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 2021/22

In Pursuit of Sustainable Growth

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 has generally been able to achieve healthy financial results and has strong profit track record periods.

In mainland China, Willas-Array has established a network of offices strategically located in Beijing, 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

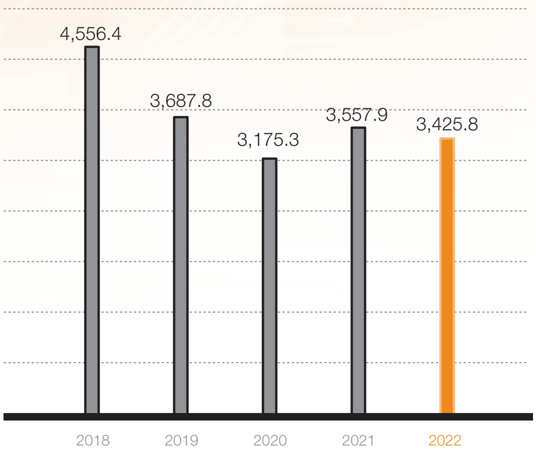
DIRECTORS	*Non-executive Director* Leung Chun Wah *(Chairman)* *Executive Directors* Hon Kar Chun *(Managing Director)* Leung Hon Shing Leung Chi Hang Daniel *Independent Non-executive Directors* Lim Lee Meng *(Lead Independent Director)* Tang Wai Loong Kenneth *(appointed on January 1, 2022)* Tong Kai Cheong *(appointed on June 1, 2022)*
COMPANY SECRETARY	Leung Hon Shing
AUDIT COMMITTEE	Lim Lee Meng *(Chairman)* Tang Wai Loong Kenneth *(appointed on January 1, 2022)* Tong Kai Cheong *(appointed on June 1, 2022)*
REMUNERATION COMMITTEE	Tong Kai Cheong *(Chairman)* *(appointed on June 1, 2022)* Lim Lee Meng Tang Wai Loong Kenneth *(appointed on January 1, 2022)*
NOMINATION COMMITTEE	Tang Wai Loong Kenneth *(Chairman)* *(appointed on January 1, 2022)* Lim Lee Meng Tong Kai Cheong *(appointed on June 1, 2022)*
COMPLIANCE COMMITTEE	Tong Kai Cheong *(Chairman)* *(appointed on June 1, 2022)* Lim Lee Meng Tang Wai Loong Kenneth *(appointed on January 1, 2022)*
EMPLOYEE SHARE OPTION SCHEME COMMITTEE	Leung Chun Wah *(Chairman)* Hon Kar Chun Tong Kai Cheong *(appointed on June 1, 2022)*
AUTHORISED REPRESENTATIVES	Hon Kar Chun Leung Hon Shing
REGISTERED OFFICE	Victoria Place, 5/F 31 Victoria Street Hamilton HM10 Bermuda

CORPORATE INFORMATION

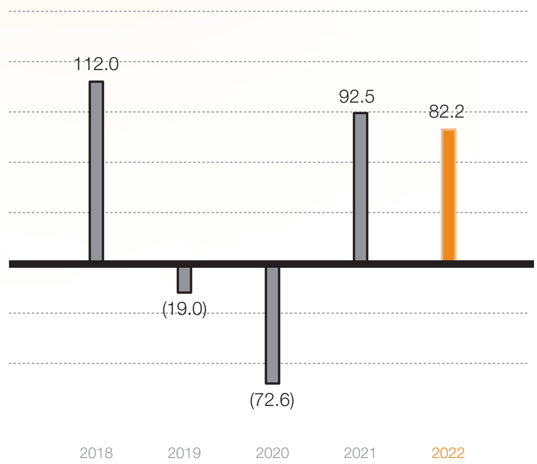
HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	24/F, Wyler Centre, Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Ocorian Management (Bermuda) Limited Victoria Place, 5/F 31 Victoria Street Hamilton HM10 Bermuda
SINGAPORE SHARE TRANSFER AGENT	Boardroom Corporate & Advisory Services Pte. Ltd. 1 Harbourfront Avenue Keppel Bay Tower #14-03/07 Singapore 098632
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 Registered Public Interest Entity Auditors 35/F, One Pacific Place 88 Queensway Hong Kong Partner-in-charge: Chan King Yuen *(Appointed on July 29, 2021)*
COMPANY WEBSITE	www.willas-array.com
LISTING INFORMATION	
Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited Main Board of Singapore Exchange Securities Trading Limited
Stock Code	Hong Kong: 854 Singapore: BDR
Board Lot	Hong Kong: 1,000 shares Singapore: 100 shares

FINANCIAL HIGHLIGHTS

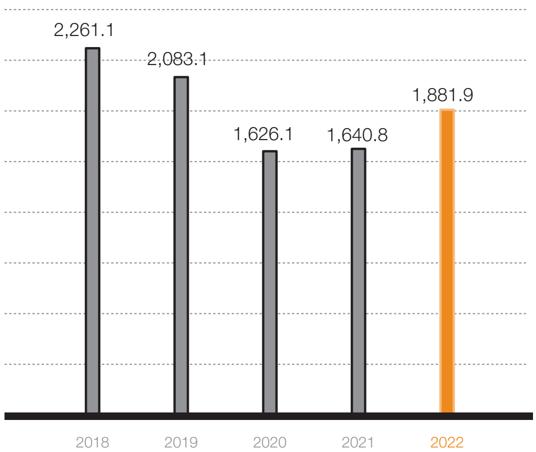
REVENUE
(HK$ Million)



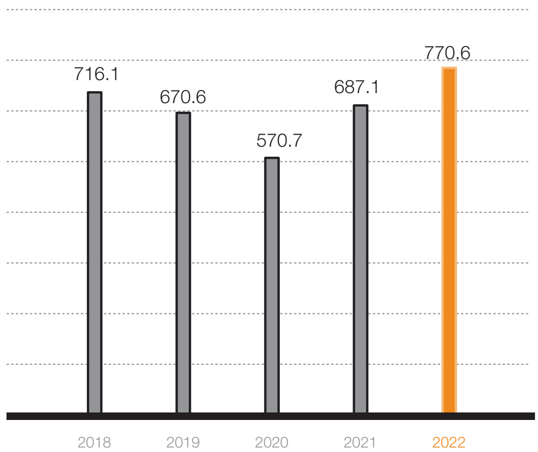
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Million)



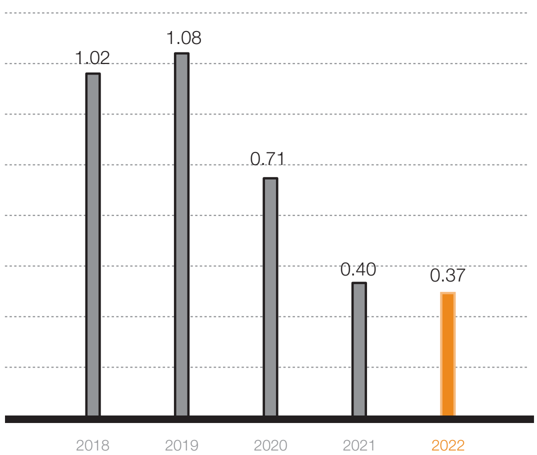
TOTAL ASSETS
(HK$ Million)



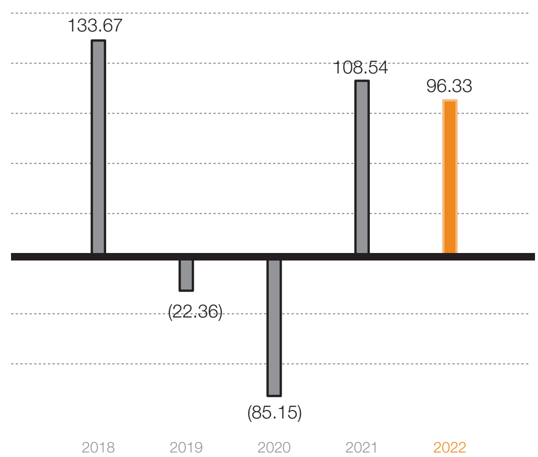
SHAREHOLDERS' FUND
(HK$ Million)



NET GEARING

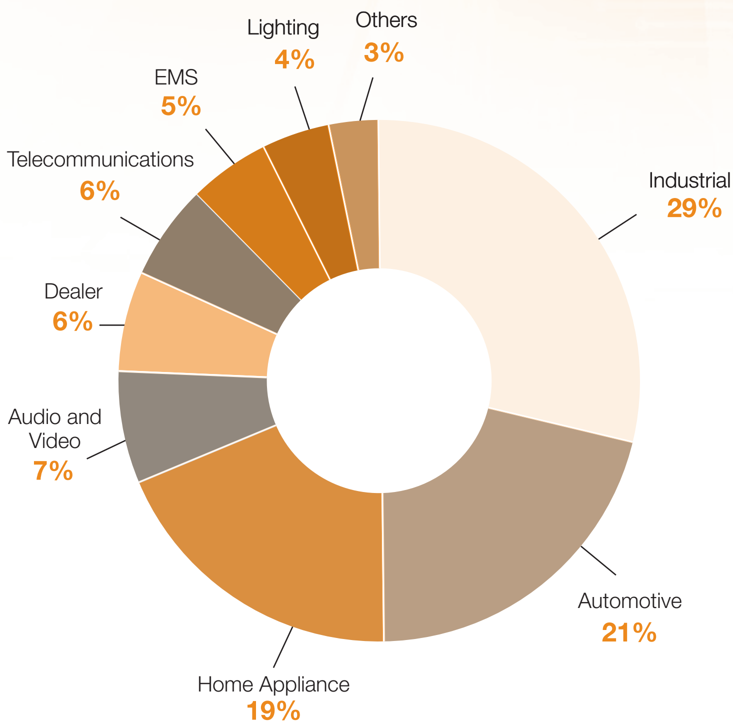


BASIC EARNINGS (LOSS) PER SHARE – RESTATED FOR 2018
(HK Cents)

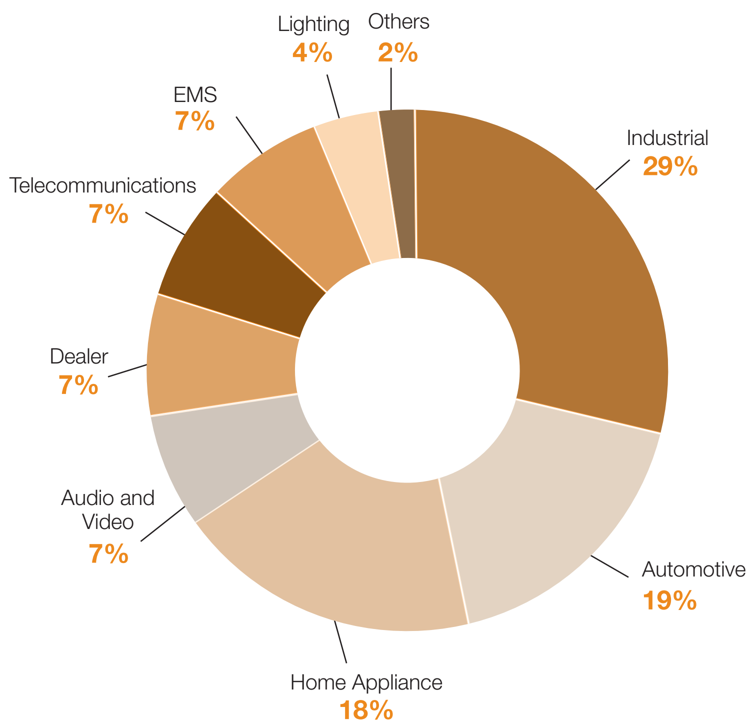


FINANCIAL HIGHLIGHTS

Turnover By Segments For The Year Ended March 31, 2022



Turnover By Segments For The Year Ended March 31, 2021



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	4,556,390	3,687,827	3,175,259	3,557,935	**3,425,832**
Cost of sales	(4,160,985)	(3,360,314)	(2,969,100)	(3,224,334)	**(3,091,042)**
Gross profit	395,405	327,513	206,159	333,601	**334,790**
Other income	1,708	4,899	14,937	9,667	**2,803**
Distribution costs	(60,427)	(43,092)	(29,069)	(37,469)	**(28,871)**
Administrative expenses	(211,549)	(220,074)	(188,718)	(186,915)	**(189,070)**
Other gains and losses	33,652	(31,319)	(14,575)	15,323	**808**
Impairment losses reversed (recognised) under expected credit loss model, net	4,053	(8,835)	(23,978)	(10,141)	**4,461**
(Loss) gain on fair value change of investment property	–	–	(322)	1,312	**439**
Finance costs	(30,867)	(46,570)	(36,263)	(19,046)	**(17,286)**
Profit (loss) before tax	131,975	(17,478)	(71,829)	106,332	**108,074**
Income tax expense	(20,019)	(1,485)	(724)	(13,849)	**(25,882)**
Profit (loss) attributable to shareholders	111,956	(18,963)	(72,553)	92,483	**82,192**
	(Restated)				
Basic earnings (loss) per share (HK cents) *(Notes 2 and 4)*	133.67	(22.36)	(85.15)	108.54	**96.33**

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Current assets	1,985,019	1,782,760	1,322,183	1,334,036	**1,564,612**
Property, plant and equipment	267,864	279,355	259,787	270,142	**284,293**
Right-of-use assets	–	–	14,013	18,201	**16,093**
Investment property	–	–	8,200	9,512	**9,951**
Club debentures	2,001	2,001	2,001	2,001	**2,001**
Interest in an associate	–	–	–	–	**–**
Other non-current assets	6,189	19,030	19,866	6,893	**4,962**
Total assets	2,261,073	2,083,146	1,626,050	1,640,785	**1,881,912**
Current liabilities	1,514,121	1,383,855	1,020,218	910,764	**1,065,180**
Non-current liabilities	30,894	28,671	35,124	42,920	**46,166**
Shareholders' equity	716,058	670,620	570,708	687,101	**770,566**
Total liabilities and equities	2,261,073	2,083,146	1,626,050	1,640,785	**1,881,912**
	(Restated)				
Net assets value per ordinary share (HK cents) *(Notes 3 and 4)*	852.70	787.05	669.79	806.39	**898.34**

Notes:

(1) The financial summary for the five financial years ended March 31, 2018 to 2022 presented above is extracted from the annual reports of the Company from 2018 to 2022.

(2) The basic earnings (loss) per share for the years ended March 31, 2018 to 2022 are calculated based on profit (loss) attributable to shareholders of the Company and weighted average number of 83,753,344 (restated), 84,811,622, 85,207,049, 85,207,049 and 85,325,912 ordinary shares of the Company in issue during the financial years of 2018 to 2022 respectively.

(3) The net assets value per ordinary share for the years ended March 31, 2018 to 2022 are calculated based on share capital of the Company at the end of financial year of 83,975,049 (restated), 85,207,049, 85,207,049, 85,207,049 and 85,777,049 shares respectively.

(4) The weighted average number of ordinary shares of the Company, earnings (loss) per share, number of ordinary shares in issue and net assets value per ordinary share for the year ended March 31, 2018 was stated after taking into account the effect of the bonus issue that took place on August 28, 2018.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great delight to bring you this message as we mark the 40th anniversary of Willas-Array Electronics (Holdings) Limited (the "Company", together with its subsidiaries, the "Group", "WAE", "We" or "Our") in 2022. As the Group celebrates this major milestone, we will continue to build on the strong foundation we had established over the past four decades and we will continue to review and strengthen the proven strategies that will take us through to the next 10 years to our Golden Jubilee and beyond.

WAE has always emphasised financial prudence and this has kept our balance sheet healthy over the years. We have a portfolio of diversified segments and strong customer and supplier partnerships, which has enhanced the resilience of our business. Our ability to read market trends has also enabled us to allocate resources to the growth industries that contribute to our revenue.

For the next decade, we will remain agile and nimble in order to stay ahead of industry developments that we can capitalise on. We will continue in our pursuit of sustainable growth so as to deliver favourable returns to shareholders.

FY2022 in Review

As the world gradually puts the worse of the COVID-19 pandemic behind it, its impact on our industry continues to linger. For the 12 months that just ended March 31, 2022 ("FY2022"), our Group and others in the industry found ourselves in a somewhat frustrating position where the demand was overwhelming, but we were unable to fully capitalise on it because of a global shortage in the supply for selected components.

Taking centre stage during this period was the shortage of semi-conductor chips, which could not meet the spike in demand even though factories globally kicked into massive production mode to satisfy the world's hunger for consumer goods as markets and economies opened up. This led to major disruptions to production schedules and industries announcing output cuts and delays[1]. One of the most affected was the automotive[2] industry as the electronic content of cars had increased significantly over the years.

