473)	(2,851,940)
Gross profit		327,797	305,657
Other operating income	30	4,216	4,635
Distribution costs		(46,115)	(30,112)
Administrative expenses		(211,524)	(217,936)
Listing expenses	34	(26,055)	–
Share of profit of associates	20	7,128	808
Other gains and losses	31	471	7,623
Amortisation of financial guarantee liabilities	39	1,523	–
Finance costs	32	(17,202)	(16,232)
Profit before tax		40,239	54,443
Income tax expense	33	(14,852)	(13,144)
Profit for the year	34	25,387	41,299
Other comprehensive income (expense):	35		
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of overseas operations		3,253	(377)
Other comprehensive income (expense) for the year, net of tax		3,253	(377)
Total comprehensive income for the year		28,640	40,922
Profit (loss) attributable to:			
Owners of the Company		29,004	45,838
Non-controlling interests		(3,617)	(4,539)
		25,387	41,299
Total comprehensive income (expense) attributable to:			
Owners of the Company		32,250	45,458
Non-controlling interests		(3,610)	(4,536)
		28,640	40,922
Earnings per share	37		
– Basic (HK cents)		7.78	12.30
– Diluted (HK cents)		7.66	12.11

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2014

	Issued capital HK$'000	Capital reserves HK$'000 (Note 27)	Statutory reserve HK$'000 (Note)	Currency translation reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP								
Balance at April 1, 2012	74,544	196,722	13,380	17,890	229,726	532,262	5,787	538,049
Total comprehensive income for the year:								
Profit for the year	–	–	–	–	45,838	45,838	(4,539)	41,299
Other comprehensive expense for the year, net of income tax	–	–	–	(380)	–	(380)	3	(377)
Total	–	–	–	(380)	45,838	45,458	(4,536)	40,922
Transactions with owners, recognised directly in equity:								
Share options cancelled	–	(222)	–	–	222	–	–	–
Dividend paid (Note 38)	–	–	–	–	(29,499)	(29,499)	–	(29,499)
Transfer to statutory reserve	–	–	755	–	(755)	–	–	–
Total	–	(222)	755	–	(30,032)	(29,499)	–	(29,499)
Balance at March 31, 2013	74,544	196,500	14,135	17,510	245,532	548,221	1,251	549,472
Total comprehensive income for the year:								
Profit for the year	–	–	–	–	29,004	29,004	(3,617)	25,387
Other comprehensive income for the year, net of income tax	–	–	–	3,246	–	3,246	7	3,253
Total	–	–	–	3,246	29,004	32,250	(3,610)	28,640
Transactions with owners, recognised directly in equity:								
Dissolution of subsidiary	–	–	–	–	–	–	(488)	(488)
Share options cancelled	–	(784)	–	–	784	–	–	–
Dividend paid (Note 38)	–	–	–	–	(22,855)	(22,855)	–	(22,855)
Transfer to statutory reserve	–	–	2,345	–	(2,345)	–	–	–
Total	–	(784)	2,345	–	(24,416)	(22,855)	(488)	(23,343)
Balance at March 31, 2014	**74,544**	**195,716**	**16,480**	**20,756**	**250,120**	**557,616**	**(2,847)**	**554,769**

Note: The statutory reserve is non-distributable and was appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the laws and regulations of the PRC and Taiwan.

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2014

	Issued capital HK$'000	Capital reserves HK$'000 (Note 27)	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
Balance at April 1, 2012	74,544	196,722	65,974	337,240
Profit for the year, representing total comprehensive income for the year	–	–	17,039	17,039
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(222)	222	–
Dividends paid (Note 38)	–	–	(29,499)	(29,499)
Total	–	(222)	(29,277)	(29,499)
Balance at March 31, 2013	74,544	196,500	53,736	324,780
Profit for the year, representing total comprehensive income for the year	–	–	8,193	8,193
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(784)	784	–
Dividends paid (Note 38)	–	–	(22,855)	(22,855)
Total	–	(784)	(22,071)	(22,855)
Balance at March 31, 2014	**74,544**	**195,716**	**39,858**	**310,118**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before tax	40,239	54,443
Adjustments for:		
Depreciation expense	11,636	12,250
Amortisation of prepaid lease payments	12	12
Interest expense	17,202	16,232
(Reversal of) allowance for inventories	(8,452)	6,048
Allowance for (reversal of) doubtful trade receivables	6,665	(5,537)
Gain on disposal of property, plant and equipment	–	(98)
Net gain on fair value changes of derivative financial instruments	(1,985)	(1,607)
Share of profits of associates	(7,128)	(808)
Amortisation of financial guarantee liabilities	(1,523)	–
Interest income	(1,253)	(2,314)
Operating cash flows before movements in working capital	55,413	78,621
(Increase) decrease in trade and bills receivables	(103,678)	10,357
Decrease (increase) in other receivables and prepayments	4,342	(4,463)
Increase in inventories	(77,933)	(13,429)
Increase (decrease) in trade and bills payables	43,667	(11,617)
Increase (decrease) in other payables	3,035	(10,879)
Decrease in long-term deposits	1,256	78
Cash (used in) from operations	(73,898)	48,668
Income tax paid	(15,737)	(8,261)
Interest paid	(17,932)	(15,484)
Interest received	1,253	2,314
Net cash (used in) from operating activities	(106,314)	27,237
Investing activities		
Purchase of property, plant and equipment	(3,877)	(2,330)
Withdrawal of restricted bank deposits	7,161	20,095
Placement of restricted bank deposits	(7,296)	–
Proceeds from disposal of property, plant and equipment	–	143
Dissolution of subsidiary (Note)	(488)	–
Acquisition of investment in associates	–	(49,000)
Net cash used in investing activities	(4,500)	(31,092)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014 HK$'000	2013 HK$'000
Financing activities		
Dividend paid to shareholders	(22,855)	(29,499)
Repayment of trust receipt loans	(1,829,725)	(1,489,893)
Proceeds from trust receipt loans	1,849,057	1,605,365
Repayment of bank borrowings	(153,000)	(102,299)
Proceeds from bank borrowings	97,000	76,416
Net cash (used in) from financing activities	(59,523)	60,090
Net (decrease) increase in cash and cash equivalents	(170,337)	56,235
Cash and cash equivalents at beginning of year	390,395	333,258
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,081)	902
Cash and cash equivalents at end of year	218,977	390,395

Note: During the year, Aries Tech Hong Kong Limited, a non-wholly owned subsidiary of the Group was dissolved and HK$488,000 was paid to the non-controlling interest as refund of capital contributed.

1. GENERAL

Willas-Array Electronics (Holdings) Limited (the "Company") is incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is at 24/F, Wyler Centre Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") and on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). The financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 19 to the financial statements.

As at March 31, 2014, the Group's net current assets and total assets less current liabilities amounted to HK$337,886,000 (2013: HK$337,823,000) and HK$557,560,000 (2013: HK$554,472,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended March 31, 2014 were authorised for issue by the Board of Directors on May 30, 2014.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current financial year, the Group has adopted a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and Interpretations thereof issued by the International Financial Reporting Interpretations Committee of the IASB (collectively refer to as the "IFRSs") that are relevant to its operations and effective for annual periods beginning on or after April 1, 2013.

The adoption of these new/revised IFRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - *continued*

New and revised Standards on consolidation, joint arrangements, associates and disclosures - *continued*

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The relevant impact of the application of these standards is set out below:

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 6, 19 and 20 for details).

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - *continued*

IFRS 13 Fair Value Measurement - *continued*

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2013 comparative period (please see notes 5 and 12 for the 2014 disclosure). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - *continued*

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[5]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[7]
IFRIC 21	Levies[1]
Amendments to IFRS 11	Accounting for Acquisition of Interest in Joint Operations[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[6]

1 Effective for annual periods beginning on or after January 1, 2014

2 Effective for annual periods beginning on or after July 1, 2014

3 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

4 Effective for first annual IFRS financial statements beginning on or after January 1, 2016

5 Tentatively effective for annual periods beginning on or after January 1, 2018

6 Effective for annual periods beginning on or after January 1, 2016

7 Effective for annual periods beginning on or after January 1, 2017

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - *continued*

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (as revised in November 2010) adds requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The management anticipates that the application of the IFRS 9 may have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The management does not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Group's consolidated financial statements.

The management anticipates that the application of the other new and revised standards and interpretations will have no material impact on the profit or loss and the financial position of the Group and the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below, and are drawn up in accordance with IFRSs issued by the IASB.

In addition, the financial statements include certain applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Hong Kong Companies Ordinance and SGX-ST Listing Manual.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such as basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transaction that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. Fair value measurements are determined in the manner described in Note 5.

