WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

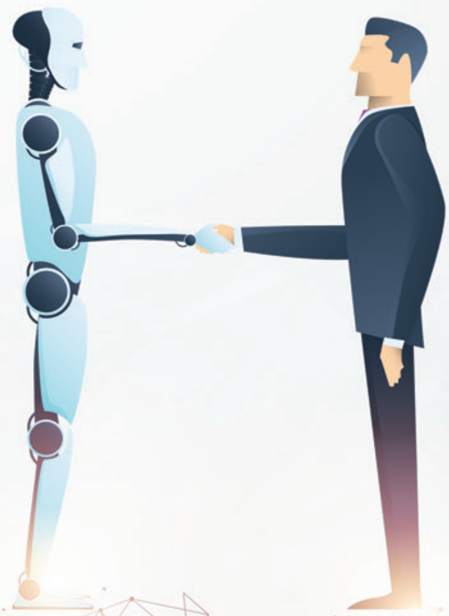
威雅利電子（集團）有限公司

(Incorporated in Bermuda with limited liability)

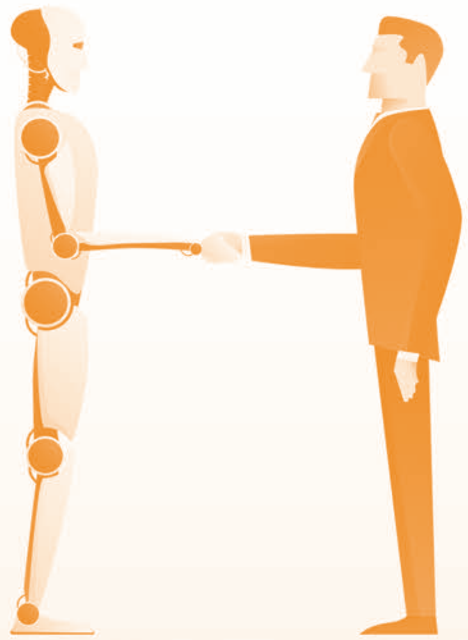
(Hong Kong stock code: 854)

(Singapore stock code: BDR)

Annual Report 2019



Future Ready



CORPORATE PROFILE

Established in the early 1980s, and listed on the Main Board of Singapore Exchange Securities Trading Limited in 2001 (SGX: BDR) and also on the Main Board of The Stock Exchange of Hong Kong Limited in 2013 (SEHK: 854), Hong Kong-based Willas-Array Electronics (Holdings) Limited ("Willas-Array" and together with its subsidiaries, the "Group") is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services 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 mainland 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 wholly-owned 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.

CONTENTS

CORPORATE INFORMATION

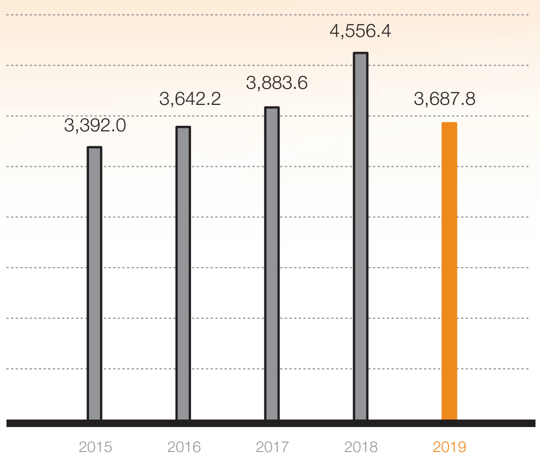
DIRECTORS	*Executive Directors* Leung Chun Wah *(Chairman)* Kwok Chan Cheung *(Deputy Chairman)* Hon Kar Chun *(Managing Director)* Leung Hon Shing *Independent Non-executive Directors* Joveneal R. Santiago Wong Kwan Seng, Robert Iu Po Chan, Eugene
COMPANY SECRETARY	Leung Hon Shing
AUDIT COMMITTEE	Jovenal 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
EMPLOYEE SHARE OPTION SCHEME COMMITTEE	Leung Chun Wah *(Chairman)* Kwok Chan Cheung Iu Po Chan, Eugene
AUTHORISED REPRESENTATIVES	Hon Kar Chun Leung Hon Shing
REGISTERED OFFICE	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda

CORPORATE INFORMATION

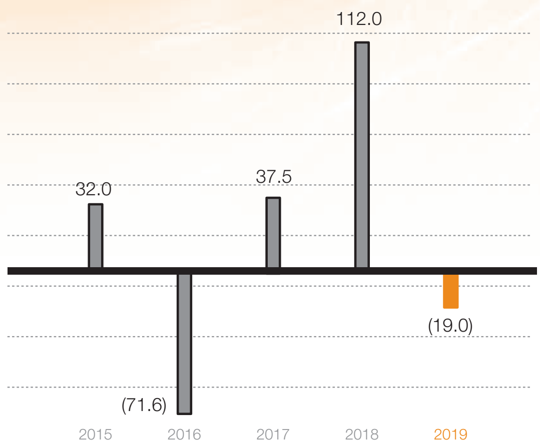
HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	24/F, Wyler Centre, Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Estera Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
SINGAPORE SHARE TRANSFER AGENT	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F 148 Electric Road North Point Hong Kong
INDEPENDENT AUDITOR	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
COMPANY WEBSITE	www.willas-array.com
STOCK CODE	Hong Kong: 854 Singapore: BDR
BOARD LOT	Hong Kong: 1,000 shares Singapore: 100 shares

FINANCIAL HIGHLIGHTS

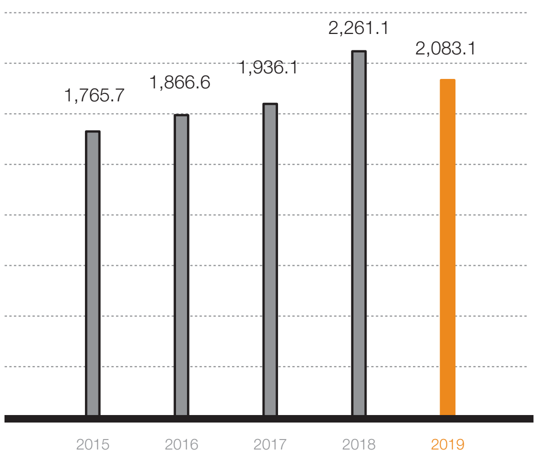
REVENUE
(HK$ Million)



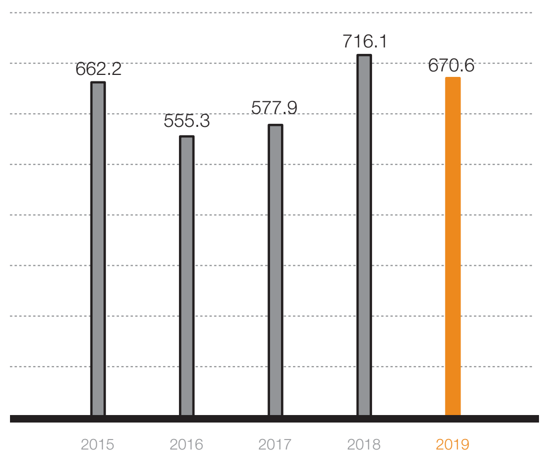
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Million)



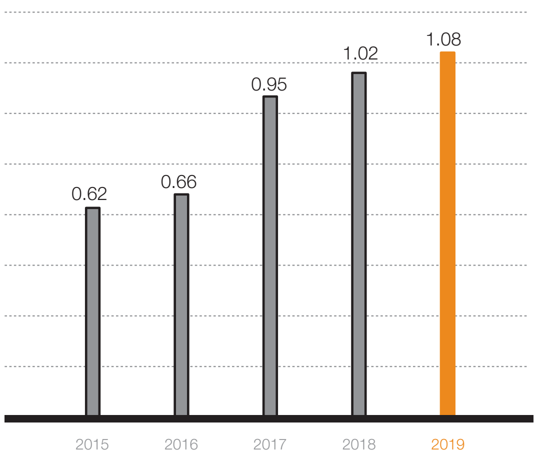
TOTAL ASSETS
(HK$ Million)



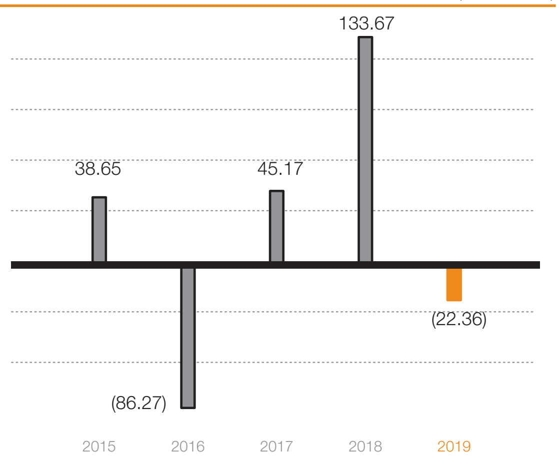
SHAREHOLDERS' FUND
(HK$ Million)



NET GEARING

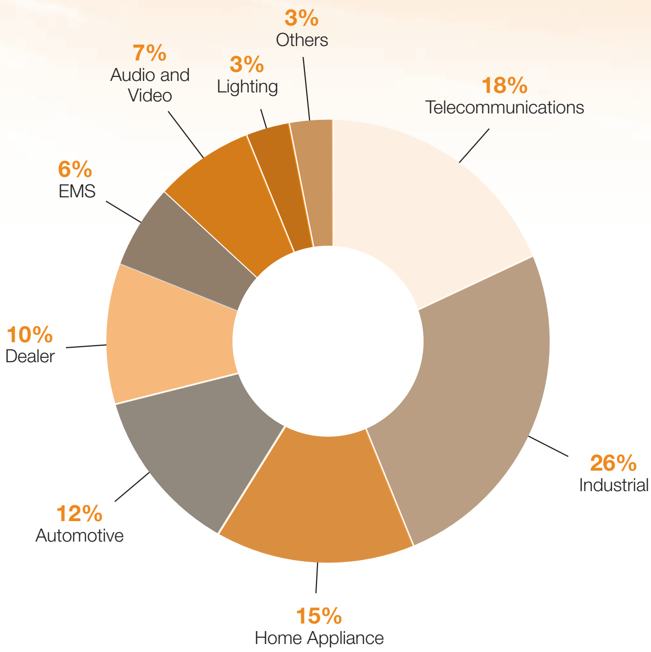


BASIC EARNINGS (LOSS) PER SHARE – RESTATED FOR 2015-2018
(HK Cents)

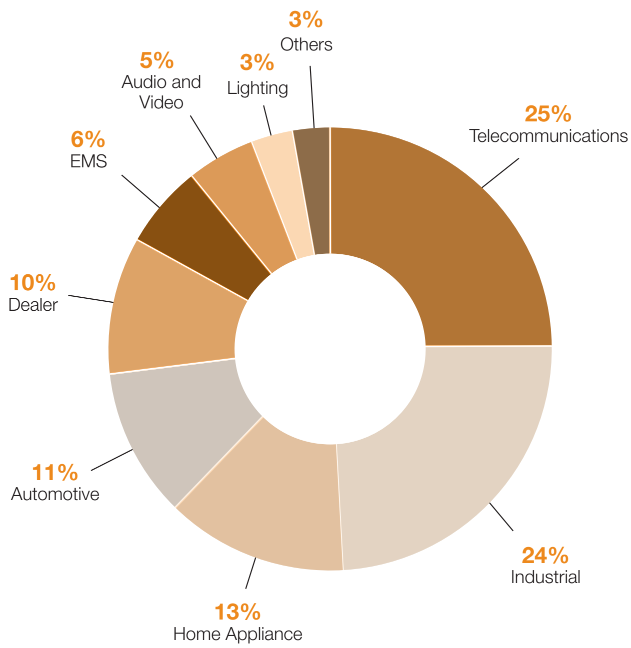


FINANCIAL HIGHLIGHTS

Turnover By Segments For The Year Ended March 31, 2019



Turnover By Segments For The Year Ended March 31, 2018



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	3,391,997	3,642,246	3,883,551	4,556,390	**3,687,827**
Cost of sales	(3,082,332)	(3,322,606)	(3,567,565)	(4,160,985)	**(3,360,314)**
Gross profit	309,665	319,640	315,986	395,405	**327,513**
Other income	3,490	2,911	4,067	1,708	**4,899**
Distribution costs	(45,267)	(47,024)	(50,571)	(60,427)	**(43,092)**
Administrative expenses	(206,186)	(200,826)	(191,325)	(211,549)	**(220,074)**
Share of loss of associates	(6,486)	(38,273)	–	–	**–**
Impairment loss recognised in respect of interests in associates	–	(70,080)	–	–	**–**
Gain on disposal of subsidiaries	–	–	12	–	**–**
Amortization of financial guarantee liabilities	5,237	2,256	–	–	**–**
Other gains and losses	(1,164)	(5,676)	(7,252)	33,652	**(31,319)**
Impairment losses, net of reversal	–	–	–	4,053	**(8,835)**
Finance costs	(16,937)	(20,879)	(24,526)	(30,867)	**(46,570)**
Profit (loss) before tax	42,352	(57,951)	46,391	131,975	**(17,478)**
Income tax expense	(12,137)	(12,093)	(9,390)	(20,019)	**(1,485)**
Profit (loss) for the year	30,215	(70,044)	37,001	111,956	**(18,963)**
Non-controlling interests	1,742	(1,561)	513	–	**–**
Profit (loss) attributable to shareholders	31,957	(71,605)	37,514	111,956	**(18,963)**
	(Restated)	(Restated)	(Restated)	(Restated)	
Basic earnings (loss) per share (HK cents) *(Notes 2 and 4)*	38.65	(86.27)	45.17	133.67	**(22.36)**

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Current assets	1,406,328	1,610,096	1,697,984	1,985,019	**1,782,760**
Property, plant and equipment	272,711	251,867	232,774	267,864	**279,355**
Club debentures	2,001	2,001	2,001	2,001	**2,001**
Interests in associates	82,498	–	–	–	**–**
Other non-current assets	2,132	2,663	3,332	6,189	**19,030**
Total assets	1,765,670	1,866,627	1,936,091	2,261,073	**2,083,146**
Current liabilities	1,082,318	1,289,462	1,334,954	1,514,121	**1,383,855**
Non-current liabilities	25,774	24,952	23,265	30,894	**28,671**
Non-controlling interests	(4,589)	(3,048)	–	–	**–**
Shareholders' equity	662,167	555,261	577,872	716,058	**670,620**
Total liabilities and equities	1,765,670	1,866,627	1,936,091	2,261,073	**2,083,146**
	(Restated)	(Restated)	(Restated)	(Restated)	
Net tangible assets value per share (HK cents) *(Notes 3 and 4)*	798.91	668.53	695.76	852.70	**787.05**

Notes:

(1) The financial summary for the five financial years ended March 31, 2015 to 2019 presented above is extracted from the annual reports of the Company from 2015 to 2019. The financial summary for the Group includes continuing and discontinued operations.

(2) The basic earnings (loss) per share for the years ended March 31, 2015 to 2019 are calculated based on profit (loss) attributable to shareholders of the Company and weighted average number of 82,680,644 (restated), 82,997,102 (restated), 83,056,556 (restated), 83,753,344 (restated) and 84,811,622 ordinary shares of the Company in issue during the financial years of 2015 to 2019 respectively.

(3) The net tangible assets value per share for the years ended March 31, 2015 to 2019 are calculated based on share capital of the Company at the end of financial year of 82,883,856 (restated), 83,056,556 (restated), 83,056,556 (restated), 83,975,049 (restated) and 85,207,049 shares respectively.

(4) Weighted average number of ordinary shares of the Company, earnings (loss) per share, number of ordinary shares in issue and net tangible assets value per ordinary share for the year ended March 31, 2018 were stated after taking into account the effect of the bonus issue that took place on August 28, 2018. Comparative figures have also been restated on the assumption that the bonus issue had been effective at the beginning of the comparative periods.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The financial year ended March 31, 2019 ("FY2019") was best remembered as the year that global trade took a back seat to the trading of verbal barbs and increasingly high tariffs took centre-stage in the escalating tensions between the US and China. With no near-term resolution in sight, its effect on commercial and consumer sentiments and its impact on businesses particularly those in the electronics industry, was devastating.

Willas-Array Electronics (Holdings) Limited ("Willas-Array" and together with its subsidiaries, the "Group") was not spared from this adverse operating environment, which saw drastic declines in both export and Chinese domestic demand for electronics. While we were able to mitigate some impact through ongoing efforts to develop value-added services to customers in our key growth Automotive, Industrial and Home Appliance segments, our top and bottom lines took a hit and in FY2019, the Group suffered a loss attributable to owners of the Company of HK$19.0 million on the back of revenue, which declined 19.1% year-on-year ("YOY") to HK$3,687.8 million.

For Willas-Array, the impact of the ongoing US-China trade dispute on our performance was even more distressing because it was straight after the record year we had in the preceding 12 months ("FY2018") when our sales and earnings reached an all-time high since our listing on the Main Board of Singapore Exchange Securities Trading Limited in 2001.

However as Chairman of the Group that has seen both bull and bear economic cycles over a history spanning more than 35 years, I believe that we have built a strong foundation and established a nimble strategy that can respond quickly to all situations and withstand the test of time.

Over the past decade, Willas-Array has shifted its emphasis more and more towards higher margins and better returns. To differentiate ourselves, we have invested a lot in engineering resources and into our sales network so we can get to market faster and offer value-added services to support our product portfolio as well as cater to customer needs. The benefit of this is evident from our gross profit margin, which slightly increased from 8.7% in FY2018 to 8.9% in FY2019 despite the 17.2% YOY fall in gross profit to HK$327.5 million.

Looking ahead, I believe our approach remains sound and we will continue to pursue opportunities in our key growth segments of Automotive, Industrial and Home Appliance, while keeping a close eye on developments in other segments.

OUTLOOK

I will say with absolute certainty that the industry outlook over the next 12 months is uncertain. We are neither able to predict whether the US-China trade dispute will improve or worsen, nor are we able to control the outcome that results from it.

CHAIRMAN'S STATEMENT

We will keep a close eye on the situation but I believe the best response is for us to remain resolute in keeping our focus on what we do best. We will continue to closely monitor industry trends and to drive sales by responding nimbly to them through the allocation of our resources in the right places, being prudent in our costs and expenditure, differentiating ourselves by investing in value-added services to our clients and helping our staff to stay on top of their game through skills upgrade.

With the ongoing US-China trade dispute, the Chinese government has been pushing away from export-led growth to focus more heavily on domestic consumption by stepping up efforts to increase credit and spur its economy through cutting taxes and the level of reserves that banks are required to hold as well as speeding up infrastructure projects.[1]

We believe that such measures will continue to support demand for electronic products for which according to an IBISWorld report, China is the world's largest manufacturing centre, including household items such as televisions, computers, handsets and DVD players.[2] More consumers are also demanding energy saving features, which will make use of even more electronic componentry.

According to a trade article by Electronic Specifier[3], the advent of the 5G network is also expected to span new applications that are likely to positively benefit the components industry, including autonomous vehicles, smart factories, sensors in smart cities and systems for the backhauling of aggregated data. The design, manufacture and deployment of the 5G infrastructure together with increased demand from smart-car applications is going to drive growth for the industry.

I believe the combination of such factors is a silver lining against an otherwise gloomy operating climate. We will seize every opportunity that they bring, while continuing to manage our operations efficiently and sustaining a healthy liquidity position in order to support long-term growth.

DIVIDEND

Despite our weaker performance in FY2019, we are optimistic of being able to leverage our track record and longstanding relationships in the industry as well as our experience in navigating market challenges. We remain firm believers in the longer term prospects of our industry and in the sustainability of our business due. As a reflection of this, the Board of Directors has recommended a final dividend of Hong Kong 20.0 cents per ordinary share, which is payable on August 26, 2019 subject to approval by shareholders at the Company's upcoming annual general meeting to be held on July 26, 2019.

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1 "China economy: First quarter growth beats expectations at 6.4%", BBC News, 17 April 2019 (https://www.bbc.com/news/business-47957685)

2 "Electronic Component Manufacturing Industry in China", Industry Market Research Report (March 2019), (https://www.ibisworld.com/industry-trends/international/china-market-research-reports/manufacturing/electronic-communication-equipment-computer/electronic-component-manufacturing.html)

3 "Solid growth continues in the electronic components markets" by Lanna Cooper for Electronic Specifier, 10 September 2018 (https://www.electronicspecifier.com/around-the-industry/solid-growth-continues-in-the-electronic-components-markets)

CHAIRMAN'S STATEMENT

APPRECIATION

In closing, I would like to thank the management and staff of Willas-Array, who did not allow the external circumstances to beat them down but who continued to work so hard during a very challenging year.

My utmost appreciation to our suppliers and customers for the support you have given the Group over the years and your willingness to partner with us in order to achieve mutually beneficial outcomes even in difficult times.

Special thanks to my fellow Directors on the Board, for your contribution and guidance in steering the ship to calmer waters and to our shareholders for standing by us through thick and thin.

I am encouraged by everyone's support and I hope to work hand-in-hand with all stakeholders to grow the business from strength to strength and to achieve many more bountiful years to come.

Leung Chun Wah
Chairman

May 29, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an attributable loss of HK$19.0 million for the year ended March 31, 2019 ("FY2019") compared to an attributable profit of HK$112.0 million for the year ended March 31, 2018 ("FY2018") partly due to an exchange loss of HK$30.7 million in FY2019 as compared to an exchange gain of HK$33.4 million in FY2018. Excluding the exchange difference, the attributable profit of the core business would have been HK$11.7 million in FY2019 as compared to HK$78.6 million in FY2018. The decrease in attributable profit of the core business was mainly due to a decrease in revenue, which led to a decrease in gross profit in FY2019.

Revenue

The Group's sales revenue had decreased by 19.1% year-on-year ("YOY") from HK$4,556.4 million in FY2018 to HK$3,687.8 million in FY2019.

FY2019 was one of the toughest and most challenging year for the businesses worldwide, with many macro developments that led to global uncertainty. Although it had started well following the positive economic growth and strong demand in FY2018, the escalating of US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence over the course of the year. In response to this, customers and manufacturers held back aggressive development and expansion plans, tightened control on purchases and trimmed down inventory levels. In addition, the depreciation of Renminbi ("RMB") further reduced the buying power of domestic customers in China. The outcome was a drastic decline in demand in both the export and the Chinese domestic market for electronic componentry.

The impact was felt across the whole market and not to a specific application segment. In line with this, the revenue generated by all (except one of) our business segments declined in FY2019; we sustained a smaller decline in sales in our Industrial, Home Appliance and Automotive segments because of our ongoing efforts in developing the value-added services in these applications.