Against this challenging backdrop, WAE had to respond and compete with others to quickly secure the semiconductors and other components required by customers across all our segments. To do this, we worked closely with our suppliers to prioritise the industries that had the most urgent needs and looked for alternative sources of supply to help customers in other segments.

1 Business Standard article "Semiconductor chip shortage: Industries face further output cuts and delays" dated September 21, 2021.

2 CNBC article "Chip shortage expected to cost auto industry $210 billion in revenue in 2021" dated September 23, 2021.

CHAIRMAN'S STATEMENT

Unfortunately, the shortage in semiconductors was too severe and could not be resolved fully. As a result, we were unable to fulfil customer demand in certain segments and this led to our sales revenue declining 3.7% year-on-year ("YOY") to HK$3,425.8 million in FY2022 although the imbalance in supply-demand dynamics held our gross profit steady at HK$334.8 million, with gross profit margin increasing by 0.4% point over the same period to 9.8%, while profit attributable to owners of the Company came in 11.1% lower at HK$82.2 million.

Although the performance was weaker as compared to the corresponding period ended March 31, 2021 ("FY2021"), we remained on the road to recovery following the loss suffered for the financial year ended March 31, 2020. I believe that if not for the worldwide shortage in semiconductors, WAE would have performed even better than in FY2021.

Segmental Breakdown

The Automotive segment was our brightest spark in FY2022 having achieved strong YOY revenue growth of 11.7% despite the dire shortage in semiconductors. The segment leapfrogged our Home Appliance segment for the first time, taking over as our second highest revenue generator. Its performance during the period affirmed our strategic decision to allocate more focus and resources to this segment. We see further opportunities in the road ahead as the increasing electrification of automobiles and the rapid development of electric vehicles will continue to fuel the growth in this segment.

Although the Industrial segment remained the largest revenue contributor to the Group, sales was down by 3.7% YOY mainly because we could not fully fulfil the demand from our customers as the pandemic-led demand for smart consumer electronics products and small home appliances was far greater than the availability of the components needed to manufacture them.

Likewise, revenue contributions from our Home Appliance and Audio and Video segments as well as our four smaller segments, namely Dealer, Telecommunications, Electronic Manufacturing Services and Lighting, all felt the impact of the global shortage of semiconductors. Although the Home Appliance and Audio and Video segments recorded marginal declines, the smaller segments were more significantly affected because other key industries were prioritised over them in terms of quantity allocation.

We are committed to fulfilling the minimum requirements of customers across all our segments but there may be no meaningful improvements in the situation until the shortage is resolved.

As at March 31, 2022, the Group had a working capital of HK$499.4 million, which included a cash balance of HK$327.7 million, compared to a working capital of HK$423.3 million, which included a cash balance of HK$216.9 million as at March 31, 2021. The increase in cash of HK$110.8 million was primarily attributable to the net effect of cash inflow of HK$149.4 million generated from financing activities and cash outflow of HK$35.6 million used in operating activities. Net gearing ratio as at March 31, 2022 was 37.0% as compared to 39.6% as at March 31, 2021 due to the increase in both cash balance and shareholders' equity.

CHAIRMAN'S STATEMENT

Proposed Dividend

To celebrate our 40th anniversary, the board of directors of the Company (the "Directors" and the "Board", respectively) has recommended a special dividend of HK40.0 cents per ordinary share to thank and reward shareholders for your support. Including the recommended final dividend of HK33.0 cents per ordinary share, it brings the total dividend in respect of FY2022 to HK73.0 cents per ordinary share (FY2021: HK33.0 cents per share). This is subject to the approval of shareholders at the upcoming annual general meeting on August 29, 2022.

Looking Ahead

The Group expects the next 12 months to remain challenging as the resurgence of the COVID-19 pandemic in China and the country's strict zero-COVID-19 stance has resulted in lockdowns in various cities since March 2022. This has led to major logistical issues and exacerbated supply chain disruptions due to production delays. Under these circumstances, China's gross domestic product ("GDP") growth is widely expected to slow to 5.0% in 2022[3].

We are also mindful of the geopolitical conflict in Eastern Europe and the ongoing trade tensions between the United States and China, which may impact us in the form of poor consumer sentiment and rising inflation and higher operating costs.

Nevertheless, we continue to believe in the growth prospects of the components industry because of the rising demand for smart home appliances and consumer electronic devises, as well as the increasing electronic content in vehicles. We are also optimistic that the Chinese government will put in place the necessary measures to support the country's ongoing economic growth.

To increase our resilience against these uncertainties, our Group will remain prudent in managing our resources and expenses as we brace ourselves against these potential headwinds to achieve sustainable growth.

We will also continue to work with both customers and suppliers to ensure that the obligations and requirements of both groups are satisfied with the most optimal outcome given the ongoing shortage in semiconductors.

3 Reuters article "China's GDP growth seen slowing to 5.0% in 2022 on COVID hit" dated April 14, 2022.

CHAIRMAN'S STATEMENT

Appreciation

In closing, I would like to thank the management and staff of WAE for your perseverance and patience and doing your best in a difficult supply-demand situation where you had to face both customers and suppliers and seek their understanding and compromise. I would like to commend you for having kept these valuable relationships strong.

Along the same thread, I would also like to thank both our customers and suppliers for continuing to place your trust in WAE. We value your partnership and remain committed to achieving mutual prosperity.

My greatest appreciation to my fellow Directors on the Board for stewarding our Group through the pandemic years where we had to deal with so many unprecedented challenges in our operations.

Finally, I want to thank WAE's shareholders for demonstrating your confidence in our Group through your investment in us.

All your support makes WAE stronger and more resilient and I look forward to many more good years to come.

Leung Chun Wah
Chairman

June 28, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the year ended March 31, 2022 ("FY2022") decreased slightly by 3.7% as compared to the year ended March 31, 2021 ("FY2021") whereas gross profit margin increased over the same period from 9.4% to 9.8% mainly due to the persistent imbalance between the supply and demand of electronics components.

Gross profit of the Group was flat year-on-year ("YOY") but due to lower overall expenses as a result of the Group's effort to curb spending and reduce warehouse rental expenses by keeping the inventory at appropriate levels, profit before tax increased by 1.6% from HK$106.3 million in FY2021 to HK$108.1 million in FY2022.

Revenue

The Group registered a 3.7% YOY reduction in revenue from HK$3,557.9 million in FY2021 to HK$3,425.8 million in FY2022. This was because of stronger sales in the second half of FY2021 due to pandemic-fueled demand for home appliances and consumer electronic goods as more people worked from home during that period as compared to the same period in FY2022.

In FY2022, there was also a widening global shortage in semiconductor chips caused by a demand-supply imbalance, which had dragged on for more than a year due to supply chain disruptions and overwhelming demand. This led to a decrease in revenue from certain segments, including Electronic Manufacturing Services ("EMS") and Dealer segments, due to demand not being able to be fully fulfilled despite the Group's best efforts to co-ordinate between suppliers and customers. In addition, some segments also suffered from component shortage and weak application demand during the period under review.

In spite of the supply chain challenges, the Group was able to achieve stability for its top three revenue generating segments in FY2022 with the Automotive segment recording a strong 11.7% YOY growth in sales, though the Home Appliance and the Industrial segments slightly dipped 0.3% and 3.7%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Market Segment Analysis

	FY2022		FY2021		Increase/(Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Industrial	**1,010,422**	**29.5%**	1,049,738	29.5%	(39,316)	–3.7%
Automotive	**710,758**	**20.7%**	636,418	17.9%	74,340	11.7%
Home Appliance	**660,797**	**19.3%**	662,802	18.6%	(2,005)	–0.3%
Audio and Video	**238,855**	**7.0%**	242,741	6.8%	(3,886)	–1.6%
Dealer	**218,577**	**6.4%**	261,632	7.4%	(43,055)	–16.5%
Telecommunications	**213,945**	**6.2%**	244,453	6.9%	(30,508)	–12.5%
EMS	**163,241**	**4.8%**	235,639	6.6%	(72,398)	–30.7%
Lighting	**118,753**	**3.5%**	135,958	3.8%	(17,205)	–12.7%
Others	**90,484**	**2.6%**	88,554	2.5%	1,930	2.2%
	3,425,832	**100.0%**	3,557,935	100.0%	(132,103)	–3.7%

Industrial

The Industrial segment is the largest revenue contributor to the Group. It recorded revenue of HK$1,010.4 million in FY2022, representing a YOY decrease of 3.7% as compared to FY2021. This was due to the shortage of components for the segment's applications in power supply, DIY tools, motor application and LCD modules, which could not fulfil the pandemic-led demand for consumer electronics products and small home appliances as a result of stay-at-home lifestyle.

In the long term, the Group will continue to devote resources to creating new applications that will support power saving and energy efficiency features as part of the overall trend towards achieving carbon neutrality.

Automotive

The Automotive segment achieved YOY revenue growth of 11.7% to HK$710.8 million in FY2022, as compared to FY2021. This made the Automotive segment the second largest revenue contributor in FY2022, leapfrogging the position previously occupied by the Group's Home Appliance segment for the first time. It was also the first time that the revenue from the Automotive segment constituted over 20% of the Group's total revenue, which affirmed our strategy of focusing our resources on this growth segment. Given the substantial growth opportunities in the automotive sector, especially in the development of electric vehicles, the Group will continue to allocate resources to this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Home Appliance

The Home Appliance segment recorded a revenue of HK$660.8 million in FY2022, representing a slight drop of 0.3% as compared to FY2021. Due to the global shortage of components, the Home Appliance segment was not able to keep up with escalating demand from exports and domestic consumption as home appliances increasingly come with more features and higher energy efficiency requirements, which need more semiconductor chips.

Audio and Video

Revenue from the Audio and Video segment was HK$238.9 million in FY2022, representing a decrease of 1.6% as compared to FY2021. This segment continued to benefit from the gaming and in-house entertainment under the new normal of stay-at-home and work-from-home lifestyle. Like the Home Appliance segment, the Audio and Video segment was not able to cope with the strong demand given the global shortage of components. Nevertheless, the Audio and Video segment managed to obtain adequate supply for the major players in this industry.

Dealer

Revenue from the Dealer segment was HK$218.6 million in FY2022, representing a drop of 16.5% as compared to FY2021. Although the demand from this segment was strong, revenue performance was affected by the prioritisation and allocation of semiconductor chips available to key growth industries. However, to maintain the Group's relationships with dealer partners, we were able to fulfill at least their minimum requirements due to the Group's strong relationship with suppliers.

Telecommunications

Revenue from the Telecommunications segment fell by 12.5% YOY to HK$213.9 million in FY2022 as the global demand for smartphones continued to be weak during the period under review. The Group will monitor the performance of this segment closely and may consider redeploying its resources to other segments.

EMS

The EMS segment recorded a significant YOY decline in revenue of 30.7% to HK$163.2 million in FY2022. Its revenue performance was affected by the prioritisation and allocation of semiconductor chips available to key growth industries given the global shortage of components. Although the Group had strived and will continue to strive to allocate resources to meet the minimum requirements of its customers in this segment, a meaningful improvement can only be achieved upon the restoration of the demand-supply balance.

MANAGEMENT DISCUSSION AND ANALYSIS

Lighting

Revenue from the Lighting segment declined by 12.7% YOY to HK$118.8 million in FY2022. Although the Lighting segment benefited from the stay-at-home trend and the resumption of economic activities, the global shortage of components impacted the growth in business and revenue.

Others

The Others segment contributed revenue of HK$90.5 million in FY2022, representing an increase of 2.2% as compared to FY2021 due to the global shortage of components. The Group will continue to monitor and identify upcoming electronic trends to secure future growth of this segment.

Gross Profit Margin

The Group's gross profit margin increased from 9.4% in FY2021 to 9.8% in FY2022 mainly due to the persistent imbalance between the supply and demand of electronics components arising out of the global shortage of supply of semiconductor chips.

Other Income

Other income decreased by HK$6.9 million, or 71.0%, from HK$9.7 million in FY2021 to HK$2.8 million in FY2022 mainly due to the non-recurring subsidy of HK$6.9 million from the Hong Kong government's Employment Support Scheme, which was recognised in FY2021. No such income was received in FY2022.

Distribution Costs

Distribution costs decreased by HK$8.6 million, or 22.9%, from HK$37.5 million in FY2021 to HK$28.9 million in FY2022. The decrease was mainly due to lower sales incentive expense and transportation cost. Furthermore, there was an overprovision adjustment of incentive provision for FY2021 being recorded in FY2022.

Administrative Expenses

Administrative expenses increased slightly by HK$2.2 million, or 1.2%, from HK$186.9 million in FY2021 to HK$189.1 million in FY2022. This was mainly due to the net effect of (i) no reduction and exemption of corporate social insurance premiums granted by the Chinese government during FY2022 but a reduction and exemption of such insurance premiums granted in FY2021 which covered the period from February 1, 2020 to December 31, 2020; and (ii) lower lease expenses due to less warehouse space being rented in Hong Kong by keeping the inventory at appropriate level.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses

Other gains of HK$0.8 million in FY2022 (FY2021: HK$15.3 million) were due to exchange gain mainly arising from the appreciation of Renminbi ("RMB").

Impairment Losses Reversed (Recognised) Under ECL Model, Net

Reversal of impairment losses of HK$4.5 million in FY2022 (FY2021: Impairment losses of HK$10.1 million) mainly represented the reversal of impairment losses on trade receivables.

Finance Costs

The finance costs which represented interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities decreased by HK$1.7 million, or 9.2%, from HK$19.0 million in FY2021 to HK$17.3 million in FY2022. This was mainly due to the decrease in interest expenses on bank borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to as at March 31, 2021, trust receipt loans increased by HK$141.9 million as at March 31, 2022 mainly due to the increased purchases during the period under review.

Trade payables increased from HK$349.3 million as at March 31, 2021 to HK$389.5 million as at March 31, 2022. Trade receivables as at March 31, 2022 increased by HK$18.8 million as compared to as at March 31, 2021, due to the increased sales revenue towards the end of the current year when compared with the sales revenue towards March 31, 2021. The debtors turnover days were 3.1 months as at March 31, 2022 (March 31, 2021: 2.9 months).

As at March 31, 2022, the Group's current ratio (current assets divided by current liabilities) was 1.47 (March 31, 2021: 1.46).

Inventories

Inventories increased from HK$259.8 million as at March 31, 2021 to HK$360.4 million as at March 31, 2022. The inventory turnover days increased from 1.0 month as at March 31, 2021 to 1.4 months as at March 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow

As at March 31, 2022, the Group had a working capital of HK$499.4 million which included a cash balance of HK$327.7 million, compared to a working capital of HK$423.3 million which included a cash balance of HK$216.9 million as at March 31, 2021. The increase in cash of HK$110.8 million was primarily attributable to the net effect of cash inflow of HK$149.4 million generated from financing activities and cash outflow of HK$35.6 million used in operating activities. The Group's cash balance was mainly denominated in US dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from financing activities was mainly attributable to the increases in trust receipt loans and bank borrowings to finance the increased purchases towards March 31, 2022 when compared with the purchases towards March 31, 2021.

Cash outflow in operating activities was mainly due to the net effect of the increase in operating cash flows before movement in working capital and the increases in inventories and trade receivables.

Borrowings and Banking Facilities

As at March 31, 2022, the Group had bank borrowings of HK$124.4 million which were repayable within one year. Among the Group's bank borrowings, 71.0% was denominated in HKD and 29.0% was denominated in USD. As at March 31, 2022, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 83.5% and 16.5%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 2.60% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 1.85% per annum.

As at March 31, 2022, trust receipt loans of HK$486.4 million were unsecured and repayable within one year and bore interest at a weighted average effective rate of 2.94% per annum. The trust receipt loans were denominated in USD. As at March 31, 2022, the Group had unutilised banking facilities of HK$980.1 million (March 31, 2021: HK$1,018.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Amount repayable in one year or less, or on demand

As at March 31, 2022		As at March 31, 2021	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
49,434	**561,359**	41,647	449,493

Amount repayable after one year

As at March 31, 2022		As at March 31, 2021	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
–	**–**	–	–

As at March 31, 2022, the Group's trade receivables amounting to HK$43.2 million (March 31, 2021: HK$46.8 million) were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it had continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK$36.8 million (March 31, 2021: HK$41.6 million).

As at March 31, 2022, the Group's remaining secured bank borrowings amounting to HK$12.6 million had been secured by the pledge of certain bills receivables held by the Group amounting to HK$14.0 million (March 31, 2021: nil).