Basic of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Basis of consolidation - *continued*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and,
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Basis of consolidation - *continued*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All significant intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are carried at cost less any identified impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payments* at the acquisition date; and,

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Business combination - *continued*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investments in associates - *continued*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with its associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investments in associates - *continued*

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Management fee income is recognised when management and administration services are provided.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Revenue recognition - *continued*

Financial guarantee income

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statements of financial position at cost less accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives on the following bases:

Leasehold land and buildings	Over the shorter of lease term or 50 years, straight-line method
Motor vehicles	20%, straight-line method
Plant and equipment	20%, straight-line method
Computer equipment, furniture and fixtures	20% to $33^1/_3$%, straight-line method

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset.

Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as expenses on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leasing- *continued*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve (attributed to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currencies - *continued*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the mandatory provident fund scheme in Hong Kong (the "MPF") are recognised as an expense when employees have rendered the services entitling them to the contributions.

Employee leave entitlement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised on taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation - *continued*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the year in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Intangible assets - *continued*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets, excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Impairment of tangible and intangible assets, excluding goodwill - *continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets **-** *continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - *continued*

Financial assets at fair value through profit or loss - *continued*

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 5.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including cash and cash equivalents, restricted bank deposits, trade and bills receivables, other receivables and long term deposits) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets **-** *continued*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - *continued*

Impairment of financial assets - *continued*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial liabilities and equity instruments **-** *continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial liabilities and equity instruments - *continued*

Financial liabilities at fair value through profit or loss - *continued*

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss is included in the other gains and losses line item. Fair value is determined in a manner described in Note 5.

Other financial liabilities

Other financial liabilities including trust receipt loans, trade and bills payables, others payables, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Share-based payments

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

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

The policy described above is applied to all equity-settled share-based payments that were granted after November 7, 2002 that vested after January 1, 2005. For share options granted to employees on or before November 7, 2002, or granted after November 7, 2002 and vested before January 1, 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies

Management has not made any critical judgements in applying the Group's accounting policies other than judgements relating to estimation uncertainties as stated below.

Key sources of estimation uncertainty

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

Allowance for doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of Group's trade receivables at March 31, 2014 were approximately HK$566,547,000 (2013: HK$473,756,000), net of allowance for doubtful debts of HK$30,417,000 (2013: HK$23,727,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - *continued*

Key sources of estimation uncertainty - *continued*

Allowance for inventories obsolescence

The Group operates in the electronics industry which is subject to rapid technological changes and product obsolescence. The Group's policy for allowance for inventories obsolescence is based on the aging analysis of inventories and on management's judgement on the realisability of the inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories obsolescence is adequate but not excessive. The carrying amount of Group's inventories at March 31, 2014 were approximately HK$440,067,000 (2013: HK$353,561,000), net of allowance for inventories of HK$18,397,000 (2013: HK$31,747,000).

Fair value of derivative financial instruments

The Group is required to assess the fair values of its derivative financial instruments which involve the input of certain variables and, accordingly, require significant management judgement and assumptions.

Management has evaluated the assumptions used and judgement applied and is of the opinion that the assumptions used and judgement applied are reasonable and appropriate. The carrying amount of derivative financial instruments is disclosed in Notes 5 and 12.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of asset. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amounts and the amount of the write-down is charged to profit or loss. The carrying amount of property, plant and equipment at March 31, 2014 was approximately HK$157,128,000 (2013: HK$162,278,000).

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Financial assets				
Derivative financial instruments (fair value through profit or loss)	–	136	–	–
Loan and receivables (including cash and cash equivalents)	831,832	906,930	201,634	214,229
Available-for-sale financial assets	2,001	2,001	–	–
Financial liabilities				
Liabilities at amortised cost	894,557	886,625	9,356	9,135
Derivative financial instruments (fair value through profit or loss)	268	2,389	–	–
Financial guarantee contracts	660	–	660	–

(b) Financial risk management policies and objectives

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which were executed by the treasury department. It is and has been throughout the year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The Group uses derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward exchange contracts and interest rate swap contracts to reduce such exposures.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(i) Foreign exchange risk management

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than its functional currencies and therefore is exposed to foreign exchange risk.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

THE GROUP

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollars	719,895	761,517	(525,117)	(471,097)
HK$	4,355	1,278	(52,018)	(59,471)
Japanese yen ("YEN")	2,331	1,965	(21,700)	(14,407)
Chinese renminbi	2,566	4,825	(1,211)	(1,211)
Euro	845	641	–	(403)
Singapore dollars	1,233	1,561	(27)	(24)
Other currencies	5	4	–	–

THE COMPANY

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollars	39	39	–	–
Singapore dollars	1,227	1,522	(27)	(24)

Certain companies in the Group use forward contracts to reduce the currency risk exposure. Further details on the forward exchange derivative instruments are found in Note 12.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(i) Foreign exchange risk management - *continued*

Foreign currency sensitivity

The Group is mainly exposed to the fluctuations in United States dollars, HK$, YEN against the functional currencies of each of the Group entities. However, as the United Stated dollars is pegged to HK$, management of the Company are of the opinion that the exposure of entities having HK$ as functional currency to United States dollar is minimal.

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each of the Group entities. 5% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency weakens by 5% against the functional currency of each Group entity, post-tax profit for the year will increase (decrease) by:

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollars (i)	4,331	4,249	–	–
HK$ (i)	1,823	2,183	–	–
YEN (ii)	726	467	–	–
Chinese renminbi (iii)	(51)	(136)	–	–
Euro	(32)	(9)	–	–
Singapore dollars	(45)	(58)	(50)	(75)

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(i) *Foreign exchange risk management* - *continued*

Foreign currency sensitivity - *continued*

If the relevant foreign currency strengthens by 5% against the functional currencies of each the Group entity, there would be an equal and opposite impact on the profit after income tax.

Notes:

(i) This is mainly attributable to the exposure on bank balances, trade receivables and payables as at year end. Since the HK$ remains closely pegged to United States dollar, the sensitivity analysis excludes the group entities with functional currencies denominated in HK$ or United States dollar.

(ii) This is mainly attributable to the exposure on bank balances, trade receivables and payables denominated in YEN as at end of the reporting period.

(iii) This is mainly attributable to the exposure on bank balances denominated in Chinese renminbi as at end of the reporting period.

(ii) *Interest rate risk management*

Interest rate risk arises from the potential changes in interest rates that may have adverse effects on the Group's results. The interest rates and terms of repayment of the trust receipt loans and bank borrowings of the Group are disclosed in Notes 21 and 24 respectively.

Companies in the Group entered into interest swap contracts to hedge against their exposures to interest rate risk. Further details on the interest rate swap derivative instruments are found in Note 12.

The directors of the Company consider the Group's or the Company's exposure on bank deposits is not significant as the interest rates have no material fluctuation during the year.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and trust receipt loans at the end of the reporting period. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended March 31, 2014 would decrease or increase by HK$2,113,000 (2013: decrease or increase by HK$2,254,000).

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iii) Credit risk management

As at March 31, 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 39.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are reputable banks.

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, the Group had concentration of credit risk on trade receivable as 6% and 5% of the total trade receivables were due from the Group's largest customer as at March 31, 2014 and 2013, respectively.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. The committed unutilised banking facilities made available to the Group are approximately HK$726 million (2013: HK$794 million).