Turnover by Market Segment Analysis
(in HK$'000)

	FY2019		FY2018		Increase/(Decrease)	
		%		%		%
Industrial	**979,314**	**26.5%**	1,089,557	23.9%	(110,243)	(10.1%)
Telecommunications	**682,676**	**18.5%**	1,124,965	24.7%	(442,289)	(39.3%)
Home Appliance	**541,679**	**14.7%**	619,743	13.6%	(78,064)	(12.6%)
Automotive	**448,141**	**12.1%**	507,134	11.1%	(58,993)	(11.6%)
Dealer	**356,319**	**9.7%**	437,191	9.6%	(80,872)	(18.5%)
Audio and Video	**256,787**	**7.0%**	256,528	5.6%	259	0.1%
Electronic Manufacturing Services ("EMS")	**216,503**	**5.9%**	271,777	6.0%	(55,274)	(20.3%)
Lighting	**104,157**	**2.8%**	122,444	2.7%	(18,287)	(14.9%)
Others	**102,251**	**2.8%**	127,051	2.8%	(24,800)	(19.5%)
	3,687,827	**100.0%**	4,556,390	100.0%	(868,563)	(19.1%)

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial

The Industrial segment recorded revenue of HK$979.3 million in FY2019, a drop of 10.1% as compared to FY2018. The business was affected by the current US-China trade tensions. However, we are optimistically confident of this segment's potential in the long term due to the rapid growth and rising trend towards industrialization, factory automation and energy saving improvements. In line with this, the Group has committed extensive resources in this segment to position itself for future opportunities.

Telecommunications

The Telecommunications segment was the Group's second largest revenue generator in FY2019 contributing sales of HK$682.7 million. There was a significant YOY drop of 39.3% as compared to FY2018 due to the negative combination of US-China trade tensions as well as the migration from the 4G to 5G market. The mature and saturated smartphone market is very much dependent on the intentions of consumers to replace their mobile phones. Under the current conditions, most have adopted a wait-and-see attitude, which had affected demand in this segment. The Group will put more focus to improve the operational efficiency in this segment to better monitor the supply chain in order to avoid any potential risk on the inventory.

Home Appliance

Revenue from the Home Appliance segment was HK$541.7 million in FY2019, representing a decrease of 12.6% as compared to FY2018. This segment started well in FY2019 with strong domestic demand but it eventually succumbed to worsening market sentiments with manufacturers trimming down inventory and pushing out orders to keep a lower risk position. In response to this situation, we reduced our purchases and maintained a reasonable inventory level.

We remain positive about the long term prospects of this segment and will continue to develop more solutions that cater to higher energy efficiency and smart features for the products.

Automotive

Revenue from the Automotive segment decreased by 11.6% to HK$448.1 million in FY2019 as compared to FY2018. The domestic demand and our effort to launch new designs enabled us to sustain the business in the first half of FY2019. However, the second half was affected by the same issues of US-China trade tensions and poor consumer sentiments in China, which resulted in a significant fall in both export and domestic demand. We put more effort to manage the supply chain to avoid unexpected risk in both cash flow and inventory in this market.

The Group's commitment in this segment is still strong and we will continue to invest resources to develop more solutions and value-added services in this market to ride on the trend of electrification and digitalization.

MANAGEMENT DISCUSSION AND ANALYSIS

Dealer

The revenue from this segment was HK$356.3 million in FY2019, a 18.5% drop as compared to FY2018. This segment has traditionally been the fastest to react to market changes. With the current conditions, the dealers have become cautious and stopped stocking up on inventory and participating in sales programmes. The rapid depreciation in RMB had also further damaged the business in this segment.

Audio and Video

Revenue from the Audio and Video segment was HK$256.8 million in FY2019, a marginal YOY increase of 0.1% as compared to FY2018. This segment was greatly impacted by the US-China trade tensions, particularly demand for traditional audio and video products. The decline in sales was partially offset by sustained demand for high-end and portable products and supported by the project we secured in 2018 for the European market for the period until the end of FY2019.

We believe that this segment remains unstable and we will carefully monitor the progress of each project and our inventory levels to protect against any potential risk.

EMS

This segment recorded a 20.3% decrease in revenue in FY2019 as compared to FY2018 to HK$216.5 million. The uncertain macro environment resulted in cancelled orders from customers. We will be more nimble in responding to and anticipating changes in orders and the buffer inventory levels to avoid the obsolete stock pile-up.

Lighting

Revenue from this segment was HK$104.2 million in FY2019, a drop of 14.9% as compared to FY2018. During the year, demand remained weak, which was compounded by a worsening export market in the second half of FY2019. However, the positive trend in an otherwise gloomy environment is that manufacturers are putting more focus on developing smart lighting in the Internet of Things market. This becomes a new trend and is good for us to develop more solutions in this segment.

Others

The applications in this segment include Toys, Health Care and Security, which were affected by the weak consumer confidence and hence the demand is unstable. Revenue from this segment dropped 19.5% in FY2019 as compared to FY2018 to HK$102.3 million.

Gross Profit Margin

The Group's gross profit margin slightly increased from 8.7% in FY2018 to 8.9% in FY2019. This was attributed to the Group's investment in engineering resources and sales network to provide value-added services to customers in our key focus segments, such as Automotive, Industrial and Home Appliance, which led to better returns. Thus the Group's profit margin maintained at a similar level as last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Costs

Distribution costs decreased by HK$17.3 million, or 28.7%, from HK$60.4 million in FY2018 to HK$43.1 million in FY2019. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue.

Administrative Expenses

Administrative expenses increased by HK$8.6 million, or 4.0%, from HK$211.5 million in FY2018 to HK$220.1 million in FY2019. This was mainly due to an increase in premises and warehouse removal expenses resulting from extra rental expenses incurred for the new warehouse in Hong Kong for renovation and removal in the current year.

Other Gains and Losses

Other losses of HK$31.3 million in FY2019 included an exchange loss of HK$30.7 million, mainly arising from the depreciation of RMB. Other gains of HK$33.7 million in FY2018 included an exchange gain of HK$33.4 million, mainly arising from the appreciation of the RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK$8.8 million in FY2019 and reversal of impairment losses of HK$4.1 million in FY2018 represented the impairment losses/reversal of impairment losses on trade receivables.

Finance Costs

Finance costs increased by HK$15.7 million, or 50.9%, from HK$30.9 million in FY2018 to HK$46.6 million in FY2019. This was mainly attributable to an increase in average trust receipt loans and the higher average interest rate during the year. As at March 31, 2019, the interest rate of trust receipt loans was ranging from 2.98% to 5.06% (March 31, 2018: 2.11% to 3.75%) per annum.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2018, trust receipt loans decreased by HK$226.4 million. Trade payables decreased from HK$397.5 million as at March 31, 2018 to HK$310.9 million as at March 31, 2019. The decrease in trust receipt loans was mainly due to the decrease in purchases towards the end of the year under review. Trade receivables as at March 31, 2019 decreased by HK$187.5 million when compared to those as at March 31, 2018, due to a decrease in sales revenue towards the end of the year under review, and the debtors turnover days slightly decreased from 2.6 months to 2.5 months.

As at March 31, 2019, the Group's current ratio (current assets/current liabilities) was 1.29 (March 31, 2018: 1.31).

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

Inventories slightly decreased from HK$691.0 million as at March 31, 2018 to HK$689.9 million as at March 31, 2019. The inventory turnover days increased from 1.7 months to 2.5 months.

Cash Flow

As at March 31, 2019, the Group had a working capital of HK$398.9 million, which included a cash balance of HK$297.5 million, compared to a working capital of HK$470.9 million, which included a cash balance of HK$327.1 million as at March 31, 2018. The decrease in cash by HK$29.6 million was primarily attributable to the net effect of cash outflows of HK$29.1 million in investing activities and HK$50.7 million in financing activities and inflow of HK$54.4 million generated from operating activities. The Group's cash balance was mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from operating activities was mainly attributable to the net effect of a decrease in trade receivables due to decreased sales revenue towards the end of the year under review but partially offset by a decrease in trade payables.

Cash outflow in financing activities was mainly attributable to the overall decreases in trust receipt loans and bank borrowings as a result of the decrease in purchases.

Borrowings and Banking Facilities

As at March 31, 2019, fixed-rate bank borrowings of HK$225.0 million (March 31, 2018: HK$170.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2020. The fixed-rate bank borrowings were denominated in HKD.

Unsecured fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.62% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 3.83% per annum as at March 31, 2019. The variable-rate bank borrowings were denominated in USD and HKD.

As at March 31, 2019, trust receipt loans were unsecured and repayable within one year and bore interest rates ranged from 2.98% to 5.06% per annum. As at March 31, 2019, the Group had unutilised banking facilities of HK$701.8 million (March 31, 2018: HK$457.6 million).

The aggregate amount of the Group's borrowings and debt securities were as follows:

Amount repayable in one year or less, or on demand

As at March 31, 2019		As at March 31, 2018	
Secured HK$'000	**Unsecured HK$'000**	Secured HK$'000	Unsecured HK$'000
209,147	**816,998**	61,343	988,378

MANAGEMENT DISCUSSION AND ANALYSIS

Amount repayable after one year

	As at March 31, 2019		As at March 31, 2018	
	Secured HK$'000	Unsecured HK$'000	Secured HK$'000	Unsecured HK$'000
	–	–	–	–

As at March 31, 2019, the Group's trade receivables amounted to HK$192.1 million (March 31, 2018: HK$76.5 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounting to HK$173.5 million (March 31, 2018: HK$61.3 million).

Foreign Exchange Risk Management

The Group operates in Hong Kong, the People's Republic of China ("PRC") and Taiwan. It incurred foreign currency risk mainly on sales and purchases that were denominated in currencies other than its functional currencies. Sales are mainly denominated in USD, RMB, HKD and Taiwan dollars ("TWD") whereas purchases are mainly denominated in USD, Japanese yen ("JPY"), RMB and HKD. Therefore, the exposure in exchange rate risks mainly arises from fluctuations in foreign currencies against the functional currencies. Given the pegged exchange rate between HKD and USD, the exposure of entities that use HKD as their respective functional currency to the fluctuations in USD is minimal. However, exchange rate fluctuations between RMB and USD, RMB and JPY, HKD and JPY, or TWD and USD could affect the Group's performance and asset value. The Group has a foreign currency hedging policy to monitor and maintain its foreign exchange exposure at an acceptable level.

Net Gearing Ratio

The net gearing ratio as at March 31, 2019 was 108.1% (March 31, 2018: 101.9%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders' equity at the end of a given period. The increase was mainly due to a decrease in shareholders' equity from HK$716.1 million to HK$670.6 million.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at March 31, 2019, the aggregate banking facilities granted to the subsidiaries were HK$1,555.3 million (March 31, 2018: HK$1,455.8 million), of which HK$859.3 million (March 31, 2018: HK$1,002.1 million) was utilised and guaranteed by the Company.

As at March 31, 2019, the Company had also given guarantees to a supplier in relation to the subsidiaries' settlement of the respective payables. The aggregate amount payable to this supplier under guarantee was HK$249.4 million (March 31, 2018: HK$365.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY AND PROSPECTS

The ongoing US-China trade tensions and the resulting implementation of tariffs are a threat to China's economy, and are expected to dent US growth. With no near-term resolution in sight, a prolonged dispute will certainly worsen the global economy.

Given its track record of more than 30 years, the Group remains confident of its ability to weather the current market conditions as it focuses its efforts and resources on the key growth segments it has identified, namely Automotive, Industrial and Home Appliance.

In view of the considerable downside risks and certain headwinds in the macro-environment, the Group has, during the year, taken several measures in facing this challenging situation, including tightening its cost and expenses control, mitigating the credit risk of debtors and kept our inventory at appropriate levels. The Group will continue to be prudent in managing its operations and sustaining a healthy liquidity position in order to support the long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2019, the Group had a workforce of 467 (March 31, 2018: 454) full-time employees, of which 32.8% worked in Hong Kong, 63.8% in the PRC and the remainder in Taiwan.

The Group actively pursues a strategy of recruiting, retaining and developing talented employees by (i) providing them with regular training programmes to ensure that they are kept abreast of the latest information pertaining to the 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. Besides, the Company has adopted employee share option schemes to reward the eligible employees for their contribution to the Group.

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 board of directors of the Company (the "Board") reviews and recommends to the Board the remuneration and compensation packages of the directors of the Company and senior management of the Group by reference to the salaries paid by comparable companies, their time commitment and responsibilities and the performance of the Group.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Leung Chun Wah
Chairman and Executive Director
Chairman of the Employee Share Option Scheme Committee ("ESOSC")

Date of first appointment as a director	:	January 1, 2001
Date of last re-election as a director	:	July 28, 2017

Leung Chun Wah, aged 69, was appointed as an Executive Director and the Chairman on January 1, 2001. He is responsible for determining the overall strategies and direction of the Group. Mr. Leung is also a director of various subsidiaries of the Company. 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 (a subsidiary of the Company) in 1981. Mr. Leung is the father of Mr. Leung Chi Hang, Daniel, the deputy managing director of human resources, information technology, logistics and marketing communication. 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.

Kwok Chan Cheung
Deputy Chairman and Executive Director
Member of ESOSC

Date of first appointment as a director	:	January 1, 2001
Date of last re-election as a director	:	July 28, 2017

Kwok Chan Cheung, aged 71, is a director of Global Success International Limited ("Global Success"), a substantial shareholder of the Company, and various subsidiaries of the Company. Mr. Kwok established Array Electronics Limited (now known as Willas-Array Electronics (Hong Kong) Limited), (a subsidiary of the Company) in 1982. He was appointed as an Executive Director, the Deputy Chairman and the Managing Director on January 1, 2001 and ceased to be the Managing Director but remained as the Deputy Chairman and an Executive Director with effect from July 31, 2014. He is responsible for overseeing the sales and marketing activities and determining the sales and marketing strategy of the Group. As Global Success is wholly owned by him, Mr. Kwok is deemed to be interested in all of the Company's shares held by Global Success.

BOARD OF DIRECTORS

Hon Kar Chun
Managing Director and Executive Director

Date of first appointment as a director	:	June 28, 2013
Date of last re-election as a director	:	July 29, 2016

Hon Kar Chun, aged 56, was appointed as an Executive Director on June 28, 2013 and as the Managing Director on July 31, 2014. He is responsible for developing and managing the sales and marketing operations of the Group. He is also a director of various subsidiaries of the Company. Mr. Hon obtained a bachelor of science degree in physics from the University of Hong Kong in 1986 and a master's degree in business administration from The Hong Kong University of Science and Technology in 2000. Mr. Hon joined Array Electronics Limited in 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 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 the sales director in 2006 and was appointed as the marketing director in 2010. He was the deputy managing director of sales and marketing from 2012 to July 2014.

Leung Hon Shing
Executive Director, Chief Financial Officer and Company Secretary

Date of first appointment as a director	:	July 31, 2014
Date of last re-election as a director	:	July 27, 2018

Leung Hon Shing, aged 53, was appointed as an Executive Director on July 31, 2014. He is also the chief financial officer and company secretary of the Company and is responsible for financial management and company secretarial matters of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in England, and an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England. He obtained a professional diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1988. Mr. Leung joined the Group in 2002 as a financial controller and was appointed as the company secretary on March 28, 2006. He then became the chief financial officer in April 2014. Prior to joining us, he worked in a subsidiary of a publicly-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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Joveval R. Santiago
Independent Non-executive Director
Chairman of the Audit Committee ("AC")
Member of the Remuneration Committee ("RC"),
the Nomination Committee ("NC") and the Compliance Committee ("CC")

Date of first appointment as a director	:	June 14, 2001
Date of last re-election as a director	:	July 27, 2018

BOARD OF DIRECTORS

Jovenal R. Santiago, aged 81, 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 1957 and a master's degree in business administration from New York University, United States of America in 1969. Mr. Santiago is a Certified Public Accountant (Philippines) and has many years of experience in the accounting and auditing profession before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore.

Wong Kwan Seng, Robert
Independent Non-executive Director
Lead Independent Director
Chairman of NC
Member of AC, RC and CC

Date of first appointment as a director	:	June 14, 2001
Date of last re-election as a director	:	July 29, 2016

Wong Kwan Seng, Robert, aged 62, 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 1983 and was called to the Singapore bar in 1984. Mr. Wong is a lawyer by profession. He practises 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, a company listed on Singapore Exchange Securities Trading Limited.

Iu Po Chan, Eugene
Independent Non-executive Director
Chairman of RC and CC
Member of AC, NC and ESOSC

Date of first appointment as a director	:	June 28, 2013
Date of last re-election as a director	:	July 29, 2016

Iu Po Chan, Eugene, aged 70, 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 2002. Mr. Iu is a fellow of The Chartered Institute of Bankers, England and 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 Sik Kong, Ringo
Deputy Managing Director of Sales and Marketing

Chan Sik Kong, Ringo, aged 52, is responsible for overseeing all of the sales and marketing activities of the Group. He obtained a certificate in electrical engineering from The Morrison Hill Technical Institute in 1986. Mr. Chan first joined us in 1991 as a sales engineer for two years. Mr. Chan rejoined us in 1997 as a marketing manager and he was seconded to work in the Group's Shanghai office from 2002 to 2003, where he oversaw the overall operations in the Northern China Region. He was appointed as the general manager of Willas-Array Electronics (Hong Kong) Limited in 2006 and the sales director in 2012, and then appointed as the deputy managing director of sales and marketing in April 2014.

Chu Ki Pun, Joseph
Deputy Managing Director of Marketing

Chu Ki Pun, Joseph, aged 58, is responsible for overseeing the marketing activities of Business Units 1 and 2 of the Group. He obtained a higher certificate in electronic engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1985. Mr. Chu has over 25 years of experience in the electronics industry. He joined us in 1985 as a sales engineer for approximately two years. He rejoined us in 1989 as the senior sales engineer and was promoted as a general manager overseeing both the sales and product marketing activities in 2003. He was the marketing director from 2006 to 2010 and the sales director from 2010 to 2011. He was appointed as the marketing director in 2012 and was then promoted as the deputy managing director of marketing in April 2015.

Lai Sze Chuen, Pele
Deputy Managing Director of Marketing

Lai Sze Chuen, Pele, aged 55, is responsible for overseeing the marketing activities of Business Unit 3 of the Group. He obtained a bachelor's degree in engineering (electrical) from the Carleton University, Ottawa, Canada in 1986. Mr. Lai joined us in 2013 as a general manager of marketing. He was promoted to marketing director in January 2016, and then was promoted to deputy managing director of marketing in January 2018. Prior to joining us, Mr. Lai worked as sales director for Valence Technology Limited (a former subsidiary of the Company) from 2005 and was subsequently promoted to vice president of sales and marketing in 2012.

SENIOR MANAGEMENT

Lam Chi Cheung, Ken
Sales Director – South China

Lam Chi Cheung, Ken, aged 59, is responsible for all of the 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 1985. Mr. Lam first joined us in 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 in 2003 as a general manager of sales and marketing for the Southern China Region and was promoted to the general manager of branch offices in the Southern China Region in 2012 and the general manager of the Southern China Region in 2013. He was then appointed as the sales director in South China in 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 Xiamen.

Leung Chi Hang, Daniel
Deputy Managing Director – Human Resources / Information Technology / Logistics / Marketing Communication

Leung Chi Hang, Daniel, aged 43, is responsible for overseeing the daily operations of the human resources, information technology, logistics and marketing communication departments. Mr. Leung obtained a bachelor of science degree in business administration from The Ohio State University, the United States of America (the "USA") in 1998 and a master's degree in business administration from The Max M. Fisher College of Business at The Ohio State University, USA in 2004. Upon his graduation with the bachelor's degree and prior to obtaining his master's degree, 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 in 2008. He was promoted as the deputy managing director of information technology and logistics in April 2015. He has also been overseeing the marketing communication department since May 2016 and the human resources department since January 2018. Mr. Leung is the eldest son of the Chairman and an Executive Director, Mr. Leung Chun Wah.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") and the management of Willas-Array Electronics (Holdings) Limited (the "Company", 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 serve its long-term interests and those of the shareholders of the Company (the "Shareholders").

Since the listing of the Company's ordinary shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on December 6, 2013, the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code (the "HK CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules"), in addition to the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code"). Throughout the financial year ended March 31, 2019 (the "Year"), the Company had complied with all the principles of the HK CG Code and the Singapore CG Code.

In the event of any conflict among the bye-laws of the Company (the "Bye-Laws"), the HK CG Code and the Singapore CG Code, the Company will comply with the more onerous provision. As such, the Board considers that sufficient measures are in place to ensure the adequateness of the Company's corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

The Board comprises seven members, four of whom are executive Directors (the "Executive Directors") and three of whom are independent non-executive Directors (the "INEDs"). The composition of the Board is as follows:

Executive Directors
Mr. Leung Chun Wah *(Chairman)*
Mr. Kwok Chan Cheung *(Deputy Chairman)*
Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing

INEDs
Mr. Jovenal R. Santiago
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene

Pursuant to Guideline 3.3 of the Singapore CG Code, the Company should appoint an independent director to be the lead independent director (the "Lead Independent Director") in the event that the chairman of the Board (the "Chairman") of a company is not an independent director. Accordingly, Mr. Wong Kwan Seng, Robert (email address: ac@willas-array.com) was appointed as the Lead Independent Director. He is available to Shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman, the Managing Director or the chief financial officer are inappropriate or inadequate.

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 18 to 20 of this annual report. There has been no financial, business, family or other material relationship amongst the Directors.

CORPORATE GOVERNANCE REPORT

INEDs

During the Year, the Board at all times met the requirements of the HK Listing Rules relating to the appointment of not less than 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 an annual written 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 independence guidelines set out in Rule 3.13 of the HK Listing Rules throughout the Year and up to the date of this annual report. Mr. Jovenal R. Santiago and Mr. Wong Kwan Seng, Robert have served as our INEDs for more than nine years. The Board 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 of the Board (the "Nomination Committee") regards them as independent and believes that 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 same view that notwithstanding that they have served on the Board beyond nine years, they are considered independent for the purposes of the HK CG Code and the Singapore CG Code.

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 the nomination of Directors to the Board and the appointment of key managerial personnel upon recommendation of the Nomination Committee, oversees the management of the business and affairs of the Group, approves the Company's corporate and strategic directions, determines the Company's policies and practices on corporate governance upon recommendation of the compliance committee of the Board (the "Compliance Committee"), reviews the financial performance of the Group, approves its interim and annual results upon the review and recommendation of the audit committee of the Board (the "Audit Committee") and approves any investment proposals. The Board's role is also to (a) ensure that the necessary financial and human resources are in place for the Company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets; (c) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; (d) set the Company's values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met; and (e) consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation. 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. In addition to information volunteered by management, the Board is entitled to request from management, and management will provide the Directors with such additional information in a timely manner, as needed for the Board to make informed decisions. To oversee particular aspects of the Group's affairs, the Board has established five Board committees, including the Audit Committee, the Nomination Committee, the

CORPORATE GOVERNANCE REPORT

Role and Functions – *continued*

remuneration committee (the "Remuneration Committee"), the employee share option scheme committee (the "ESOS Committee") and the Compliance Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All the Board Committees report to the Board on their decisions or recommendations made.

The Board has reserved for its consideration and approval 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, acquisitions and disposals; overseeing the Group's corporate governance practices; upon recommendation by the Remuneration Committee, determining the framework of remuneration packages for all Directors and senior management personnel of the Company (the "Senior Management Personnel"); and directing and monitoring Senior Management Personnel in pursuit of the Group's strategic objectives. The Senior Management Personnel are mainly responsible for the day-to-day management and operation of the Group as well as the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time. The Senior Management Personnel hold regular meetings to review and discuss the Group's performance against budget, business strategy, operational issues and matters relating to corporate services including finance and accounting, human resources, logistics and information technology.