Foreign Exchange Risk Management

The Group operates in Hong Kong, the People's Republic of China (the "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 and HKD 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 currencies to the fluctuations in USD is minimal. However, exchange rate fluctuations between RMB and USD, RMB and JPY, HKD and JPY, or Taiwan dollars 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Gearing Ratio

The net gearing ratio as at March 31, 2022 was 37.0% (March 31, 2021: 39.6%). 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 and multiplied by 100%. The decrease was mainly due to the increases in cash balance and shareholders' equity.

STRATEGY AND PROSPECTS

The resurgence of the COVID-19 pandemic situation in China and the country's zero-COVID-19 policy has resulted in lockdowns in various cities since March 2022. This has led to major logistical issues and exacerbated supply chain disruptions due to production delays. Against this backdrop, China's gross domestic product (GDP) growth is widely expected to slow down to 5.0% in 2022[1].

Meanwhile, geopolitical tensions in Eastern Europe and between the United States and China have led to poor consumer sentiment as well as rising inflation, which has driven up our operating costs.

The Group expects the next 12 months to remain challenging. Nevertheless, we are optimistic that China will put in place the necessary support measures that would mitigate the economic challenges and the anticipated slowing growth.

Barring unforseen circumstances, the Group is positive about the industry's business outlook and will continue to be prudent in managing its resources and expenses to protect its bottom-line. This will ensure that our operations remain sustainable to tide over the uncertain business environment and maintaining a healthy liquidity position in order to support the long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2022, the Group had a workforce of 359 (March 31, 2021: 361) full-time employees, of which 32.9% worked in Hong Kong, 63.7% 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 or bonus 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 an employee share option scheme to reward the directors of the Company (the "Directors") and the eligible employees for their contribution to the Group.

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1 Reuters article "China's GDP growth seen slowing to 5.0% in 2022 on COVID hit" dated April 14, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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 reviews and recommends to the Board the remuneration and compensation packages of the Directors and senior management of the Group by reference to the salaries paid by comparable companies, their time commitment, responsibilities and performance as well as the financial results of the Group.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at March 31, 2022 (March 31, 2021: nil).

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Leung Chun Wah
Chairman and Non-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, 2020

Leung Chun Wah, aged 72, was re-designated as a Non-executive Director on January 1, 2021 and remained as the Chairman of the Board (the "Chairman"). He was both an Executive Director and the Chairman from January 1, 2001 to December 31, 2020. 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 also the father of Mr. Leung Chi Hang Daniel, an Executive Director. Mr. Leung is deemed to be interest in all of the shares held by Max Power Assets Limited, a substantial shareholder of the Company.

EXECUTIVE DIRECTORS

Hon Kar Chun
Managing Director, Executive Director and Authorised Representative
Member of ESOSC

Date of first appointment as a director	:	June 28, 2013
Date of last re-election as a director	:	July 26, 2019

Hon Kar Chun, aged 59, 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. He is also an authorized representative under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK" and the "HK Listing Rules", respectively). 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 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 the Group. 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.

BOARD OF DIRECTORS

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

Date of first appointment as a director	:	July 31, 2014
Date of last re-election as a director	:	July 29, 2021

Leung Hon Shing, aged 57, 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 also an authorized representative under Rule 3.05 of the HK Listing Rules. Mr. Leung is also a director of a subsidiary of the Company. 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 Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as 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.

Leung Chi Hang Daniel
Executive Director

Date of first appointment as a director	:	May 28, 2020
Date of last re-election as a director	:	July 28, 2020

Leung Chi Hang Daniel, aged 46, was appointed as an Executive Director on May 28, 2020. He is responsible for overseeing the daily operations of the human resources, information technology, logistics and marketing communication departments. Mr. Leung is also a director of various subsidiaries of the Company. Mr. Leung obtained a bachelor of science degree in business administration from The Ohio State University, the United States of America ("US") in 1998 and a master's degree in business administration from The Max M. Fisher College of Business at The Ohio State University, US 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, US, 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 the Company as the general manager for information technology and logistics in 2008. He was promoted as 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 Mr. Leung Chun Wah, the Chairman and a Non-executive Director.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lim Lee Meng
Independent Non-executive Director
Lead Independent Director
Chairman of the Audit Committee ("AC")
Members of the Nomination Committee ("NC"), the Remuneration Committee ("RC") and the Compliance Committee ("CC")

Date of first appointment as a director	:	May 28, 2020
Date of last re-election as a director	:	July 28, 2020

Lim Lee Meng, aged 66, was appointed as an Independent Non-executive Director on May 28, 2020. He graduated with a bachelor's degree of Commerce (Accountancy) from the Nanyang University, Singapore in 1980. He also holds a Master Degree in Business Administration from the University of Hull, United Kingdom in 1992 and a Diploma in Business Law from the National University of Singapore in 1989. He is a fellow member of the Institute of Singapore Chartered Accountants, a fellow member of the Singapore Institute of Directors and an associate member of The Chartered Governance Institute, Singapore Division. Mr. Lim is an executive director of LeeMeng Capital Pte. Ltd.

Tang Wai Loong Kenneth *(appointed on January 1, 2022)*
Independent Non-executive Director
Chairman of NC
Members of AC, RC and CC

Date of first appointment as a director	:	January 1, 2022
Date of last re-election as a director	:	Not applicable

Tang Wai Loong Kenneth, aged 52, was appointed as an Independent Non-executive Director on January 1, 2022. He graduated with a Bachelor of Laws (Honours) degree from the University of Newcastle upon Tyne in 1992. He also holds a Master of Laws degree from the University of London (King's College) (1994), a Master of Business Administration degree from the University of London (Imperial College) (2003) and a Master of Science (Finance) degree from Baruch College, City University of New York (2009). He is an Advocate and Solicitor in Singapore, a Barrister of the Middle Temple, a Solicitor (England and Wales), an Attorney and Counselor-at-law (New York), a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Singapore Institute of Arbitrators and an Accredited Mediator of the Chartered Institute of Arbitrators. Mr. Tang has been a senior partner of a Singapore law firm, Chang See Hiang & Partners since January 2021 and was a partner in that firm from 2000 to 2020.

BOARD OF DIRECTORS

Tong Kai Cheong *(appointed on June 1, 2022)*
Independent Non-executive Director
Chairman of RC and CC
Members of AC, NC and ESOSC

Date of first appointment as a director	:	June 1, 2022
Date of last re-election as a director	:	Not applicable

Tong Kai Cheong, aged 61, was appointed as an Independent Non-executive Director on June 1, 2022. He graduated with a Master of Science in Finance from The City University of Hong Kong in 1995. He is an associate of The Chartered Institute of Bankers, England. Mr. Tong has over 40 years of experience in the banking industry. He had in the past also held senior positions in various international and local banks in Hong Kong.

SENIOR MANAGEMENT

Chan Fan Cheong, Patrick
General Manager – Risk Management

Chan Fan Cheong, Patrick, aged 63, is responsible for establishing the policy and collection procedures, and strengthening the internal control system and risk management of the Group. He obtained a master's degree in professional accounting from the Open University of Hong Kong in 2001. He was elected as an associate of The Hong Kong Institute of Bankers in 1998. Mr. Chan joined us in 2002 as an assistant credit control manager and was promoted to credit control manager in 2003, senior credit manager in 2007 and assistant general manager of risk management in 2012. He was appointed as the general manager of risk management in January 2016. Prior to joining us, he worked as a credit control officer for Circle International Limited from 1993 to 1999 and a credit manager for Future Electronics (HK) Limited from 2000 to 2001.

Cheung Yiu Wing, Teddy
General Manager – South China

Cheung Yiu Wing, Teddy, aged 48, is responsible for all of the business operations in the Southern China Region. He graduated from the Hong Kong Technical College with a higher diploma in communications engineering in 1996 and obtained a master's degree in EMBA from The Chinese University of Hong Kong in 2016. Mr. Cheung joined Willas Company Limited as a sales engineer in 1996 and he was promoted to assistant product manager and senior sales manager in 2000 and 2007, respectively. He was appointed as the assistant general manager of sales in the Southern China Region in 2012. He was appointed as the general manager of South China in January 2020.

Hon Wai Keung, Ken
General Manager – Technical Department

Hon Wai Keung, Ken, aged 50, is responsible for supervising the technical marketing and field application department. He obtained a bachelor's degree in engineering from The Chinese University of Hong Kong in 1995. Mr. Hon has over 25 years of experience in the electronics and semiconductor industry. He joined us as a field application manager in 2008 and was promoted to senior technical manager in 2010 and to assistant general manager of technical marketing and field application department in 2012. He was appointed as the general manager of technical department in January 2017. Prior to joining us, he worked as an application engineer for Protech Components Ltd. from 1995 and was subsequently promoted to assistant general manager of the engineering department in 2006.

SENIOR MANAGEMENT

Kwan Wing Kin, Samuel
General Manager of Marketing

Kwan Wing Kin, Samuel, aged 55, is responsible for marketing of product lines of various brands. He obtained a bachelor's degree in electronics engineering from the City College of The City University of New York, United States in 1993. Mr. Kwan joined Array Electronics Limited as a product engineer in 1993 and was promoted to product manager in 2001, senior product manager in 2006, assistant general manager of central product marketing in 2008 and general manager of central product marketing in 2013. He was appointed as the general manager of marketing in January 2014.

Lai Sze Chuen, Pele
Deputy Managing Director of Marketing

Lai Sze Chuen, Pele, aged 58, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Scope and Reporting Period

This Environmental, Social and Governance ("ESG") Report highlights Willas-Array Electronics (Holdings) Limited's (hereinafter referred to as the "Willas-Array", and together with its subsidiaries referred to as the "Group") ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "SEHK" respectively) and Guidance on Climate Disclosures set out by the SEHK, and the Listing Rule 711B of the Listing Manual set out by the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Going beyond the requirements, the Group gives priority to globally-recognised frameworks and has enhanced its ESG disclosures in this ESG report (the "ESG Report"). The ESG Report was prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option.

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, the Environmental and Social aspects of its major business operations in Hong Kong and the mainland of the People's Republic of China (the "PRC") from April 1, 2021 to March 31, 2022 (the "reporting period"), unless otherwise stated. This ESG Report covers the Group's major business operations that constitute major revenue, namely,

(i) The headquarters office in Hong Kong;

(ii) The Southern China headquarters office in Shenzhen of the PRC;

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

(iv) The warehouse in Hong Kong; and

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

Other business operations that have insignificant environmental and social impacts on the Group were excluded from the reporting scope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT – *continued*

Reporting Principles

The contents covered in this ESG Report are in compliance with the four reporting principles of materiality, quantitativeness, balance and consistency required in Appendix 27 to the Listing Rules and Guidance on Climate Disclosures set out by the SEHK.

Materiality – Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality Assessment" in the ESG Report.

Quantitativeness – Key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – The ESG Report presents the Group's performance during the reporting period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

About Willas-Array

Established in the early 1980s, and listed on the Main Board of SGX-ST in 2001 (SGX: BDR) and also on the Main Board of the SEHK in 2013 (SEHK: 854), Hong Kong-based Willas-Array is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services ("EMS") and automotive segments, as well as the provision of engineering solutions.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

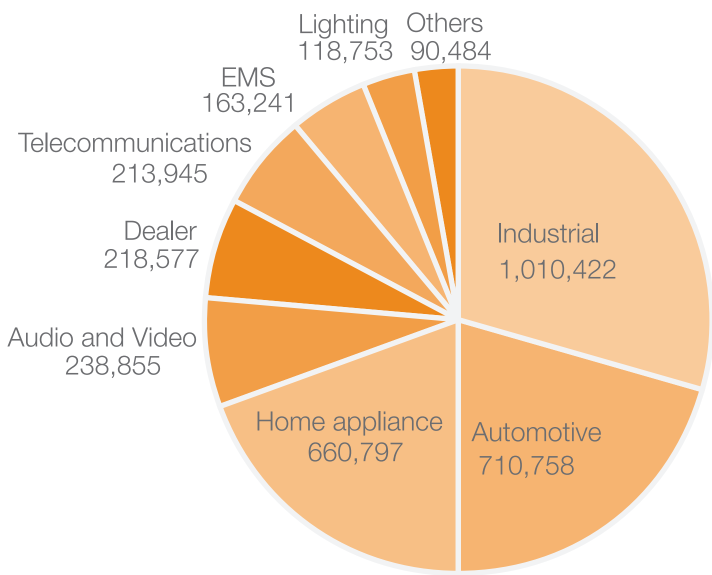
1. ABOUT THIS REPORT – *continued*

About Willas-Array – *continued*

In mainland China, Willas-Array has established a network of offices strategically located in Beijing, 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.

There were no significant changes to the Group's size, structure, ownership or supply chain during the reporting period, except the Group has terminated the tenancy of a unit of one of its warehouses, which contributed to a decrease in the overall floor area of its business operations. The Group's product sales by market segments are shown below.

Sales by Market Segment (in HK$'000)



The Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Willas-Array, I am pleased to present to you the ESG Report of the Group for the year ended March 31, 2022 ("FY2022").

In FY2022, the global community faced uncertainties regarding the ongoing COVID-19 pandemic, global political and economic outlook and a climate emergency. At a time of global uncertainty, the Group has upheld the core values and worked closely with the stakeholders to evolve and adapt to a new "normal", at the same time continued to strive for smart and sustainable living, a greener environment and betterment of society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT – *continued*

The Chairman's Statement – *continued*

We are well aware that our corporate responsibilities run parallel to our operational performance. At Willas-Array, ESG responsibility rests at all levels within the Group. We take primary responsibility for the establishment of the Group's sustainability strategy and reporting, while heads of supporting units and general staff at all levels within the Group implement the measures and ensure goal alignment across the Group. Taking a proactive approach towards ESG management, our ESG task-force team (the "ESG Team") plans and implements sustainability strategies in various departments and subsidiaries systematically. The ESG Team supports the Board in overseeing and maintaining effective ESG risk management and internal control systems, evaluating material ESG matters and climate risks, and setting relevant targets for continuous improvement.

We remained resilient and agile to thrive amid adversity. We see climate change not only as a risk to mitigate but also as an opportunity for the Group to explore new market opportunities and expedite the transformation of its products to low-carbon, energy-efficient and climate-resilient. The shift in consumer preferences for low-carbon products and the favourable sustainable policies in China have encouraged the Group to expand its product portfolio towards the provision of clean energy and low-carbon solutions in the automotive and industrial segments.

In recent years, we navigated our sustainability journey by anchoring our focus on topics that are important to both the Group's economic and sustainable development, including talent development, product quality, environmental awareness promotion and supplier management. We paid attention to details and grasped emerging climate-related opportunities while developing our business. We have invested more efforts and resources to create long-term values with our stakeholders. This year, we are proud to present our ESG Report 2021/22 prepared in accordance with the globally recognised GRI Standards. This not only enhances the transparency of our business operation, but also improves our risk management on sustainability issues, and strengthens communication with our stakeholders and investors.

Developing and maintaining talent is crucial to the Group's business growth. Steered by the Group's value of human orientation, we are committed to building our talent pool and nurturing talents through comprehensive training programmes. We have set up a dedicated working group to support and provide regular feedback on employee training. Meanwhile, we regard staff safety as a top priority. During the COVID-19 outbreak, the Group demonstrated resilience and expeditiously responded through effective cross-departmental collaborations to update and cascade epidemic prevention measures across the Group promptly.

Looking forward, Willas-Array endeavours to maintain its robust and efficient development, introduce greener and more innovative solutions that encourage energy efficiency, stay true to its mission, shoulder corporate social responsibilities and make itself a global corporate citizen with a strong sense of social responsibility.

Leung Chun Wah
Chairman and Non-executive Director

June 28, 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH

Stakeholder Engagement and Materiality Assessment

Stakeholder Engagement

The Group values the 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 materiality assessment helps to determine priorities and allocate resources more effectively.