The Group manages liquidity risk by maintaining sufficient cash and the availability of adequate banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities for the Company and the Group. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and the Group can be required to pay. Specifically, bank loans and trust receipt loans with a repayable on demand clause and a bank loan that breaching the loan covenant was included in the earliest time band regardless of the probability of banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	Over1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
At March 31, 2014							
Trade and bills payables							
– non-interest bearing	–	339,535	–	–	–	339,535	339,535
Other payables							
– non-interest bearing	–	1,917	–	–	–	1,917	1,917
Financial guarantee contract	–	112,342	–	–	–	112,342	660
Trust receipt loans							
– variable interest rate	2.33	441,699	–	–	–	441,699	440,805
Bank borrowings							
– variable interest rates	2.99	51,722	4,640	9,646	–	66,008	65,300
– fixed interest rate	2.69	47,513	–	–	–	47,513	47,000
		994,728	4,640	9,646	–	1,009,014	895,217

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - *continued*

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE GROUP							
At March 31, 2013							
Trade and bills payables							
– non-interest bearing	–	295,400	–	–	–	295,400	295,400
Other payables							
– non-interest bearing	–	1,452	–	–	–	1,452	1,452
Trust receipt loans							
– variable interest rate	2.23	421,473	–	–	–	421,473	421,473
Bank borrowings							
– variable interest rates	2.78	95,222	6,108	18,159	–	119,489	118,300
– fixed interest rate	3.12	50,000	–	–	–	50,000	50,000
		863,547	6,108	18,159	–	887,814	886,625

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - *continued*

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE COMPANY							
At March 31, 2014							
Other payables							
– non-interest bearing	–	64	–	–	–	64	64
Amount due to subsidiary							
– non-interest bearing	–	9,292	–	–	–	9,292	9,292
Financial guarantee contracts	–	885,960	4,640	9,646	–	900,246	660
		895,316	4,640	9,646	–	909,602	10,016
At March 31, 2013							
Other payables							
– non-interest bearing	–	224	–	–	–	224	224
Amount due to a subsidiary							
– non-interest bearing	–	8,911	–	–	–	8,911	8,911
Financial guarantee contracts	–	753,802	6,108	18,159	–	778,069	–
		762,937	6,108	18,159	–	787,204	9,135

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - continued

Bank borrowings and trust receipt loans with a repayable on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that the long-term portion of such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Non-derivative financial assets

The Group and Company's financial liabilities are to be met by the maturity of financial assets that more than sufficiently cover all arising liabilities. The non-derivative financial assets are all due and receivable within one year except for long term deposits of the Group and non-current other receivables from a subsidiary of the Company as disclosed in Notes 15 and 10 respectively, and are all non-interest bearing except for cash at bank and restricted bank deposits which bear interest as disclosed in Note 8.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Derivative financial instruments - net settlement

	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE GROUP				
At March 31, 2014				
Foreign exchange forward contract – outflow	(268)	–	(268)	(268)
	(268)	–	(268)	(268)
At March 31, 2013				
Foreign exchange forward contract – inflow	136	–	136	136
Interest rate swaps – outflow	–	(2,389)	(2,389)	(2,389)
	136	(2,389)	(2,253)	(2,253)

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(v) Fair value measurements

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(v) Fair value measurements - continued

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	At March 31, 2014	At March 31, 2013				
Foreign currency forward contracts (see note 12)	Liabilities - HK$268,000	Assets - HK$136,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swaps (see note 12)	–	Liabilities - HK$2,389,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *continued*

(v) Fair value measurements - *continued*

There were no transfer between Level 1 and 2 for the Group during the year.

The directors consider that the carrying amount of financial assets and liabilities recognized in the Company's and consolidated financial statements at amortised cost approximate their fair values.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates and yield curves derived from quoted exchange rates or interest rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 21 and 24, offset by cash and cash equivalents, restricted bank deposits and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits as disclosed in the notes to consolidated financial statements. The Group is required to comply with bank covenants in loan agreements with banks.

The management reviews the capital structure on an ongoing basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

6. RELATED COMPANY TRANSACTIONS

The Company

Except for disclosed elsewhere in the financial statements, some of the Company's transactions and arrangements are between members of the Group and the effects of these on the basis determined between the parties are reflected in these financial information. The intercompany balances are unsecured, repayable on demand, interest-free and expected to be settled in cash unless stated otherwise.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its associates; please refer to note 39 to the financial statements.

The Group

The Group entered into the following transactions with associates:

	2014 HK$'000	2013 HK$'000
Sales of electronics components	13,413	9,521
Other income	853	413
Management fee income	—	320
Commission income	247	—
Commission expenses	1,594	—
Purchases of electronics components	79,495	36,499

At the end of the reporting period, the Group has the following balances with associates:

	2014 HK$'000	2013 HK$'000
Associates		
– trade receivables aged less than 60 days	4,001	—
– other receivables (Note)	1	336
– trade payables aged less than 30 days	(5,793)	(10,816)

Note: Amounts are unsecured, interest-free and repayable on demand.

No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

7. OTHER RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Short-term benefits	18,796	19,948
Post-employment benefits	953	976
Other long-term benefits	1,924	2,306
	21,673	23,230

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

8. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash at bank	212,123	330,226	2,925	1,816
Term deposits	13,512	67,036	–	–
Cash on hand	638	294	–	–
	226,273	397,556	2,925	1,816
Analysed as:				
Cash and cash equivalents (a)	218,977	390,395	2,925	1,816
Restricted bank deposits (b)	7,296	7,161	–	–
	226,273	397,556	2,925	1,816

8. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS - *continued*

Notes:

(a) As at March 31, 2014, cash and cash equivalents comprise cash held by the Group of HK$212,761,000 (2013: HK$330,520,000) and short-term bank deposits with an original maturity of three months or less of HK$6,216,000 (2013: HK$59,875,000). The carrying amounts of these assets approximate their fair values. The short-term deposits bear average effective interest of 0.1% (2013: 0.19%) per annum and for tenure of 7 days (2013: 7 days to 14 days).

(b) The balance is pledged to bank to secure short-term bills payable and to facilitate the customs' clearing process. As at March 31, 2014, the restricted bank deposits bear average effective interest of 3.0% (2013: 3.09%) per annum and for tenure of 365 days (2013: 365 days).

9. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Trade receivables	596,964	497,483
Less: allowance for doubtful debts	(30,417)	(23,727)
Net	566,547	473,756
Bills receivables	35,719	29,369
	602,266	503,125

Bills receivable represent bank drafts received from customers that are non-interest bearing and due within one year.

The average credit period on sales of goods is 60 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice dates, at the end of the reporting period.

9. TRADE AND BILLS RECEIVABLES - *continued*

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
0 - 60 days	408,511	332,258
61 - 90 days	120,262	104,847
> 90 days	37,774	36,651
	566,547	473,756

The aged analysis of bills receivable presented based on the issue date at respective reporting dates:

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
0 - 60 days	21,156	15,517
61 - 180 days	14,563	13,852
	35,719	29,369

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 82% (2013: 78%) of the trade receivables as at March 31, 2014 that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$79,178,000 (2013: HK$81,400,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

9. TRADE AND BILLS RECEIVABLES - *continued*

Aging of trade receivables which are past due but not impaired (classified based on payment due date)

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Less than 90 days	79,178	81,400

The Group determines whether the trade receivables balances were impaired based on objective evidence of impairment loss. In determining whether receivable balances past due have been impaired or not, the Group takes into consideration the estimated future cash inflows from such balances as determined by its experience with, and where appropriate, discussions with, its customers.

Movement in the allowance for doubtful debts

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Balance at beginning of the year	23,727	29,932
Allowance (reversal of allowance) recognised in profit or loss	6,665	(5,537)
Amounts written off as uncollectible	(191)	(632)
Currency realignment	216	(36)
Balance at end of the year	30,417	23,727

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$8,212,000 (2013: HK$182,000).

10. OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Due from subsidiaries	–	–	198,709	212,412
Due from an associate	1	336	–	–
Deposits	4,523	6,067	–	3,143
Prepayments	2,136	1,927	24	72
Others	334	2,988	–	–
	6,994	11,318	198,733	215,627
Represented by:				
Current portion	6,994	11,318	149,733	215,627
Non-current portion	–	–	49,000	–
	6,994	11,318	198,733	215,627

The amounts due from subsidiaries and an associate are unsecured, interest-free, repayable on demand and expected to be settled in cash within the next twelve months from the end of the reporting period except for an amount due from a subsidiary of HK$49,000,000 (2013: HK$nil) which the directors considered that the balance will be settled in cash after one year from the end of the reporting period.

11. PREPAID LEASE PAYMENTS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
COST		
At beginning and end of year	764	764
AMORTISATION		
At beginning of year	133	121
Charge to profit or loss during the year	12	12
At end of year	145	133
CARRYING AMOUNT		
At end of year	619	631
At beginning of year	631	643
Represented by:		
Current portion	12	12
Non-current portion	607	619
Total	619	631

This represents land use rights for 1 plot of land with lease term of 62 years in the PRC.

12. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

	2014		2013	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts	–	(268)	136	–
Interest rate swaps	–	–	–	(2,389)
	–	(268)	136	(2,389)
Analysed as:				
Current	–	(268)	136	–
Non-current	–	–	–	(2,389)
	–	(268)	136	(2,389)

Forward foreign exchange contracts

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

Outstanding contracts	Exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2014	2013	2014 '000	2013 '000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Buy YEN and sell HK$ Less than 3 months	YEN 1/ HK$0.0755 to HK$0.0763	YEN 1/ HK$ 0.081	370,000	90,000	28,061	7,290	(185)	136
Buy YEN and sell HK$ Less than 3 months	YEN 1/ HK$0.0762	–	80,000	–	6,095	–	(83)	–

Note: The foreign currency forwards will be settled in net on maturity of the contracts.