Role of Chairman and Chief Executive

Mr. Leung Chun Wah is the Chairman and Mr. Hon Kar Chun is the Managing Director. The roles of the Chairman and the Managing Director 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 controlling the quality, quantity and timeliness of information supplied to the Board. The Chairman also (a) leads the Board to ensure its effectiveness on all aspects of its role; (b) promotes a culture of openness and debate at the Board; (c) ensures effective communication with Shareholders; (d) encourages constructive relations within the Board and between the Board and management; (e) facilitates the effective contribution of INEDs; and (f) promotes high standards of corporate governance. 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 the Managing Director performs separate functions to ensure that there is an appropriate balance of power and authority, and accountability and independent decision-making are not compromised. In addition, the Chairman and the Managing Director are not related to each other.

CORPORATE GOVERNANCE REPORT

Induction, Orientation, Training and Continuous Professional Development

Each new Director will be issued with a formal service agreement or letter of appointment (as appropriate) and will be informed of the Company's policies, procedures, and Board Committees' charters. New Directors will be provided with appropriate orientation to acquaint them with the business, operational structure, strategy, management and governance practices of the Company. The Board recognises the importance of appropriate training for its Directors and participation in continuous professional development by its Directors. All the Directors and Senior Management Personnel are encouraged to participate in continuous professional 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.

During the Year, all the Directors, namely Mr. Leung Chun Wah, Mr. Kwok Chan Cheung, Mr. Hon Kar Chun, Mr. Leung Hon Shing, Mr. Jovenal R. Santiago, Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene attended a seminar organised by The Hong Kong Institute of Directors on using big data for future business development. The above training was arranged and funded by the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a service agreement with the Company for a term of less than three years. Each of the INEDs has received an appointment letter from the Company for a term of two 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 annual general meeting of the Company (the "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 to one-third but not greater than one-third shall retire from office by rotation provided that the Managing Director whilst holding such office, shall not 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 in office the longest since their last election but as between the 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 (the "Bermuda Act") and the Bye-Laws, a retiring Director shall be eligible for re-election at the meeting at which he retires. For good corporate governance and in compliance with the requirements of the HK CG Code and the Singapore CG Code, the Managing Director will voluntarily be subject to retirement by rotation at least once every three years as well as be taken into account in determining the number of Directors to retire in each year.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

The Bye-Laws further provide 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. However, the Company will comply with the HK CG Code and the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST" and the "SGX-ST Listing Manual", respectively) such that any Director so appointed to fill a casual vacancy will retire and will be eligible for re-election at the next following general meeting.

All Directors have separate and independent access to the Senior Management Personnel and the company secretary of the Company (the "Company Secretary"). Mr. Leung Hon Shing (who is also an Executive Director) is the Company Secretary. The Company Secretary attends all Board and Board Committees' meetings, ensures that minutes of the Board, the Board Committees and general meetings of the Company 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 Committees' 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 Bermuda Act, the SGX-ST Listing Manual and the HK Listing Rules, are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. 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 appropriate insurance cover on Directors' and key officers' liabilities in respect of their risks arising from the business of the Group.

The Board met four times during the Year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance pursuant to the HK CG Code. Before each Board meeting, a draft agenda is sent out to all Directors at least 14 days (or such other period as agreed) in advance in order to allow the Directors to include in the agenda any other matters that are 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 close 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 the resolutions approving such transactions and will not be counted in the quorum at the meetings. The Executive Directors meet more regularly and as required, review and discuss management and operational matters. In addition, Directors' resolutions in writing are also circulated for transactions that require Directors' approval. However, 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, Board Committees and general meetings of the Company held in the Year as well as the attendance record of every Board member at those meetings are as follows:

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Compliance Committee Meeting	ESOS Committee Meeting	General Meeting
No. of Meetings held in the Year	4	2	1	3	2	2	1
Name and Attendance of Directors:							
Leung Chun Wah	4	2*	1*	3*	2*	2	1
Kwok Chan Cheung	4	x	x	x	x	2	1
Hon Kar Chun	4	2*	x	1*	1*	x	1
Leung Hon Shing	4	2*	1*	3*	2*	2*	1
Jovenal R. Santiago	4	2	1	3	2	x	1
Wong Kwan Seng, Robert	4	2	1	3	2	x	1
Iu Po Chan, Eugene	4	2	1	3	2	2	1

x indicates not applicable
* indicates not a member but attended by invitation

The Board Committees are provided with sufficient resources to discharge their duties. The written terms of reference for the Audit Committee, the Nomination Committee and the Remuneration Committee are in line with the HK Listing Rules and 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 as well as financial reporting and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, the statement by Deloitte Touche Tohmatsu Hong Kong ("Deloitte"), the Company's independent auditor, regarding their reporting responsibility on the Company's consolidated financial statements for the Year is set out in the section headed "Independent Auditor's Report" on pages 85 to 91 of this annual report.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

The Nomination Committee performs the following major functions:

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

(b) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between the executive and non-executive as well as 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;

(c) Identifying and making recommendations to the Board as to the Directors, including INEDs, 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;

(d) Determining whether an INED is independent annually, and as and when circumstances require (taking into account the circumstances set out in the Singapore CG Code and the HK Listing Rules and other salient factors);

(e) 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;

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

(g) Reviewing the Company's policy on Board diversity (the "Board Diversity Policy") and any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress in achieving the objectives.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE – *continued*

The Nomination Committee meets at least once a year and additional meetings are held whenever necessary. Matters requiring approval of the Nomination Committee may also be approved by resolutions in writing.

The Company currently has no alternate director.

During the Year, the Nomination Committee held one meeting and passed the resolutions recommending the re-election of Mr. Leung Hon Shing as an Executive Director at the AGM held on July 27, 2018 (the "2018 AGM") and recommending the re-election of Mr. Jovenal R. Santiago as an INED at the 2018 AGM.

The Nomination Committee also 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 and commitment 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 Committees' 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 and revenue growth of, and economic value added to, 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 adopted the nomination policy for Directors, which aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. It also aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board and evaluate and recommend the retiring Director(s) for re-appointment by giving due consideration to certain criteria, including but not limited to (a) diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (b) commitment for responsibilities of the Board in respect of available time and relevant interest; (c) qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the Company's business is involved; (d) independence (for the INEDs); (e) reputation for integrity; (f) potential contributions that the individual can bring to the Board; and (g) plan(s) in place for the orderly succession of the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE – *continued*

The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, and recommendations from a third party agency firm with due consideration given to the above criteria and may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews and background checks. In the case of re-appointment of a retiring Director, the Nomination Committee will evaluate the overall contribution and service of the retiring Director to the Company. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment or re-appointment.

The Company recognises and embraces the benefits of diversity of Board members. Therefore, the Company has established the Board Diversity Policy 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 to 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.

Pursuant to the Bye-Laws, one-third of the Directors for the time being are required to retire by rotation at each AGM and will be eligible for re-election thereat. Accordingly, Mr. Wong Kwan Seng, Robert, an INED and Mr. Iu Po Chan, Eugene, an INED will retire from office by rotation at the forthcoming AGM pursuant to bye-law 104 of the Bye-Laws and have offered themselves for re-election. Pursuant to code provision A.4.2 of the HK CG Code, Mr. Hon Kar Chun, an Executive Director and the Managing Director, will retire from office at the forthcoming AGM and has offered himself for re-election. The Nomination Committee has recommended to the Board that the above three retiring Directors be nominated for re-appointment at the forthcoming AGM. In making these recommendations, the Nomination Committee has considered the overall contribution and performance of the said Directors.

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 whether he can continue to serve on the Board effectively. However, guided by the Nomination Committee, the Board considers whether each Director has dedicated sufficient time and attention to, and is able to perform and has adequately performed, his duties as a Director.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

In compliance with the Singapore CG Code which requires all Remuneration Committee members to be non-executive Directors, the Remuneration Committee comprises Mr. Iu Po Chan, Eugene (as Chairman), Mr. Wong Kwan Seng, Robert and Mr. Jovenal R. Santiago. Currently, all members of the Remuneration Committee are INEDs.

The Remuneration Committee performs the following major functions:

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

(b) Reviewing and recommending to the Board on the specific remuneration package for each Executive Director and the Senior Management Personnel;

(c) Reviewing and recommending to the Board on Directors' fees of the INEDs; and

(d) Reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives.

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

During the Year, the Remuneration Committee held three meetings and discussed and recommended the remuneration packages for, the Executive Directors and recommended to the Board for its approval the Directors' fees of the INEDs.

Matters requiring approval of the Remuneration Committee may also be approved by resolutions in writing.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate the Directors and the Senior Management Personnel 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
Executive Directors						
Leung Chun Wah	74	18	–	8	100	658
Kwok Chan Cheung	74	19	–	7	100	507
Hon Kar Chun	62	9	–	29	100	342
Leung Hon Shing	74	6	–	20	100	302
INEDs						
Jovenal R. Santiago	–	–	100	–	100	60
Wong Kwan Seng, Robert	–	–	100	–	100	60
Iu Po Chan, Eugene	–	–	100	–	100	60

INEDs are paid Directors' fees.

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

Remuneration Bands	Position as at March 31, 2019	Salary %	Performance Bonus %	Others %	Total %
Senior Management Personnel					
S$250,000 – S$499,999					
Chan Sik Kong, Ringo	Deputy Managing Director of Sales and Marketing	78	–	22	100
Chu Ki Pun, Joseph	Deputy Managing Director of Marketing	73	–	27	100
Lai Sze Chuen, Pele	Deputy Managing Director of Marketing	89	–	11	100
Leung Chi Hang, Daniel	Deputy Managing Director – Human Resources/ Information Technology/ Logistics/Marketing Communication	92	–	8	100
Below S$250,000					
Lam Chi Cheung, Ken	Sales Director – South China	93	–	7	100

The aggregate total remuneration paid to the top five Senior Management Personnel for the Year was approximately equivalent to S$1,351,000.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES – *continued*

On September 1, 2008, Mr. Leung Chi Hang, Daniel, the eldest son of Mr. Leung Chun Wah, the Chairman, was employed as the General Manager for Information Technology and Logistics. He was promoted to be the Deputy Managing Director of Information Technology and Logistics on April 1, 2015. He has also been overseeing the Marketing Communication Department since May 1, 2016 and the Human Resources Department since January 1, 2018. The aggregate total remuneration paid to him during the Year was within the range of S$250,000 – S$299,999.

On July 3, 2007, Mr. Leung Chi Yung, Albert, the second son of the Chairman, was employed as a Trainee Officer and was subsequently promoted to be the Product Manager. His remuneration for the Year was within the range of S$50,000 - S$99,999.

The Company does not have any contractual provisions in its service agreements or employment contracts to reclaim incentive components of remuneration from Executive Directors and Senior Management Personnel. The Board is of the view that as the Group pays performance bonuses based on actual performance of the operating unit as well as individual performance, “claw-back” provisions in the service agreements or employment contracts may not be relevant or appropriate.

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

The ESOS Committee comprises Mr. Leung Chun Wah (as Chairman) and Mr. Kwok Chan Cheung, both Executive Directors, and Mr. Iu Po Chan, Eugene, an INED. The ESOS Committee is responsible for determining the persons who may participate in the Willas-Array Electronics Employee Share Option Schemes (“ESOS”) as well as the size, terms and conditions of the grants of share options.

During the Year, the ESOS Committee held two meetings and reviewed the adjustment to the share options due to bonus issue of shares and approved the cancellation of 1,166,000 share options granted under the Willas-Array Electronics Employee Share Option Scheme III (“ESOS III”) with the consent of each of the relevant grantees.

Pursuant to the Willas-Array Electronics Employee Share Option Scheme II (“ESOS II”) approved by the written resolutions of Shareholders dated June 11, 2001 in lieu of a special general meeting, an aggregate of 1,760 share options were outstanding as at March 31, 2019. These share options were granted to the employees of the Company. ESOS II expired on June 10, 2011. ESOS III which was established pursuant to the approval of Shareholders at a special general meeting of the Company held on July 30, 2013. ESOS III will expire on July 29, 2023. On November 14, 2018, 1,166,000 share options granted to the eligible participants under ESOS III were cancelled and 990,000 share options were outstanding as at March 31, 2019. For more information on ESOS, please refer to the section headed “Report of the Directors” (in particular, paragraph 22 thereof) and the consolidated financial statements (in particular, Note 37 thereof) of this annual report.

CORPORATE GOVERNANCE REPORT

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 major functions:

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

(b) Monitoring the training and continuous professional development of the Directors and Senior Management Personnel;

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

(d) Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) Reviewing the Company's compliance with the code provisions of the HK CG Code and the 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, and the corporate governance report contained in the annual report in particular.

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

During the Year, the Compliance Committee held two meetings and discussed and reviewed the Company's compliance with the code provisions of the HK CG Code and the Singapore CG Code and no deviation is noted.

ACCOUNTABILITY

The Board is accountable to 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 such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. The Audit Committee reports on the results for review and approval. The Board approves the financial results and authorises the release of the same to the SGX-ST, the SEHK and the public via SGXNET, the SEHK's website and the Company's website.

AUDIT COMMITTEE

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

The Audit Committee performs the following major functions:

(a) Reviewing the effectiveness of the audit process, independence and objectivity of the external auditors;

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

(c) Reviewing the Group's financial controls, operational controls, internal controls, compliance controls, informational technology controls and risk management and internal control systems and thereafter recommend the same to the Board for approval.

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

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

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

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

(h) Considering and making recommendations to the Board on the appointment/re-appointment of the external auditors; and

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

The Audit Committee meets at least twice a year and additional meetings are held whenever necessary. The Audit Committee 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 Directors and the Company's management. In addition, it has independent access to both internal and external auditors.

All the Audit Committee members are kept up to date with changes in accounting standards and issues through updates from the external auditors. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge the function of the Audit Committee.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE – *continued*

The Audit Committee meets periodically and at least once a year with the external auditors without the presence of the Company's management and has sufficient 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. During the Year, the Audit Committee met twice and reviewed the draft annual and interim financial results of the Group for the year ended March 31, 2018 and the six months ended September 30, 2018 respectively, the audit plans and findings of the external auditors, the external auditors' independence, compliance with financial reporting/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.

The Company confirms that it is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual. The Company has in place a whistle-blowing policy, which is also available on the Company's website.

INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of the Year paid or payable to Deloitte included audit services of approximately HK$2,123,000 and non-audit services rendered to the Group as follows:

	HK$'000
Interim review fee for the six months ended September 30, 2018	324
Tax representative service	222
Tax compliance services for transfer pricing	290
Agreed-upon procedures for bonus issue	48
Total non-audit services	884

COMPANY SECRETARY

The Company Secretary has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the HK Listing Rules during the Year.

SHAREHOLDERS' RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS

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

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, SGXNET 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 AGM, 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 address 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 the conduct of such general meetings, including voting procedures. All the resolutions put to the vote at the AGM will be voted on by poll and the detailed results of the poll will be announced via SGXNET and the respective websites of the SEHK and the Company.

In addition to issuing announcements and disclosures on SGXNET and the SEHK's website, 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.

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 Offices of the Company as set out below 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/its name and address stated clearly in a legible manner, the validity of which is subject to the verification and confirmation by the Company's share registrars according to its records; and

(b) a notice executed by the nominated candidate of his/her 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) the contact address and contact telephone number, etc. of the candidate.

CORPORATE GOVERNANCE REPORT

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

In order to ensure other Shareholders 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 eleven (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 supplemental 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 the SEHK and the SGX-ST are open for dealing/trading of securities) 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 ten (10) business days of the proposal in accordance with the HK Listing Rules.

Particulars of the Head Office and Registration Offices of the Company 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 Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Registration Office – Hong Kong:
Willas-Array Electronics (Holdings) Limited
c/o Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE SPECIAL GENERAL MEETING (the "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 at 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, or 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 in order, 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 AND PROPOSALS TO THE BOARD

Shareholders can forward their questions about shareholding, share transfer, registration and dividend payment to the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory 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 have been 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 principal place of business in Hong Kong stated above.

The request will be verified by the Company's branch share registrar in Hong Kong or the Company's share 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.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES AND PROPOSALS TO THE BOARD – *continued*

Moreover, the notice period concerning the notice to be given to all the other Shareholders for consideration of the proposals submitted by 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 with notice of not less than twenty (20) clear business days and for any SGM at which the passing of a special resolution is to be considered, it shall be called with 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 with notice of not less than fourteen (14) clear days and not less than ten (10) clear business days.

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

CONSTITUTIONAL DOCUMENTS

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

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 note 42 to the consolidated financial statements of this annual report.

The Company's risk management and internal controls systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information, to safeguard and maintain the accountability of Shareholders' investment and the Company's assets, and to manage rather than eliminate the risk of failure to achieve its business objectives.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS AND INTERNAL AUDIT *– continued*

The review of the systems of risk management and internal controls is an ongoing process and the Board recognises the importance of such systems. 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 and risk management systems, the Board has continued to outsource the internal audit function to an external consulting firm. RSM Consulting (Hong Kong) Limited, an international consulting firm, was re-appointed on April 1, 2018 as the Company's internal auditors. They had conducted a review on the Company's entity risk management system and visited the Company's office in Hong Kong in September 2018 for two weeks. 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 areas of the Company's internal controls and risk management systems being evaluated and that adequate internal controls and risk management systems are in place. The Company has conducted an annual review on whether there is a need to establish an internal audit department within the Company as there is presently no such department in the Company. Given the Company's relatively simple corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board will continue to outsource the internal audit function to an external consulting firm.

In addition to outsourcing the internal audit function to an external professional consulting firm, the Board, with the concurrence of the Audit Committee and after carrying out an annual review, is of the opinion that the internal controls and risk management systems of the Group are adequate and effective to address operational, financial, compliance and information technology risks. In arriving at the opinion, the Board considers that the internal controls and risk management systems of the Group provide reasonable assurance that the objectives set out below have been achieved.

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:

(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 the compliance with those laws and regulations to which the entity is subject.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS AND INTERNAL AUDIT – *continued*

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 of the Company 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 systems of risk management and internal controls in place are adequate and effective in addressing the material risks of the Group in its current business environment.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities in accordance with the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission of Hong Kong in June 2012 and any applicable laws and regulations, including the provisions of the Hong Kong Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, the HK Listing Rules, the Singapore Securities and Futures Act, Chapter 289 of the Laws of Singapore and the listing rules of the SGX-ST and adopted an inside information policy. Under the policy, the procedures and internal controls for the handling and dissemination of inside information are as follows:

(a) the Company should announce the inside information immediately where it is necessary to avoid the establishment of a false market in the Company's securities or would be likely to materially affect the price or value of the Company's securities;

(b) the Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant draft announcement (if applicable) before publication;

(c) the Company should make the inside information announcement through the electronic publication systems operated by the SEHK, SGX-ST and the Company's website; and

(d) the Group has established and implemented procedures for dealing with media speculation, market rumours and analysts' reports.

DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct on share dealings by the Directors and Senior Management Personnel. The guidelines set out in the code of conduct (Rule 1207(19) of the SGX-ST Listing Manual) include that the Directors and Senior Management Personnel:

(a) are prohibited from trading in the Shares for a period of one month prior to the publication of the Company's results announcement;

(b) are reminded that they should not deal in the Shares on short-term considerations;

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

(d) are required to report to the Company whenever they deal in the Shares. The Company will in turn report to the public through SGXNET announcements as required under the above Securities and Futures Act.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the HK Listing Rules (the "HK Model Code") as its own code of conduct for dealing in securities of the Company by the Directors.

The Company has made a specific enquiry with each of the Directors and all Directors have confirmed their compliance with relevant required dealing standards stipulated in the HK Model Code during the Year.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy"). The aim of the Dividend Policy is to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the future growth of the Group.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY – *continued*

In considering any dividend payout, the Board shall consider the following:

(a) the Group's actual and expected financial results;

(b) the financial conditions of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) the possible effects on the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(f) the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group; and

(g) any other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations, including the laws of Bermuda, the financial reporting standards that the Group has adopted and the Bye-Laws. The Board will continually review the Dividend Policy from time to time and reserves the right to amend or modify the Dividend Policy as and when the Board may deem necessary. There can be no assurance that dividends will be paid in any particular amount for any given period.

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

No material contracts of the Company or its subsidiaries involving the interest of the Managing Director or any Director or controlling shareholders of the Company (as defined in the SGX-ST Listing Manual) subsisted at the end of the Year.

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

The Group has established procedures to ensure that all transactions with interested persons (as defined in the SGX-ST Listing Manual) and connected transactions (as defined in 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 Company and Shareholders as a whole. For the Year, there were no interested person or connected transactions of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This Environmental, Social and Governance ("ESG") Report highlights Willas-Array Electronics (Holdings) Limited's (hereinafter referred as the "Company", and together with its subsidiaries referred as the "Group") ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the distribution of electronic components for use in industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services and automotive segments, as well as the provision of engineering solutions. This ESG Report covers the overall performance in two subject areas, namely, Environmental and Social. The content of this report covers the Group's business operation, which constitutes its major revenue. This comprises the business operations of:

(i) The headquarter office in Hong Kong;

(ii) The Southern China headquarter office in Shenzhen of the People's Republic of China ("PRC");

(iii) The Northern China headquarter office in Shanghai of the PRC;

(iv) The warehouse in Hong Kong; and

(v) The warehouse in Shanghai of the PRC (Waigaoqiao Free Trade Zone).

The reporting period for this ESG Report is from April 1, 2018 to March 31, 2019, unless otherwise stated. Other operations that have no significant environmental and social impacts generated were excluded from the reporting scope.