Identifying ESG Topics

Stakeholder engagement exercise conducted through questionnaires for key groups of stakeholders

Prioritising ESG Topics

Results collected from the stakeholder engagement exercises were analysed to develop a prioritised list of material topics

Validating the Results

The Group reviewed and validated the scope, topic boundaries and completeness of the prioritised material topics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Stakeholder Engagement – *continued*

The Group's key stakeholders and communication channels are as follows:

Stakeholder Group	Communication Channels
Employees	– Employee orientation training – Training sessions – Employee engagement activities – Meetings – Annual appraisal interviews
Shareholders and investors	– Annual general meeting – Annual and interim reports – Press releases, announcements and circulars – Investor meetings – Company website – E-mails
Suppliers	– Distributor sales conference – Annual and interim reports – Press releases, announcements and circulars – Networking events – Company website – E-mails – Social media (e.g. WeChat and LinkedIn)
Customers	– Regular site visits – Annual and interim reports – Press releases, announcements and circulars – Networking events – Company website – E-mails – Social media (e.g. WeChat and LinkedIn)
Government and regulators	– Company website – Media
Local communities	– Local recruitments – Volunteering and fund-raising activities

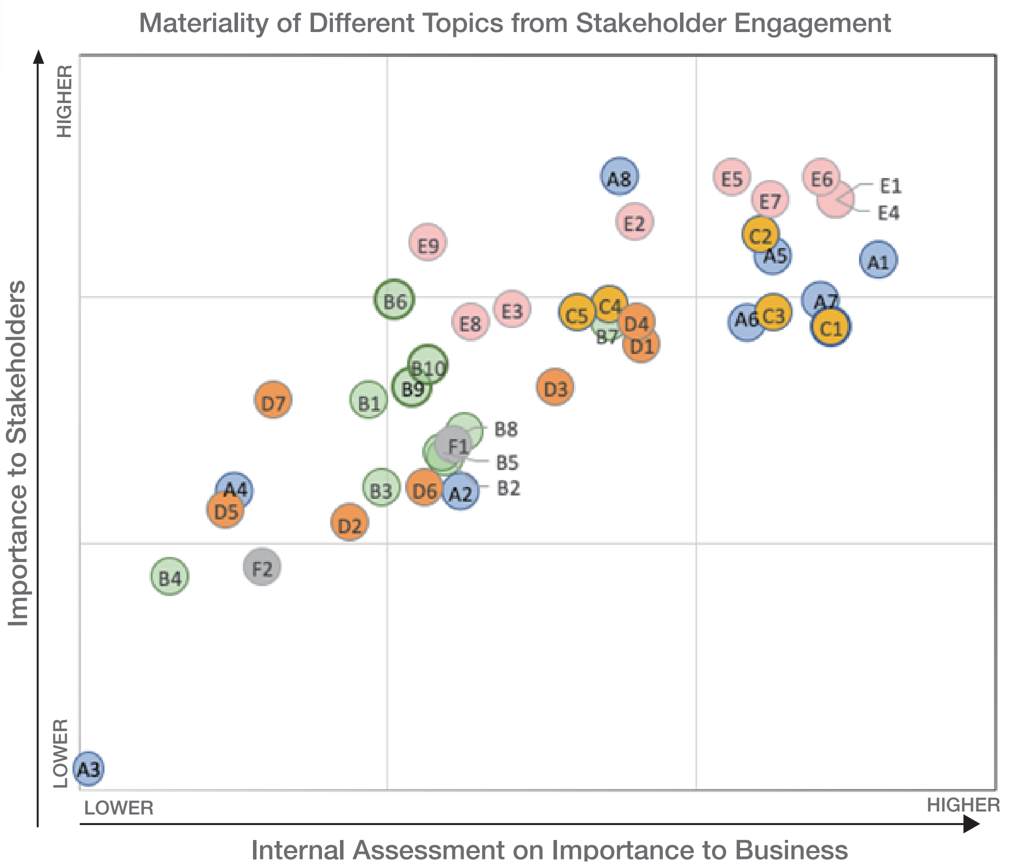
There were 41 economic, environmental, and social-related ESG aspects identified to be related to the Group's business operation. The Group engaged the board members, senior management, frontline staff, vendors and customers to share views regarding the identified ESG aspects of the Group's operation through surveys. The materiality matrix below illustrates the results of the materiality assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix – *continued*

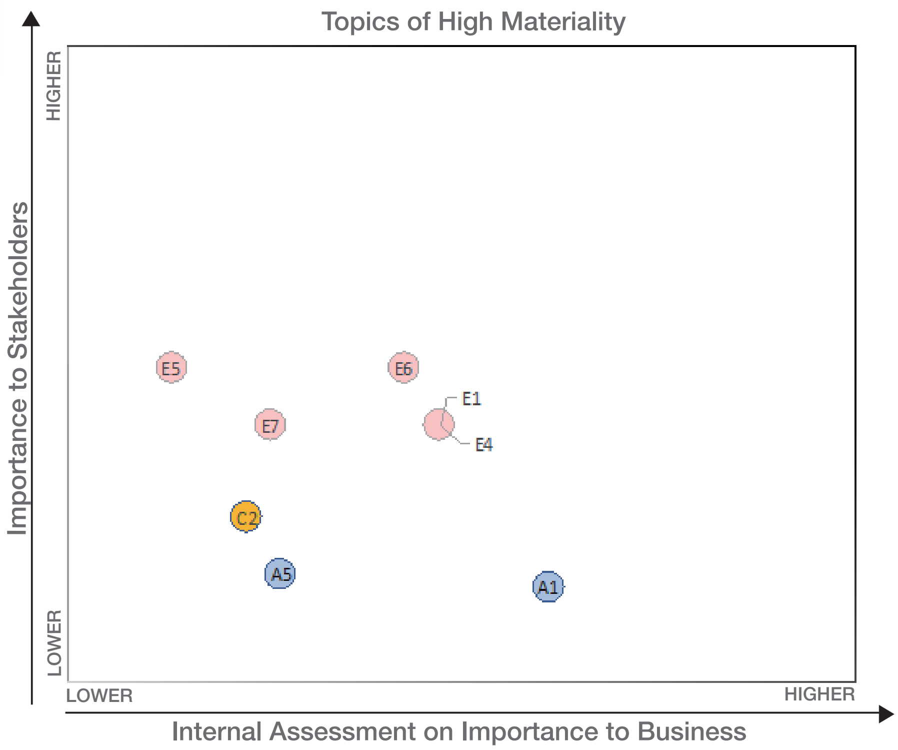
A	Economic and Corporate Governance	D	Human Rights
1	Economic Performance	1	Non-discrimination
2	Market Presence	2	Freedom of Association and Collective Bargaining
3	Indirect Economic Impacts	3	Preventing Child Labour
4	Procurement Practices	4	Preventing Forced or Compulsory Labour
5	Anti-corruption	5	Rights of Indigenous Peoples
6	Anti-competitive Behaviour	6	Human Rights Assessment
7	Tax	7	Security Personnel Practices
8	Socioeconomic Compliance		
B	**Environmental**	**E**	**Product Responsibility**
1	Material Consumption	1	Product Quality
2	Energy Management	2	Customer Health and Safety
3	Water and Effluents Management	3	Marketing and Labeling
4	Biodiversity	4	Customer Satisfaction
5	Emissions	5	Customer Privacy
6	Waste Management	6	Information Security
7	Environmental Compliance	7	Intellectual Property Rights
8	Climate Change Responses	8	Supplier Environmental Assessment
9	Environmental Protection Policies	9	Supplier Social Assessment
10	Green Product Research and Development		
C	**Labour Management**	**F**	**Social Participation**
1	Employment	1	Community Investment
2	Labour/Management Relations	2	Public Policy
3	Occupational Health and Safety		
4	Training and Education		
5	Diversity and Equal Opportunity		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix – *continued*



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

– Economic performance;

– Anti-corruption;

– Labour/management relations;

– Product quality;

– Customer satisfaction;

– Customer privacy;

– Information security; and

– Intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix – *continued*

The material topics mainly focused on economics, corporate governance, and product responsibility. These topics are vital to the Group's business operation, as well as to our stakeholders. The table below outlined the impact boundaries and our management approach toward the material topics. Details are discussed in relevant sections in this ESG Report.

Material Topics	Impact Boundaries				Management Approach
	Employees	Customers	Suppliers	Shareholders & Investors	
Economic performance	✓	✓	✓	✓	– Strengthen and expand the sales coverage in the Greater China region to provide excellent service to our customers – Expand product portfolio to cope with business development – Communicate economic value generated and distributed through the annual report, annual general meetings and investor meetings
Anti-corruption	✓	✓	✓		– Adhere to the internal Code of Business Conduct in all business interactions – Encourage employees to raise concerns about misconduct, malpractice or irregularities with the whistleblowing policy in place
Labour/ management relations	✓				– Conduct consultation with relevant parties affected by significant business decisions – Explain to affected parties the impacts of the significant business decisions and avoid negative impacts as much as possible

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix – *continued*

Material Topics	Impact Boundaries				Management Approach
	Employees	Customers	Suppliers	Shareholders & Investors	
Product quality	✓	✓	✓		– Ensure consistent and high standard of product quality as per the product quality standard procedure – Include warranty terms when establishing vendor agreements with our suppliers
Customer satisfaction	✓	✓	✓		– Manage customers' expectations by listening to and understanding their views – Act on complaints and negative reviews according to the customer complaint handling procedure – Evaluate complaint reports to continuously improve customer experience
Customer privacy	✓	✓	✓		– Only collect personal data that is relevant and required to conduct our business – Maintain appropriate security systems and measures designed to prevent unauthorised access to personal data – Include confidentiality clauses in employee contracts

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Stakeholder Engagement and Materiality Assessment – *continued*

Materiality Matrix – *continued*

Material Topics	Impact Boundaries				Management Approach
	Employees	Customers	Suppliers	Shareholders & Investors	
Information security	✓	✓	✓		– Adhere to the procedures for handling virus or ransomware attacks from the Standard ITD Handling Procedure – Raise employees' awareness of cyber security through regular email reminders – Review information security systems whenever necessary
Intellectual property rights	✓	✓	✓		– Prohibit the use of illegal software products and development tools in the Group – Review database of patent information regularly

The assessment results have provided important references 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 in close communication with its stakeholders to gain further insights on ESG material aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

Sustainability Governance

The ESG Team is responsible for the systematic planning and implementation of sustainability strategies for its departments and subsidiaries. The ESG Team is coordinated by the Chief Financial Controller and comprised of staff members from the Finance and Accounting Department and Human Resources Department. It supports the Board in overseeing and maintaining effective ESG risk management and internal control systems. The Board meets annually to evaluate and prioritise material ESG-related issues, identify risks and opportunities regarding climate change, and review ESG-related targets. To embed sustainability into the Group's business, the Board has set up a rigid governance structure to communicate ESG strategies, review ESG performance and targets, and evaluate ESG risks and opportunities across the Group. The governance structure and responsibilities of different parties are shown below.

Roles	Responsibilities
Board of Directors	– Formulate and review ESG approach and targets – Evaluate and prioritise material ESG-related issues – Identify climate change-related risks and opportunities – Communicate ESG approach, performance and targets to stakeholders
The ESG Team	– Plan and implement ESG strategies across departments and subsidiaries – Establish effective ESG monitoring and evaluation mechanism – Supervise the implementation of ESG strategies across departments and subsidiaries – Support the Board in decision-making, identifying and managing ESG opportunities and risks
Management from various departments	– Implement major tasks assigned by the Board and the ESG Team – Implement and monitor ESG strategies, performance and targets – Establish an effective ESG data monitoring mechanism – Identify and manage ESG opportunities and risks

Aside from the rigid sustainability governance structure, the audit committee of the Board (the "Audit Committee") ensure the effectiveness of the Group's financial control, operational control, internal control, compliance control, technology control and risk management systems. Details are shown in the Corporate Governance Report of the Annual Report 2021/22.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. OUR SUSTAINABILITY APPROACH – *continued*

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.

3. BUSINESS STRATEGY

Willas-Array has a strategic objective to maintain robust and sustainable growth while creating and sharing long-term value with its stakeholders. It upholds a strong sense of social responsibility and holds on to its mission.

As one of the largest Hong Kong-based distributors of electronics components in the Greater China region, the Group has always been keeping abreast of the market needs and trends. Bolstered by the Chinese government's plan in increasing domestic consumption and achieving carbon neutrality, the Group has been exploring new market opportunities and accelerating the low-carbon transformation of its products. It has gradually shifted its focus of development to providing clean energy and low-carbon solutions in the automotive and industrial segments. In particular, the Group will strengthen sales in Greater China and expand the product portfolio to grow and diversify its revenue base.

Building a talent pool and nurturing talents are crucial to the Group's success. The Group allocates abundant resources to retaining talents, promoting occupational health and safety, providing comprehensive training programmes and collecting feedback from employees. It treasures feedback from its employees and provides employees with a clear career path with job advancement opportunities.

The Group prides itself on the long-standing relationships and close cooperation with its suppliers and clients. Maintaining long-term relationships with its partners provides opportunities for continual improvements and enables value sharing. The Group seeks to leverage the strengths of collaborating partners to provide an exceptional customer experience to clients. To align the expectations of collaborating parties, the Group has established open and effective communication channels with its suppliers and clients.

During the reporting period, the Group had received no financial assistance from any government. There was no government ownership in the Group's shareholding structure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL

Emissions

The Group is committed to continuously improving its environmental performance. It strives to achieve more efficient use of resources and reduction of waste, save energy and raise environmental awareness among staff. An environmental policy is in place to guide the implementation of environmental initiatives, encourage staff to contribute ideas on green practices and foster staff engagement and contribution to environmental protection. Moreover, the Group has organized a variety of activities to promote environmental awareness and participation among the employees, such as the "Green Corner" set up in the Hong Kong, Shenzhen and Shanghai offices. In collaboration with CLP Power Hong Kong Limited (the "CLP"), the Group has upgraded the lighting fixtures at its headquarters office to light emitting diodes ("LED") tubes, which are more energy efficient and environmentally friendly compared to the original incandescent and florescent lamps being used before December 2021.

To show the Group's continuous support for environmental conservation and sustainability issues, the Group placed money with Standard Chartered Bank's sustainable deposit account during the reporting period. Liquidity raised by the bank will be used to help finance activities that support the United Nations' Sustainable Development Goals such as renewable energy, financing small and medium enterprises ("SMEs") and microfinance lending in developing countries across Asia, Africa and the Middle East.

Since environmental topics are not considered material topics to the Group and stakeholders, the Group has not set environmental targets regarding emissions, waste generation and water consumption during the reporting period. It has, however, set a target of replacing traditional lightings to LED lightings at its Shenzhen office by the end of its next financial year to further reduce energy consumption. The Group will regularly review the necessity of target setting in its operations.

Air Emissions

During the reporting period, petrol was consumed by the Group-owned vehicles, which contributed to the emission of 6.63 kg of nitrogen oxides ("NO_x"), 0.18 kg of sulphur oxides ("SO_x") and 0.49 kg of respiratory suspended particles ("RSP")[1]. The emissions of NO_x and RSP increased significantly mainly due to the changes in emissions factors adopted during the reporting period[2].

1 Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the SEHK.

2 The emission factors used for calculating the NO_x, SO_x and RSP emissions from petrol during the last reporting period were 0.031 g/km, 0.0147 g/L and 0.004g/km, with reference to the EMFAC V4.2 (scenario year: 2019). The emission factor used for calculating the NO_x, SO_x and RSP emissions from petrol during the reporting period were 0.0747g/km, 0.0147 g/L and 0.0055g/km, with reference to the Appendix 27 to the Listing Rules and their referred documentation as set out by the SEHK.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Emissions – *continued*

Greenhouse Gas ("GHG") Emissions

During the reporting period, the Group's business operation contributed to the GHG emission of 433.17 tonnes of carbon dioxide equivalent ("$tCO_2eq.$"), mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons. The overall intensity of the GHG emissions for the Group was <0.01 $tCO_2eq./ft^2$ with reference to the floor area of the Group's business operations and 1.51 $tCO_2eq.$/employee with reference to the total number of employees as of March 31, 2022. When compared to the last reporting period, the total GHG emissions have dropped by 13%.

Scope of GHG Emissions	Emission Sources	GHG Emission ($tCO_2eq.$)	Total GHG Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuel for mobile sources[1]	Petrol	31.71	7%
Scope 2 Indirect Emission			
Purchased electricity[2]		368.53	85%
Scope 3 Other Indirect Emission			
Paper waste disposed of in landfills[3]		19.32	
Electricity used for freshwater treatment		0.10	8%
Electricity used for sewage treatment		0.05	
Business air travel[4]		13.46	
TOTAL		**433.17**	**100%**

Note 1: Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the SEHK, unless stated otherwise.

Note 2: Emission factor of 0.6101 $kgCO_2/kWh$ was used for purchased electricity in the PRC operation during the reporting period, with reference to the Ministry of Ecology and Environment of the PRC (2019).

Note 3: Paper waste disposed of at landfills was calculated under the assumption of all purchased paper was consumed and disposed of during the reporting period.