12. DERIVATIVE FINANCIAL INSTRUMENTS - *continued*

Interest rate swaps

The Group had entered into a 5-year periodic knock out interest rate swap on July 24, 2009. According to this swap, the Group receives a fixed subsidy of 0.1% interest income on a notional amount of HK$50,000,000 for the first 2 years on a quarterly basis. While for the third year to fifth year, the Group has to pay an interest expense at 3.62% on the HK$50,000,000 notional amount on a quarterly basis if the 3-month Hong Kong Interbank Offer Rate ("HIBOR") rate is equal to or below 7% at the settlement date while receiving an interest income of 3-month HIBOR rate. As at March 31, 2013, this swap has remaining 6 quarterly settlements with final maturity on July 28, 2014. The swap was terminated by the Group on January 27, 2014, prior to the maturity on July 28, 2014.

In addition, the Group had also entered into a USD/HK$ performance swap on March 1, 2010. According to this swap, the Group receives an interest income of 3-month HIBOR plus 1% for a notional amount of HK$15,000,000 for 3 years on a quarterly basis while it has the obligation to pay an interest of 3-month HIBOR cap at 2.5%. The swap matured on March 4, 2013.

Fair value changes of derivative financial instruments have been recognised in profit or loss as part of other gains and losses during the financial years.

13. INVENTORIES

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Finished goods held for resale	458,464	385,308
Less: Allowance for inventories	(18,397)	(31,747)
	440,067	353,561

Movement in the allowance for inventories

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	31,747	33,716
(Reversal of allowance) increase in allowance recognised in profit or loss	(8,452)	6,048
Amounts written off during the year	(4,919)	(7,952)
Currency realignment	21	(65)
Balance at end of the year	18,397	31,747

During the year ended March 31, 2014, there is a reversal of allowance for inventories of approximately of HK$8,452,000 recognised because of return of the relevant inventories to the vendors.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Plant and equipment HK$'000	Computer equipment, furniture and fixtures HK$'000	Total HK$'000
THE GROUP					
COST					
At April 1, 2012	162,504	4,722	2,224	68,456	237,906
Exchange difference	—	(1)	(3)	(13)	(17)
Additions	—	—	124	2,206	2,330
Disposals	—	(246)	—	(353)	(599)
At March 31, 2013	162,504	4,475	2,345	70,296	239,620
Exchange difference	2,686	14	(3)	369	3,066
Additions	—	748	105	3,024	3,877
Disposals	—	—	—	(488)	(488)
At March 31, 2014	**165,190**	**5,237**	**2,447**	**73,201**	**246,075**
ACCUMULATED DEPRECIATION					
At April 1, 2012	14,560	4,113	1,289	45,656	65,618
Exchange difference	22	—	(2)	8	28
Depreciation for the year	3,886	254	254	7,856	12,250
Disposals	—	(246)	—	(308)	(554)
At March 31, 2013	18,468	4,121	1,541	53,212	77,342
Exchange difference	190	7	(2)	262	457
Depreciation for the year	3,973	205	261	7,197	11,636
Disposals	—	—	—	(488)	(488)
At March 31, 2014	**22,631**	**4,333**	**1,800**	**60,183**	**88,947**
CARRYING AMOUNT					
At March 31, 2014	**142,559**	**904**	**647**	**13,018**	**157,128**
At March 31, 2013	144,036	354	804	17,084	162,278

14. PROPERTY, PLANT AND EQUIPMENT - *continued*

Details of the leasehold properties held by the Group as at March 31, 2014 are set out below:

Description and location	Gross area (sq.ft.)	Tenure	Use
24/F and parking space Nos. P16 and P23 on 2/F of Wyler Centre Phase 2 200 Tai Lin Pai Road, Kwai Chung New Territories, Hong Kong	25,618	99 years commencing from July 1, 1898 (Note)	Storage, office and car park
Parking space No. 42 on 2/F of Wyler Centre Phase 2, 200 Tai Lin Pai Road Kwai Chung, New Territories, Hong Kong	N.A.	99 years commencing from July 1, 1898 (Note)	Car park
Portion of Unit H, Level 6 and car parking space No.108, Maple Court, Shang-Mira Garden, Hongqiao Road, Shanghai, the PRC	1,408	60 years commencing from July 19, 2002	Residential and car park
14/F Jinyun Century Building, 6033 Shennan Main Road, Futian District, Shenzhen, the PRC	18,542	50 years commencing from February 28, 1997	Office
33/F International Corporate City, 3000 North Zhongshan Road, Putuo District, Shanghai, the PRC	19,108	50 years commencing from July 30, 2004	Office

Note: Pursuant to the Sino-British Joint Declaration, the term of the Crown lease was extended to June 30, 2047.

15. LONG-TERM DEPOSITS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Refundable security deposits	427	1,683

Refundable security deposits are mainly deposits placed with the landlords.

16. GOODWILL

	THE GROUP	
	2014 HK$'000	2013 HK$'000
COST		
At beginning and end of year	8,142	8,142
IMPAIRMENT		
At beginning and end of year	8,142	8,142
CARRYING AMOUNT		
At beginning and end of year	–	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Goodwill of HK$8,142,000 has been allocated to ValenceTech Limited and its subsidiaries as a single CGU.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts, changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Due to uncertain global economic outlook, the Group revised the CGU's forecast and the estimated recoverable amount of the CGU was below its carrying amounts and goodwill was fully impaired in 2009. The management considered that there is no other material lived long assets in that CGU and no further impairment was made.

17. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Unquoted equity shares, at cost	16,448	16,448
Less: Impairment on investments	(16,448)	(16,448)
	–	–
Club debentures, at cost	2,001	2,001
	2,001	2,001

Movement for impairment provision

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Balance at beginning and end of the year	16,448	16,448

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong, the PRC, the United States of America and Korea. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. OTHER INTANGIBLE ASSETS

	Contract-based workforce HK$'000	Customer relationship and network HK$'000	Proprietary technology HK$'000	Capitalised development cost HK$'000	Total HK$'000
THE GROUP					
COST					
At April 1, 2012, at March 31, 2013 and at March 31, 2014	2,769	5,002	7,594	2,016	17,381
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At April 1, 2012, at March 31, 2013 and at March 31, 2014	2,769	5,002	7,594	2,016	17,381
CARRYING AMOUNT					
At April 1, 2012, at March 31, 2013 and at March 31, 2014	–	–	–	–	–

The intangible assets included above have finite useful lives, over which the assets were amortised, using the straight-line method, on the following basis:

Contract-based workforce	3 years or shorter of contract terms
Customer relationship and network	5 years
Proprietary technology	5 years
Capitalised development cost	3 years

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK$'000	2013 HK$'000
Unquoted equity shares, at cost	117,470	117,470

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014 %	2013 %	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Noblehigh Enterprises Inc (Note 1)	BVI/Hong Kong	40	40	(3,617)	(4,539)	(2,847)	763
Individually immaterial subsidiaries with non-controlling interests (Note 2)						–	488
Total						(2,847)	1,251

Note 1: The summarised financial information disclosed comprised of the financial information of Noblehigh Enterprises Inc. and its wholly owned subsidiaries.

Note 2: Those individually immaterial subsidiaries were dissolved in 2014.

19. INVESTMENTS IN SUBSIDIARIES - *continued*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Noblehigh Enterprises Inc.