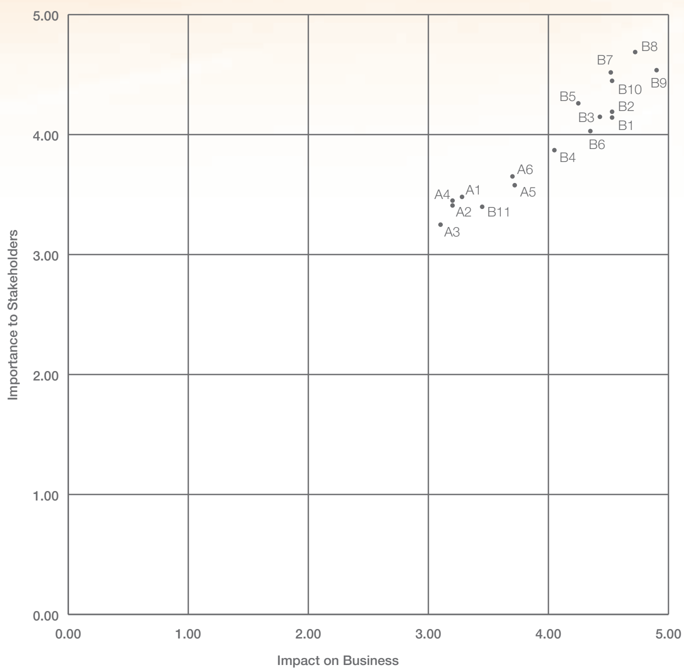
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group values input and feedback of its stakeholders as they bring insights to the Group's business. To determine material aspects that are most important and influential to the business of the Group, a materiality assessment had been conducted specifically for this ESG Report. The Group engaged the board members, senior management, frontline staff, vendors and customers to share views regarding ESG aspects of the Group's operation through surveys. The materiality matrix below illustrates the results from the materiality assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT – *continued*

Materiality Matrix



Environmental Aspects		Social Aspects	
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Air Emission	B3	Development and Training
A4	Waste and Effluent	B4	Labour Standards
A5	Other Raw Materials Consumption	B5	Supply Chain Management
A6	Environmental Protection Measures	B6	Intellectual Property
		B7	Customer Privacy
		B8	Customer Service
		B9	Product Quality
		B10	Anti-corruption
		B11	Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT – *continued*

The material aspects identified as most important to stakeholders and to the business were all social aspects, the top 6 aspects included:

– Customer service;

– Product quality;

– Customer privacy;

– Anti-corruption;

– Supply chain management; and

– Occupational health and safety;

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. Management of the aspects have been described in separate sections below. In particular, the Group places emphasis on the occupational health and safety. It has reviewed its guideline on office safety and expanded the scope of the guideline, covering workplaces other than offices. The guideline was renamed as Guideline on Workplace Safety. The assessment results have provided important reference for the Group to enhance its ESG performance and disclosure. The Group regularly reviews ESG risks of its business and ensures compliance with relevant laws and regulations. It will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to gain further insights on ESG material aspects.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us by sending your opinion to esg@willas-array.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

The Group is committed to continuous improving its environmental performance. It strives to achieve more efficient use of resources and reduction of waste, save energy and raise environment awareness among staff. An environmental policy is in place to guide implementation of environmental initiatives, encourage staff to contribute ideas on green practices and increase staff awareness and contribution on environmental protection. To encourage and engage employees, the Group will set up "Green Corner" in the Hong Kong, Shenzhen and Shanghai offices. Employees are encouraged to share ideas and learn more on green practices through this platform.

A1.1. Air Emissions

During the reporting period, petrol and diesel were consumed for Group-owned vehicles, which contributed to the emission of 5.87 kg of nitrogen oxides ("NOx"), 0.23 kg of sulphur oxides ("SOx") and 0.70 kg of respiratory suspended particles ("PM").

A1.2. Greenhouse Gas ("GHG") Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of equivalent CO_2 ["tCO_2e"])	Total Emission Percentage
Scope 1 Direct Emission			
Combustion of fuel for mobile sources	Petrol	30.84	6%
	Diesel	9.76	
Scope 2 Indirect Emission			
Purchased electricity		553.51	75%
Scope 3 Other Indirect Emission			
Paper waste disposed at landfills		34.51	19%
Electricity used for processing fresh water		0.25	
Electricity used for processing sewage		0.13	
Business air travel		105.46	
TOTAL		**734.46**	**100%**

Note 1: *Emission factors were made by reference to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.*

Note 2: *Combined margin emission factor of 0.63 tCO_2/MWh and 0.70 tCO_2/MWh were used for purchased electricity in Shenzhen and Shanghai of the PRC.*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A1. Emissions – *continued*

A1.2. Greenhouse Gas ("GHG") Emissions – *continued*

The Group's activities contributed to an emission of 734.46 tCO_2e (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons), with an intensity of <0.01 tCO_2e/ft_2 during the reporting period.

A1.3. Hazardous Waste

Although no substantial hazardous waste was generated by the Group, small amount of batteries has been used for office electronic devices. Used batteries were collected separately with the collection trays at offices and recycled at the government's designated public collection points or building management collection points. A total of 8.32 kg of waste batteries had been collected and recycled during the reporting period.

A1.4. Non-hazardous Waste

A total of 7.19 tonnes of waste paper and 9.74 tonnes of commercial wastes and plastic bottles had been generated during the reporting period.

A1.5. Measures to Mitigate Emissions

Although business air travel is essential to sustainable business growth, the Group is aware of the GHG emission generated. Therefore, its green travel policy has stipulated that business air travels must be reasonable and necessary. Unnecessary travels should be avoided.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A1. Emissions – *continued*

A1.6. Waste Reduction and Initiatives

The environmental policy of the Group stated that all waste handling practices shall comply with the relevant laws and regulations and shall have no harmful effect to the environment and human health.

The Group adopted the principles of reduce, reuse, recycle and replace for its waste management. To reduce paper consumption, the Group deployed e-leave system for leave application and e-payslip. The use of system has also been extended for business trip applications. It has also launched the e-Company Brochure to replace the printed brochure being distributed to its customers previously. Employees are constantly reminded to reuse single-side used paper, envelopes and carton boxes for internal use. They are also encouraged to bring their own containers or water bottles for drinks when they go out or attend meetings. When communicating with clients or promoting products, electronic mail is preferred. To separate recyclable materials from other wastes at source, green boxes have been provided in the workplace for collecting paper for reuse or recycling. Collection bins for plastic bottles and aluminium have also been provided for recycling and employees should handle recycling materials properly before placing them in collection bins. The recyclable wastes collected will be delivered to the nearest public recycling bins by the human resources department. During the reporting period, the Group had not recorded the amount of paper being recycled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A2. Use of Resources

The Group has not established policies on the efficient use of resources, nevertheless, employees are reminded of resource conservation practices in offices.

A2.1. Energy Consumption

Energy Consumption Sources	Direct Consumption	Consumption (in MWh)
Electricity	1,013.36 MWh	1,013.36
Petrol	11,442 L	101.40
Diesel	3,684.74 L	36.84
TOTAL	N/A	1,151.60

The total energy consumed in kWh was 1,151.60 MWh during the reporting period, with an intensity of 8.11 kWh/ft^2. Energy consumption has slightly increased due to relocation of the warehouse in Hong Kong during the reporting period.

A2.2. Water Consumption

The Group consumed freshwater supplied by the municipal freshwater supplier. Water was mainly consumed for domestic use, in which the consumption amount was minimal. Water consumption of the warehouses in Shanghai and Hong Kong during the reporting period was 619 m^3 (with an intensity of <0.01 m^3/ft^2). Water consumption of the offices were not included since the consumption was managed by the building management, thus relevant data was not accessible. There was no issue in sourcing water for the Group's business operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A2. Use of Resources – *continued*

A2.3. Energy Use Efficiency Initiatives

The major type of energy consumption in the Group's warehouses was electricity. The Group strives to control the level of energy consumption while providing a comfortable working environment for employees and maintaining an appropriate temperature and humidity for the inventories at warehouses using air-conditioners along with ceiling fans. Half of the air-conditioning units are turned off before and after normal work hours to reduce unnecessary energy use. At office areas, employees should also ensure that monitors are switched off when they are away from their desks for more than 15 minutes. All computers, printers and office equipment should be switched off after office hours and should be set in power-saving mode wherever possible. The Group also places preferences to procure equipment with energy efficient features, such as appliances with Grade 1 energy label under the Mandatory Energy Efficiency Labelling Scheme in Hong Kong.

To further enhance energy efficiency, the Group will explore opportunities to switch lights from fluorescent tubes to LED lights in the future.

A2.4. Water Use Efficiency Initiatives

The Group encourages water conservation and reduces water wastage whenever possible. It has installed water-saving devices and examined water pipes regularly to avoid water leakage.

A2.5. Packaging Materials

Type of Packaging Materials	Consumption (in tonnes)
Bubble/plastic wraps	0.98
Cardboard boxes	48.84
TOTAL	49.82

To minimize use of packaging materials, the Group uses original packaging and dry ice provided by suppliers for delivery whenever possible. Unless specifically requested by customers, all original carton boxes should be used for shipping. In case the original packaging is inadequate for product protection or repackaging is required for small orders, the Group uses bubble/plastic wraps and cardboard boxes for packaging. Bubble/plastic wraps included bubble wraps, shrink wrap films and inflated bags. All pallets, unused carton boxes and inflated bags should be reused or recycled. Suppliers are also encouraged to reduce the use of unnecessary packaging materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

Sources of emissions the Group involved during the reporting period included petrol, diesel, electricity, paper, water and business air travel. The Group was in strict compliance with the national and local laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. There was no non-compliance in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group recorded during the reporting period.

Being a responsible organization, the Group aims to minimize waste and fully utilize resources. The Group will continue to monitor its resource consumption and waste generation so as to reduce adverse impact to the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

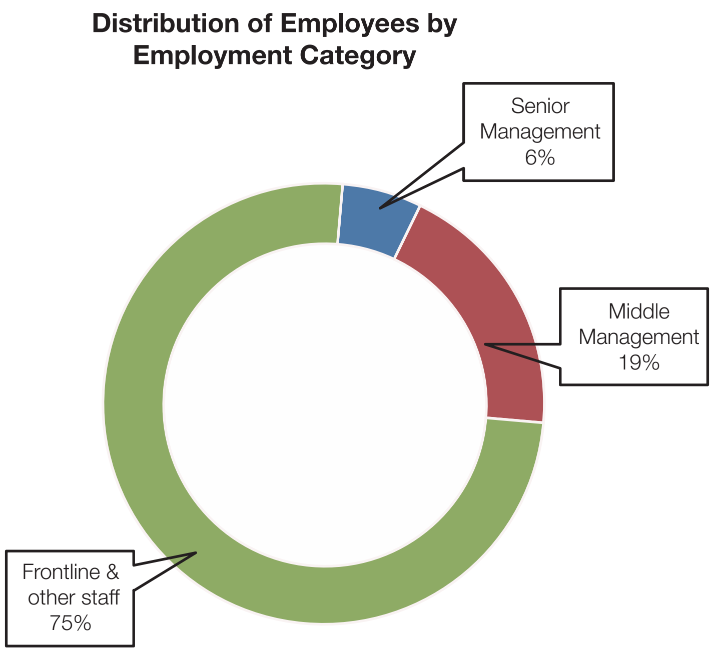
B. SOCIAL

1. Employment and Labour Practices

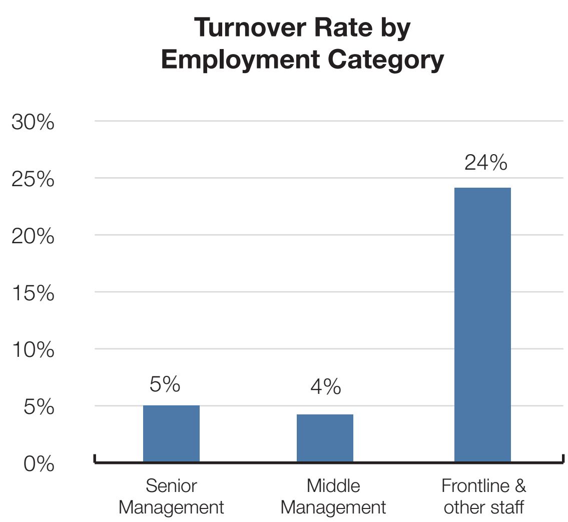
B1. Employment

Total Workforce and Turnover

The business operations covered in the reporting scope had a total number of 390 employees as of March 31, 2019, in which all employees were on full-time basis. The distribution of workforce by employment category is shown below.



A total of 74 employees left the Group during the reporting period (average turnover rate: 19%).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B1. Employment – *continued*

Employee Benefits and Equal Opportunity

The human resources policy of the Group stipulated procedures and terms regarding recruitment, promotion, code of conduct, discipline, working hours, leaves and other benefits. The Group offers attractive compensation packages to attract and retain talents, with provision of medical insurance, life insurance, personal accident insurance, long service award and retirement schemes. Remuneration is reviewed annually based on performance of employee and the market trend. On top of the statutory holidays and leaves, employees are also entitled to one day off with pay to celebrate their birthdays.

The Group values and respects diversity at workplace. It has a general policy regarding equal employment opportunities, which aims to provide an equal employment opportunity environment to job seekers and employees in respect of recruitment, employment, remuneration, benefits, trainings, promotion, transfer, redundancy, job changes, and all other employment-related issues between male and female, disability and non-disability, and irrespective of family status, race, nationality, or religion. To ensure fairness in recruitment and selection processes, the Group has a set of consistent selection criteria which are based on genuine occupational qualifications such as experience, academic and professional qualifications, skills, personal qualities, physical and other capabilities required. All employees have equal opportunities for promotion, transfer and training based on ability, work performance or other objective criteria. The policy also stipulated what constitutes certain discrimination according to the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong). A lactation room has been provided in the Hong Kong office, which provided a private and appropriate room for lactation breaks.

The Group abides by all applicable employment and labour-related laws of Hong Kong and the PRC, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and the Labour Law of the PRC. There was no material non-compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B1. Employment – *continued*

Employee Communication

To foster work-life balance, the Group regularly organizes social, sports and recreational activities for employees. During the reporting period, the Group arranged company picnics so that employees can relax and interact with their colleagues. This also enhances employees' sense of belonging and satisfaction.

B2. Employee Health and Safety

Employee health and safety is at utmost importance in the Group's operation. The Group is committed to providing and maintaining a safe, healthy and hygienic working environment to its employees. The Group's general policy has provided clear guidelines for workplace safety. It provides appropriate training, evacuation exercises and sets up safety programmes for prevention of accidents. Emergency evacuation maps are displayed in conspicuous locations. Employees at every level are committed to and accountable for implementing health and safety initiatives.

The Group is aware of the potential hazards associated with warehouse operation. Its guideline on workplace safety provided guidance on actions to be taken when encountering emergencies (such as interrupted power supply and gas leakage) and guidance on electrical safety. New employees must familiarise themselves with the emergency routes, the assembly points and the locations of fire extinguishers. All employees should attend the briefing regarding fire safety measures which is organized once to twice a year. Apart from ensuring fire safety and emergency preparedness, the Group strives to enhance employee awareness towards the potential hazards. Its guideline on workplace safety has stipulated proper postures for manual handling. Employees should use lifting aids and equipment provided by the Group to avoid manual lifting and reduce accident risk. In order to avoid potential hazards of slips and falls, mechanical hydraulic safety gates were installed at upper deck of the mezzanine to ensure that a safety distance between the loading area and staff will be maintained while the gates are opened for lifting and lowering of the cartons. Signages are displayed at shelves and racks indicating their maximum loading levels to avoid overloading. During the reporting period, the Group has moved its Hong Kong warehouse to the ATL Logistics Centre Hong Kong. The logistic centre allows warehouse platforms to be reached by vehicles and reduced the risk of manual handling injuries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B2. Employee Health and Safety – *continued*

The Group ensures that appropriate fire safety provisions such as fire sprinklers, fire extinguishers and smoke detectors have been installed in warehouses and offices. The warehouses and offices have been equipped with first-aid kits, which is checked monthly by the human resources department. Employees have also participated in first aid courses provided by St. John Ambulance Association. Employees are reminded to work safely with display screen equipment and to avoid potential hazards when using printers, shredders, cutting boards and other sharp tools. Any work-related injuries should be recorded. Moreover, the Group is in the process of developing a system for accident management during the reporting period. There was no material non-compliance relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

Occupational Health and Safety Data in 2018/19	
Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0 days

B3. Development and Training

High-calibre talents are one of the Group's most important assets. The Group believes that providing a constant learning environment cultivates highly skilled and experienced employees. Although the Group has no policy in relation to development and training, it supports development of employees through provision of in-house training and subsidization of external training. It will consider developing relevant policy in the future.

Orientation programmes are provided to new employees to facilitate their adaptation to the new working environment. The Group promotes openness and creative thinking. In-house training, peer learning, on-the-job coaching and internal briefing sessions are arranged to foster creativity and knowledge sharing within and among work teams. The Group also encourages employees to participate in job-related training. For example, employees attend external courses and seminars to stay abreast of the changes in new product development, accounting standards and corporate governance issues. During the reporting period, some employees have obtained training certificates regarding hazardous materials handling and major safety regulations in relation to accident prevention in office work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B4. Labour Standards

In pursuance of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the PRC and other applicable laws and regulations, there was no child labour nor forced labour working in the Group. To ensure that job applicants have met the legal working age, the Group verifies identities of job applicants against their valid identity documents when they are invited to attend the interview. The Group strictly prohibits forced work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking. In addition, it prevents forced labour or child labour in its supply chain. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during reporting period.

2. Operating Practices

B5. Supply Chain Management

Apart from preventing forced or child labour in its supply chain, the Group has stringent procurement process to ensure quality of its supply chain. It aims to build and maintain trust with suppliers to ensure stable and reliable cooperation.

When selecting new suppliers, the Group takes into account the suppliers' statutory qualifications, reputation, previous track record, satisfaction of past cooperation partners, environmental and social standard compliances. To ensure quality of products and/or services of existing suppliers, the Group has been evaluating existing key suppliers twice a year with the Principal Performance Evaluation scorecard since 2013. The scores of the suppliers are rated based on their services, business terms and quality performances. Quality standards of the Group's key suppliers are regularly reviewed by its marketing department, which include but is not limited to the European Union("EU") Restriction of Hazardous Substances ("RoHS") Directive, the EU Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulation, AEC-Q100/Q200, ISO 9001/14001 and TS16949.

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B6. Product Responsibility

As a distributor of electronic components, the Group ensures that trading goods are stored and delivered with good condition and strives to deliver value-added services to customers. There was no material non-compliance relating to health and safety, advertising and privacy matters that have a significant impact on the Group during the reporting period.

Product and Service Responsibility

The Group optimizes all resources with constantly improving logistics. Trading goods are received, stored, packaged and dispatched at separate areas to ensure smooth and efficient workflow. The Group accesses and analyses real-time information and data using Enterprise Resource Planning ("ERP") system. Trading goods are trackable and traceable with the barcode and batch management systems deployed for its inbound management.

To provide comprehensive support to customers, the Group provides product technical support and services in major cities of China, such as Beijing, Shanghai and Shenzhen, etc. The Group also organized seminars to provide suppliers and customers a platform to share technical knowledge and experience. During the seminars, suppliers introduce product features while customers learn about the innovative product designs. By delivering premium value-added services, the Group aims to create a win-win situation for its suppliers and customers. The Group invested in Electronic Data Interchange (EDI) system with suppliers and also make use of a secured and advanced electronic platform for sending documents to customers in order to reduce paper consumption and enhance the efficiency in communications. It aims to continuously lead the industry to develop a long-term sustainable environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B6. Product Responsibility – *continued*

Intellectual Property ("IP") Rights

The Group's technical and marketing departments gather IP information including patent information of different countries and consult suppliers regarding the IP rights of their tangible or intangible products (such as hardware circuitry, software and hardware source code) for all custom-made products or in-house developed solutions. Only legal software products and development tools are used for project developments in the Group. Patents, copyrights and other IP rights owned by the Group are not entitled to commercial development by employees that left.

Customer Data Collection and Privacy

The Group ensures stringent compliance with the statutory requirements to meet a high standard of security and confidentiality of personal data privacy protection. The Group is firmly committed to preserving the data protection principles as follows:

- Only collect personal data that is believed to be relevant and required to conduct its business;
- Use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- No transfer or disclose of personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified;
- Maintain appropriate security systems and measures designed to prevent unauthorized access to personal data; and
- Include the confidentiality clauses in the employee contracts.

No material non-compliance with laws and regulations in relation to customer data protection and privacy that have a significant impact on the Group was recorded during reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B7. Anti-corruption

The Group has a policy regarding business conduct and a whistleblowing policy to ensure that all employees conduct business activities with statutory compliance and integrity. Employees violating the policies will be subject to disciplinary actions, including the possibility of dismissal without compensation.

Employees are required to strictly abide by the laws and regulations preventing corruption, bribery, extortion, fraud and money laundering. Employees should not solicit and/or accept advantages, conduct improper transactions and/or gamble with parties having business relationships with the Group. Conflict of interest should be avoided to prevent potential damage to personal and the Group's interest and reputation.

The whistleblowing policy encourages employees to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to the Group. Whistle-blower can make a report in writing and by post or by email. Upon receipt of a compliant under the policy, the Group will evaluate every report received to decide whether a full investigation is necessary. If an investigation is warranted, an investigator (with suitable seniority and without previous involvement in a matter of the same of similar nature) will be appointed by the Audit Committee to look into the matter. Where the report discloses a possible criminal offence, the Audit Committee, in consultation with the legal advisors, will decide if the matter should be referred to the authorities for further action. Persons making genuine and appropriate complaints under the policy are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated.

The Group was in compliance with all applicable laws on prohibiting corruption and bribery of Hong Kong and the PRC. There was no legal proceedings regarding corrupt practices brought against the Group or its employees during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B8. Community Investment

The Group strives to implement corporate social responsibility and actively participates in public welfare activities. The Group's management will review and consider contributing to community engagement to understand the needs of local communities and to ensure the Group's activities take into consideration the communities' interests in the coming years.

During the reporting period, the Group participated in the Flag Day for the Tung Wah Group of Hospitals on August 29, 2018. Three colleagues who graduated from the schools of the Tung Wah Group of Hospitals helped fundraising activities at the office. Many other colleagues donated to share their care. Furthermore, the Group sponsored employees to participate in the Standard Chartered Marathon during the Reporting Period.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Willas-Array Electronics (Holdings) Limited (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") including the statement of financial position and the capital and reserves movement of the Company for the financial year ended March 31, 2019 (the "Year").

1. PRINCIPAL ACTIVITIES

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

2. BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and the principal risks and uncertainties facing the Group can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 8 to 10 and pages 11 to 17 of this annual report, respectively. An analysis of the Group's financial risk management is provided in note 42 to the consolidated financial statements.

An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "Financial Highlights" on pages 4 and 5 of this annual report.

As the Group recognises its responsibility to protect the environment from its business activities, it continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts, if possible. The Group aims to maximise energy conservation in its offices by promoting an efficient use of the resources and adopting green technologies. For instance, the Group continues to upgrade the communication equipment such as video conference system to minimise carbon dioxide emissions and lessen the need to travel to offices located in various geographical locations.

During the Year, the Group had been in compliance with all the laws and regulations applicable to the business operations of the Group, including but not limited to the Rules Governing the Listing of Securities (the "HK Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK") and the applicable laws of Bermuda in which the Company is incorporated.

REPORT OF THE DIRECTORS

2. BUSINESS REVIEW – *continued*

The Group's success depends on, amongst other matters, the support from key stakeholders which comprise employees, shareholders, customers and suppliers. Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend pay-outs in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group aims to maintain not only good and sustainable relationship with its customers and suppliers in order to achieve stable growth in sales, but also a stable supplier chain. The Group has an experienced and stable management team and its senior managers have an average of over 10 years of management experience.

Further discussion of the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" on pages 47 to 64 of this annual report.

The Group had no important events after the year end date of March 31, 2019.

3. 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 92 of this annual report.

The board of Directors (the "Board") has recommended the payment of a final dividend of HK20.0 cents (the "Final Dividend") per ordinary share of HK$1.00 each (the "Share") for the Year (2018: HK42.0 cents) to those shareholders of the Company (the "Shareholders") whose names will appear on the register of members of the Company (the "Register of Members") at the close of business on Thursday, August 8, 2019. The Final Dividend is payable on or about Monday, August 26, 2019, subject to the Shareholders' approval at the forthcoming 2019 annual general meeting of the Company to be held on Friday, July 26, 2019 (the "2019 AGM").

4. CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the 2019 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2019 AGM, for Hong Kong Shareholders, the Hong Kong branch register of members (the "Hong Kong Branch Register") will be closed from Tuesday, July 23, 2019 to Friday, July 26, 2019, both days inclusive. During this period, no transfer of Shares will be registered. In order to qualify for attending and voting at the 2019 AGM, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's Hong Kong branch share registrar and transfer office (the "Hong Kong Branch Registrar"), Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, July 22, 2019.