Note 4: CO_2 emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Emissions – *continued*

Hazardous Waste

Although no substantial hazardous waste was generated by the Group, a small number of batteries have been used for office electronic devices. Used batteries were collected separately with the collection trays at offices and recycled at the designated public collection points in metro stations or building management collection points. A total of 5.54 kg of waste batteries were collected for recycling during the reporting period, contributing to an overall waste generation intensity of 0.02 kg/employee. The overall hazardous waste generation dropped by 2% when compared to the last reporting period.

Non-hazardous Waste

A total of 4.02 tonnes of wastepaper and 9.15 tonnes of commercial wastes and plastic bottles were generated during the reporting period, contributing to an overall waste generation intensity of 0.05 tonnes/employee. The overall non-hazardous waste generation dropped by 9% when compared to the last reporting period.

Emissions Mitigation and Targets

Although business air travel is essential to sustainable business growth, the Group is aware of the GHG emission generated and therefore has taken proactive measures to minimize unnecessary travel. The Group's green travel policy has stipulated that business air travel must be reasonable and necessary. With continuous efforts and due to the outbreak of the COVID-19 pandemic during the reporting period, GHG emissions from business travels decreased by 4% when compared to the last reporting period.

Since the Group's business operation does not involve production, the major greenhouse gas emission source was purchased electricity. The Group has therefore set a target to replace incandescent and fluorescent tubes at the Shenzhen office with LED lightings by the end of the next financial year. Simultaneously, the Group will study the feasibility of switching to LED lightings at its Shanghai office and warehouse.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Emissions – *continued*

Waste Reduction and Targets

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 on the environment and human health.

The Group adopted the principles of reducing, reusing, recycling and replacing for its waste management. To reduce paper consumption, the Group deployed an e-leave system for leave applications, e-payslip and 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-sided 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. Employees are encouraged to use electronic means for communicating with clients or promoting products. To separate recyclable materials from other wastes at the 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. The Group has not recorded the amount of paper being recycled. During the reporting period, the Group generated 24% less paper waste than that in the last reporting period. The waste generated from the Group's business activities was minimal, and the Group has not set any target regarding waste reduction. Having said that, the Group spares no effort in avoiding waste generation at the source, and reusing and recycling wastes.

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.

Energy Consumption

Energy Consumption Sources	Direct/Indirect Consumption	Consumption (in MWh)	Intensity (in kWh/ft^2)	Intensity (in kWh/ employee)
Electricity	868.05 MWh	868.05	7.89	3,024.56
Petrol	11,923 L	115.55	1.05	402.60
TOTAL		**983.60**	**8.94**	**3,427.18**

The Group's total energy consumption was 983.60 MWh during the reporting period, with an overall energy intensity of 8.94 kWh/ft^2 and 3,427.18 kWh/employee. The total energy consumption has reduced by 4% compared to the last reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Use of Resources – *continued*

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 226 m^3, with an intensity of <0.01 m^3/ft^2 and 0.79 m^3/employee. Water consumption of the offices was 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.

Energy Use Efficiency Initiatives and Targets

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. To further enhance energy efficiency, the Group has constantly monitored the energy consumption in the Hong Kong warehouse. Several measures have been adopted such as adjusting the temperature of the air-conditioners according to the weather and some of the air-conditioning units are turned off after normal work hours to reduce unnecessary energy use. In 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 on procuring equipment with energy efficient features, such as appliances with Grade 1 energy labels under the Mandatory Energy Efficiency Labelling Scheme in Hong Kong.

The Group has always been exploring opportunities to switch lights from incandescent and fluorescent tubes to LED lights. During the reporting period, the Group has participated in the Electrical Equipment Upgrade Scheme organised by the CLP. The headquarters office in Hong Kong has switched to LED lights in phases. All phases have completed in December 2021, which involved the installation of more than 1,400 LED lights.

By the end of its next financial year, the Group aims to replace the incandescent and fluorescent tubes at the Shenzhen office with LED lightings. Simultaneously, the Group will study the feasibility of switching to LED lightings at its Shanghai office and warehouse.

Water Use Efficiency Initiatives and Targets

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. Since fresh water was used for domestic use and the consumption is insignificant, there were no related targets set.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Use of Resources – *continued*

Packaging Materials

During the reporting period, the Group consumed a total of 17.20 tonnes of bubble wraps, plastic wraps and cardboard boxes for product packaging, contributing to a consumption intensity of 0.16 kg/ft^2. The Group overall consumed 9% more packaging materials than in the last reporting period.

Type of Packaging Materials	Consumption (in tonnes)
Bubble/plastic wraps	0.25
Cardboard boxes	16.95
TOTAL	**17.20**

To minimize the 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.

The Environment and Natural Resources

Sources of emissions the Group involved during the reporting period included petrol, 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 concerning 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 organisation, the Group aims to minimize waste and fully utilize resources. When developing new product sales, the Group acts in a precautionary manner putting in mind the possible environmental impacts associated with the product life cycle. The Group will continue to monitor its resource consumption and waste generation to reduce the adverse impact on the environment.

4. ENVIRONMENTAL – *continued*

Climate Change

The Group considers climate change not only as a risk to mitigate but also as an opportunity for the Group to explore new market opportunities and foster the low-carbon transformation of its products. The shift in consumer preferences for low-carbon products led to increasing demand for home appliances with energy-saving and energy-efficient features. The sustainable policies in China have also supported the Group to expand its product portfolio towards the provision of clean energy and low-carbon solutions in the automotive and industrial segments. In terms of climate-related risks, the Board identified the risks and assessed the potential impacts. In particular, the policy transition risks and the physical risks are the significant risks that would affect the Group's operation.

As sustainability reporting gains momentum, the listing rules on sustainability reporting governed by the SEHK and the SGX-ST have both tightened. The enhanced emissions-reporting obligations led to an increased demand for human resources and thus an increased financial cost. The Group is, however, positive about such change as it believes that a more open and transparent reporting brings long-term values to its business operation and its stakeholders. The Group has therefore engaged professional consultants to provide consultancy on sustainability reporting and insights on the sustainability trend. It has also allocated necessary human resources to gather ESG data and manage ESG-relate issues. The Group always offers a competitive remuneration package to attract talents and provides adequate training for its talents. Indeed, the Group has made extra effort to enhance its sustainability disclosure in accordance with the GRI Standards this year.

The Group is dedicated to distributing products of high quality. Despite the Group's effort in maintaining appropriate storage conditions for its warehouses, its warehouses are exposed to physical climate risks. Acute physical risks include increased severity of extreme weather such as cyclones and floods and chronic physical risks include changes in precipitation patterns and extreme variability in weather patterns. Both acute and chronic risks will cause direct damages to the Group's warehouses and the products in its warehouses. The Group takes these risks into consideration when it selects its warehouse venues. It screens out warehouses in the basement and the ground floor. The existing warehouses are located in different locations and on upper storeys. Apart from the direct damages to the Group's warehouses, the extreme weather can cause indirect damages to the Group's supply chain. The Group has engaged suppliers from various geographical locations to diversify the associated risks. Moving forward, the Group will keep on identifying and evaluating climate change-related risks and opportunities. This ensures the Group grasps the opportunity to grow its business, at the same time strengthens its climate resilience.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENVIRONMENTAL – *continued*

Climate Change – *continued*

Internal Assessment Results of Climate-related Risks				
Climate Risk Type	**Significant Risk**	**Time Horizon**	**Risk Level**	**Trend**
Transition risk	More stringent sustainable policies (including sustainability reporting requirements)	Short term	Low	Increase
Physical risk	Acute risks such as increased severity of extreme weather	Short to medium term	High	Increase
	Chronic risks such as changes in precipitation patterns and extreme weather patterns	Long term	High	Increase

5. SOCIAL

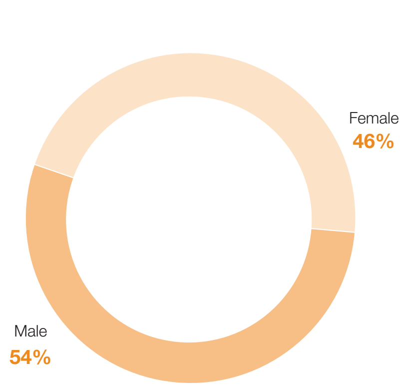
Employment and Labour Practices

Employment

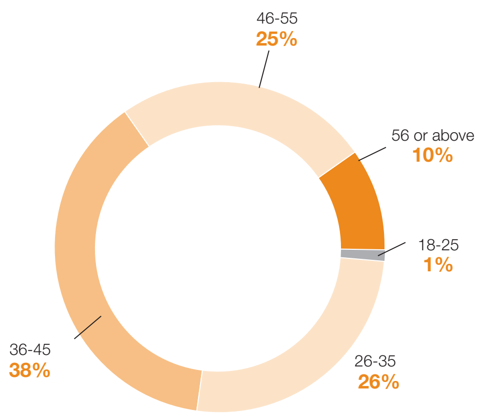
Total Workforce and Turnover

The business operations covered in the reporting scope had a total number of 287 employees as of March 31, 2022, all of them were full-time and permanent employees. The distribution of the workforce by employee category is shown below.

Workforce Distribution by Gender



Workforce Distribution by Age Group



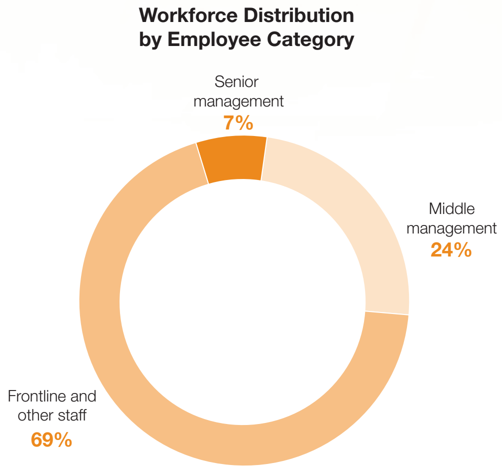
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

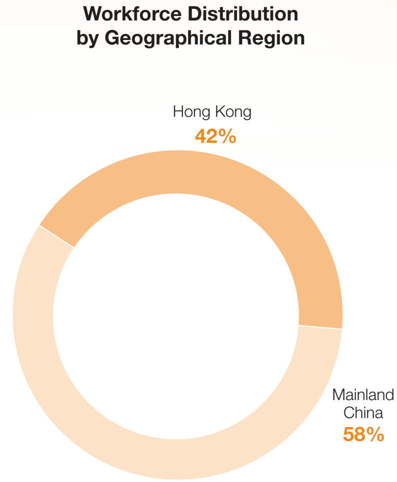
5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

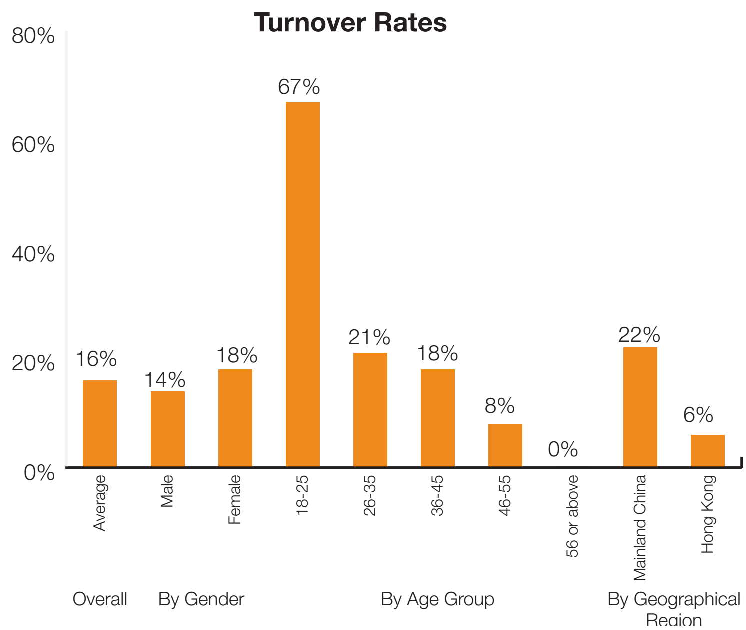
Employment – *continued*

Total Workforce and Turnover – *continued*





A total of 54 employees left the Group during the reporting period, representing an annual average turnover rate[3] of 16%.



Note: The turnover rate by specific category was calculated by the total number of employees who left the Group in the specific category during the reporting period/(total number of employees in the specific category as of March 31 of the reporting period plus the total number of employees in the specific category who left the Group during the reporting period) *100%.

3 The annual average turnover rate was calculated by the total number of employees who left the Group during the reporting period/ (total number of employees as of March 31 of the reporting period plus the total number of employees who left the Group during the reporting period) *100%. Employees who left the Group within the probationary period are not counted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

Employee Benefits and Equal Opportunity

The human resources policy of the Group stipulates 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 the provision of medical insurance, life insurance, personal accident insurance, long service award and retirement schemes. Remuneration is reviewed annually based on the performance of the 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. During the reporting period, the Group was accredited as the "Good MPF Employer 6 Years" and presented with the e-Contribution Award and the MPF Support Award by the Mandatory Provident Fund Schemes Authority. The Group has a performance evaluation system to facilitate better working relationships and employees' performance.

The Group values and respects diversity in the 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, training, 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, and 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 provides 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.

5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

Employee Communication

The Group respects its employees and keeps employees engaged when there are changes in company policies and operational practices. It consults employees that will be substantially affected before coming to a decision with employees' views taken into account. Such consultations and communications are conducted through monthly meetings, forecast meetings and emails. The objectives of these meetings are to communicate the reason for changes in an open manner, explain how the changes would affect them and provide detailed guidelines on how the changes will be carried out. If there are significant operational changes such as restructuring, outsourcing of operations, closures, expansions or mergers, the Group will discuss them with the employees as soon as appropriate. The Group will provide at least one week's notice to the employees that will be substantially affected by the significant operational changes whenever appropriate.

To foster work-life balance, the Group regularly organises social, sports and recreational activities for employees. During the reporting period, the Group has organised a basketball competition with its customers and vendors. In addition, the Group has conducted a photography competition, yoga activities and small quizzes through the Group's WeChat account, and has made a wishing tree for employees. This also enhances employees' sense of belonging and satisfaction.

Employee Health and Safety

Employee health and safety are of utmost importance in the Group's operation. The Group is committed to providing and maintaining a safe, healthy and hygienic working environment for its employees. The Group's general policy has provided clear guidelines for workplace safety. It provides appropriate training, and evacuation exercises, and sets up safety programmes for the 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

Employee Health and Safety – *continued*

The Group is aware of the potential hazards associated with a warehouse operation. Its guideline on workplace safety guided 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 of 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. To avoid potential hazards of slips and falls, mechanical hydraulic safety gates were installed on the 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. Signage is displayed at shelves and racks indicating their maximum loading levels to avoid overloading. The Group's Hong Kong warehouse at ATL Logistics Centre allows warehouse platforms to be reached by vehicles and reduced the risk of manual handling injuries.

In response to the COVID-19 outbreak since January 2020, the Group has implemented special arrangements, stepped up precautionary measures, and formed an Emergency Response Team that closely monitors the development of the epidemic. The health and safety of employees in times of the pandemic remains the Group's primary concern.

The implemented special arrangements included:

– Flexible work arrangements (e.g., work from home, flexible working hours, early release and split team office);

– Enforcing the use of face masks in the workplace;

– Routine monitoring of body temperature;

– Banning business travel; and

– Using video conferencing to avoid large-scale meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

Employee Health and Safety – *continued*

Adhering to the "people-oriented" principle, the Group has also adopted the following preventive measures during the epidemic:

– Casual wear in the office;

– Encourage employees to perform stretching exercises in the office to relieve stress;

– Provide employees with useful anti-epidemic measures from time to time; and

– Strengthen workplace hygiene.

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 are checked monthly by the human resources department. 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. In addition to the Guideline on Workplace Safety, a procedure for reporting workplace accidents has been developed. The Group complied with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period, including but not limited to the PRC Law on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong. There were no work related fatalities in the past three years including the reporting year.