	2014 HK$'000	2013 HK$'000
Current assets	12,101	16,272
Non-current assets	1,458	2,235
Current liabilities	(20,676)	(16,599)
Equity attributable to owners of the Company	(7,117)	1,908

	2014 HK$'000	2013 HK$'000
Revenue	44,079	53,953
Expenses	(53,121)	(65,300)
Loss for the year	(9,042)	(11,347)
Other comprehensive income for the year	18	6
Total comprehensive expense for the year	(9,024)	(11,341)
Net cash outflow from operating activities	(8,188)	(6,108)
Net cash outflow from investing activities	(431)	(153)
Net cash inflow from financing activities	5,678	7,268
Net cash (outflow) inflow	(2,941)	1,007

19. INVESTMENTS IN SUBSIDIARIES - *continued*

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/ registered capital	Proportion of ownership and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	2014 %	2013 %	
Cleverway Profits Limited [a]	British Virgin Islands ("BVI")/ Hong Kong	US$7	100	100	–	–	Investment holding
Aries Tech Hong Kong Limited [a, b]	Hong Kong	HK$7,800,000	–	–	–	90	Dissolved
Array Electronics (China) Limited [a, b]	Hong Kong/PRC	HK$2	–	–	100	100	Trading of electronic components
Array Electronics Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Inactive
ASP Microelectronics Limited [a, h]	Hong Kong	HK$3,000,000	–	–	60	60	Inactive
Bestime Corporation Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Investment holding
Brightway Transportation Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Provision of transportation services
Elite Vantage Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Trading of electronic components
Full Link Investment Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Investment holding
Joy Port Limited [a, d]	Hong Kong	HK$2	–	–	100	100	Property holding
Kind Faith Limited [a, b]	Hong Kong	HK$2	–	–	100	100	Investment holding
Leader First Limited [a, b]	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
LEC Electronic Components Limited [a, h]	Hong Kong	HK$1,500,000	–	–	60	60	Inactive
Noblehigh Enterprises Inc. [a, e]	BVI/Hong Kong	US$60,000	–	–	60	60	Investment holding

19. INVESTMENTS IN SUBSIDIARIES - *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/ registered capital	Proportion of ownership and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	2014 %	2013 %	
Pinerise Limited [(a), (b)]	BVI/PRC	US$1	–	–	100	100	Investment holding
Starling Pacific Limited [(a), (b)]	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
Valence Semiconductor Design Limited [(a), (h)]	Hong Kong	HK$3,000,000	–	–	60	60	Design and trading of electronic components
Valence Technology Limited [(a), (g)]	Hong Kong	HK$100,000	–	–	60	60	Provision of corporate management services
ValenceTech Limited [(a), (f)]	Bermuda/ Hong Kong	HK$879,991	–	–	60	60	Investment holding
Willas Company Limited [(a), (b)]	Hong Kong	HK$35,001,002	–	–	100	100	Inactive
Willas-Array (Korea) Hong Kong Limited [(a), (b)]	Hong Kong	HK$7,800,000	–	–	–	100	Dissolved
Willas-Array Electronics (Hong Kong) Limited [(a), (b)]	Hong Kong	HK$1,001,002	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shanghai) Limited [(a), (d), (j)]	PRC	US$7,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shenzhen) Limited [(a), (c), (j)]	PRC	US$5,500,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Taiwan) Inc [(a), (b)]	Taiwan/PRC	NT$1,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics Management Limited [(a), (b)]	Hong Kong	HK$2	–	–	100	100	Provision of management and consultancy services

19. INVESTMENTS IN SUBSIDIARIES - *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share/ registered capital	Proportion of ownership and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	2014 %	2013 %	
Willas-Array Investments Limited [(a), (b)]	Hong Kong	HK$2	–	–	100	100	Investment holding
Willas-Array Singapore (Private) Limited [(b), (i)]	Republic of Singapore	S$3,000,000	–	–	100	100	Inactive
慧能思達科技（成都）有限公司 [(a), (h), (j)]	PRC	HK$2,000,000	–	–	60	60	Provision of technical development services for electronics products

Notes:

(a) Audited by overseas practices of Deloitte Touche Tohmatsu Limited

(b) Subsidiaries directly held by Cleverway Profits Limited

(c) Subsidiary of Full Link Investment Limited

(d) Subsidiaries directly held by Kind Faith Limited

(e) Subsidiary of Willas-Array Investments Limited

(f) Subsidiary of Noblehigh Enterprises Inc.

(g) Subsidiaries directly held by ValenceTech Limited

(h) Subsidiaries directly held by Valence Technology Limited

(i) Audited by a local practice in Singapore

(j) Established in the PRC in the form of wholly foreign-owned enterprise

19. INVESTMENTS IN SUBSIDIARIES - *continued*

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation/ establishment and operation	Number of wholly owned subsidiaries	
		2014	2013
Investment holding	BVI/Hong Kong	3	3
	BVI/PRC	1	1
	Hong Kong	4	5
Trading	Hong Kong/PRC	1	1
	Hong Kong	2	2
	PRC	2	2
	Singapore	—	1
	Taiwan/PRC	1	1
Inactive	Hong Kong	2	2
	Singapore	1	—
Other	Hong Kong	3	3
		20	21

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		2014	2013
Investment holding	BVI/Hong Kong	1	1
	Bermuda/Hong Kong	1	1
	Hong Kong	—	1
Design and trading	Hong Kong	1	1
Inactive	Hong Kong	2	2
Other	Hong Kong	2	2
		7	8

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cost of interests in associates	49,000	49,000	–	–
Deemed capital contribution	2,183	–	2,183	–
Share of post-acquisition reserves:				
Post-acquisition profits brought forward	808	–	–	–
Post-acquisition profits	7,128	808	–	–
Translation reserve	53	1	–	–
	59,172	49,809	2,183	–

Deemed capital contribution represents the fair value of financial guarantee contracts granted to the associate at initial recognition (note 39).

At the end of each reporting period, the Group had interests in the following significant associates:

Name of entity	Form of business structure	Place of incorporation/ establishment	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
GW Electronics Company Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	49%	49%	49%	49%	Investment holding and trading of electronic components
Held by GW Electronics Company Limited									
茲雅電子(深圳)有限公司	Incorporated	PRC	PRC	Registered capital	49%	49%	49%	49%	Trading of electronic components
茲雅電子(上海)有限公司	Incorporated	PRC	PRC	Registered capital	49%	49%	49%	49%	Trading of electronic components

20. INTERESTS IN ASSOCIATES - *continued*

The summarised financial information in respect of the Group's associates is set out below:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Current assets	542,204	211,406
Non-current assets	4,227	3,304
Current liabilities	(430,127)	(113,059)
The above amounts of assets and liability include the following:		
Cash and cash equivalents	83,703	94,791
Current financial liabilities (excluding trade and other payables and provisions)	(229,270)	–

	2014 HK$'000	2013 HK$'000
Revenue	1,845,455	196,862
Profit for the year	14,547	1,649
Other comprehensive income	106	2
Group's share of associates' profit and other comprehensive income for the year	7,180	809
The above profit for the year include the following:		
Depreciation	1,124	177
Income tax expense	5,130	561

20. INTERESTS IN ASSOCIATES - *continued*

Reconciliation of the above summarised financial information to the carrying amount of the interest in GW Electronics Company Limited recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of the associate	116,304	101,651
Proportion of the Group's ownership interest in GW Electronics Company Limited	49%	49%
Deemed capital contribution (Note 39)	2,183	—
Carrying amount of the Group's interest in GW Electronics Company Limited	59,172	49,809

21. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear effective interest ranging from 1.86% to 2.77% (2013: 1.82% to 2.98%) per annum and are repayable within one year.

22. TRADE AND BILLS PAYABLES

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Trade payables	323,386	283,066
Bills payables	16,149	12,334
	339,535	295,400

Bills payables of the Group are aged within 60 days (2013: 30 days).

22. TRADE AND BILLS PAYABLES - *continued*

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Less than 30 days	276,015	237,822
31 to 60 days	47,233	44,848
61 to 90 days	–	300
> 90 days	138	96
	323,386	283,066

The average credit period on purchases of goods is 30 days. At the end of each reporting period, interest is charged at 2% per month by certain suppliers on any overdue trade payables.

23. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Accrual for staff costs	25,466	23,002	–	–
Accrued expenses	6,264	5,067	1,345	809
Deposits from customers	2,973	2,828	–	–
Due to subsidiaries	–	–	9,292	8,911
Other tax payables	2,241	3,345	–	–
Interest payables	1,802	2,531	–	–
Others	1,917	1,453	64	224
	40,663	38,226	10,701	9,944

Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

24. BANK BORROWINGS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Carrying amount of bank borrowing repayable (Note):		
Within one year	72,300	145,000
Carrying amount of bank loan that is not repayable within one year which is shown under current liability due to breach of a loan covenant	–	18,500
Carrying amount of bank loans that are repayable in one to two year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	40,000	4,800
	112,300	168,300
Less: Amounts due within one year shown under current liabilities	(112,300)	(168,300)
Non-current portion	–	–
Analysed as:		
Secured	–	–
Unsecured	112,300	168,300
	112,300	168,300

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

At March 31, 2014, the Group's fixed rate borrowing with carrying amount of approximately HK$47,000,000 (2013: HK$50,000,000) are due within one year.

In addition, the Group has unsecured variable rate borrowings at March 31, 2014, the interest rates reprice at 1.40% to 2.75% (2013: 1.40% to 2.75%) per annum over respective bank's cost of fund or HIBOR for the floating rate unsecured loans.