For Singapore Shareholders, the share transfer books and Singapore branch register of members (the "Singapore Branch Register") will be closed at 5:00 p.m. on Monday, July 22, 2019. Duly completed registrable transfers of Shares received by the Company's share transfer agent in Singapore (the "Singapore Share Transfer Agent"), Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Monday, July 22, 2019 will be registered to determine Singapore Shareholders' entitlements to attend and vote at the 2019 AGM.

Any transfer of the Shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, July 12, 2019 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, July 12, 2019 for Singapore Shareholders.

(2) For determining the entitlement to the Final Dividend

For the purpose of determining the entitlement of the Shareholders to the Final Dividend, for Hong Kong Shareholders, the Hong Kong Branch Register will be closed from Friday, August 9, 2019 to Tuesday, August 13, 2019, both days inclusive. During this period, no transfer of Shares will be registered. In order to qualify for the Final Dividend, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Hong Kong Branch Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, August 8, 2019.

REPORT OF THE DIRECTORS

4. CLOSURE OF REGISTER OF MEMBERS – *continued*

(2) For determining the entitlement to the Final Dividend – *continued*

For Singapore Shareholders, the share transfer books and the Singapore Branch Register will be closed at 5:00 p.m. on Thursday, August 8, 2019. Duly completed registrable transfers of Shares received by the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Thursday, August 8, 2019 will be registered to determine Singapore Shareholders' entitlements to the proposed Final Dividend. Singapore Shareholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with Shares as at 5:00 p.m. on Thursday, August 8, 2019 will be entitled to the proposed Final Dividend.

Any transfer of the Shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Thursday, August 1, 2019 for Hong Kong Shareholders and not later than 5:00 p.m. on Thursday, August 1, 2019 for Singapore Shareholders.

Shareholders who hold their Shares on the Hong Kong Branch Register will receive their Final Dividend payment in Hong Kong dollars; while Shareholders who hold their Shares on the Singapore Branch Register or whose securities accounts are with CDP will receive their Final Dividend payment in Singapore dollars.

5. 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 6 and 7 of this annual report.

6. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

7. RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity.

8. DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the retained profits, under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(1) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(2) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the reserves of the Company which were available for distribution to Shareholders as at March 31, 2019 were approximately HK$162,243,000 (2018: HK$163,744,000).

9. SUBSIDIARIES AND AN ASSOCIATE

Details of the principal subsidiaries and an associate of the Company as at March 31, 2019 are set out in notes 44 and 20 to the consolidated financial statements, respectively.

10. SHARE CAPITAL

During the Year, the Company issued the following Shares:

	Number of Shares issued	**Consideration (HK$)**
Shares issued under ESOS III (as defined below)	1,120,000	4,816,000
Bonus shares issued on the basis of one bonus share for every ten existing Shares held	7,746,089	Nil

Details of movements in the share capital of the Company during the Year are set out in note 35 to the consolidated financial statements.

REPORT OF THE DIRECTORS

11. 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)*
Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing

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

Mr. Jovenal R. Santiago
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene

In accordance with code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 to the HK Listing Rules (the "HK CG Code"), Mr. Hon Kar Chun will retire from office and, being eligible for re-election at the 2019 AGM, has offered himself for re-election.

In accordance with bye-law 104 of the Company's bye-laws (the "Bye-Laws"), Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene will retire from office by rotation and, being eligible for re-election at the 2019 AGM, have offered themselves for re-election.

At all times during the Year, the Company had met the requirements under Rules 3.10 and 3.10A of the HK Listing Rules relating to the appointment of not less than three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional qualifications or accounting or related 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 Code of Corporate Governance 2018 of Singapore and the Company considers that all INEDs are independent.

12. DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2019 AGM has or is proposed to have an unexpired service contract or appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

13. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any entity connected with them had a material interest in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with the business of the Group during the Year.

14. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors or an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party, subsisting during or at the end of the Year.

15. CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the controlling Shareholders or any of its subsidiaries had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance (whether for the provision of services to the Group or not) in relation to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party during the Year.

16. 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 was to enable the Directors to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate except for the share options mentioned in paragraphs 22 and 23 of this report.

REPORT OF THE DIRECTORS

17. 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 a Director		Shareholdings in which a Director was 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				
Mr. Leung Chun Wah	1,118,300	1,230,130	18,831,770	20,714,947
Mr. Kwok Chan Cheung	34,000	37,400	7,895,554	8,685,109
Mr. Hon Kar Chun	292,800	322,080	–	–
Mr. Leung Hon Shing	249,840	274,824	–	–

The Directors' interests as at April 21, 2019 were the same as those at the end of the Year.

18. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at March 31, 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or 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")), which were required: (i) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be 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 (the "HK Model Code"), were as follows:

18. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – *continued*

Long position in the Shares

Name of Directors/ Chief Executive	Number of Shares Held					Approximate Percentage of Total Shareholding in the Company(3) (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests (beneficiary of a trust)	Corporate interests (interest in a controlled corporation)	Total	
Leung Chun Wah (1) ("Mr. Leung")	1,230,130	805,134	19,909,813	–	21,945,077	25.76
Kwok Chan Cheung (2) ("Mr. Kwok")	37,400	–	–	8,685,109	8,722,509	10.24
Hon Kar Chun	322,080	–	–	–	322,080	0.38
Leung Hon Shing	274,824	–	–	–	274,824	0.32

Notes:

(1) Mr. Leung, being the chairman of the Board (the "Chairman") and an executive Director (the "Executive Director"), is deemed to be interested in the 805,134 Shares held by his wife, Ms. Cheng Wai Yin, Susana ("Ms. Cheng"), by virtue of the SFO. He and his family members are the ultimate beneficiaries of a discretionary trust, of which HSBC International Trustee Limited ("HSBC Trustee") is the trustee. The 19,909,813 Shares are held by Max Power Assets Limited ("Max Power"), with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee 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 relevant trust deed. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.

(2) Global Success International Limited ("Global Success") which is wholly owned by Mr. Kwok, the deputy Chairman (the "Deputy Chairman") and an Executive Director, is the beneficial owner of 8,685,109 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

(3) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at March 31, 2019 (i.e. 85,207,049 Shares).

Save as disclosed above, as at March 31, 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (i) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the SEHK pursuant to the HK Model Code.

REPORT OF THE DIRECTORS

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

As at March 31, 2019, so far as the Directors are aware, the following persons or corporations (other than a Director or the chief executive of the Company) who/which had or deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long position in the Shares

	Number of Shares Held					Approximate Percentage of Total Shareholding in the Company[7]
Name of Shareholders	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests (trustee)	Corporate interests (interest of controlled corporations)	Total	(%)
Ms. Cheng [1]	805,134	21,139,943	–	–	21,945,077	25.76
Max Power [2]	19,909,813	–	–	–	19,909,813	23.37
HSBC Trustee [2]	–	–	19,909,813	–	19,909,813	23.37
Global Success [3]	8,685,109	–	–	–	8,685,109	10.19
Yeo Seng Chong [4] ("Mr. Yeo")	330,000	550,000	–	6,939,684	7,819,684	9.18
Lim Mee Hwa [4] ("Ms. Lim")	550,000	330,000	–	6,939,684	7,819,684	9.18
Yeoman Capital Management Pte Ltd ("YCMPL") [5]	82,500	–	–	6,857,184	6,939,684	8.14
Yeoman 3-Rights Value Asia Fund ("Yeoman 3-Rights") [6]	6,719,684	–	–	–	6,719,684	7.89
Hung Yuk Choy	5,614,309	–	–	–	5,614,309	6.59

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

Notes:

(1) Ms. Cheng, the wife of Mr. Leung, the Chairman and an Executive Director, is deemed under the SFO to be interested in the Shares held beneficially and deemed to be held by Mr. Leung. The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee 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 relevant trust deed.

(2) The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee 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 relevant trust deed.

(3) Global Success, which is wholly owned by Mr. Kwok, being the Deputy Chairman and an Executive Director, is the beneficial owner of 8,685,109 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

(4) Mr. Yeo owns 330,000 Shares directly in his own name and his wife Ms. Lim owns 550,000 Shares directly in her own name. Both of them own equally YCMPL, a fund manager and therefore control YCMPL. YCMPL in turn has its own direct shareholding in the Company as well as its deemed interests through its clients' direct shareholdings in the Company. Each of Mr. Yeo and Ms. Lim is deemed under the SFO to be interested in all of the Shares held beneficially and deemed to be held by the other.

(5) YCMPL owns 82,500 Shares directly in its own name and also has deemed interests through its clients' direct shareholdings in the Company. The clients of YCMPL are Yeoman 3-Rights and Yeoman Client 1, which directly own 6,719,684 Shares and 137,500 Shares, respectively.

(6) Yeoman 3-Rights owns 6,719,684 Shares directly in its own name.

(7) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at March 31, 2019 (i.e. 85,207,049 Shares).

Save as disclosed above, as at March 31, 2019, the Directors are not aware of any persons (other than a Director or the chief executive of the Company) or corporations who/which had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

20. DIRECTORS' RECEIPT OF AND ENTITLEMENT TO CONTRACTUAL BENEFITS

During the Year, none of the Directors 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 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.

21. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are set out on pages 18 to 22 of this annual report.

22. SHARE OPTIONS TO TAKE UP UNISSUED SHARES

The Company had on June 11, 2001 adopted the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") and on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") (collectively, the "Share Option Schemes") to grant share options to eligible employees, including the executive directors of the Group for the purpose of providing incentives or rewards for their contribution to the Group.

ESOS II

Fair values of the share options under ESOS II were calculated using the Black-Scholes option pricing model.

The vesting period of the share options granted under ESOS II is two years from and including the date of grant.

ESOS II expired on June 10, 2011 and the unexercised share options granted under ESOS II will continue to be valid and exercisable subject to the provisions of ESOS II within their respective exercise periods.

22. SHARE OPTIONS TO TAKE UP UNISSUED SHARES – *continued*

ESOS II – *continued*

Particulars of the share options outstanding under ESOS II during the Year and the share options granted, exercised, lapsed and cancelled during the Year were as follows:

		Number of underlying Shares comprised in share options								
Name or Category of participants	Date of grant	Balance as at April 1, 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	Adjusted during the Year[(1)]	Cancelled during the Year	Balance as at March 31, 2019	Adjusted exercise price per Share (before bonus issue)[(1)]	Exercise period
Employees in aggregate	October 2, 2009	1,600	–	–	–	160	–	1,760	S$0.305 (S$0.335)	October 2, 2011 to October 1, 2019

Note:

(1) The exercise price and the number of underlying Shares comprised in the outstanding ESOS II share options were adjusted pursuant to the bonus issue of Shares on the basis of one (1) bonus Share for every ten (10) existing Shares held as at August 10, 2018, which became effective on August 28, 2018 (the "Bonus Issue").

As at the date of this annual report, the Company had 1,760 share options outstanding under the ESOS II, which represented approximately 0.002% of the issued Shares as at that date.

None of the holders of outstanding share options granted under ESOS II (i) is a Director, the chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company, or their respective associates; and (ii) was granted any option entitling him/her to subscribe for Shares exceeding the respective percentage of the total number of the issued Shares in the 12-month period up to and including the date of grant as stated in ESOS II.

REPORT OF THE DIRECTORS

22. SHARE OPTIONS TO TAKE UP UNISSUED SHARES – *continued*

ESOS III

During the Year, share options holders under ESOS III exercised part of their share options and subscribed for 290,000 Shares and 830,000 Shares of HK$1.00 each at an exercise price of HK$4.30 per Share on July 19, 2018 and July 30, 2018, respectively. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK$5.99 per Share.

Fair values of the share options under ESOS III were calculated using the Binomial option pricing model.

The grant of share options shall be accepted within 30 days from the date of grant, accompanied by payment of HK$1.00 as consideration by the grantee.

The vesting period of the share options granted under ESOS III is one year after the date of grant.

ESOS III was adopted by an ordinary resolution of the Shareholders at the special general meeting of the Company held on July 30, 2013. ESOS III will expire on July 29, 2023.

Particulars of the share options outstanding under ESOS III during the Year and the share options granted, exercised, lapsed and cancelled during the Year were as follows:

		Number of underlying Shares comprised in share options								
Name or Category of participants	Date of grant	Balance as at April 1, 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	Adjusted during the Year[1]	Cancelled during the Year	Balance as at March 31, 2019	Adjusted exercise price per Share (before Bonus Issue)[1]	Exercise period
Employees in aggregate	July 17, 2017	3,080,000	–	(1,120,000)	–	196,000	(1,166,000)	990,000	HK$3.91 (HK$4.30)	July 18, 2018 to July 17, 2027

Note:

(1) The exercise price and the number of underlying Shares comprised in the outstanding ESOS III share options were adjusted pursuant to the Bonus Issue.

As at the date of this annual report, the Company had 990,000 share options outstanding under the ESOS III, which represented approximately 1.16% of the issued Shares as at that date.

22. SHARE OPTIONS TO TAKE UP UNISSUED SHARES – *continued*

ESOS III – *continued*

None of the holders of outstanding share options granted under ESOS III (i) is a Director, the chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company, or their respective associates; and (ii) was granted any option entitling him/her to subscribe for Shares exceeding the respective percentage of the total number of the issued Shares in the 12-month period up to and including the date of grant as stated in ESOS III.

No participants to the above Share Option Schemes have received share options representing 5% or more of the total number of the underlying Shares comprised in the share options available for issue under the above schemes.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the INEDs. In addition, any share options granted to a substantial shareholder or an INED, or any of their respective associates, in the 12-month period up to and including the date of grant, in aggregate over 0.1% of the issued Shares and with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK$5 million, must be approved by the Shareholders in a general meeting.

Unless approved by the Shareholders in general meeting at which the relevant participant and his/her close associates (or his/her associates if the participant is a connected person) abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the HK Listing Rules and the listing manual (the "SGX-ST Listing Manual") of Singapore Exchange Securities Trading Limited (the "SGX-ST"), the total number of Shares issued and to be issued upon exercise of the share options granted to such participant (including exercised, cancelled and outstanding share options) in any 12-month period must not exceed 1% of the Shares in issue at such time.

No executive directors and employees of the Group have been granted any share options entitling them to subscribe for more than 1% of the total issued Shares in the 12-month period up to and including the date of grant.

Each share option grants the holder the right to subscribe for one Share. The share options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the share options in any share issue of the other member corporations in the Group. Share options granted will be 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.

There were no participants to the above Share Option Schemes, who are controlling shareholders (as defined in the HK Listing Rules and the Main Board rules of the SGX-ST Listing Manual) of the Company and their associates.

REPORT OF THE DIRECTORS

23. SHARE OPTIONS EXERCISED

During the Year, 1,120,000 Shares had been issued by virtue of the exercise of share options under ESOS III to take up any unissued Shares.

24. UNISSUED SHARES UNDER OPTION AND EQUITY-LINKED AGREEMENTS

As at the end of the Year, there were no unissued shares of the Company or any member corporations in the Group under option, except for the Share Option Schemes disclosed in paragraph 22 above.

Save as the share options granted, no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

25. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

26. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to 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 minimum public float applicable to the Company under the HK Listing Rules) during the Year and thereafter up to the date of this annual report.

27. MAJOR CUSTOMERS AND SUPPLIERS

During the Year,

(1) sales to the Group's five largest customers accounted for approximately 18.5% of the total sales for the Year and the single largest customer accounted for approximately 6.0%; and

(2) purchases from the Group's five largest suppliers accounted for approximately 87.2% of the total purchases for the Year and the single largest supplier accounted for approximately 42.5%.

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

28. EMOLUMENT POLICY

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

Details of the emoluments of the Directors and the five individuals of the Group with the highest emoluments for the Year are set out in notes 13 and 14 to the consolidated financial statements.

Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualification, competence and contribution to the Group.

29. 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, whereby the Group is required to pay contributions for such employees at a certain rate of the wages determined by the relevant authorities in Hong Kong and Taiwan respectively. The Group is also required to make 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.

The Group has no other material obligation for payment of retirement benefits or pension to its employees beyond the contributions described above. Details of the Group's retirement benefit scheme/pension schemes are set out in note 39 to the consolidated financial statements.

REPORT OF THE DIRECTORS

30. TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, the Shares, they are advised to consult a professional in taxation.

31. MANAGEMENT CONTRACT

No contracts, other than employment contracts and Directors' contract of service, 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.

32. PERMITTED INDEMNITIES

Pursuant to the Bye-Laws, the Directors, company secretary and other officers and every auditor of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which the Directors or any of them shall or may incur or sustain by or by reason of any act done, concurred or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

In addition, the directors and key officers of the Group are under appropriate insurance cover on directors' and key officers' liabilities in respect of their risks arising from the business of the Group. The scope of coverage of the insurance is subject to review annually.

The indemnity provision was in force during the course of the Year and is remained in force as at the date of this report.

33. CHARITABLE DONATION

During the Year, charitable donations made by the Group amounted to HK$4,000 (2018: HK$7,000).

34. REVIEW OF FINAL RESULTS BY AUDIT COMMITTEE

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

35. CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 23 to 46 of this annual report.

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

During the Year, the Company did not redeem any of its Shares listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

37. RELATED COMPANY TRANSACTIONS

Related company transactions of the Group during the Year are disclosed in note 38 to the consolidated financial statements. None of these related company transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 14A of the HK Listing Rules, which is required to comply with the disclosure requirements in accordance with Chapter 14A of the HK Listing Rules.

38. INDEPENDENT AUDITOR

The Board, which concurs with the Audit Committee's recommendation, has proposed the nomination of Deloitte Touche Tohmatsu ("Deloitte") for re-appointment as the independent auditor at the 2019 AGM.

Deloitte has expressed their willingness to accept the re-appointment.

There have been no changes of the independent auditor for the preceding three years.

On behalf of the Board

Mr. Leung Chun Wah	**Mr. Kwok Chan Cheung**
Chairman	*Deputy Chairman*

May 29, 2019

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 capital and reserves movement of the Company as set out on pages 92 to 196 of this annual report 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, 2019, and of the results, changes in equity and cash flows of the Group and capital and reserves movement of the Company for the financial year then ended and as at the date of this statement, and 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

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman

May 29, 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 92 to 196, which comprise the consolidated statement of financial position of the Group as at March 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
Allowance for inventories obsolescence	
We identified the allowance for inventories obsolescence as a key audit matter as the Group operates in a fast evolving industry where inventories comprise of electronic components and are subject to obsolescence due to rapid technological changes and product obsolescence. As such, significant management estimates and judgements are involved in determining the allowance for inventories. The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price. As disclosed in Note 23 to the consolidated financial statements, as at March 31, 2019, the carrying amount of the Group's inventories was HK$689,898,000, net of allowance for inventories of HK$38,750,000.	Our audit procedures in relation to the allowance for inventories obsolescence included: • Understanding and evaluating the basis of how slow-moving or obsolete inventories are identified by the management, and their assessment of net realisable value and allowance for inventories; • Engaging our internal information technology specialists to perform a computer assisted audit techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales; • Testing the net realisable values of inventories by reference to latest sales margin report to identify inventories that are obsolete or selling at loss and assessing whether the allowance was properly provided for the relevant inventories; and • Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at March 31, 2019, the Group's net trade receivables amounting to HK$768,428,000, which represented approximately 37% of total assets of the Group and out of these trade receivables of HK$187,650,000 were past due. As explained in Note 2 to the consolidated financial statements, in the current year, the Group applied International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") in accordance with the transitional provisions of IFRS 9 and no additional impairment loss has been recognised as at April 1, 2018.	Our audit procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including customer default rates as at April 1, 2018 and March 31, 2019, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents in relations to the determination of credit rating of the customers; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at April 1, 2018 and March 31, 2019, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
***Impairment assessment of trade receivables** – continued*	
As disclosed in Note 42 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables that are not credit-impaired based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses as at April 1, 2018 and March 31, 2019. As disclosed in Note 42 to the consolidated financial statements, the Group recognised an additional amount of HK$8,835,000 of impairment of trade receivables, net of reversal, for the year and the Group's lifetime ECL on trade receivables as at March 31, 2019 amounted to HK$12,979,000.	• Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes 24 and 42, respectively to the consolidated financial statements; and • Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the financial highlights, chairman's statement, management discussion and analysis, corporate governance report, report of the directors, statement of directors and environmental, social and governance report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the shareholders' information, which is expected to be made available to us after that date.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 29, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**3,687,827**	4,556,390
Cost of sales		**(3,360,314)**	(4,160,985)
Gross profit		**327,513**	395,405
Other income	7	**4,899**	1,708
Distribution costs		**(43,092)**	(60,427)
Administrative expenses		**(220,074)**	(211,549)
Other gains and losses	8	**(31,319)**	33,652
Impairment losses, net of reversal	10	**(8,835)**	4,053
Finance costs	9	**(46,570)**	(30,867)
(Loss) profit before tax		**(17,478)**	131,975
Income tax expense	11	**(1,485)**	(20,019)
(Loss) profit for the year	12	**(18,963)**	111,956
Other comprehensive income (expenses):			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation of properties		**21,514**	27,416
– Income tax relating to gain recognised in other comprehensive income		**(4,273)**	(4,958)
		17,241	22,458
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(17,108)**	23,187
Other comprehensive income for the year		**133**	45,645
Total comprehensive (expenses) income for the year attributable to owners of the Company		**(18,830)**	157,601
			(Restated)
(Loss) earnings per share	16		
– Basic (HK cents)		**(22.36)**	133.67
– Diluted (HK cents)		**(22.36)**	132.83

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2019

	NOTES	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	279,355	267,864
Prepaid lease payments – non-current	18	544	556
Club debentures	19	2,001	2,001
Interest in an associate	20	–	–
Financial assets measured at fair value through other comprehensive income	21	–	–
Available-for-sale investments	21	–	–
Long-term deposits	22	16,514	3,049
Deferred tax assets	34	1,972	84
Restricted bank deposits	28	–	2,500
Total non-current assets		300,386	276,054
Current assets			
Inventories	23	689,898	690,950
Trade receivables	24	768,428	955,926
Other receivables, deposits and prepayments	26	10,019	11,032
Prepaid lease payments – current	18	12	12
Income tax recoverable		12,201	–
Derivative financial instruments	27	31	49
Restricted bank deposits	28	4,673	–
Cash and cash equivalents	28	297,498	327,050
Total current assets		1,782,760	1,985,019
Total assets		2,083,146	2,261,073
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	29	310,863	397,467
Other payables	30	34,776	60,879
Contract liabilities	31	8,604	–
Income tax payable		2,927	6,031
Trust receipt loans	32	591,998	818,378
Bank borrowings	33	434,147	231,343
Derivative financial instruments	27	540	23
Total current liabilities		1,383,855	1,514,121

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Net current assets		398,905	470,898
Total assets less current liabilities		699,291	746,952
Capital and reserves			
Share capital	35	85,207	76,341
Reserves		585,413	639,717
Equity attributable to owners of the Company		670,620	716,058
Non-current liabilities			
Deferred tax liabilities	34	28,671	30,894
Total non-current liabilities		28,671	30,894
Total liabilities and equity		2,083,146	2,261,073

The financial statements on pages 92 to 196 were approved and authorised for issue by the Board of Directors on May 29, 2019 and are signed on its behalf by:

Mr. Leung Chun Wah
Director

Mr. Kwok Chan Cheung
Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Capital reserves HK$'000 *(Note 36)*	Statutory reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Currency translation reserve HK$'000	Financial assets measured at fair value through other comprehensive income ("FVTOCI") reserve HK$'000	Other reserve HK$'000 *(Note ii)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2017	75,506	194,378	16,525	89,922	(2,218)	–	(3,561)	207,320	577,872
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	–	–	111,956	111,956
Other comprehensive income for the year	–	–	–	22,458	23,187	–	–	–	45,645
Total	–	–	–	22,458	23,187	–	–	111,956	157,601
Transactions with owners, recognised directly in equity:									
Exercise of share options	835	740	–	–	–	–	–	–	1,575
Recognition of equity-settled share-based payments	–	2,676	–	–	–	–	–	–	2,676
Dividend paid *(Note 15)*	–	–	–	–	–	–	–	(23,666)	(23,666)
Transfer from property revaluation reserve	–	–	–	(3,348)	–	–	–	3,348	–
Transfer of statutory reserve	–	–	1,609	–	–	–	–	(1,609)	–
Total	835	3,416	1,609	(3,348)	–	–	–	(21,927)	(19,415)
At March 31, 2018	76,341	197,794	18,134	109,032	20,969	–	(3,561)	297,349	716,058

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Capital reserves HK$'000 *(Note 36)*	Statutory reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Currency translation reserve HK$'000	Financial assets measured at fair value through other comprehensive income ("FVTOCI") reserve HK$'000	Other reserve HK$'000 *(Note ii)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2018	76,341	197,794	18,134	109,032	20,969	–	(3,561)	297,349	716,058
Adjustment *(Note 2.2)*									
Transfer of impairment losses previously recognised	–	–	–	–	–	(16,448)	–	16,448	–
At April 1, 2018 (restated)	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797	716,058
Total comprehensive income (expense) for the year:									
Loss for the year	–	–	–	–	–	–	–	(18,963)	(18,963)
Other comprehensive income (expense) for the year	–	–	–	17,241	(17,108)	–	–	–	133
Total	–	–	–	17,241	(17,108)	–	–	(18,963)	(18,830)
Transactions with owners, recognised directly in equity:									
Exercise of share options	1,120	3,696	–	–	–	–	–	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	–	–	–	–	–	1,110
Share options cancelled		(1,303)	–	–	–	–	–	1,303	–
Issuance of new shares under the bonus issue	7,746	(7,746)	–	–	–	–	–	–	–
Dividend paid *(Note 15)*	–	–	–	–	–	–	–	(32,534)	(32,534)
Transfer from property revaluation reserve	–	–	–	(4,332)	–	–	–	4,332	–
Transfer of statutory reserve	–	–	1,446	–	–	–	–	(1,446)	–
Total	8,866	(4,243)	1,446	(4,332)	–	–	–	(28,345)	(26,608)
At March 31, 2019	**85,207**	**193,551**	**19,580**	**121,941**	**3,861**	**(16,448)**	**(3,561)**	**266,489**	**670,620**

Notes:

(i) The statutory reserve is non-distributable and was appropriated from 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.