Occupational Health and Safety Data in 2021/22	
Work related fatality	0
Work related fatality rate	0%
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0 days

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

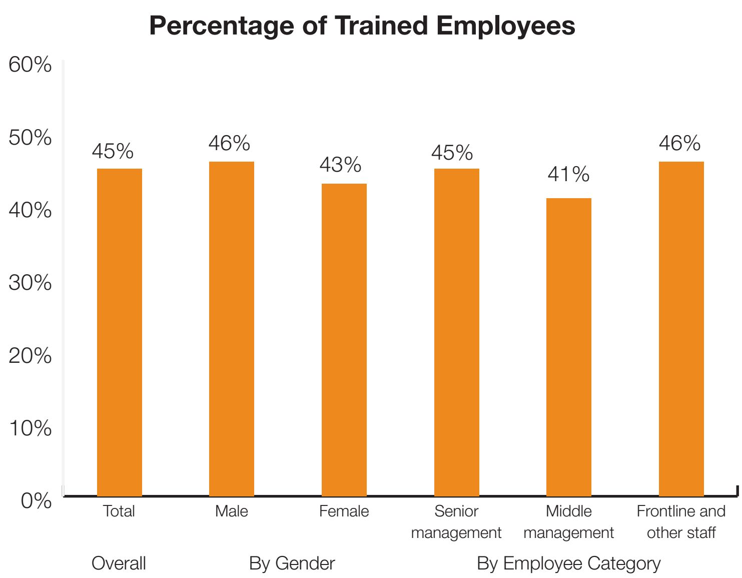
5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

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 concerning development and training, it supports the development of employees through the provision of in-house training and subsidization of external training. It will consider developing relevant policy and setting an annual training budget 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. The percentage of trained employees and average training hours completed per employee by categories are shown below[4,5].



4 The percentage of trained employees is calculated by trained employees in specific category/number of employees in specific category as of March 31 of the reporting period.

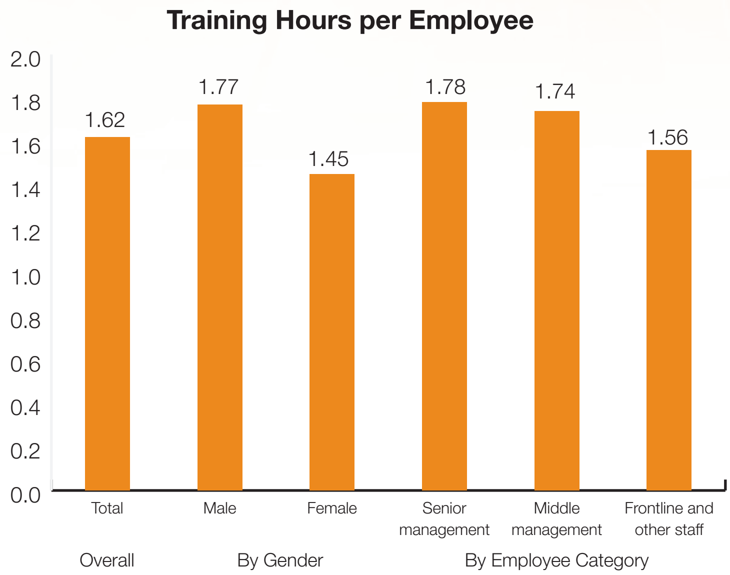
5 The average training hours per employee is calculated by the training hours delivered for specific category/number of employees in specific category as of March 31 of the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Employment and Labour Practices – *continued*

Development and Training – *continued*



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 the identities of job applicants against their valid identity documents when they are invited to attend the interview. The Group strictly prohibits forced work using physical punishment, abuse, involuntary servitude, peonage or trafficking. Any child or forced labour discovered will be prohibited from work immediately and the Group will perform detailed investigation and rectification accordingly. If necessary, the Group will coordinate with its legal department to carry out investigation and rectification. No material non-compliance with laws and regulations regarding the prevention of child and forced labour was recorded during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Operating Practices

Supply Chain Management

Given the rising environmental concerns in society, the Group is aware of the importance of managing the environmental and social risks of its supply chain partners. The Group has embedded environmental and social considerations in the procurement process to promote responsible supply chains. It identifies and reduces environmental and social risks along the supply chain by assessing suppliers' environmental and social practices. With the Group's development focusing on providing clean energy and low-carbon solutions, the Group also screened and selected suppliers supplying energy-efficient electronic components.

The Group holds each entity accountable for upholding ethical business operations and adhering to transparent and open procurement practices. In the selection of suppliers, the Group evaluates the statutory qualifications, reputation, previous track record, satisfaction of past cooperation partners of its suppliers, and takes into account suppliers' performance in fulfilling their social responsibilities and commitment to environmental protection. The Group requires suppliers to comply with the laws and regulations in their principal places of business, and operate in good faith by adhering to the business ethics. The majority of the Group's suppliers have developed corporate social responsibility ("CSR") policies for social contribution, compliance, human rights, environmental conservation, and community investment, and meanwhile established systems and committees to promote CSR activities and improve CSR performance.

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 includes 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, ISO 14001 and TS16949.

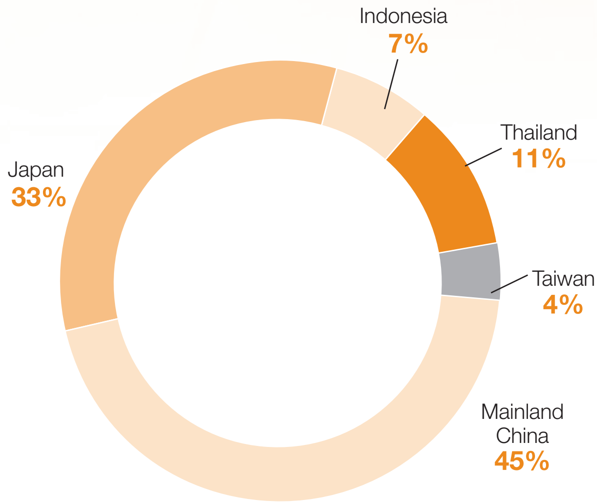
There were no significant changes in the location, operation and relationships with the suppliers during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Operating Practices – *continued*

Distribution of Suppliers by Gegraphical Region



Product Responsibility

As a distributor of electronic components, the Group ensures that trading goods are stored and delivered in 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 Quality and Customer Service

The Group has standardised procedures ensuring product consistency and quality. The Group safeguards its inventories by maintaining appropriate temperature and humidity for storage in the warehouses. It optimizes all resources with constantly improving logistics. Trading goods are received, stored, packaged and dispatched to 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. Warranty terms are included in vendor agreements with its suppliers to make sure that the products it distributes are of high grade. In case of reports of faulty products from customers, the Group's product managers will liaise with the suppliers for follow-up actions. During the reporting period, there were no products recalled in relation to health and safety reasons. A total of 83 complaints related to suppliers' product quality, delayed shipment, packing and labelling issue were received during the reporting period. All complaint cases have been resolved with the agreement from the suppliers and the customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

Product Quality and Customer Service – *continued*

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 with 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 has also invested in Electronic Data Interchange ("EDI") system with suppliers and made use of a secure and advanced electronic platform for sending documents to customers in order to reduce paper consumption and enhance the efficiency of communications. It aims to continuously lead the industry to create a long-term sustainable environment.

The Group manages customers' expectations by listening to its customers and understanding their views. It strives to avoid customer complaints by ensuring an excellent customer experience. However, when a complaint is lodged, the Group handles the complaint according to a standard customer complaint handling procedure in a systematic and expeditious manner. The reason for the complaint will first be investigated. A customer complaint report will be filed for complaints with valid reasons, and the report will be evaluated by the management including the sales manager, product manager and general manager. Sales returns will be issued with the approval of the management if appropriate.

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. The IP rights owned by the Group were registered and filed systematically. The Group reviews and reinforces its management of IP rights whenever necessary.

5. SOCIAL – *continued*

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 upholding 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 disclosure 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.

There was no material non-compliance with laws and regulations in relation to customer data protection and privacy that have a significant impact on the Group recorded during the reporting period. No substantiated complaint concerning breaches of customer privacy and losses of customer data was received during the reporting period.

Information Security

A sound information security system protects data collected by the Group and ensures a safe business operation. The Group recognises the importance to avoid, identify and respond to internal and external threats posing to the Group's information assets. In view of the increased and evolved cyber-attack activities, the Group has rolled out the standard handling procedure against virus or ransomware attacks during the reporting period. When there is a virus or ransomware attack, the IT Department will be responsible for isolating the virus or ransomware spread across any wired or wireless networks. Infected machines will first be disconnected from all network connections immediately. The source of the virus or ransomware will be identified and blocked in the firewall or gateway. The IT Department will update the definition file in the Anti-Virus server and block any security holes. It will also announce to all staff about the virus attack to raise their awareness. The Group regularly reminds staff to stay vigilant about cybersecurity and to report any suspicious emails or websites.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

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-blowers can make a report in writing and by post or by email. Upon receipt of a complaint 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 or 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 whistleblowing policy is reviewed annually to ensure the effectiveness of the associated processes and procedures.

The legal training conducted during the reporting period covered topics of anti-corruption. A total of 112.5 training hours were spent on legal training, 42 employees and directors have participated in the training. To reinforce the culture of integrity within its workplace, the Group will arrange anti-corruption training to its employees and directors in the financial year 2022/23.

The Group complied with all applicable laws prohibiting corruption and bribery of Hong Kong and the PRC. There were no legal proceedings regarding corrupt practices brought against the Group, its employees, or its business partners during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. SOCIAL – *continued*

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 25, 2021. Many colleagues donated to share their care. A certificate of appreciation was awarded by the Tung Wah Group of Hospitals to the Group for participating in the fundraising activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES

Appendix I – SEHK ESG Reporting Guide Index

General Disclosures and KPIs	Description	Section(s) (Page number)
Environmental		
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions (41)
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions (41)
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Greenhouse gas Emissions (42)
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Hazardous Waste (43)
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Non-hazardous Waste (43)
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions (41); Emissions Mitigation and Targets (43)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions (41); Waste Reduction and Targets (44)
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources (44)
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Consumption (44)
KPI A2.2	Water consumption in total and intensity.	Water Consumption (45)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Emissions (41); Energy Use Efficiency Initiatives and Targets (45)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Emissions (41); Water Use Efficiency Initiatives and Targets (45)
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Packaging Materials (46)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix I – SEHK ESG Reporting Guide Index – *continued*

General Disclosures and KPIs	Description	Section(s) (Page number)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources (46)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources (46)
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change (47)
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change (47)
Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices (48)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Total Workforce and Turnover (48)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix I – SEHK ESG Reporting Guide Index – *continued*

General Disclosures and KPIs	Description	Section(s) (Page number)
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety (51)
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training (54)
KPI B3.1	The percentage of employees trained by gender and employee category.	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Labour Standards (55)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix I – SEHK ESG Reporting Guide Index – *continued*

General Disclosures and KPIs	Description	Section(s) (Page number)
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management (56)
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility (57)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality and Customer Service (57)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Quality and Customer Service (57)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights (58)
KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality and Customer Service (57)
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Data Collection and Privacy (59); Information Security (59)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix I – SEHK ESG Reporting Guide Index – *continued*

General Disclosures and KPIs	Description	Section(s) (Page number)
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption (60)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment (61)
KPI B8.1	Focus areas of contribution.	
KPI B8.2	Resources contributed to the focus area.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix II – GRI Standards Content Index – Core Option

GRI Standards Indicator	Description	Session/Explanation (Page number)
GRI 102: General Disclosure (2016)		
Organizational Profile		
102-1	Name of organization	Scope and Reporting Period (27)
102-2	Activities, brands, products, and services	About Willas-Array (28); Scope and Reporting Period (27)
102-3	Location of headquarters	Scope and Reporting Period (27)
102-4	Location of operations	Scope and Reporting Period (27); About Willas-Array (28); Refer to the Annual Report 2021/22 – Corporate Profile
102-5	Ownership and legal form	Scope and Reporting Period (27); Refer to the Annual Report 2021/22 – Corporate Profile
102-6	Markets served	About Willas-Array (28); Scope and Reporting Period (27)
102-7	Scale of the organization	About Willas-Array (28); Total Workforce and Turnover (48); For financial information please refer to the Annual Report 2021/22 – Financial Highlights
102-8	Information on employees and other workers	Total Workforce and Turnover (48) The Group did not involve in a significant portion of organisation's activities performed by workers who are not employees.
102-9	Supply Chain	Supply Chain Management (56)
102-10	Significant changes to the organization and its supply chain	About Willas-Array (28); Supply Chain Management (56)
102-11	Precautionary Principle or approach	The Environment and Natural Resources (46)
102-12	External initiatives	The Group has not subscribed or endorsed any externally-developed economic, environmental and social charters.
102-13	Membership of associations	The Group has not joined any memberships of associations.
102-14	Statement from senior decision-maker	The Chairman's Statement (29)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix II – GRI Standards Content Index – Core Option – *continued*

GRI Standards Indicator	Description	Session/Explanation (Page number)
102-16	Values, principles, standards, and norms of behaviour	About Willas-Array (28); The Chairman's Statement (29); Our Sustainability Approach (31); Business Strategy (40)
102-18	Governance structure	Sustainability Governance (39); Refer to the Annual Report 2021/22- Board of Directors
102-40	List of stakeholder groups	Stakeholder Engagement and Materiality Assessment (31)
102-41	Collective bargaining agreements	There were no collective bargaining agreements in the Group during the reporting period.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement and Materiality Assessment (31)
102-43	Approach to stakeholder engagement	Stakeholder Engagement and Materiality Assessment (31)
102-44	Key topics and concerns raised	Stakeholder Engagement and Materiality Assessment (31)
102-45	Entities included in the consolidated financial statements	Refer to the Annual Report 2021/22 – Notes 21 and 46 to the consolidated financial statements (Interest in an Associate and List of Subsidiaries, respectively)
102-46	Defining report content and topic boundaries	Stakeholder Engagement and Materiality Assessment (31)
102-47	List of material topics	Stakeholder Engagement and Materiality Assessment (31)
102-48	Restatements of information	There was no restatement of information during the reporting period.
102-49	Changes in reporting	There were no significant changes from the previous reporting periods in the list of material topics and topics boundaries.
102-50	Reporting period	Scope and Reporting Period (27)
102-51	Date of most recent report	The most recent previous ESG Report was published on June 25, 2021 in the Annual Report for the Year Ended March 31, 2021.
102-52	Reporting cycle	The ESG Report is published on an annual basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix II – GRI Standards Content Index – Core Option – *continued*

GRI Standards Indicator	Description	Session/Explanation (Page number)
102-53	Contact point for questions regarding the report	Stakeholder's Feedback (40)
102-54	Claims of reporting in accordance with the GRI Standards	Scope and Reporting Period (27)
102-55	GRI content index	GRI content index (67)
102-56	External assurance	The ESG Report was reviewed and approved by the Board of Directors of the Group.
Material Topics		
GRI 201: Economic Performance 2016		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Business Strategy (40)
103-3	Evaluation of the management approach	Sustainability Governance (39)
201-4	Financial assistance received from the government	Business Strategy (40)
GRI 205: Anti-corruption 2016		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Anti-corruption (60)
103-3	Evaluation of the management approach	Sustainability Governance (39)
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption (60)
GRI 402: Labour/Management Relations 2016		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Employee Communication (51)
103-3	Evaluation of the management approach	Sustainability Governance (39)
402-1	Minimum notice periods regarding operational changes	Employee Communication (51)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. APPENDICES – *continued*

Appendix II – GRI Standards Content Index – Core Option – *continued*

GRI Standards Indicator	Description	Session/Explanation (Page number)
Product Quality		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Product Quality and Customer Service (57)
103-3	Evaluation of the management approach	Sustainability Governance (39)
Customer Satisfaction		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Product Quality and Customer Service (57)
103-3	Evaluation of the management approach	Sustainability Governance (39)
GRI 418: Customer Privacy 2016		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Customer Data Collection and Privacy (59)
103-3	Evaluation of the management approach	Sustainability Governance (39)
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Data Collection and Privacy (59)
Information Security		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Information Security (59)
103-3	Evaluation of the management approach	Sustainability Governance (39)
Intellectual Property Rights		
103-1	Explanation of the material topic and its boundary	Stakeholder Engagement and Materiality Assessment (31)
103-2	The management approach and its components	Intellectual Property Rights (58)
103-3	Evaluation of the management approach	Sustainability Governance (39)

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors" and the "Board", respectively) 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 will serve its long-term interests and all 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 set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules" and the "HK CG Code", respectively), in addition to the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code"). Throughout the financial year ended March 31, 2022 (the "Year"), save as disclosed below, the Company had complied with all the code provisions of the HK CG Code and the principles and provisions of the Singapore CG Code.