24. BANK BORROWINGS - *continued*

The weighted average effective interest rates (which are also equal to contracted interest rate) on the Group's borrowings are as follow:

	THE GROUP	
	2014	2013
Weighted average interest rate:		
– fixed rate borrowing	2.69%	3.12%
– variable rate borrowings	2.99%	2.78%

At March 31, 2014, the Group's unsecured bank loans with carrying amount of approximately HK$18,500,000 (2013: HK$65,500,000) are required to comply with certain loan covenants.

During the year ended March 31, 2013, in respect of a bank loan with a carrying amount of HK$36,500,000 as at March 31, 2013, the Group breached one of the financial covenants of the bank loan, which is primarily related to the consolidated debt service coverage ratio of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at March 31, 2013, those negotiations had not been concluded, therefore, the loan has been classified as a current liability as at March 31, 2013. Subsequent to year ended March 31, 2013, the Group had obtained a waiver letter from the bank in May 2013.

The Group has complied with the loan covenants for year ended March 31, 2014.

The fair values of the Group's borrowings approximate their carrying amounts.

All of the Group's bank borrowings are denominated in the functional currencies of the respective entities.

25. DEFERRED TAX

The following are major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000	Allowance HK$'000	Tax losses HK$'000	Undistributable profits of subsidiaries HK$'000	Total HK$'000
THE GROUP					
Balance at April 1, 2012	(1,824)	3,114	126	(2,428)	(1,012)
Credit (charge) to profit or loss	431	(1,494)	(126)	(151)	(1,340)
Balance at March 31, 2013	(1,393)	1,620	–	(2,579)	(2,352)
Credit (charge) to profit or loss	285	(173)	–	(212)	(100)
Balance at March 31, 2014	(1,108)	1,447	–	(2,791)	(2,452)

Under the new enterprise income tax law in the PRC and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards.

Under the Income Tax Act prescribed by the Ministry of Finance of Taiwan, dividends paid to non-resident shareholders shall be subject to withholding tax at a rate of 20%. Also, a 10% surtax is imposed on any current year earnings that remain undistributed by the end of the following year. The surtax paid can be used as a tax credit to offset against the future withholding tax payable upon dividend distribution under calculations prescribed under Article 61-1 of Enforcement Rules of Income Tax Act.

As the Group does not expect to distribute dividends out of the earnings from its Taiwan subsidiaries in the next twelve months from the end of the reporting period, it has accrued 10% surtax as at March 31, 2014 accordingly.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC and Taiwan subsidiaries amounting to approximately HK$43,525,000 (2013: HK$37,593,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. DEFERRED TAX - *continued*

For the purposes of statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for statement of financial position purposes:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Deferred tax assets	339	259
Deferred tax liabilities	(2,791)	(2,611)
	(2,452)	(2,352)

Subject to the agreement by the tax authorities, at March 31, 2014, the Group has unutilised tax losses of HK$44,882,000 (2013: HK$31,127,000) available for offset against future profits. None of such losses as at March 31, 2014 (March 31, 2013: HK$nil) has been recognised as a deferred tax asset due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

At March 31, 2014, the Group has other deductible temporary difference of approximately HK$17,003,000 (2013: HK$18,136,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the deductible temporary differences can be utilised.

26. ISSUED CAPITAL

	THE GROUP AND THE COMPANY			
	2014 '000	2013 '000	2014 HK$'000	2013 HK$'000
Number of ordinary shares of HK$0.20 each				
Authorised:				
At beginning and end of year	600,000	600,000	120,000	120,000
Issued and paid up:				
At beginning and end of year	372,720	372,720	74,544	74,544

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

26. ISSUED CAPITAL - *continued*

As at March 31, 2014, employees held options over 18,532,800 ordinary shares. The number of options and their expiry dates are as follows:

Number of options	Expiry on
8,160,000	April 16, 2014
420,000	November 17, 2014
9,952,800	October 1, 2019
18,532,800	

As at March 31, 2013, employees held options over 22,138,800 ordinary shares. The number of options and their expiry dates are as follows:

Number of options	Expiry on
600,000	May 5, 2013
10,200,000	April 16, 2014
420,000	November 17, 2014
10,918,800	October 1, 2019
22,138,800	

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 28.

27. CAPITAL RESERVES

	THE GROUP AND THE COMPANY			
	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Total HK$'000
Balance at April 1, 2012	117,027	75,070	4,625	196,722
Share options cancelled	–	–	(222)	(222)
Balance at March 31, 2013	117,027	75,070	4,403	196,500
Share options cancelled	–	–	(784)	(784)
Balance at March 31, 2014	**117,027**	**75,070**	**3,619**	**195,716**

Contributed surplus represents the difference between the underlying net tangible assets of the subsidiaries which were acquired by the Company at the date of a group re-organisation in 2001 and the nominal amount of the shares issued by the Company under the re-organisation.

The share option reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set out in Note 28.

28. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company adopts the Willas-Array Electronics Employee Share Option Scheme I ("ESOS I") and the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") to grant share options to eligible employees, including the executive directors of the Company and its subsidiaries.

The Company also adopts Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") conditionally by a resolution of the shareholders in a special general meeting of the Company held on July 30, 2013.

The options under ESOS I grant the right to the holder to subscribe for new ordinary shares of the Company at a price equal to that offered to the public at the initial public offering of the new ordinary shares of the Company, which is set at S$0.28 per ordinary share and the maximum number of shares in respect of which options might be granted under ESOS I was 25,000,000.

28. SHARE-BASED PAYMENTS - *continued*

Equity-settled share option scheme - *continued*

Under ESOS I, the year for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

The options under ESOS II grant the right to the holder to subscribe for new ordinary shares of the Company at a discount to market price of the share (subject to a maximum discount of 20%) or at a price equal to the average of the closing prices of the shares on the SGX-ST on the five trading days immediately preceding the date of the grant of the option. The number of shares in respect of which options may be granted under ESOS II, when aggregate with those granted under any other share option schemes of the Company and the time being in force, shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

Under ESOS II, the year for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at the market price; and after the second anniversary of the date of grant and expiring on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at a discount to the market price.

The options under ESOS III grant the right to the holder to subscribe for new ordinary shares of the Company at the exercise price to be determined by the ESOS Committee, in its sole and absolute discretion, on the date of grant must be at least the higher of (i) the closing price of the shares as stated in the SEHK or the SGX-ST's (whichever is higher) daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the SEHK's or the SGX-ST's daily quotations sheets for the five consecutive business days immediately preceding the date of the grant of the option (whichever is higher). The number of shares in respect of which options may be granted under ESOS III, when aggregate with those granted under any other share option schemes of the Company and the time being in force, shall not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

Under ESOS III, the period for the exercise of an option will commence after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

The above share option schemes are administered by a committee which has been authorised to determine the terms and conditions of the grant of the options.

28. SHARE-BASED PAYMENTS - *continued*

Equity-settled share option scheme - *continued*

ESOS I was terminated on July 2, 2001 upon admission of the Company to the Official List of the SGX-ST pursuant to the rules of the scheme and no options outstanding at both reporting period ends.

Details of the share options outstanding during the year are as follows:

	THE GROUP AND THE COMPANY			
	2014		2013	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
At the beginning of the year	22,138,800	0.107	29,866,800	0.118
Lapsed during the year	(600,000)	0.092	(6,888,000)	0.15
Cancelled during the year	(3,006,000)	0.134	(840,000)	0.15
At the end of the year	18,532,800	0.105	22,138,800	0.107
Exercisable at the end of the year	18,532,800		22,138,800	

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 2.99 years (2013: 3.72 years).