(ii) Other reserve comprises a debit amount of HK$3,561,000 and represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in certain then subsidiaries acquired during the year ended March 31, 2017.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
(Loss) profit before tax	(17,478)	131,975
Adjustments for:		
Depreciation	13,360	10,772
Amortisation of prepaid lease payments	12	13
Interest expense	46,570	30,867
Share-based payment expense	1,110	2,676
Allowance for inventories	7,871	15,375
Impairment losses, net of reversal	8,835	(4,053)
Loss on disposal of property, plant and equipment	40	19
Net loss (gain) on fair value changes of derivative financial instruments	535	(226)
Unrealised exchange loss (gain)	24,763	(19,964)
Interest income	(1,920)	(635)
Operating cash flows before movements in working capital	83,698	166,819
Increase in inventories	(11,759)	(108,423)
Decrease (increase) in trade receivables	153,011	(151,610)
Decrease (increase) in other receivables, deposits and prepayments	820	(2,677)
Increase in long-term deposits	(1,601)	(2,690)
Decrease in trade payables	(84,667)	(38,886)
(Decrease) increase in other payables	(20,919)	22,160
Increase in contract liabilities	2,784	–
Cash generated from (used in) operations	121,367	(115,307)
Income tax paid	(24,213)	(13,567)
Interest paid	(44,634)	(30,224)
Interest received	1,920	635
Net cash generated from (used in) operating activities	54,440	(158,463)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 HK$'000	2018 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(14,737)**	(2,451)
Deposit paid for acquisition of property, plant and equipment	**(11,985)**	–
Placement of restricted bank deposits	**(2,353)**	–
Proceeds from disposal of property, plant and equipment	**11**	339
Proceeds from disposal of subsidiaries	**–**	300
Net cash used in investing activities	**(29,064)**	(1,812)
Financing activities		
Dividend paid to shareholders	**(32,534)**	(23,666)
Proceeds from exercise of share options	**4,816**	1,575
Repayment of trust receipt loans	**(2,932,522)**	(2,855,470)
Proceeds from trust receipt loans	**2,706,142**	3,005,294
Repayment of bank borrowings	**(667,981)**	(752,152)
Proceeds from bank borrowings	**871,343**	773,996
Net cash (used in) generated from financing activities	**(50,736)**	149,577
Net decrease in cash and cash equivalents	**(25,360)**	(10,698)
Cash and cash equivalents at beginning of the year	**327,050**	331,255
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**(4,192)**	6,493
Cash and cash equivalents at end of the year	**297,498**	327,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

1. GENERAL

Willas-Array Electronics (Holdings) Limited (the "Company") was 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 located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are disclosed in Note 44.

The consolidated financial statements of the Group for the year ended March 31, 2019 were authorised for issue by the Board of Directors on May 29, 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Standards")

New and Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to International Accounting Standards ("IAS") 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRS Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

2.1 IFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied IFRS 15 *Revenue from Contracts with Customers* and the related amendments for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, April 1, 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed as at April 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the trading of electronic components.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 5 and 3, respectively.

Summary of effects arising from initial application of IFRS 15

As at April 1, 2018, receipts in advance from customers included in other payables of HK$6,013,000 were reclassified to contract liabilities.

As at March 31, 2019, receipts in advance from customers of HK$8,604,000 were classified as contract liabilities and the amount should remain as it is and be included in other payables without application of IFRS 15.

The increase in contract liabilities of HK$2,784,000 for the year ended March 31, 2019 disclosed in the consolidated statement of cash flows would have been included in "decrease in other payables" without application of IFRS 15.

Except as described above, the application of IFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at April 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at April 1, 2018. The difference between carrying amounts as at March 31, 2018 and the carrying amounts as at April 1, 2018, if any, are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of IFRS 9

Available-for-sale investments

For the unquoted equity investments previously measured at cost less impairment and classified as available-for-sale investments under IAS 39, the Group elected to present the fair value changes in other comprehensive income, these investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, unquoted equity investments were reclassified from available-for-sale investments to financial assets measured at FVTOCI. The directors of the Company consider that the fair values of financial assets measured at FVTOCI were negligible. In addition, impairment losses previously recognised of HK$16,448,000 were transferred from accumulated profits to financial assets measured at FVTOCI reserve as at April 1, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

2.2 IFRS 9 Financial Instruments – *continued*

Summary of effects arising from initial application of IFRS 9 – continued

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on trade receivables are assessed individually for debtors which are credit-impaired and collectively using a provision matrix based on internal credit rating which is adjusted for forward-looking estimates.

ECL for other financial assets at amortised cost, including other receivables, refundable deposits, restricted bank deposits and cash and cash equivalents, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at April 1 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against accumulated profits as the amounts involved are insignificant.

Except as described above, the application of IFRS 9 has had no material impact on the amounts reported set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

New and Amendments to IFRS Standards and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards and interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2020

Except for the new and amendments to IFRS Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* ("IAS 17") and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 16 *Leases* – *continued*

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for own use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively by the Group, while upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature as appropriate.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

As at March 31, 2019, the Group has non-cancellable operating lease commitments of HK$23,212,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$3,319,000 as at March 31, 2019 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets; accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 16 *Leases* – *continued*

The application of new requirements would result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes and expect such changes would increase the consolidated total assets and consolidated total liabilities of the Group in the consolidated financial statement but would not have a material impact on the financial position and financial performance of the Group upon adoption of IFRS 16. Furthermore, the Group will consider the potential election of revaluation model to right-of-use assets that relate to the class of property, plant and equipment in which the Group currently applies revaluation model. The Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of IFRS 16 as lessee and recognises the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from April 1, 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 these consolidated financial statements is determined on such a basis, 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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 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 markets 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements 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. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

The Group 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary 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 Group gains control until the date when the Group ceases to control the subsidiary.

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

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 or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. 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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. 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 Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, 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. The difference between the carrying amount of the associate, and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal of the relevant associate.

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.

When a group entity transacts with the 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2) – *continued*

Principal versus agent – *continued*

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to April 1, 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

Depreciation is recognised so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, 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 the 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 the profit or loss.

Since March 31, 2015, leasehold land and buildings are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such leasehold land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such leasehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and buildings elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element at initial recognition.

To the extent the allocation of the relevant 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 statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and buildings elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 recognised 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 period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the foreign operation.

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.

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

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 'loss/profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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.

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

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.

Intangible assets (including club debentures)

Intangible assets (including club debentures) acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets

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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of tangible and intangible assets – *continued*

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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 immediately in profit or loss.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since April 1, 2018. 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 ("FVTPL") 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial assets measured at FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and deposits, long-term deposits, restricted bank deposits and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors which are credit-impaired and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) – continued

(v) Measurement and recognition of ECL – *continued*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables which are not credit-impaired, are assessed as a separate group, while credit-impaired trade receivables, other receivables and refundable deposits, restricted bank deposits and bank balances are assessed individually);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, deposits and long-term deposits, where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on April 1, 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables 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.

Financial assets at FVTPL

Financial assets are classified as FVTPL when financial asset is (i) either held for trading or (ii) 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss. Fair value is determined in the manner described in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on April 1, 2018) – continued

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 receivables, other receivables and refundable deposits) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (i) loans and receivables; (ii) held-to-maturity investments; or (iii) financial assets at FVTPL.

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).

Impairment of financial assets (before application of IFRS 9 on April 1, 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (before application of IFRS 9 on April 1, 2018) – continued

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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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, 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 periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and refundable deposits 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 receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets (before application of IFRS 9 on April 1, 2018) – continued

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) either held for trading or (ii) it is designated as at FVTPL on initial recognition.

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.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in a manner described in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Financial liabilities at amortised cost

Financial liabilities including trade payables, others payables, trust receipt loans 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 derivative contracts are 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.

Derecognition of financial liabilities

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

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, 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 based on assessment of all relevant non-market vesting conditions. 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/cancelled 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are 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 period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables that are not credit impaired. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 42 and 24, respectively.

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 management's judgement on the realisability of the inventories which takes into account the aging, latest selling prices and historical loss incurred of relevant inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories obsolescence is adequate. The carrying amount of the Group's inventories at March 31, 2019 was HK$689,898,000 (2018: HK$690,950,000), net of allowance for inventories of HK$38,750,000 (2018: HK$34,690,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Revaluation of leasehold land and buildings

Leasehold land and buildings is stated in the consolidated statements of financial position at revalued amounts less accumulated depreciation and identified impairment losses. Management determines fair value of leasehold land and buildings by using appropriate techniques and inputs for fair value measurement. The carrying amount of leasehold land and buildings at March 31, 2019 was HK$263,171,000 (2018: HK$261,825,000).

5. REVENUE

A. For the year ended March 31, 2019

Disaggregation of revenue from contracts with customers

	2019 HK$'000
Types of goods or service	
Sales of electronic components	3,687,827
Market segments of the customers	
Industrial	979,314
Telecommunications	682,676
Home appliance	541,679
Automotive	448,141
Dealer	356,319
Audio and video	256,787
Electronic manufacturing services	216,503
Lighting	104,157
Others	102,251
Total	3,687,827

In addition, the Group's disaggregation of revenue by geographical markets is disclosed in Note 6.

B. For the year ended March 31, 2018

An analysis of the Group's revenue for the year is as follows:

	2018 HK$'000
Sales of electronic components	4,556,390

5. REVENUE – *continued*

Revenue is recognised at a point of time when control of the goods has transferred, being when the goods have been delivered to port of discharge or the customer's specific location as stipulated in the sales agreement. The Group satisfied its performance obligations upon shipment or upon delivery in accordance with the contract signed with customers, who bears the risks of obsolescence and loss in relation to the goods.

Advance payments may be received based on terms of sales contract and any transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The average normal credit term is 65 days upon delivery.

Customers can only return or request refund if the goods delivered do not meet required quality standards. As at March 31, 2019, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

The Group is engaged in the trading of electronic components. Information reported to the board of directors, being the Group's chief operating decision maker (the "CODM") for the purposes of resource allocation and assessment of performance is based on geographical locations as follows:

– Southern China Region;

– Northern China Region; and

– Taiwan

In addition, the CODM also reviews revenue by customers' market industries.

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other income, distribution costs, administrative expenses, other gains and losses, impairment losses, net of reversal and finance costs are excluded from segment results.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

6. SEGMENT INFORMATION – *continued*

The following is the analysis of the Group's revenue and results by reportable and operating segments:

Year ended March 31, 2019

	Trading of electronic components					
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
Sales – external	1,879,966	1,713,350	94,511	3,687,827	–	3,687,827
Sales – inter-company	521,946	389,473	741	912,160	(912,160)	–
	2,401,912	2,102,823	95,252	4,599,987	(912,160)	3,687,827
Cost of sales	2,232,746	1,961,258	78,569	4,272,573	(912,259)	3,360,314
Gross profit/segment results	169,166	141,565	16,683	327,414	99	327,513
Other income						4,899
Distribution costs						(43,092)
Administrative expenses						(220,074)
Other gains and losses						(31,319)
Impairment losses, net of reversal						(8,835)
Finance costs						(46,570)
Loss before tax						(17,478)
Income tax expense						(1,485)
Loss attributable to owners of the Company						(18,963)

6. SEGMENT INFORMATION – *continued*

Year ended March 31, 2018

	Trading of electronic components					
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
Sales – external	2,266,315	2,185,033	105,042	4,556,390	–	4,556,390
Sales – inter-company	574,999	390,477	672	966,148	(966,148)	–
	2,841,314	2,575,510	105,714	5,522,538	(966,148)	4,556,390
Cost of sales	2,629,996	2,402,136	95,064	5,127,196	(966,211)	4,160,985
Gross profit/segment results	211,318	173,374	10,650	395,342	63	395,405
Other income						1,708
Distribution costs						(60,427)
Administrative expenses						(211,549)
Other gains and losses						33,652
Impairment losses, net of reversal						4,053
Finance costs						(30,867)
Profit before tax						131,975
Income tax expense						(20,019)
Profit attributable to owners of the Company						111,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

6. SEGMENT INFORMATION – *continued*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Inter-segment and inter-company sales are charged at prevailing market rates, which was included in the gross segment revenue presented to CODM for regular review.

The management monitors the Group's assets and liabilities in one pool, which is more efficient and effective. Accordingly, no segment assets and liabilities information was presented to the CODM.

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 substantially based in the PRC (including Hong Kong) and substantially all non-current assets of the Group are located in the PRC (including Hong Kong) and more than 95% of all the Group's revenue is generated from sales to external customers located in the PRC (including Hong Kong). Therefore, no further analysis of geographical information is presented.

7. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Interest income from bank deposits	**1,920**	635
Technical support fee income from a supplier	**1,637**	315
Government grant *(Note)*	**935**	596
Sales of scrapped stock	**159**	123
Credit insurance proceeds for bad debts	**20**	8
Others	**228**	31
	4,899	1,708

Note: The government grant related to income that is receivable as compensation for expenses or for the purpose of giving immediate financial support to the Group with no future related costs is recognised in profit or loss in the year in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Net foreign exchange (loss) gain	(30,744)	33,445
Net (loss) gain on fair value changes of derivative financial instruments	(535)	226
Loss on disposal of property, plant and equipment	(40)	(19)
	(31,319)	33,652

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank borrowings and trust receipt loans	46,570	30,867

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Impairment losses recognised (reversal) on:		
Trade receivables	8,835	(4,053)

Details of impairment assessment for the year ended March 31, 2019 are set out in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

11. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	1,458	14,040
PRC Enterprise Income Tax (the "EIT")	5,294	2,724
Taiwan	1,982	697
Taiwan withholding tax on dividends	558	580
	9,292	18,041
(Over) under provision in respect of prior year:		
Hong Kong	(228)	(106)
PRC EIT	(95)	280
Taiwan	(23)	(1)
Taiwan withholding tax on dividends	27	–
	(319)	173
Deferred tax:		
Current year *(Note 34)*	(7,488)	1,805
	1,485	20,019

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for the year ended March 31, 2018.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% for the year ended March 31, 2019.

The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

11. INCOME TAX EXPENSE – *continued*

Under the Law of the PRC on EIT (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 20%.

Income taxes for overseas subsidiaries are calculated at the rates prevailing in the relevant jurisdictions.

	2019	2018
	HK$'000	HK$'000
(Loss) profit before tax	**(17,478)**	131,975
Tax at Hong Kong Profits Tax rate of 16.5% *(Note)*	**(2,884)**	21,776
Tax effect of expenses not deductible for tax purpose	**2,112**	1,827
Tax effect of income not taxable for tax purpose	**(1,088)**	(2,718)
(Over) under provision in respect of prior year	**(319)**	173
Tax effect of deferred tax benefits not recognised	**120**	930
Utilisation of deferred tax benefits previously not recognised	**(964)**	(6,371)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,525**	1,487
Tax effect of deferred tax liabilities arising on undistributed earnings	**623**	2,529
Taiwan withholding tax on dividends	**558**	580
Others	**802**	(194)
	1,485	20,019

Note: The Hong Kong Profits Tax rate is used at it is the domestic tax in the jurisdiction where the operation of the Group is substantially based.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

11. INCOME TAX EXPENSE – *continued*

Income tax recognised in other comprehensive income

	2019 HK$'000	2018 HK$'000
Deferred tax *(Note 34)*:		
Arising on income recognised in other comprehensive income:		
– Gain on revaluation of properties	(4,273)	(4,958)

12. (LOSS) PROFIT FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Amortisation of prepaid lease payments	12	13
Cost of inventories recognised as expenses *(Note i)*	3,360,314	4,160,985
Depreciation	13,360	10,772
Directors' emoluments *(Note ii)*	11,493	13,447
Loss on disposal of property, plant and equipment	40	19
Audit fees paid to auditors		
Auditor of the Company	2,123	2,034
Other auditors	205	250
Non-audit fees paid to auditor		
Auditor of the Company	884	616
Staff costs (excluding directors' emoluments) *(Note ii)*	142,189	157,100
Net foreign exchange loss (gain)	30,744	(33,445)
Net loss (gain) on fair value changes of derivative financial instruments	535	(226)
Share-based payment expense	1,110	2,676
Interest income from bank deposits	(1,920)	(635)

Notes:

(i) During the years ended March 31, 2019 and 2018, the amount included allowance for inventories amounting to HK$7,871,000 and HK$15,375,000, respectively.

(ii) During the years ended March 31, 2019 and 2018, there were cost of defined contribution plans amounting to HK$18,938,000 and HK$17,630,000, respectively, included in staff costs and directors' emoluments.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Year ended March 31, 2019

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Performance related incentive payments HK$'000 *(Note i)*	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah *(Note ii)*	–	3,548	258	–	3,806
Executive Directors:					
Kwok Chan Cheung	–	2,730	202	–	2,932
Hon Kar Chun	–	1,652	156	167	1,975
Leung Hon Shing	–	1,513	138	96	1,747
Independent Non-executive Directors:					
Jovenal R. Santiago	344	–	–	–	344
Wong Kwan Seng, Robert	344	–	–	–	344
Iu Po Chan, Eugene	345	–	–	–	345
Total	1,033	9,443	754	263	11,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

Year ended March 31, 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Performance related incentive payments HK$'000 (*Note i*)	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah (*Note ii*)	–	3,550	258	–	3,808
Executive Directors:					
Kwok Chan Cheung	–	2,730	202	–	2,932
Hon Kar Chun	–	1,725	156	1,557	3,438
Leung Hon Shing	–	1,462	136	630	2,228
Independent Non-executive Directors:					
Jovenal R. Santiago	348	–	–	–	348
Wong Kwan Seng, Robert	346	–	–	–	346
Iu Po Chan, Eugene	347	–	–	–	347
Total	1,041	9,467	752	2,187	13,447

Notes:

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

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The independent non-executive directors' emoluments shown above were for their services as directors 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 of the Company waived any emoluments in the years ended March 31, 2019 and 2018.

14. FIVE HIGHEST PAID EMPLOYEES

For the year ended March 31, 2019, the five highest paid individuals of the Group included four directors (2018: three directors), details of which are included in Note 13.

The emolument of the remaining one individual (2018: two individuals) for the year ended March 31, 2019 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	1,561	3,014
Contributions to retirement benefits scheme	138	276
Performance related incentive payments	–	1,469
	1,699	4,759

The total emoluments of the remaining one individual (2018: two individuals) for the year ended March 31, 2019 were within the following bands:

	Number of individuals	
	2019	2018
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	2
	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

15. DIVIDEND

	2019 HK$'000	2018 HK$'000
Dividend recognised as distribution during the year:		
2018 – Final HK42.0 cents per share	32,534	–
2017 – Final HK31.0 cents per share	–	23,666
	32,534	23,666

On August 28, 2018, a final dividend of HK42.0 cents per share, in an aggregate amount of HK$32,534,000 was paid to shareholders in respect of the financial year ended March 31, 2018.

In respect of the year ended March 31, 2019, the board of directors of the Company has recommended that a final dividend of HK20.0 cents per share will be paid to shareholders of the Company on August 26, 2019. This dividend is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company and has not been included as a liability in these financial statements. The proposed dividend is payable to those shareholders whose names will appear on the register of members of the Company at the close of business on August 8, 2019. The estimated total dividend to be paid is HK$17,041,000.

16. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2019 HK$'000	2018 HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	(18,963)	111,956

16. (LOSS) EARNINGS PER SHARE – *continued*

Number of shares

	2019 '000	2018 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	84,812	83,753
Effect of dilutive potential ordinary shares:		
Share options	–	532
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	84,812	84,285

The computation of diluted loss per share for the year ended March 31, 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the year.