Provision 2.2 of the Singapore CG Code stipulates that independent directors make up a majority of the board where the chairman is not independent. The Company notes that the current Board composition is a variation from Provision 2.2 of the Singapore CG Code as the Board comprises seven members, one of whom is a non-executive Director (the "NED") and also the chairman of the Board (the "Chairman"), three of whom are executive Directors (the "Executive Directors") and three of whom are independent non-executive Directors (the "INEDs"). The Board has plans for Board renewal and an orderly succession, and will continually review its composition to take into account the recommendation in Provision 2.2 of the Singapore CG Code and intends to adopt the necessary measures in due course. Such measures may include having some of the existing Directors (apart from INEDs) stepping down at an appropriate juncture, and/or appointing new independent Directors, if suitable candidates are identified. In the interim, the Board will ensure that all members of each of the three key Board committees, namely the audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee"), shall solely comprise independent Directors, which will act as an additional check and balance on management.

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

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

NED
Mr. Leung Chun Wah *(Chairman)*

Executive Directors
Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing
Mr. Leung Chi Hang Daniel

INEDs
Mr. Wong Kwan Seng, Robert *(resigned on December 31, 2021)*
Mr. Iu Po Chan, Eugene *(resigned on May 31, 2022)*
Mr. Lim Lee Meng
Mr. Tang Wai Loong Kenneth *(appointed on January 1, 2022)*
Mr. Tong Kai Cheong *(appointed on June 1, 2022)*

Pursuant to Provision 3.3 of the Singapore CG Code, the board should have a lead independent director to provide leadership in situations where the chairman is conflicted, and especially when the chairman is not independent. Accordingly, Mr. Wong Kwan Seng, Robert was appointed as the lead independent Director until his resignation on December 31, 2021. Mr. Lim Lee Meng (email address: ac@willas-array.com) has been appointed by the Board as the new lead independent Director with effect from January 1, 2022. 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 the operations of the Group, considers its current size and composition to be adequate for effective decision-making. Key information regarding the Directors' background, qualifications and other appointments is set out on pages 21 to 24 of this annual report. Mr. Leung Chun Wah, the Chairman and a NED, is the father of Mr. Leung Chi Hang Daniel, an Executive Director. Save as disclosed above, there has been no financial, business, family or other material relationship amongst the Directors.

BOARD OF DIRECTORS – *continued*

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. Additionally, during the Year, the Board at all times met the requirements under Rule 210(5)(c) of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST" and the "SGX-ST Listing Manual", respectively) relating to the appointment of at least two INEDs and that the independent Directors are to comprise 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 current INED an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules and Rule 210(5)(d) of the SGX-ST Listing Manual and Provision 2.1 of the Singapore CG Code and the Board is satisfied that all the current INEDs were independent and met the independence guidelines set out in Rule 3.13 of the HK Listing Rules, Rule 210(5)(d) of the SGX-ST Listing Manual and Provision 2.1 of the Singapore CG Code throughout the Year or from his appointment date (as the case may be) and up to the date of this annual report.

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 management personnel upon the 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 the 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 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 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS – *continued*

Role and Functions – *continued*

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, namely the Audit Committee, the Nomination 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 (a) formulating the Group's strategic objectives; (b) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers, acquisitions and disposals; (c) overseeing the Group's corporate governance practices; (d) upon the recommendation of the Remuneration Committee, determining the framework of remuneration packages for all Directors and senior management personnel of the Company (the "Senior Management Personnel"); and (e) 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 them 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.

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.

BOARD OF DIRECTORS – *continued*

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.

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, at the Company's expense, 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.

All the then Directors during the Year (except for Mr. Tang Wai Loong Kenneth who had not yet been appointed as our Director at the time of the training), namely Mr. Leung Chun Wah, Mr. Hon Kar Chun, Mr. Leung Hon Shing, Mr. Leung Chi Hang Daniel, Mr. Iu Po Chan, Eugene and Mr. Lim Lee Meng attended a seminar organised by The Hong Kong Institute of Directors on "Digital Transformation to win in the New Normal" held in November 2021. The above training was arranged and funded by the Company during the Year. In addition, Mr. Tang Wai Loong Kenneth has attended relevant training programmes for first-time directors conducted by The Singapore Institute of Directors as prescribed in the SGX-ST Listing Manual in July 2021. The Company will arrange for Mr. Tong Kai Cheong, who has no prior experience as a director of an issuer listed on SGX-ST, to undergo the relevant training programmes for first-time directors conducted by the Singapore Institute of Directors as prescribed in the SGX-ST Listing Manual.

Additionally, the Company will arrange for the Directors (save for Mr. Tong Kai Cheong) to undergo training on sustainability matters as prescribed by the SGX-ST under Rule 720(7) of the SGX-ST Listing Manual. Mr. Tong Kai Cheong will attend the training on sustainability matters as part of his training programme for first-time directors conducted by the Singapore Institute of Directors.

CORPORATE GOVERNANCE REPORT

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 NEDs (including INEDs) has received an appointment letter from the Company for a term of two years or less.

All the Directors, including the INEDs, are subject to retirement by rotation and eligible for re-election. 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 an integer 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. In compliance with the HK CG Code and Rule 720(5) of the SGX-ST Listing Manual, all Directors will retire by rotation and submit themselves for re-nomination and re-appointment at least once every three years.

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.

Conduct of Board proceedings and supply of and access to information

The Board met five times during the Year 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 (and as far as practicable in all other cases) to make informed decisions, an agenda and accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors or the Board Committee members (as the case may be) three days (or such other period as agreed) before each such meeting. Draft and final versions of minutes of all meetings would be sent to all Board and corresponding Board Committees' members for their comment and records within a reasonable time after the meetings.

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. Where any Director requires more information than has been provided by management, that Director is able to make further enquiries where necessary, in order to fulfil his duties properly.

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

Conduct of Board proceedings and supply of and access to information – *continued*

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 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. All Directors facing conflicts of interest will recuse themselves from discussions and decisions involving the issues of conflict.

Number of Board, Board Committees and general meetings during the Year

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:

	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	5	2	2	4	2	0	1
Name and Attendance of Directors:	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**	**Attended/ Eligible to Attend**
Leung Chun Wah	5/5	2*/2	2*/2	4*/4	2*/2	0/0	1/1
Hon Kar Chun	5/5	2*/2	x	x	x	0/0	1/1
Leung Hon Shing	5/5	2*/2	2*/2	4*/4	2*/2	x	1/1
Leung Chi Hang Daniel	5/5	2*/2	x	x	x	x	1/1
Wong Kwan Seng, Robert *(resigned on December 31, 2021)*	4/4	2/2	2/2	3/3	2/2	x	1/1
Iu Po Chan, Eugene	5/5	2/2	2/2	4/4	2/2	0/0	1/1
Lim Lee Meng	5/5	2/2	2/2	4/4	2/2	x	1/1
Tang Wai Loong Kenneth *(appointed on January 1, 2022)*	1/1	x	x	1/1	x	x	x

x indicates not applicable

* indicates not a member of the relevant committee but attended by invitation

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

Number of Board, Board Committees and general meetings during the Year – *continued*

The NEDs (including the INEDs), led by the lead independent Director, meet at least once a year without the presence of management, and the lead independent Director provides feedback to the Board and/or the Chairman as appropriate after such meetings.

The Board Committees are provided with sufficient resources to discharge their duties. The respective 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.

The Company currently has no alternate Director.

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 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 ("Deloitte Hong Kong"), the Company's independent auditors, 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 118 to 122 of this annual report.

ACCOUNTABILITY

The Board is accountable to the Shareholders while the management of the Company is accountable to the Board. The management presents to the Board monthly management accounts as well as the unaudited half-year and the audited full-year financial statements and 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 to the Board 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.

NOMINATION COMMITTEE

During the Year, the Nomination Committee comprised Mr. Wong Kwan Seng, Robert (as Chairman) (resigned with effect from December 31, 2021), Mr. Tang Wai Loong Kenneth (appointed as Chairman with effect from January 1, 2022), Mr. Iu Po Chan, Eugene and Mr. Lim Lee Meng. 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 the appointment/replacement of key management personnel; 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 on achieving the objectives.

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE – *continued*

During the Year, the Nomination Committee held two meetings and passed the resolutions (i) recommending the re-election of Mr. Wong Kwan Seng, Robert as an INED at the AGM held on July 29, 2021 (the "2021 AGM"); (ii) recommending the re-election of Mr. Leung Hon Shing as an Executive Director at the 2021 AGM; (iii) noting the resignation of Mr. Wong Kwan Seng, Robert as an INED and his cessation as the lead independent Director with effect from December 31, 2021; (iv) recommending the appointment of Mr. Tang Wai Loong Kenneth as an INED with effect from January 1, 2022; and (v) recommending the appointment of Mr. Lim Lee Meng as the lead independent Director with effect from January 1, 2022.

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 his 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 a 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 evaluates, selects and recommends candidate(s) for directorships to the Board and evaluates and recommends 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 an orderly succession of the Board.

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 and re-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. Leung Chun Wah, a NED will retire from office by rotation at the forthcoming AGM pursuant to bye-law 104 of the Bye-Laws and has offered himself for re-election. Pursuant to code provision B.2.2 of Part 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 two 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. Further, Mr. Tang Wai Loong Kenneth and Mr. Tong Kai Cheong, who became an INED on January 1, 2022 and on June 1, 2022 respectively, shall hold office until the forthcoming AGM and pursuant to bye-law 107(B) of the Bye-Laws, being eligible, have offered themselves for re-election.

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

The Singapore CG Code requires all Remuneration Committee members to be NEDs, with the majority (including the Chairman of the Remuneration Committee) to be independent Directors. During the Year, the Remuneration Committee comprised Mr. Iu Po Chan, Eugene (as Chairman), Mr. Wong Kwan Seng, Robert (resigned with effect from December 31, 2021), Mr. Lim Lee Meng and Mr. Tang Wai Loong Kenneth (appointed with effect from January 1, 2022). At all times, 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 NEDs (including 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 four meetings and discussed and recommended to the Board the approval of the remuneration packages of the Executive Directors and recommended to the Board the approval of the Directors' fees of the NEDs (including 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 advocates a performance-based remuneration system for Executive Directors and Senior Management Personnel that is flexible and responsive to the market, comprising a base salary as well as variable performance bonus structured so as to link rewards to the sustainable and value creation of the Company. The Remuneration Committee has adopted a framework which consists of a base fee to remunerate INEDs based on their appointments and roles in the respective Board Committees, taking into account the level of contribution and factors such as effort, time and responsibilities. Directors' fees to be paid to the INEDs will be tabled for Shareholders' approval. The Directors' fees are reviewed annually to ensure that the INEDs are not overcompensated to the extent that their independence may be compromised. The following table shows a breakdown of the remuneration of the Directors for the Year:

	Salary	Bonus	Directors' Fees	Others	Total	Total
	%	%	%	%	%	S$'000
Non-executive Director[1]						
Leung Chun Wah	–	–	100	–	100	299
Executive Directors						
Hon Kar Chun	57	38	–	5	100	535
Leung Hon Shing	49	38	–	13	100	524
Leung Chi Hang Daniel	57	38	–	5	100	530
INEDs[1]						
Wong Kwan Seng, Robert[2]	–	–	100	–	100	38
Iu Po Chan, Eugene	–	–	100	–	100	50
Lim Lee Meng	–	–	100	–	100	50
Tang Wai Loong Kenneth[3]	–	–	100	–	100	12

(1) NED and INEDs are paid Directors' fees.

(2) Mr. Wong Kwan Seng, Robert resigned on December 31, 2021.

(3) Mr. Tang Wai Loong Kenneth was appointed on January 1, 2022.

CORPORATE GOVERNANCE REPORT

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

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

Remuneration Bands	Position as at March 31, 2022	Salary	Performance Bonus	Others	Total
		%	%	%	%
Senior Management Personnel					
S$250,000 – S$499,999					
Cheung Yiu Wing, Teddy	General Manager – South China	55	37	8	100
Hon Wai Keung, Ken	General Manager – Technical Department	55	37	8	100
Kwan Wing Kin, Samuel	General Manager of Marketing	57	35	8	100
Lai Sze Chuen, Pele	Deputy Managing Director of Marketing	54	37	9	100
Below S$250,000					
Chan Fan Cheong, Patrick	General Manager – Risk Management	71	19	10	100

The aggregate total remuneration paid to the top five Senior Management Personnel for the Year was approximately equivalent to S$1,553,000.

There is no employee who is a substantial shareholder of the Company, or is an immediate family member of a Director, the Managing Director or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the Year.

The Company does not have any contractual provisions in its service agreements or employment contracts to reclaim incentive components of remuneration from the Executive Directors and the 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.

CORPORATE GOVERNANCE REPORT

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

During the Year, the ESOS Committee comprised Mr. Leung Chun Wah (as Chairman), a NED, Mr. Hon Kar Chun, an Executive Director, 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 Scheme ("ESOS") as well as the size, terms and conditions of the grants of share options.

During the Year, no meeting of the ESOS Committee was held as no new share option scheme was adopted and no share options were granted.

Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") 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. No share options have been granted during the Year under ESOS III and an aggregate of 3,937,000 share options were outstanding as at March 31, 2022. For more information on ESOS, please refer to the section headed "Report of the Directors" (in particular, paragraph 23 thereof) and the consolidated financial statements (in particular, Note 39 thereof) of this annual report.

COMPLIANCE COMMITTEE

During the Year, the Compliance Committee comprised Mr. Iu Po Chan, Eugene (as Chairman), Mr. Lim Lee Meng, Mr. Wong Kwan Seng, Robert (resigned with effect from December 31, 2021) and Mr. Tang Wai Loong Kenneth (appointed with effect from January 1, 2022). All members of the Compliance Committee were 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 the 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.

CORPORATE GOVERNANCE REPORT

COMPLIANCE COMMITTEE – *continued*

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 principles and provisions of the Singapore CG Code.

AUDIT COMMITTEE

During the Year, the Audit Committee comprised Mr. Lim Lee Meng (as Chairman), Mr. Iu Po Chan, Eugene, Mr. Wong Kwan Seng, Robert (resigned with effect from December 31, 2021) and Mr. Tang Wai Loong Kenneth (appointed with effect from January 1, 2022). 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, information technology controls and risk management and internal control systems and thereafter recommending 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 and significant financial reporting issues and judgements;

(h) Considering and making recommendations to the Board on the appointment/re-appointment of the external auditors and their remuneration and terms of engagement; 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).

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE – *continued*

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 all have sufficient accounting and financial management expertise and experience to discharge the function of the Audit Committee.

The Audit Committee meets periodically and at least twice a year with the external auditors, and once a year with the internal auditors, in each case 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 two times and reviewed the draft financial results of the Group for the year ended March 31, 2021 and the six months ended September 30, 2021 respectively, the audit plans and findings of the external auditors, the external auditors' independence, the Group's 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 whistleblowing 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 Hong Kong included audit services of approximately HK$2,185,000 and non-audit services rendered to the Group as follows:

	HK$'000
Interim review fee for the consolidated financial results for the six months ended September 30, 2021	344
Tax representative service	202
Tax compliance services for transfer pricing	180
Total non-audit services	726

CORPORATE GOVERNANCE REPORT

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.

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 to decide.

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's policy towards investor relations, while not formalised, is intended to incorporate various practices for the ongoing exchange of views between the Company and Shareholders, and to actively engage and promote regular, effective and fair communication with Shareholders.

The Company generally does not practise selective disclosure unless permitted under the relevant laws and regulations. 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 annual reports, the circulars 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. At the 2021 AGM, in compliance with the Bye-Laws, the Company provided Shareholders with the option to either personally attend and vote in real time via electronic means or to appoint a proxy to do so, or to appoint the chairman of the AGM as proxy to vote on their behalf.

SHAREHOLDERS' RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS – *continued*

There are separate resolutions at general meetings on each substantially separate issue. Where however the issues are interdependent and linked so as to form one significant proposal, the Company may propose "bundled resolutions", and will set out the reasons and material implications in the notices of the meetings. 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. The minutes of the AGM, which record substantial and relevant comments or queries from Shareholders relating to the agenda of the AGM, and responses from the Board and management, are posted on the Company's website as soon as practicable after the meeting.

STAKEHOLDER ENGAGEMENT

In relation to stakeholder engagement, the key stakeholders of the Group include employees, shareholders, customers and suppliers. The Company recognises the importance of managing relationships with the various stakeholders and engages its stakeholders regularly in the determination of its material areas of focus in respect of its environmental, social and governance performance. 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. Further details on the Company's approach to stakeholder engagement and materiality assessment can be found on pages 31 to 38 of this annual report.

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 principal place of business in Hong Kong 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 their 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 that 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 Principal Place of Business in Hong Kong and registration offices of the Company are set out below:

Principal Place of Business in Hong Kong:
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.
1 Harbourfront Avenue
Keppel Bay Tower
#14-03/07
Singapore 098632

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).

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 Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Board or the Company Secretary.