28. SHARE-BASED PAYMENTS - *continued*

Equity-settled share option scheme - *continued*

Fair values of the share options were calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	ESOS II			
Grant date	May 6, 2003	April 17, 2004	November 18, 2004	October 2, 2009
Average share price at valuation date	S$0.14	S$0.22	S$0.18	S$0.09
Average exercise price	S$0.11	S$0.18	S$0.145	S$0.08
Expected life	2	2	2	2
Expected volatility	62%	59%	55%	91%
Expected dividend yield	7.14%	5.42%	5.62%	8.67%
Discount rate	0.71%	1.08%	1.53%	0.436%
Fair values	S$0.05	S$0.07	S$0.06	S$0.04

Expected volatility was determined by calculating the historical volatility of the Company's share price from July 2001 to October 2009. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

29. REVENUE

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Sales of electronic components	3,196,270	3,157,597

30. OTHER OPERATING INCOME

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Interest income from bank deposits	1,253	2,314
Management fee income	310	762
PRC tax rebate	610	822
Service income from associates	853	413
Others	1,190	324
	4,216	4,635

31. OTHER GAINS AND LOSSES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Net foreign exchange gain	5,151	382
Net gain on fair value changes of derivative financial instruments	1,985	1,607
(Allowance for) reversal of allowance for doubtful trade receivables	(6,665)	5,537
Others	–	97
	471	7,623

32. FINANCE COSTS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowings and trust receipt loans		
– wholly repayable within five years	17,202	15,708
– not wholly repayable within five years	–	524
	17,202	16,232

33. INCOME TAX EXPENSE

	THE GROUP	
	2014 HK$'000	2013 HK$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	9,819	6,714
PRC Enterprise Income Tax	3,439	989
Other jurisdictions	1,737	3,604
	14,995	11,307
(Over) underprovision in prior year:		
Hong Kong	(132)	(92)
PRC Enterprise Income Tax	(48)	26
Other jurisdictions	(63)	563
	(243)	497
Deferred tax:		
Current year (Note 25)	100	1,340
	14,852	13,144

33. INCOME TAX EXPENSE - *continued*

The income tax expense varies from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate of 16.5% to profit before tax as a result of the following differences:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Profit before tax	40,239	54,443
Income tax expense at statutory rate	6,639	8,983
Tax effect of expenses not deductible for tax purpose	6,562	2,873
Tax effect of income not taxable for tax purpose	(3,075)	(2,528)
(Over) underprovision in respect of prior year	(243)	497
Tax effect of tax losses not recognised	2,625	2,313
Utilisation of deferred tax benefits previously not recognised	(356)	(1,047)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,710	950
Withholding income tax on dividend	212	151
Others	778	952
	14,852	13,144

The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 17%. Income taxes for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdictions.

34. PROFIT FOR THE YEAR

Profit for the year has been arrived at or after charging (crediting):

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Directors' fees:		
Directors of the Company	1,108	1,060
Directors of the subsidiaries	21	13
Directors' remuneration:		
Directors of the Company	11,568	12,107
Directors of the subsidiaries	1,198	1,661
Audit fees paid to auditors	2,695	2,378
Listing expenses [(a)]	26,055	—
Non-audit fees paid to auditors:		
Auditors of the Company	—	—
Other auditors	243	238
Staff costs (excluding directors' remuneration)	137,281	129,419
Amortisation of prepaid lease payment	12	12
Cost of inventories recognised as expenses	2,868,473	2,851,940
Gain on disposal of property, plant and equipment	—	(98)
(Reversal of) allowance for inventories	(8,452)	6,048

Note:

(a) During the year ended March 31, 2014, the Group incurred listing expenses in connection with the listing of the Company's shares on the SEHK amounted to HK$26,055,000. An amount of HK$2,900,000 included in the listing expenses was paid to other auditor of the Group.

35. OTHER COMPREHENSIVE INCOME (EXPENSE)

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Other comprehensive income (expense) includes		
Exchange differences arising on translating foreign operations:		
Exchange gain (loss) arising during the year	3,253	(377)
Other comprehensive income (expense)	3,253	(377)
Income tax relating to components of other comprehensive income	–	–
Other comprehensive income (expense), net of income tax	3,253	(377)

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the Directors for each of the reporting period were as follows:

Year ended March 31, 2014

	Directors									
	Leung Chun Wah HK$'000 (Note vi)	Kwok Chan Cheung HK$'000	Hung Yuk Choy HK$'000	Vichai Phaisalakani HK$'000 (Note iv)	Jovenal R. Santiago HK$'000	Wong Kwan Seng, Robert HK$'000	Tse Pui Kee, Albert HK$'000 (Note v)	Hon Kar Chun HK$'000 (Note ii)	Iu Po Chan, Eugene HK$'000 (Note iii)	Total HK$'000
Fees	–	3	–	2	367	367	89	–	280	1,108
Salaries and other benefits	3,544	2,730	2,375	520	–	–	–	1,203	–	10,372
Contribution to retirement benefit schemes	210	164	140	35	–	–	–	75	–	624
Performance related incentive payment (Note i)	–	–	–	223	–	–	–	349	–	572
Total emoluments	3,754	2,897	2,515	780	367	367	89	1,627	280	12,676

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - *continued*

(a) Directors' emoluments - *continued*

Year ended March 31, 2013

	Directors							
	Leung Chun Wah HK$'000 (Note vi)	Kwok Chan Cheung HK$'000	Hung Yuk Choy HK$'000	Vichai Phaisalakani HK$'000	Jovenal R. Santiago HK$'000	Wong Kwan Seng, Robert HK$'000	Tse Pui Kee, Albert HK$'000	Total HK$'000
Fees	–	3	–	10	349	349	349	1,060
Salaries and other benefits	3,536	2,730	2,730	2,160	–	–	–	11,156
Contribution to retirement benefit schemes	194	151	151	140	–	–	–	636
Performance related incentive payment (Note i)	–	–	–	315	–	–	–	315
Total emoluments	3,730	2,884	2,881	2,625	349	349	349	13,167

Notes:

(i) The performance related incentive payment is determined based on the market practice, performance of the Group and performance of the individual.

(ii) Hon Kar Chun, Alvin, has been appointed as director on June 28, 2013 and his emoluments as employee before that date has been excluded from the above table.

(iii) Iu Po Chan, Eugene, has been appointed as director on June 28, 2013.

(iv) Vichai Phaisalakani has been resigned as director effective from June 28, 2013.

(v) Tse Pui Kee, Albert, has been resigned as director effective from June 28, 2013.

(vi) Leung Chun Wah also acts as the Chief Executive of the Company.

No emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

No Directors waived any emoluments in the year ended March 31, 2014 and 2013.

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - *continued*

(b) Employees' Emoluments

The five highest paid individuals of the Group included four directors for the year ended March 31, 2014 and 2013. The emolument of the remaining one individual for the year ended March 31, 2013 and the emoluments of the remaining one individual and the emoluments paid or payable to Hon Kar Chun, Alvin, when he acting as employee of the Group for the year ended March 31, 2014 were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	1,798	1,572
Contributions to retirement benefits scheme	90	72
Performance related incentive payments	485	385
	2,373	2,029

The total emoluments earned by Hon Kar Chun, Alvin, and the remaining one individual were within the following bands:

	Number of individuals	
	2014	2013
HK$1,500,001 to HK$2,000,000	1	–
Over HK$2,000,000	1	1
	2	1

37. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2014 HK$'000	2013 HK$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	29,004	45,838

Number of shares

	2014 '000	2013 '000
Number of ordinary shares for the purposes of basic earnings per share	372,720	372,720
Effect of dilutive potential ordinary shares:		
Options	6,082	5,761
Number of ordinary shares for the purposes of diluted earnings per share	378,802	378,481

38. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution during the year:		
2012 - Final HK6.088 cents per share	–	22,693
2012 - Special HK1.826 cents per share	–	6,806
2013 - Final HK6.132 cents per share	22,855	–
	22,855	29,499

On August 23, 2013, a dividend of HK6.132 cents per share (total dividend of HK$22,855,000) was paid to shareholders in respect of the financial year ended March 31, 2013.

In respect of the year ended March 31, 2014, the directors propose that a dividend of HK6.822 cents per share will be paid to shareholders on August 22, 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on August 11, 2014. The total estimated dividend to be paid is approximately HK$25,428,000.

39. CONTINGENT LIABILITIES

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As March 31, 2014, the aggregate banking facilities granted to the subsidiaries were approximately HK$1,294,802,000 (2013: HK$1,395,835,000) of which HK$571,054,000 (2013: HK$604,359,000) was utilised and guaranteed by the Company.

At March 31, 2014, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were approximately HK$216,535,000 (2013: HK$174,773,000).

At March 31, 2014, the Company had given corporate guarantees (unsecured) of approximately HK$156,447,000 (2013: HK$78,645,000) to its banks in respect of banking facilities granted to its associates, of which HK$112,342,000 (2013: HK$nil) banking facilities have been utilised by its associates.

As at March 31, 2014, an amount of HK$660,000 (2013: HK$nil) has been recognised in the consolidated statement of financial position of the Group and the statement of financial position of the Company as liabilities.

The movement of guarantee liabilities are shown as below:

	HK$'000
At April 1, 2013	–
Recognition of fair values of financial guarantee contracts at initial recognition	2,183
Amortisation of financial liabilities	(1,523)
At March 31, 2014	**660**

Financial guarantee contracts are initially recognised at fair value and calculated by using the default risk method for the banking facilities obtained by the associates. The fair values were based on certain key assumptions on credit strength of the borrowers and default rate. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

40. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Minimum lease payments under operating leases included in the profit or loss	12,481	12,756

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Within one year	7,759	8,771
In the second to fifth year inclusive	1,533	5,481
	9,292	14,252

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

41. CAPITAL COMMITMENT

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,773	–

42. RETIREMENT BENEFITS OBLIGATIONS

Defined Contribution Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Employees in Taiwan may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

For the year ended March 31, 2014 and 2013, the total cost charged to income of approximately HK$15,631,000 and HK$14,854,000, respectively, represents contributions payable to these schemes by the Group.

43. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance are principally categorised into two key operating segments, 1) trading of electronic components and 2) trading and designing integrated circuits, in which for trading of electronic components segment, it will further be disaggregated by geographical locations for CODM review.

The Group's reportable segments are as follows:

(a) Trading of electronic components

- Southern China Region;
- Northern China Region;
- Taiwan

(b) Trading and designing integrated circuits

43. SEGMENT INFORMATION - *continued*

Year ended March 31, 2014

	Trading of electronic components						
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Trading and designing integrated circuits HK$'000	Elimination HK$'000	Total HK$'000
Revenue							
Sales – external	1,926,034	1,189,779	67,293	3,183,106	13,164	–	3,196,270
Sales – inter-company	380,966	238,829	16,479	636,274	30,915	(667,189)	–
Net sales	2,307,000	1,428,608	83,772	3,819,380	44,079	(667,189)	3,196,270
Cost of sales	2,127,244	1,305,748	74,324	3,507,316	30,849	(669,692)	2,868,473
Gross profit	179,756	122,860	9,448	312,064	13,230	2,503	327,797
Segment result	38,979	31,878	1,377	72,234	(11,568)	2,503	63,169
Unallocated other revenue							1,164
Amortisation of financial guarantee liabilities							1,523
Unallocated corporate expenses							(6,690)
Listing expenses							(26,055)
Share of profit of associates							7,128
Profit before tax							40,239
Income tax expense							(14,852)
Profit for the year							25,387
Non-controlling interests							3,617
Profit attributable to owners of the Company							29,004

43. SEGMENT INFORMATION - *continued*

Year ended March 31, 2013

	Trading of electronic components						
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Trading and designing integrated circuits HK$'000	Elimination HK$'000	Total HK$'000
Revenue							
Sales – external	1,951,577	1,079,915	104,696	3,136,188	21,409	–	3,157,597
Sales – inter-company	421,403	205,897	27,530	654,830	32,544	(687,374)	–
Net sales	2,372,980	1,285,812	132,226	3,791,018	53,953	(687,374)	3,157,597
Cost of sales	2,192,319	1,195,670	118,780	3,506,769	29,777	(684,606)	2,851,940
Gross profit	180,661	90,142	13,446	284,249	24,176	(2,768)	305,657
Segment result	47,455	17,378	4,914	69,747	(8,510)	(2,768)	58,469
Unallocated other revenue							527
Unallocated corporate expenses							(5,361)
Share of profit of associates							808
Profit before tax							54,443
Income tax expense							(13,144)
Profit for the year							41,299
Non-controlling interests							4,539
Profit attributable to owners of the Company							45,838

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration cost, other revenue, listing expenses and share of profit of associates. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

43. SEGMENT INFORMATION - *continued*

The CODM is of the opinion that the presentation of assets and liabilities in accordance with the reportable segments is not meaningful as the management can monitor the Group's assets and liabilities in one pool which is more efficient and effective.

Revenue from major products

The Group's major product is electronic components. The Group's revenue from continuing operations from its major products is HK$3,183,106,000 (2013: HK$3,136,188,000).

Information about major customers

No single external customer amounts to more than 10% of the Group's revenue for each of the reporting period.

Geographical information

The Group's operations are located in the PRC (countries of domicile) and Taiwan.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
The PRC	3,128,977	3,052,901	157,643	164,046
Taiwan	67,293	104,696	519	534
	3,196,270	3,157,597	158,162	164,580

Note: Non-current assets excluded available-for-sale investments, derivative financial instruments, interests in associates and deferred tax assets.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JUNE 11, 2014

Authorised share capital	: HK$120,000,000
Issued share capital	: HK$74,544,000
Number of shares	: 372,720,000
Class of shares	: ordinary shares of HK$0.20
Voting rights	: one vote per share

Based on information available to the Company as at June 11, 2014, approximately 57.22% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDERS' DISTRIBUTION SCHEDULE

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 999	18	1.10%	6,135	0.00%
1,000 - 10,000	520	31.69%	2,829,454	0.76%
10,001 - 1,000,000	1,077	65.63%	83,894,992	22.51%
1,000,001 and above	26	1.58%	285,989,419	76.73%
	1,641	100%	372,720,000	100%

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

		No. of Shares	
Name of Shareholders		Direct Interest	Deemed Interest
1	Global Success International Limited	39,477,771	–
2	Max Power Assets Limited (i)	29,354,100	61,145,054
3	Cheng Wai Yin, Susana (ii)	3,659,700	90,499,154
4	Leung Chun Wah (iii)	–	94,158,854
5	Kwok Chan Cheung (iv)	–	39,477,771
6	Hung Yuk Choy	25,801,194	–
7	Lee Woon Nin (v)	–	90,499,154
8	HSBC International Trustee Limited (vi)	–	90,499,154
9	HSBC Private Banking Holdings (Suisse) SA (vii)	–	90,499,154
10	HSBC Finance (Netherlands) (vii)	–	90,499,154
11	HSBC Holdings Plc (vii)	–	90,499,154
12	Yeo Seng Chong (viii)	1,300,000	17,449,420
13	Lim Mee Hwa (ix)	1,250,000	17,499,420

(i) Max Power Assets Limited

Deemed interests in the shares held through HSBC Private Bank (Suisse) SA Nassau Client Account.

(ii) Ms Cheng Wai Yin, Susana

Deemed interest held through her husband, Mr Leung Chun Wah (Mr Leung has deemed interests in the shares held through Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account).

(iii) Mr Leung Chun Wah

Deemed interest in the shares held through Max Power Assets Limited, HSBC Private Bank (Suisse) SA Nassau Client Account and shares held by his wife, Cheng Wai Yin, Susana.

(iv) Mr Kwok Chan Cheung

Deemed interests in the shares held through Global Success International Limited.

(v) Ms Lee Woon Nin

Deemed interests in the direct and deemed interests of Max Power Assets Limited.

(vi) HSBC International Trustee Limited

Deemed interests in the shares held by Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account.

(vii) HSBC Private Banking Holdings (Suisse) SA, HSBC Finance (Netherlands), HSBC Holdings Plc

Deemed interests held through HSBC International Trustee Limited which is a wholly-owned subsidiary of HSBC Private Banking Holdings (Suisse) SA, which is a wholly-owned subsidiary of HSBC Finance (Netherlands), which is a wholly-owned subsidiary of HSBC Holdings Plc.

(viii) Mr Yeo Seng Chong

Deemed interests held through Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund.

(ix) Ms Lim Mee Hwa

Deemed interests held through Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund.

SHAREHOLDERS' INFORMATION

TOP TWENTY SHAREHOLDERS AS AT JUNE 11, 2014

S/No.	Name	No. of Shares	Percentage
1	HSBC (SINGAPORE) NOMINEES PTE LTD	90,559,154	24.30%
2	HKSCC NOMINEES LIMITED	49,682,371	13.33%
3	GLOBAL SUCCESS INTERNATIONAL LIMITED	39,477,771	10.59%
4	DB NOMINEES (S) PTE LTD	17,025,420	4.57%
5	UOB KAY HIAN PTE LTD	13,219,674	3.55%
6	DBS NOMINEES PTE LTD	11,612,025	3.11%
7	LAM YEN YONG	9,700,000	2.60%
8	SEE BENG LIAN JANICE	8,392,000	2.25%
9	DBS VICKERS SECURITIES (S) PTE LTD	7,520,900	2.02%
10	LI WAI-CHI	5,505,000	1.48%
11	OCBC SECURITIES PRIVATE LTD	4,198,504	1.12%
12	CHENG WAI YIN, SUSANA	3,659,700	0.98%
13	NOMURA SINGAPORE LIMITED	3,398,100	0.91%
14	CIMB SECURITIES (S'PORE) PTE LTD	3,317,000	0.89%
15	PHILLIP SECURITIES PTE LTD	3,091,000	0.83%
16	MCCALLUM JOHN CHARLES	2,500,000	0.67%
17	RAFFLES NOMINEES (PTE) LTD	1,736,000	0.47%
18	LAM LAI CHENG	1,650,000	0.44%
19	FSK INVESTMENT HOLDING PTE LTD	1,450,000	0.39%
20	YEO SENG CHONG	1,300,000	0.35%
		278,994,619	74.85%