The weighted average number of ordinary shares, dilutive potential ordinary shares, basic and diluted (loss) earnings per share have been adjusted for the effect of the Bonus Issue (as defined in Note 35) on August 28, 2018. Comparative figures have also been restated on the assumption that the Bonus Issue had been effective at the beginning of the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

17. 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
COST OR VALUATION					
At April 1, 2017	241,319	7,295	2,851	59,322	310,787
Exchange difference	17,438	87	8	2,239	19,772
Additions	–	1,235	66	1,150	2,451
Disposals	–	(946)	(1)	(534)	(1,481)
Gain on revaluation	3,068	–	–	–	3,068
At March 31, 2018	261,825	7,671	2,924	62,177	334,597
Exchange difference	(11,203)	(61)	(15)	(1,576)	(12,855)
Additions	–	–	306	14,431	14,737
Disposals	–	–	(128)	(6,836)	(6,964)
Gain on revaluation	12,549	–	–	–	12,549
At March 31, 2019	**263,171**	**7,610**	**3,087**	**68,196**	**342,064**
At March 31, 2019					
Comprising:					
Cost	–	7,610	3,087	68,196	78,893
Valuation	263,171	–	–	–	263,171
	263,171	7,610	3,087	68,196	342,064
ACCUMULATED DEPRECIATION					
At April 1, 2017	15,244	4,034	2,391	56,344	78,013
Exchange difference	1,319	25	5	2,070	3,419
Depreciation for the year	7,785	1,365	144	1,478	10,772
Disposals	–	(746)	(1)	(376)	(1,123)
Eliminated on revaluation	(24,348)	–	–	–	(24,348)
At March 31, 2018	–	4,678	2,539	59,516	66,733
Exchange difference	(36)	(13)	(9)	(1,448)	(1,506)
Depreciation for the year	9,001	1,429	162	2,768	13,360
Disposals	–	–	(128)	(6,785)	(6,913)
Eliminated on revaluation	(8,965)	–	–	–	(8,965)
At March 31, 2019	**–**	**6,094**	**2,564**	**54,051**	**62,709**
CARRYING AMOUNT					
At March 31, 2019	**263,171**	**1,516**	**523**	**14,145**	**279,355**
At March 31, 2018	261,825	2,993	385	2,661	267,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

Details of the leasehold properties held by the Group as at March 31, 2019 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	62 years commencing from July 19, 2002	Residential and car park
14/F Jinyun Century Buildings, 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.

* The allocation of leasehold land and building elements cannot be made reliably, hence the leasehold interests in land is accounted for as property, plant and equipment.

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Fair value measurement of the Group's leasehold land and buildings

The Group's leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at March 31, 2019 were performed by Assets Appraisal Limited (2018: Assets Appraisal Limited), independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The fair value of the leasehold land and buildings was determined based on the direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in the location, view, floor area, lot size and age and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Category of property, plant and equipment	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	March 31, 2019	March 31, 2018				
Leasehold land and buildings	HK$263,171,000	HK$261,825,000	Level 3	Direct comparison method – The key input is the market price.	Direct comparison method – based on price per square foot ("sq. ft"), using market observable comparable prices of similar properties ranging from HK$3,214 to HK$3,571 (2018: HK$2,006 to HK$5,500) per sq. ft, and adjusted for differences in locations and other individual factors such as floor level, building age, size and conditions of the properties.	A significant increase in the market price used would result in a significant increase in fair value and vice versa.

There were no transfers into or out of Level 3 during the year.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would be HK$114,608,000 (2018: HK$125,935,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

18. PREPAID LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
COST		
At beginning and end of the year	764	764
AMORTISATION		
At beginning of the year	196	183
Charge to profit or loss during the year	12	13
At end of the year	208	196
CARRYING AMOUNT		
At end of the year	556	568
At beginning of the year	568	581
Represented by:		
Current portion	12	12
Non-current portion	544	556
Total	556	568

Prepaid lease payments represent land use rights for a plot of land with lease term of 62 years in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

19. CLUB DEBENTURES

	2019 HK$'000	2018 HK$'000
Balance at beginning and end of the year	**2,001**	2,001

The amount represents investments in club debentures, which have no limit on their term. The investments in club debentures are tested for impairment whenever there is an indication that they may be impaired.

On March 31, 2019, the directors of the Company conducted impairment review on the investments in club debentures. The recoverable amounts of the investments in club debentures have been determined based on the market price of similar club debentures. Based on the assessment, the directors of the Company expect the carrying amount of the investments in club debentures to be recoverable and there is no impairment of the investments in club debentures (2018: nil).

20. INTEREST IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Cost of interest in an associate	**98,000**	98,000
Deemed capital contribution	**9,016**	9,016
Share of post-acquisition reserves:		
Post-acquisition profits	**(36,823)**	(36,823)
Translation reserve	**(113)**	(113)
	70,080	70,080
Impairment	**(70,080)**	(70,080)
	–	–

Deemed capital contribution represents the fair value of financial guarantee contracts granted to the associate at initial recognition in prior years.

20. INTEREST IN AN ASSOCIATE – *continued*

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

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activities
					2019	2018	**2019**	2018	
GW Electronics Company Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	**49%**	49%	**49%**	49%	Under liquidation

During the year ended March 31, 2016, a winding-up petition is issued by a major supplier to GW Electronics Company Limited as a result of the termination of an authorised distributorship agreement. GW Electronics Company Limited ceased its operation in 2016 and as at March 31, 2019 and 2018, it is in the process of liquidation. The directors of the Company reviewed and assessed this circumstance to be an indication for non-recoverability of the investment in GW Electronics Company Limited. Accordingly, a full impairment loss of HK$70,080,000 was made on the investment in this associate as at March 31, 2016.

No summarised financial information in respect of the Group's associate was presented as the associate was fully impaired in prior year and has not further shared any loss of the associate thereafter.

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE INVESTMENTS

(a) Financial assets measured at FVTOCI

	2019 **HK$'000**
Financial assets measured at FVTOCI	**–**

The amount represents four 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 FVTOCI and are not subject to impairment assessment at the end of the reporting period.

As at March 31, 2019, the directors of the Company consider that the fair values of these financial assets measured at FVTOCI were negligible considering that all of these unlisted investees are inactive or dissolved or insignificant shareholdings held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE INVESTMENTS

– continued

(b) Available-for-sale investments

	2018 HK$'000
Unquoted equity shares, at cost	16,448
Less: Impairment on investments	(16,448)
	–

Movement for impairment provision

	2018 HK$'000
Balance at beginning and end of the year	16,448

As at March 31, 2018, the unlisted equity investments were 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.

22. LONG-TERM DEPOSITS

	2019 HK$'000	2018 HK$'000
Refundable deposits *(Note i)*	5,313	3,049
Non-refundable security deposit *(Note ii)*	11,201	–
	16,514	3,049

Notes:

(i) As at March 31, 2019, refundable deposits are mainly rental deposits, which is expected to be repayable over 1 year and shown under non-current assets.

(ii) As at March 31, 2019, non-refundable security deposit is the full deposit paid to a property developer in the PRC for acquisition of the office premises, which is expected to be flat in-take in December 2020 and accordingly is shown under non-current assets.

23. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods held for resale	728,648	725,640
Less: allowance for inventories	(38,750)	(34,690)
	689,898	690,950

Movement in the allowance for inventories

	2019 HK$'000	2018 HK$'000
Balance at beginning of the year	34,690	30,998
Increase in allowance recognised in profit or loss	7,871	15,375
Amounts written off during the year	(2,998)	(12,412)
Currency realignment	(813)	729
Balance at end of the year	38,750	34,690

24. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	781,407	960,376
Less: allowance for credit losses	(12,979)	(4,450)
	768,428	955,926

As at March 31, 2019 and April 1, 2018, carrying amount of trade receivables from contracts with customers amounted to HK$768,428,000 and HK$955,926,000, respectively.

The Group allows an average credit period of 65 days (2018: 64 days) to its trade customers.

As at March 31, 2019, total bills received amounting to HK$90,564,000 (March 31, 2018: HK$77,350,000) are held by the Group for future settlement of trade receivables, of which certain bills were further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in Note 25. All bills received by the Group are with a maturity period of less than one year.

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24. TRADE RECEIVABLES – *continued*

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which is the same as revenue recognition date or based on bills issuance date, at the end of the reporting period.

	2019 HK$'000	2018 HK$'000
Within 60 days	456,723	583,522
61 to 90 days	160,002	187,317
Over 90 days	151,703	185,087
	768,428	955,926

As at March 31, 2019, included in the Group's net trade receivables balance are debtors with aggregate carrying amount of HK$187,650,000 which are past due as at the reporting date. Out of the past due balances, HK$22,942,000 has been past due 90 days or more and is not considered as in default as the balances were related to customers with sound repayment history and no recent history of default. The Group does not hold any collateral over these balances.

As at March 31, 2018, 75% of the net trade receivables balances that were neither past due nor impaired had either been subsequently settled or there had not been a significant change in credit quality and the amounts were still recoverable based on historical experience.

As at March 31, 2018, included in the Group's net trade receivable balance are debtors with aggregate carrying amount of HK$242,619,000 which were past due as at the reporting date for which the Group had not provided for impairment loss as there had not been a significant change in credit quality and amounts were still considered recoverable based on historical experience. The Group did not hold any collateral over these balances.

24. TRADE RECEIVABLES – *continued*

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

	2018 HK$'000
Within 90 days	240,877
91 to 180 days	1,742
	242,619

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

	2018 HK$'000
Balance at beginning of the year	8,162
Reversal of allowance recognised in profit or loss	(4,053)
Amounts written off as uncollectible	(50)
Currency realignment	391
Balance at end of the year	4,450

Details of impairment assessment of trade receivables for the year ended March 31, 2019 are set out in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

25. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at March 31, 2019 that were transferred to banks by discounting those trade and bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounting to HK$173,491,000 (2018: HK$61,343,000) (see Note 33). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at March 31, 2019

	Trade receivables discounted to banks with full recourse HK$'000	**Bills receivables discounted to banks with full recourse HK$'000**	**Total HK$'000**
Carrying amount of transferred assets	**147,510**	**44,549**	**192,059**
Carrying amount of associated liabilities	**(128,942)**	**(44,549)**	**(173,491)**
Net position	**18,568**	**–**	**18,568**

As at March 31, 2018

	Trade receivables discounted to banks with full recourse HK$'000	Bills receivables discounted to banks with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	76,543	–	76,543
Carrying amount of associated liabilities	(61,343)	–	(61,343)
Net position	15,200	–	15,200

The directors of the Company consider that the carrying amounts of the receivables approximate their fair values.

Finance costs recognised for trade receivables and bills receivables discounted to banks for the year ended March 31, 2019 are HK$5,252,000 and HK$589,000 (2018: HK$2,051,000 and nil), respectively, which are included in interest on bank borrowings and trust receipt loans (Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Deposits	4,533	8,077
Prepayments	4,658	2,453
Other tax recoverable	110	118
Others	718	384
	10,019	11,032

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Foreign exchange forward contracts	31	(540)	49	(23)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

27. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

Foreign exchange forward contracts

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

Outstanding contracts	Exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2019	2018	**2019 '000**	2018 '000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Buy Japanese Yen ("YEN") and sell HK$ less than 3 months *(Note i)*	**YEN1/ HK$0.0714**	YEN1/ HK$0.0745	**YEN35,000**	YEN50,000	**2,498**	3,725	**(15)**	(23)
Buy YEN and sell HK$ less than 3 months *(Note i)*	**YEN1/ HK$0.0716**	YEN1/ HK$0.0733	**YEN54,000**	YEN75,000	**3,864**	5,498	**(29)**	49
Buy United States dollars ("USD") and sell Chinese Renminbi ("RMB") less than 3 months *(Note ii)*	**USD1/ RMB6.7240**	N/A	**RMB15,000**	N/A	**17,512**	N/A	**15**	N/A
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.7257**	N/A	**RMB15,000**	N/A	**17,508**	N/A	**16**	N/A
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.7660**	N/A	**RMB15,000**	N/A	**17,403**	N/A	**(108)**	N/A
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.7671**	N/A	**RMB15,000**	N/A	**17,400**	N/A	**(106)**	N/A
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.7820**	N/A	**RMB15,000**	N/A	**17,362**	N/A	**(139)**	N/A
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.7840**	N/A	**RMB15,000**	N/A	**17,357**	N/A	**(143)**	N/A

Note:

(i) The foreign currency forwards will be settled in gross on maturity of the contracts.

(ii) The foreign currency forwards will be settled in net on maturity of the contracts.

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

28. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at banks	210,467	275,502
Term deposits	91,023	53,460
Cash on hand	681	588
	302,171	329,550
Analysed as:		
Restricted bank deposits *(Note i)*	4,673	2,500
Cash and cash equivalents *(Note ii)*	297,498	327,050
	302,171	329,550

Notes:

(i) The balance is pledged to a bank to facilitate the customs' clearing process. As at March 31, 2019, the restricted bank deposits bear an average effective interest of 2.13% (2018: 2.75%) per annum and for tenure of 364 and 1,094 (2018: 1,094) days.

(ii) As at March 31, 2019, cash and cash equivalents comprise cash held by the Group of HK$211,148,000 (2018: HK$276,090,000) and short-term bank deposits with an original maturity of three months or less of HK$86,350,000 (2018: HK$50,960,000). The carrying amounts of these assets approximate their fair values. As at March 31, 2019, bank balances carry interest at market interest rates, ranging from 0.01% to 0.38% (2018: 0.01% to 0.35%) per annum and the short-term deposits bear average effective interest of 2.1% (2018: 1.6%) per annum and for tenure of 3 days (2018: 5 days).

At the end of the reporting period, the carrying amounts of the Group's cash and cash equivalents and restricted bank deposits denominated in currencies other than the respective group entities' functional currencies are as follows:

	2019 HK$'000	2018 HK$'000
USD	200,370	223,915
HK$	79	33
YEN	5,272	2,807
RMB	1,216	1,112
Singapore dollars ("S$")	1,048	1,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	310,863	397,467

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

	2019 HK$'000	2018 HK$'000
Within 30 days	248,991	280,017
31 to 60 days	61,872	117,180
Over 60 days	–	270
	310,863	397,467

The average credit period on purchases of goods is 30 days (2018: 30 days). At the end of each reporting period, interest is charged at 2% per month by certain suppliers on any overdue trade payables.

30. OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accrual for staff costs	15,526	37,310
Accrued expenses	5,751	6,200
Deposits from customers	–	6,013
Other tax payables	5,921	5,399
Interest payables	5,976	4,040
Others	1,602	1,917
	34,776	60,879

31. CONTRACT LIABILITIES

	As at	
	31.03.2019	1.4.2018*
	HK$'000	HK$'000
Receipts in advances from customers	**8,604**	6,013

* The amounts in this column are after the adjustments from the application of IFRS 15.

The following table shows how much of the revenue recognised in the current year related to carried-forward contract liabilities.

	Receipts in advance from customers HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	6,013

When the Group receives an amount from customers before products are delivered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

32. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear effective interest ranging from 2.98% to 5.06% (2018: 2.11% to 3.75%) per annum and are repayable within one year.

At March 31, 2019 and 2018, the Group's trust receipt loans with carrying amount of HK$157,891,000 and HK$324,629,000, respectively, are required to comply with certain loan covenants. The Group has complied with the loan covenants for both years.

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33. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings	**260,656**	170,000
Trade and bills receivables discounted to banks with full recourse	**173,491**	61,343
	434,147	231,343
The carrying amount of the above bank borrowings are repayable:		
Within one year *(Note i)*	**434,147**	231,343
Analysed as:		
Secured *(Note ii)*	**209,147**	61,343
Unsecured	**225,000**	170,000
	434,147	231,343

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements and included in the balance is borrowings of HK$354,542,000 (2018: HK$192,266,000) which contain repayment on demand clause.

(ii) During the year, the Group discounted trade receivables and bills receivables with recourse for bank borrowing in an aggregated amount of HK$580,714,000 and HK$44,549,000 (2018: HK$733,997,000 and nil), respectively.

At March 31, 2019, the Group's fixed-rate borrowings with carrying amount of HK$269,549,000 (2018: HK$170,000,000) are due within one year.

At March 31, 2019 and 2018, the Group's bank borrowing with carrying amount of HK$35,656,000 and nil, respectively, are required to comply with certain loan covenants. The Group has complied with the loan covenants for both years.

In addition, the Group has variable-rate borrowings at March 31, 2019 with interest rates ranged from 0.4% to 1.40% (2018: 0.4% to 1.25%) per annum over respective bank's cost of fund, which are Hong Kong Interbank Offered Rate, London Interbank Offered Rate or Taipei forex for the floating rate loans, where appropriate.

33. BANK BORROWINGS – *continued*

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

	2019	2018
Weighted average effective interest rate:		
– fixed-rate borrowings	4.54%	3.50%
– variable-rate borrowings	3.83%	3.26%

At the end of the reporting period, the carrying amounts of the Group's bank borrowings denominated in currencies other than the respective group entities' functional currencies are as follows:

	2019 HK$'000	2018 HK$'000
USD	139,586	55,255

At the end of the reporting period, the Group discounted trade receivables and bills with recourse in an aggregated amount of HK$192,059,000 (2018: HK$76,543,000) to banks for short-term financing. At March 31, 2019, the associated borrowings amounted to HK$173,491,000 (2018: HK$61,343,000).

34. DEFERRED TAX

For the purposes of consolidated 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 consolidated statement of financial position purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	1,972	84
Deferred tax liabilities	(28,671)	(30,894)
	(26,699)	(30,810)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

34. DEFERRED TAX – *continued*

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

	Revaluation of leasehold land and buildings HK$'000	Accelerated tax depreciation HK$'000	Allowance HK$'000	Undistributed profits of subsidiaries HK$'000	Tax losses HK$'000	Total HK$'000
At April 1, 2017	(21,724)	(877)	365	(601)	–	(22,837)
Credit (charge) to profit or loss	797	92	(165)	(2,529)	–	(1,805)
Currency realignment	(1,210)	–	–	–	–	(1,210)
Charge to other comprehensive income	(4,958)	–	–	–	–	(4,958)
At March 31, 2018	(27,095)	(785)	200	(3,130)	–	(30,810)
Credit (charge) to profit or loss	1,014	(997)	1,790	(623)	6,304	7,488
Currency realignment	896	–	–	–	–	896
Charge to other comprehensive income	(4,273)	–	–	–	–	(4,273)
At March 31, 2019	**(29,458)**	**(1,782)**	**1,990**	**(3,753)**	**6,304**	**(26,699)**

Under the EIT Law 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 21% (2018: 21%). Also, a 5% surtax is imposed on any current year earnings that remain undistributed by the end of the following year. As at March 31, 2019, the Group has accrued 5% (2018: 5%) surtax on undistributed earnings from its Taiwan subsidiary.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the PRC and Taiwan subsidiaries amounting to HK$33,779,000 (2018: HK$29,935,000) 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.

34. DEFERRED TAX – *continued*

Subject to the agreement by the tax authorities, at March 31, 2019, the Group has unutilised tax losses of HK$47,962,000 (2018: HK$9,031,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$38,206,000 (2018: nil) of such losses for the Group as at March 31, 2019. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$9,756,000 (2018: HK$9,031,000) due to the unpredictable profit stream. Included in unused tax losses are losses of HK$47,962,000 (2018: HK$8,838,000) that may be carried forward indefinitely. Other tax losses will be expired in the following years:

	2019 **HK$'000**	2018 HK$'000
2021	**–**	193

At March 31, 2019, the Group has other deductible temporary differences on allowance for credit losses and inventories of HK$10,644,000 (2018: HK$16,489,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that the deductible temporary differences can be utilised.

35. SHARE CAPITAL

	Number of shares		Share capital	
	2019 **'000**	2018 '000	**2019** **HK$'000**	2018 HK$'000
Ordinary shares of HK$1.0 each				
Authorised:				
At beginning and at end of the year	**120,000**	120,000	**120,000**	120,000
Issued and paid up:				
At beginning of the year	**76,341**	75,506	**76,341**	75,506
Exercise of share options	**1,120**	835	**1,120**	835
Issue of bonus shares *(Note)*	**7,746**	–	**7,746**	–
At end of the year	**85,207**	76,341	**85,207**	76,341

Note: Pursuant to the bonus issue which was completed on August 28, 2018, a total of 7,746,089 bonus shares were issued on the basis of one (1) bonus share for every ten (10) existing shares (the "Bonus Issue") held on August 10, 2018.

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

Share options granted under the employee share option scheme carry no rights to dividends and no voting rights. Further details of the employee share option scheme are contained in Note 37.

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36. CAPITAL RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Total HK$'000
At April 1, 2017	118,814	75,070	494	194,378
Exercise of share options	1,233	–	(493)	740
Recognition of equity-settled share-based payments	–	–	2,676	2,676
At March 31, 2018	120,047	75,070	2,677	197,794
Exercise of share options	5,072	–	(1,376)	3,696
Recognition of equity-settled share-based payments	–	–	1,110	1,110
Share options cancelled	–	–	(1,303)	(1,303)
Issuance of new shares under the bonus issue	(7,746)	–	–	(7,746)
At March 31, 2019	**117,373**	**75,070**	**1,108**	**193,551**

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

The share options 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 37.

37. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company adopted the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") on June 11, 2001 to grant share options to eligible employees, including the executive directors of the Company and its subsidiaries.

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

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 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 options. 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.

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.

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37. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

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, 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 sheet 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 expiring on the tenth anniversary of such date of grant.

ESOS II

Details of the Company's share options outstanding under ESOS II held by employees during the year are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price S$ *(Note i)***	Number of share options	Weighted average exercise price S$
At the beginning of the year	**1,600**	**0.335**	836,600	0.335
Exercised during the year	**–**	**–**	(835,000)	0.335
Adjustment on bonus issue during the year *(Note i)*	**160**	**–**	–	–
At the end of the year	**1,760**	**0.305**	1,600	0.335
Exercisable at the end of the year	**1,760**		1,600	

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37. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

ESOS II – *continued*

The following share options granted under ESOS II were exercised during the year ended March 31, 2018:

Option type	Number exercised	Exercise date	Share price at exercise date S$
Granted on October 2, 2009	204,000	June 19, 2017	0.755
Granted on October 2, 2009	483,000	June 28, 2017	0.765
Granted on October 2, 2009	148,000	July 11, 2017	0.740

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was Singapore dollars 0.758 per share.

The share options outstanding under ESOS II at the end of the reporting period have a weighted average remaining contractual life of 0.5 year (2018: 1.5 years).

The number of share options held by employees under ESOS II at the end of the reporting period and their expiry date are as follows:

Expiry on	Number of options 2019	Number of options 2018
October 1, 2019	1,760	1,600

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37. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

ESOS III

On July 17, 2017, the Company granted share options exercisable for 3,165,000 ordinary shares of HK$1.00 each of the Company to certain eligible employees under ESOS III with an exercise price of HK$4.30 per share. The period for the exercise of the share options will commence after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was HK$3,891,000.

Details of the Company's share options outstanding under ESOS III held by employees during the year are as follows:

	2019		2018	
	Number of share options	Weighted average exercise price HK$ *(Note i)*	Number of share options	Weighted average exercise price HK$
At the beginning of the year	3,080,000	4.30	–	–
Granted during the year	–	–	3,165,000	4.30
Exercised during the year	(1,120,000)	4.30	–	–
Adjustment on bonus issue during the year *(Note i)*	196,000	–	–	–
Cancelled during the year *(Note ii)*	(1,166,000)	3.91	(85,000)	4.30
At the end of the year	990,000	3.91	3,080,000	4.30
Exercisable at the end of the year	990,000		–	

Notes:

(i) Upon the Bonus Issue becoming effective on August 28, 2018, (i) the exercise price of the outstanding options granted under ESOS II and ESOS III was adjusted to Singapore dollar 0.305 per share and HK$3.91 per share, respectively; and (ii) the respective numbers of underlying shares comprised in the outstanding options granted under ESOS II and ESOS III of the Company have been adjusted accordingly.

(ii) For the year ended March 31, 2018, 85,000 share options were cancelled immediately after the grant date and therefore, no transfer of share options reserve was presented on the consolidated statement of changes in equity. For the year ended March 31, 2019, 1,166,000 share options were cancelled, the amount previously recognised in share options reserve was transferred to accumulated profits.

37. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

ESOS III – *continued*

The following share options granted under ESOS III were exercised during the current year.

Option type	Number exercised	Exercise date	Share price at exercise date
			HK$
Granted on July 17, 2017	290,000	July 19, 2018	6.00
Granted on July 17, 2017	830,000	July 30, 2018	5.98

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$5.99 per share.

The share options outstanding under ESOS III at the end of the reporting period have a weighted average remaining contractual life of 8.3 years (2018: 9.3 years).

The number of share options held by employees under ESOS III at the end of the reporting period and their expiry date is as follows:

	Number of options	
Expiry on	2019	2018
July 17, 2027	990,000	3,080,000

37. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

ESOS III – *continued*

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	ESOS III
Grant date	July 17, 2017
Share price at valuation date	HK$4.07
Exercise price	HK$4.30
Expected volatility	48.41%
Risk-free rate	1.49%
Expected dividend yield	7.62%
Exercisable period	9 years
Vesting period	1 year
Fair value per share option	HK$1.23

During the current year, share-based payment expense of HK$1,110,000 (2018: HK$2,676,000) has been recognised in profit or loss.

38. RELATED COMPANY TRANSACTIONS

(a) Transactions and balances with an associate

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

	2019 HK$'000	2018 HK$'000
Associate		
– other receivables *(Note)*	532	532

Note: Amounts are unsecured, interest-free and repayable on demand. Full impairment on amount due from an associate of HK$532,000 (2018: HK$532,000) had been provided during the year ended March 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

38. RELATED COMPANY TRANSACTIONS – *continued*

(b) Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	16,619	21,866
Post-employment benefits	1,385	1,285
Other long-term benefits	1,245	1,245
Share-based payments	54	130
	19,303	24,526

The emoluments of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

39. RETIREMENT BENEFITS OBLIGATIONS

Defined Contribution Plans

The Group operates a MPF 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 the relevant payroll costs to the scheme, which contribution is matched by employees. The maximum mandatory contributions for the MPF Scheme are capped at HK$1,500 monthly.

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.

At March 31, 2019 and 2018, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

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FOR THE YEAR ENDED MARCH 31, 2019

40. OPERATING LEASE COMMITMENTS

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases during the year	**17,322**	11,083

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**11,710**	12,875
In the second to fifth year inclusive	**11,502**	22,212
	23,212	35,087

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 COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**396**	2,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	1,080,600	–
Derivative financial instruments (FVTPL)	31	49
Financial assets measured at FVTOCI	–	–
Loan and receivables (including cash and cash equivalents)	–	1,292,545
Available-for-sale investments	–	–
Financial liabilities		
Financial liabilities at amortised cost	1,338,610	1,449,105
Derivative financial instruments (FVTPL)	540	23

(b) Financial risk management policies and objectives

The Group's major financial instruments include trade receivables, other receivables and refundable deposits, restricted bank deposits, cash and cash equivalents, financial assets measured at FVTOCI/available-for-sale investments, derivative financial instruments, trade payables, other payables, trust receipt loans and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The risks arising from the Group's financial instruments are mainly foreign exchange risk, interest rate risk, other price risk, credit risk and liquidity risk. The directors of the Company review policies for managing each of these risks, details of which are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Market risk

(i) Foreign exchange risk management

The group entities transact business in various foreign currencies, including USD, HK$, YEN, RMB, Euro and S$ and therefore is exposed to foreign exchange risk.

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**870,632**	1,057,191	**(722,295)**	(730,385)
HK$	**808**	1,088	**(78,371)**	(129,180)
YEN	**8,076**	5,733	**(8,346)**	(11,387)
RMB	**2,557**	2,883	**(1,661)**	(811)
Euro	**9**	10	**(59)**	–
S$	**1,048**	1,636	**(28)**	(65)

Certain companies in the Group use forward contracts to reduce the currency risk exposure. Further details on the forward exchange derivative instruments are set out in Note 27.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk and 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.

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Market risk – *continued*

(i) Foreign exchange risk management – continued

Foreign currency sensitivity – *continued*

If the relevant foreign currency weakens by 5% against the functional currency of the respective group entity, post-tax loss (2018: post-tax profit) for the year will (increase) decrease (2018: increase (decrease)) by:

	2019 HK$'000	2018 HK$'000
USD [(i)]	8,254	8,991
HK$	3,064	5,060
YEN [(ii)]	11	223
RMB [(iii)]	(35)	(82)
Euro	2	–
S$	(40)	(62)

If the relevant foreign currency strengthens by 5% against the functional currencies of the respective group entity, there would be an equal and opposite impact on the loss/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 USD, the sensitivity analysis excludes the group entities with functional currencies denominated in HK$.

(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 and bank borrowings denominated in RMB as at end of the reporting period.

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42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Market risk – *continued*

(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 32 and 33, respectively.

The directors of the Company consider the Group'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. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher or lower and all other variables were held constant, the Group's post-tax loss (2018: post-tax profit) for the year ended March 31, 2019 would increase or decrease by HK$3,345,000 (2018: decrease or increase by HK$3,673,000).

(iii) Other price risk

The Group is exposed to price risk through its investments in unlisted equity investments. The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arises. The directors of the Company consider that the exposure to price risk arising from unlisted equity investments is insignificant. Therefore, no sensitivity analysis on such risk has been prepared.

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management

As at March 31, 2019, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

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 Group performs impairment assessment under ECL model upon application of IFRS 9 (2018: incurred loss model) on trade receivables balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances and restricted bank deposits

The credit risks on bank balances and restricted bank deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies in the PRC and Hong Kong.

The Group assessed 12m ECL for bank balances and restricted bank deposits by reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances and restricted bank deposits is considered insignificant.

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42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Other receivables and refundable deposits

The management of the Group makes periodic individual assessment on the recoverability of other receivables and refundable deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9 (2018: incurred loss model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivables and refundable deposits.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	Low risk types customers represent the counterparty has a low risk default and no material past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Normal risk	Normal risk types customers represent debtors has a normal risk default and does not have material past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
High risk	High risk types customers represent debtors frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

The tables below detail the credit risk exposures of the Group's financial assets as at March 31, 2019 which are subject to ECL assessment:

Financial assets at amortised costs

2019	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Restricted bank deposits	28	BBB-	N/A	12m ECL	4,673
Bank balances	28	AAA to BBB-	N/A	12m ECL	296,817
Long-term deposits (refundable deposits)	22	N/A	Note 1	12m ECL	5,313
Other receivables and deposits	26	N/A	Note 1	12m ECL	4,688
Trade receivables	24	N/A	Note 2	Lifetime ECL (provision matrix)	752,223
			Loss	Lifetime ECL	29,184
					781,407

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FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Notes:

(1) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly since initial recognition. As at March 31, 2019, the balances of other receivables and refundable deposits are not past due and based on the historical default rates of these balances are considered as low risk.

(2) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix for debtors grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales of electronic components.

Trade receivables that are credit-impaired with an aggregate gross carrying amount of HK$29,184,000 as at March 31, 2019 are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$7,326,000 was provided by the Group as at March 31, 2019.

The remaining trade receivables with gross carrying amount of HK$752,223,000 are assessed based on the internal credit rating of the Group for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which is assessed based on provision matrix as at March 31, 2019 within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	Average loss rate	Total
		HK$'000
Low risk	0.01%	264,933
Normal risk	0.93%	427,926
High risk	2.73%	59,364
		752,223

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

The following table shows the movement in ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at March 31, 2018 under IAS 39 and April 1, 2018 under IFRS 9	–	4,450	4,450
Impairment losses recognised	5,653	7,326	12,979
Impairment losses reversed	–	(4,144)	(4,144)
Write off	–	(113)	(113)
Exchange realignment	–	(193)	(193)
As at March 31, 2019	**5,653**	**7,326**	**12,979**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Changes in the loss allowance for trade receivables are mainly due to:

	March 31, 2019 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000
Newly originated trade receivable balance in 2019 with gross amount of HK$752,223,000	5,653	–
Newly originated trade receivable balance in 2019 with gross amount of HK$29,184,000	–	7,326
Settlement in full of trade debtors with a gross carrying amount of HK$4,144,000	–	(4,144)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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 HK$702 million (2018: HK$458 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.

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Liquidity analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities for 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 Group can be required to pay. Specifically, bank loans and trust receipt loans with a repayable on demand clause 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	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2019					
Trade payables					
– non-interest bearing	–	310,863	–	310,863	310,863
Other payables	–	1,602	–	1,602	1,602
Trust receipt loans					
– variable interest rates	3.77	594,824	–	594,824	591,998
Bank borrowings					
– variable interest rates	3.83	164,728	–	164,728	164,598
– fixed interest rate	4.54	272,638	–	272,638	269,549
		1,344,655	–	1,344,655	1,338,610

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FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Non-derivative financial liabilities – *continued*

	Weighted average effective interest rate	On demand or less than 3 months	3 to 6 months	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2018					
Trade payables					
– non-interest bearing	–	397,467	–	397,467	397,467
Other payables					
– non-interest bearing	–	1,917	–	1,917	1,917
Trust receipt loans					
– variable interest rates	2.85	820,584	–	820,584	818,378
Bank borrowings					
– variable interest rates	3.26	61,203	410	61,613	61,343
– fixed interest rate	3.50	171,725	–	171,725	170,000
		1,452,896	410	1,453,306	1,449,105

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. As at March 31, 2019 and 2018, the aggregate undiscounted principal amounts of all bank borrowings and trust receipt loans amounted to HK$434,147,000 and HK$591,998,000 (2018: HK$231,343,000 and HK$818,378,000), respectively. 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 such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflow will amount to HK$1,037,378,000 (2018: HK$1,058,872,000).

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Non-derivative financial liabilities – *continued*

	Maturity analysis – Bank borrowings and trust receipt loans with a repayable on demand clause based on scheduled repayment			
	Less than 3 months	**3 to 6 months**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2019	**957,642**	**–**	**957,642**	**946,540**
March 31, 2018	1,019,525	–	1,019,525	1,010,644

Non-derivative financial assets

The Group's financial liabilities are to be met by the maturity of financial assets that are more than adequate to cover the financial liabilities. The non-derivative financial assets are all due and receivable within one year except for long-term deposits of the Group as disclosed in Note 22, and are all non-interest bearing except for cash and cash equivalents and restricted bank deposits which bear interest as disclosed in Note 28.

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42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Derivative financial instruments

	Within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2019			
Foreign exchange forward contracts			
– gross settlement			
– inflow	**6,318**	**6,318**	**N/A**
– outflow	**(6,362)**	**(6,362)**	**N/A**
	(44)	**(44)**	**(44)**
Foreign exchange forward contracts			
– net settlement			
– inflow	**31**	**31**	**31**
– outflow	**(496)**	**(496)**	**(496)**
	(465)	**(465)**	**(465)**
	(509)	**(509)**	**(509)**
At March 31, 2018			
Foreign exchange forward contracts			
– gross settlement			
– inflow	49	49	49
– outflow	(23)	(23)	(23)
	26	26	26

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT
– continued

(c) Fair value measurements of financial instruments

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

Fair value measurements and valuation process

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company determines the fair value by reference to the valuation carried out as of the end of reporting period by banks and financial institutions for foreign currency forward contracts.

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

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).

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

The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

(c) Fair value measurements of financial instruments – *continued*

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

Financial assets/ financial liabilities	Fair value as at March 31, 2019	Fair value as at March 31, 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foreign currency forward contracts (see Note 27)	Assets – HK$31,000 Liabilities – HK$540,000	Assets – HK$49,000 Liabilities – HK$23,000	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

There were no transfers between the different levels of the fair value hierarchy for the year.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements at amortised costs approximate their fair values.

(d) Capital 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 trust receipt loans and bank borrowings disclosed in Notes 32 and 33, net of cash and cash equivalents, restricted bank deposits and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the notes. The Group is required to comply with bank covenants in loan agreements with banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

(d) Capital management policies and objectives – *continued*

The management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, 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.

(e) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

No further disclosure on the netting arrangement is presented as the financial impact is insignificant.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000 *(Note 15)*	**Trust receipt loans** HK$'000 *(Note 32)*	**Bank borrowings** HK$'000 *(Note 33)*	**Total** HK$'000
At April 1, 2017	–	668,554	209,354	877,908
Financing cash flows	(23,666)	149,824	21,844	148,002
Dividends declared	23,666	–	–	23,666
Foreign exchange translation	–	–	145	145
At April 1, 2018	–	818,378	231,343	1,049,721
Financing cash flows	(32,534)	(226,380)	203,362	(55,552)
Dividends declared	32,534	–	–	32,534
Foreign exchange translation	–	–	(558)	(558)
At March 31, 2019	**–**	**591,998**	**434,147**	**1,026,145**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

44. LIST OF SUBSIDIARIES

Details of the Group's subsidiaries at March 31, 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership and voting power held by the Company Directly		Indirectly		Principal activities
			2019 %	2018 %	2019 %	2018 %	
Cleverway Profits Limited [a]	British Virgin Islands ("BVI")/ Hong Kong	US$7	100	100	–	–	Investment holding
Array Electronics (China) Limited [b], [c]	Hong Kong/ PRC	HK$2	–	–	100	100	Trading of electronic components
Array Electronics Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Inactive
Bestime Corporation Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Investment holding
Brightway Transportation Limited [b], [c	Hong Kong	HK$2	–	–	100	100	Provision of transportation services
Elite Vantage Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Trading of electronic components
Full Link Investment Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Investment holding
Joy Port Limited [b], [e]	Hong Kong	HK$2	–	–	100	100	Property holding
Kind Faith Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Investment holding
Leader First Limited [c]	BVI/ Hong Kong	US$1	–	–	100	100	Investment holding
Pinerise Limited [c]	BVI/PRC	US$1	–	–	100	100	Investment holding
Starling Pacific Limited [c]	BVI/ Hong Kong	US$1	–	–	100	100	Investment holding

44. LIST OF SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2019 %	2018 %	2019 %	2018 %	
Willas Company Limited [b], [c]	Hong Kong	HK$35,001,002	–	–	100	100	Inactive
Willas-Array Electronics (Hong Kong) Limited [b], [c]	Hong Kong	HK$1,001,002	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shanghai) Limited [a], [e], [f], [g]	PRC	US$7,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shenzhen) Limited [a], [d], [f], [g]	PRC	US$5,500,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Taiwan) Inc. [a], [c], [g]	Taiwan/PRC	NT$1,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics Management Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Provision of management and consultancy services
Willas-Array Investments Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

44. LIST OF SUBSIDIARIES – *continued*

Notes:

(a) Audited by Deloitte Touche Tohmatsu, Hong Kong ("Deloitte Hong Kong") for consolidation purpose

(b) Statutory audit performed by Deloitte Hong Kong

(c) Subsidiaries directly held by Cleverway Profits Limited

(d) Subsidiary of Full Link Investment Limited

(e) Subsidiaries directly held by Kind Faith Limited

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

(g) Statutory audit performed by local practice in the PRC/Taiwan

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

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	
		2019	2018
Investment holding	BVI/Hong Kong	**3**	3
	BVI/PRC	**1**	1
	Hong Kong	**4**	4
Trading	Hong Kong/PRC	**1**	1
	Hong Kong	**2**	2
	PRC	**2**	2
	Taiwan/PRC	**1**	1
Inactive	Hong Kong	**2**	2
Other	Hong Kong	**3**	3
		19	19

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Amounts due from a subsidiary	33,814	–
Interests in subsidiaries	117,470	117,470
Total non-current assets	151,284	117,470
Current assets		
Amounts due from subsidiaries *(Note)*	227,239	253,507
Prepayments	83	11
Income tax recoverable	331	–
Cash and cash equivalents *(Note)*	3,235	1,997
Total current assets	230,888	255,515
Total assets	382,172	372,985
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,467	10,007
Income tax payable	–	169
Financial guarantee liabilities	14,774	–
Total current liabilities	16,241	10,176
Net current assets	214,647	245,339
Total assets less current liabilities	365,931	362,809
Capital and reserves		
Share capital	85,207	76,341
Reserves	280,724	286,468
Equity attributable to owners of the Company	365,931	362,809
Total liabilities and equity	382,172	372,985

Note: ECL for amounts due from subsidiaries and bank balances are assessed on a 12m ECL basis as these had been no significant increase in credit risk since initial recognition and impairment allowance is considered to be insignificant. No provision for impairment loss has been recognised during the year ended March 31, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

(b) Capital and reserves movement of the Company

	Share capital HK$'000	**Capital reserves** HK$'000 *(Note 36)*	**Accumulated profits** HK$'000	**Total** HK$'000
At April 1, 2017	75,506	194,378	67,904	337,788
Profit for the year, representing total comprehensive income for the year	–	–	44,436	44,436
Transactions with owners, recognised directly in equity:				
Exercise of share options	835	740	–	1,575
Recognition of equity-settled share-based payments	–	2,676	–	2,676
Dividend paid *(Note 15)*	–	–	(23,666)	(23,666)
Total	835	3,416	(23,666)	(19,415)
At March 31, 2018	76,341	197,794	88,674	362,809
Profit for the year, representing total comprehensive income for the year	–	–	29,730	29,730
Transactions with owners, recognised directly in equity:				
Exercise of share options	1,120	3,696	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	1,110
Share options cancelled	–	(1,303)	1,303	–
Issuance of new shares under the bonus issue	7,746	(7,746)	–	–
Dividend paid *(Note 15)*	–	–	(32,534)	(32,534)
Total	8,866	(4,243)	(31,231)	(26,608)
At March 31, 2019	**85,207**	**193,551**	**87,173**	**365,931**

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JUNE 6, 2019

Authorised share capital	: HK$120,000,000
Issued share capital	: HK$85,207,049
Number of shares	: 85,207,049
Class of shares	: ordinary shares of HK$1.00
Voting rights	: one vote per share

Based on the information available to the Company as at June 6, 2019, approximately 47.54% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDERS' DISTRIBUTION SCHEDULE

Size of	Shareholders		Shares Held	
Shareholdings	Number	Percentage	Number	Percentage
1 – 99	26	2.02%	497	0.00%
100 – 1,000	219	17.06%	101,580	0.12%
1,001 – 10,000	643	50.08%	2,813,629	3.30%
10,001 – 1,000,000	390	30.37%	19,244,198	22.59%
1,000,001 and above	6	0.47%	63,047,145	73.99%
	1,284	100%	85,207,049	100%

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

		Number of Shares held	
	Name of Shareholders	**Direct Interest**	**Deemed Interest**
1	Global Success International Limited	8,685,109	–
2	Max Power Assets Limited	19,909,813	–
3	Cheng Wai Yin, Susana (i)	805,134	21,139,943
4	Leung Chun Wah (ii)	1,230,130	20,714,947
5	Kwok Chan Cheung (iii)	37,400	8,685,109
6	Hung Yuk Choy	5,614,309	–
7	Lee Woon Nin (iv)	–	19,909,813
8	HSBC International Trustee Limited (v)	–	19,909,813
9	HSBC International Trustee (Holdings) Pte. Limited (vi)	–	19,909,813
10	The Hongkong and Shanghai Banking Corporation Limited (vi)	–	19,909,813
11	HSBC Asia Holdings Limited (vi)	–	19,909,813
12	HSBC Holdings Plc (vi)	–	19,909,813
13	Yeo Seng Chong (vii)	330,000	7,489,684
14	Lim Mee Hwa (viii)	550,000	7,269,684
15	Yeoman Capital Management Pte Ltd (ix)	82,500	6,857,184
16	Yeoman 3-Rights Value Asia Fund	6,719,684	–

(i) Ms. Cheng Wai Yin, Susana

Deemed interest in shares held by her husband, Mr. Leung Chun Wah directly and the shares held by Max Power Assets Limited through a trust structure of which Mr. Leung is a beneficiary.

(ii) Mr. Leung Chun Wah

Deemed interest in the shares held by Max Power Assets Limited through a trust structure of which he is a beneficiary and shares held by his wife, Ms. Cheng Wai Yin, Susana.

(iii) Mr. Kwok Chan Cheung

Deemed interests in the shares held through Global Success International Limited.

(iv) Ms. Lee Woon Nin

Deemed interests in Max Power Assets Limited's direct interests.

(v) HSBC International Trustee Limited

Deemed interests in the shares held by Max Power Assets Limited in its capacity as trustee of a trust.

(vi) HSBC International Trustee (Holdings) Pte. Limited, The Hongkong and Shanghai Banking Corporation Limited, HSBC Asia Holdings Limited, HSBC Holdings Plc

Deemed interests held through HSBC International Trustee Limited which is a wholly-owned subsidiary of HSBC International Trustee (Holdings) Pte. Limited, which is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, which is a wholly-owned subsidiary of HSBC Asia Holdings Limited, which is a wholly-owned subsidiary of HSBC Holdings Plc.

(vii) Mr. Yeo Seng Chong

Deemed interests held through Yeoman Capital Management Pte Ltd. and Yeoman 3-Rights Value Asia Fund.

(viii) Ms. Lim Mee Hwa

Deemed interests held through Yeoman Capital Management Pte Ltd. and Yeoman 3-Rights Value Asia Fund.

(ix) Yeoman Capital Management Pte Ltd

Deemed interests held through Yeoman 3-Rights Value Asia Fund and Yeoman Client 1.

SHAREHOLDERS' INFORMATION

TOP TWENTY SHAREHOLDERS AS AT JUNE 6, 2019

S/No.	Name	Shares Number	Percentage
1	HKSCC NOMINEES LIMITED	44,283,892	51.97%
2	GLOBAL SUCCESS INTERNATIONAL LIMITED	8,685,109	10.19%
3	DB NOMINEES (SINGAPORE) PTE LTD	3,340,484	3.92%
4	DBS NOMINEES (PRIVATE) LIMITED	2,517,939	2.96%
5	LAM YEN YONG	2,155,120	2.53%
6	UOB KAY HIAN PRIVATE LIMITED	2,064,601	2.42%
7	CHENG WAI YIN, SUSANA	805,134	0.94%
8	NOMURA SINGAPORE LIMITED	747,582	0.88%
9	PHILLIP SECURITIES PTE LTD	592,448	0.70%
10	LAM LAI CHENG	550,000	0.65%
11	LIM MEE HWA	550,000	0.65%
12	SEE BENG LIAN JANICE	448,536	0.53%
13	FSK INVESTMENT HOLDING PTE LTD	330,000	0.39%
14	KOH KEE BOON	330,000	0.39%
15	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	323,730	0.38%
16	LAI WENG KAY	297,182	0.35%
17	NG CHEE KIONG	284,260	0.33%
18	ONG LAI SOON	260,920	0.31%
19	CHIN KHIN SIONG	257,796	0.30%
20	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	254,484	0.30%
		69,079,217	81.09%

WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

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