The requisition 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). 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 the Shareholders concerned varies as follows pursuant to bye-law 66 of the Bye-Laws and the HK Listing Rules as appropriate:

(a) for an AGM, it shall be called 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 43 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.

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 August 16, 2021 as the Company's internal auditors. They had conducted a review on the Company's purchase and payment, inventory turnover management, human resources and payroll, and information and technology general controls for Hong Kong operation and visited the Company's office in Hong Kong from August to September 2021 for two weeks. In carrying out their work, the internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the Audit Committee. 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. In view of the foregoing, the Audit Committee is satisfied that the internal audit function is independent, effective and adequately resourced with persons with relevant qualifications and experience, and has appropriate standing to discharge its responsibilities. 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 Audit Committee has recommended and the Board has concurred, that the Company 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 Control 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.

CORPORATE GOVERNANCE REPORT

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

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.

The Directors are of the view that the internal control measures currently implemented under the COSO Internal Control Integrated Framework 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.

WHISTLEBLOWING POLICY

The Company has in place a whistleblowing policy where employees and related third parties (e.g. customers and suppliers) of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as misconduct and malpractice. The Company has publicly disclosed on its website, and made available to employees, the existence of a whistleblowing policy and procedures for a whistle-blower to make a report to the Company on misconduct or wrongdoing relating to the Company and its officers.

To ensure that an independent investigation of such matters and an appropriate follow-up action are taken, all whistleblowing reports are sent to the chairman and/or members of the Audit Committee, who are also INEDs. The Audit Committee is responsible for oversight and monitoring of the administration of the whistleblowing. The objective of the Audit Committee is to ensure that arrangements are in place for the relevant concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The Group will make every effort within its capacity to protect the identity of the whistle-blower so as to ensure that the identity of the whistle-blower is kept confidential, subject to legal or regulatory requirements. All information disclosed during the course of investigation will remain confidential, except as necessary or appropriate to conduct the investigation and to take any remedial action, in accordance with any applicable laws and regulations. The Group prohibits discrimination, retaliation or victimization of any kind against a whistle-blower who submits a complaint or report in good faith. Anonymous complaints will also be accepted and investigated.

There were no whistleblowing reports received by the Audit Committee for the Year.

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 2001 (Singapore) and the SGX-ST Listing Manual 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 announcement disclosing the inside information through the electronic publication systems operated by the SEHK, SGXNET 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 2001 (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 in office during the Year and such Directors have confirmed their compliance with relevant required dealing standards stipulated in the HK Model Code during the Year.

CORPORATE GOVERNANCE REPORT

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.

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 or were entered into since the end of the previous financial year ended March 31, 2021.

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 which were required to comply with the disclosure and other requirements in accordance with applicable rules and regulations.

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 statement of changes in equity of the Company for the financial year ended March 31, 2022 (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 11 and pages 12 to 20, respectively of this annual report. An analysis of the Group's financial risk management is provided in Note 43 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 and warehouses 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.

2. BUSINESS REVIEW – *continued*

The Group's success depends on, amongst other matters, the support from key stakeholders which/who 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 providing appropriate training and opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to all shareholders of the Company (the "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 supply 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 policies on environmental, social and governance is set out in the "Environmental, Social and Governance Report" on pages 27 to 70 of this annual report.

There is no important events affecting the Group, which have occurred since the end of the Year.

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 123 of this annual report.

The board of Directors (the "Board") has recommended the payment of a final dividend of HK33.0 cents (the "Final Dividend") per ordinary share of HK$1.00 each (the "Share") for the Year (2021: HK33.0 cents) and a special dividend of HK40.0 cents (2021: nil) (the "Special Dividend") per Share to those Shareholders whose names will appear on the register of members of the Company (the "Register of Members") at the close of business on Tuesday, September 6, 2022. The Final Dividend and the Special Dividend will be payable on or about Wednesday, September 21, 2022, subject to the Shareholders' approval at the forthcoming 2022 annual general meeting of the Company to be held on Monday, August 29, 2022 (the "2022 AGM").

REPORT OF THE DIRECTORS

4. CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the 2022 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2022 AGM, for Hong Kong Shareholders, the Hong Kong branch Register of Members (the "Hong Kong Branch Register") will be closed from Wednesday, August 24, 2022 to Monday, August 29, 2022, both days inclusive. During this period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the 2022 AGM, the non-registered Hong Kong Shareholders must lodge all duly completed and stamped 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 Tuesday, August 23, 2022.

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 Tuesday, August 23, 2022. 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 1 Harbourfront Avenue, Keppel Bay Tower, #14-03/07, Singapore 098632, up to and including 5:00 p.m. on Tuesday, August 23, 2022 will be registered to determine Singapore Shareholders' entitlements to attend and vote at the 2022 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 Monday, August 15, 2022 for Hong Kong Shareholders and not later than 5:00 p.m. on Monday, August 15, 2022 for Singapore Shareholders.

4. CLOSURE OF REGISTER OF MEMBERS – *continued*

(2) For determining the entitlement to the Final Dividend and the Special Dividend

For the purpose of determining the entitlement of the Shareholders to the Final Dividend and the Special Dividend, for Hong Kong Shareholders, the Hong Kong Branch Register will be closed from Wednesday, September 7, 2022 to Friday, September 9, 2022, both days inclusive. During this period, no transfer of Shares will be registered. In order to qualify for the Final Dividend and the Special Dividend, the non-registered Hong Kong Shareholders must lodge all duly completed and stamped 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 Tuesday, September 6, 2022.

For Singapore Shareholders, the share transfer books and the Singapore Branch Register will be closed at 5:00 p.m. on Tuesday, September 6, 2022. Duly completed registrable transfers of Shares received by the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, Keppel Bay Tower, #14-03/07, Singapore 098632, up to and including 5:00 p.m. on Tuesday, September 6, 2022 will be registered to determine Singapore Shareholders' entitlements to the Final Dividend and the Special Dividend. Singapore Shareholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with Shares as at 5:00 p.m. on Tuesday, September 6, 2022 will be entitled to the Final Dividend and the Special 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 Monday, August 29, 2022 for Hong Kong Shareholders and not later than 5:00 p.m. on Monday, August 29, 2022 for Singapore Shareholders.

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

REPORT OF THE DIRECTORS

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 AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the Year are set out in Notes 17 and 19 respectively to the consolidated financial statements.

7. RESERVES

Details of movements in the reserves of the Group during the Year are set out in Note 38 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, 2022 were approximately HK$234,733,000 (2021: HK$198,052,000).

9. SUBSIDIARIES AND AN ASSOCIATE

Details of the principal subsidiaries and an associate of the Company as at March 31, 2022 are set out in Notes 46 and 21 respectively to the consolidated financial statements.

10. SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 37 to the consolidated financial statements.

REPORT OF THE DIRECTORS

11. DIRECTORS

The name of each Director during the Year and up to the date of this annual report are named as follows:

Non-executive Director:

Mr. Leung Chun Wah *(Chairman)*

Executive Directors:

Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing
Mr. Leung Chi Hang Daniel

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

Mr. Wong Kwan Seng, Robert *(resigned on December 31, 2021)*
Mr. Iu Po Chan, Eugene *(resigned on May 31, 2022)*
Mr. Lim Lee Meng
Mr. Tang Wai Loong Kenneth *(appointed on January 1, 2022)*
Mr. Tong Kai Cheong *(appointed on June 1, 2022)*

In accordance with code provision B.2.2 of Part 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 2022 AGM, has offered himself for re-election.

In accordance with bye-law 104 of the Company's bye-laws (the "Bye-Laws"), Mr. Leung Chun Wah will retire from office by rotation and, being eligible for re-election at the 2022 AGM, has offered himself for re-election.

In accordance with bye-law 107(B) of the Bye-Laws, (i) Mr. Tang Wai Loong Kenneth and (ii) Mr. Tong Kai Cheong will retire from office and, being each eligible for re-election at the 2022 AGM, have offered themselves for re-election at the 2022 AGM.

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 current 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 current INEDs are independent.

REPORT OF THE DIRECTORS

12. DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2022 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

No controlling Shareholder 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 23 and 24 of this report.

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	1,230,130	1,230,130	20,714,947	20,714,947
Mr. Hon Kar Chun	322,080	322,080	–	–
Mr. Leung Hon Shing	274,824	274,824	–	–

The Directors' interests as at April 21, 2022 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, 2022, 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: (i) 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) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the "HK Model Code"), were as follows:

REPORT OF THE DIRECTORS

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 Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of a controlled corporation)	Total	Approximate percentage of total shareholding in the Company [(2)] (%)
Leung Chun Wah [(1)] ("Mr. Leung")	1,230,130	805,134	19,909,813	21,945,077	25.58
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 a non-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. The 19,909,813 Shares are held by Max Power Assets Limited ("Max Power") of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.

(2) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at March 31, 2022 (i.e. 85,777,049 Shares).

Save as disclosed above, as at March 31, 2022, 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: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the HK Model Code.

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

As at March 31, 2022, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who had or were 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 were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long position in the Shares

Name of Shareholders	Number of Shares Held: Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Total	Approximate percentage of total shareholding in the Company (7) (%)
Ms. Cheng (1)	805,134	21,139,943	–	21,945,077	25.58
Max Power (2)	19,909,813	–	–	19,909,813	23.21
Kwok Chan Cheung (3) ("Mr. Kwok")	37,400	–	8,685,109	8,722,509	10.17
Global Success International Limited (3) ("Global Success")	8,685,109	–	–	8,685,109	10.13
Yeo Seng Chong (4) and (5) ("Mr. Yeo")	675,000	575,000	7,086,784	8,336,784	9.72
Lim Mee Hwa (4) and (5) ("Ms. Lim")	575,000	675,000	7,086,784	8,336,784	9.72
Yeoman Capital Management Pte Ltd (5) ("YCMPL")	82,500	–	7,004,284	7,086,784	8.26
Yeoman 3-Rights Value Asia Fund VCC (6) ("Yeoman 3-Rights")	6,866,784	–	–	6,866,784	8.01
Hung Yuk Choy	5,614,309	–	–	5,614,309	6.55

REPORT OF THE DIRECTORS

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

Notes:

(1) Ms. Cheng, the wife of Mr. Leung, the Chairman and a non-executive Director, is deemed under the SFO to be interested in (a) the 1,230,130 Shares held by Mr. Leung as beneficial owner and (b) the 19,909,813 Shares deemed to be held by Mr. Leung through Max Power.

(2) The 19,909,813 Shares are held by Max Power of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.

(3) Global Success, which is wholly owned by Mr. Kwok, 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 675,000 Shares directly in his own name and his wife Ms. Lim owns 575,000 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. By virtue of the SFO, both Mr. Yeo and Ms. Lim are deemed to be interested in all of the Shares held beneficially and deemed to be held by YCMPL. Each of Mr. Yeo and Ms. Lim is also 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 6,866,784 Shares and 137,500 Shares, respectively.

(6) Yeoman 3-Rights owns 6,866,784 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, 2022 (i.e. 85,777,049 Shares).

Save as disclosed above, as at March 31, 2022, the Directors are not aware of any corporations which or persons (other than a Director or the chief executive of the Company) who 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

20. DIRECTORS' RECEIPT OF AND ENTITLEMENT TO CONTRACTUAL BENEFITS

During the Year, none of the Directors received or became 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 21 to 26 of this annual report.

22. UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE HK LISTING RULES

Pursuant to Rule 13.51B(1) of the HK Listing Rules, changes in the information of the Directors since the date of the 2021/22 interim report of the Company required to be disclosed in this annual report are as follows:

Mr. Wong Kwan Seng, Robert ("Mr. Wong") resigned as an INED with effect from December 31, 2021 (inclusive of the said date) and accordingly, ceased to be the chairman of the nomination committee of the Board (the "Nomination Committee"), a member of each of the Board's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and compliance committee (the "Compliance Committee") as well as the lead independent Director at the same time, due to his decision to devote more time to his personal affairs and in the interest of the Board for an orderly succession.

Mr. Lim Lee Meng, an INED, was appointed by the Board as the new lead independent Director with effect from January 1, 2022.

Mr. Tang Wai Loong Kenneth was appointed by the Board as an INED and was also appointed as the chairman of the Nomination Committee as well as a member of each of the Audit Committee, the Remuneration Committee and the Compliance Committee with effect from January 1, 2022 to replace Mr. Wong in those positions.

Mr. Iu Po Chan, Eugene had tendered resignation as an INED, which took effect on June 1, 2022 and accordingly ceased to be the chairman of each of the Remuneration Committee and the Compliance Committee, as well as a member of each of the Audit Committee, the Nomination Committee and the employee share option scheme committee (the "ESOS Committee") on the same date.

Mr. Tong Kai Cheong has been appointed as an INED, the chairman of each of the Remuneration Committee and the Compliance Committee, as well as a member of each of the Audit Committee, the Nomination Committee and the ESOS Committee, with effect from June 1, 2022. If re-elected as an INED at the 2022 AGM, he will continue to hold all the same positions of the Board committees and the ESOS Committee.

REPORT OF THE DIRECTORS

23. SHARE OPTIONS TO TAKE UP UNISSUED SHARES

The Company had on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") 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 III in general

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.

The total number of Shares available for issue under ESOS III was 2,727,000, which represented approximately 3.14% of the issued Shares as at the date of this annual report.

Fair values of the share options granted under ESOS III were calculated by 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.

The period within which a share option may be exercised under ESOS III will be determined by the Board at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant share option.

Share options granted to a Director, chief executive or substantial shareholder (as defined in the HK Listing Rules) of the Company, or to any of their respective associates (as defined in the HK Listing Rules), are subject to approval in advance by the INEDs. In addition, any share options granted to a substantial shareholder of the Company 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 on 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) (as defined in the HK Listing Rules) of the Company 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, forfeited and outstanding share options) in any 12-month period must not exceed 1% of the Shares in issue at such time.

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

Particulars of ESOS III during the Year

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

		Number of underlying Shares comprised in share options							
Category of participants	Date of grant	Balance as at April 1, 2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Forfeited during the Year	Balance as at March 31, 2022	Exercise price per Share	Exercise period
Employees in aggregate	July 17, 2017	792,000	–	–	–	–	792,000	HK$3.91	July 18, 2018 to July 17, 2027
Employees in aggregate	December 2, 2020	3,785,000	–	(570,000)	–	(70,000)	3,145,000	HK$2.61	December 3, 2021 to December 2, 2030
		4,577,000	–	(570,000)	–	(70,000)	3,937,000		

During the Year, certain share option holders under ESOS III exercised part of their share options and subscribed for 570,000 Shares at an exercise price of HK$2.61 per Share. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK$3.98 per Share.

None of the holders holding 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 (as defined in the HK Listing Rules); and (ii) was granted any share 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 of the above share option scheme have received share options representing 5% or more of the total number of the underlying Shares available for issue under ESOS III.

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.

REPORT OF THE DIRECTORS

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

Particulars of ESOS III during the Year – *continued*

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. Share options granted will be forfeited 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 of the above share option scheme, 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.

24. SHARE OPTIONS EXERCISED

During the Year, 570,000 Shares had been issued by virtue of the exercise of share options under ESOS III to take up any unissued Shares.

25. 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 ESOS III disclosed in paragraph 23 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.

26. 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.

27. 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.

28. MAJOR CUSTOMERS AND SUPPLIERS

During the Year,

(1) sales to the Group's five largest customers accounted for approximately 16.6% of the total sales for the Year and the single largest customer accounted for approximately 8.2%; and

(2) purchases from the Group's five largest suppliers accounted for approximately 87.0% of the total purchases for the Year and the single largest supplier accounted for approximately 55.7%.

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 number of the issued Shares) had any interests in the Group's five largest customers and suppliers.

29. EMOLUMENT POLICY

The Remuneration Committee 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 respectively 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.

30. 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 schemes/pension schemes are set out in Note 41 to the consolidated financial statements.

REPORT OF THE DIRECTORS

31. 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.

32. MANAGEMENT CONTRACT

No contracts, other than employment contracts and Directors' contracts 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.

33. 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 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 respective duties, 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 remains in force as at the date of this report.

34. CHARITABLE DONATION

During the Year, charitable donations made by the Group amounted to HK$nil (2021: HK$81,000).

35. REVIEW OF FINAL RESULTS BY AUDIT COMMITTEE

The Board has established 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. Currently, the Audit Committee comprises all the three INEDs, namely Mr. Lim Lee Meng (committee chairman), Mr. Tang Wai Loong Kenneth and Mr. Tong Kai Cheong. The Group's audited consolidated results for the Year and the relevant consolidated financial statements as well as this annual report have been reviewed by the Audit Committee.

36. CORPORATE GOVERNANCE

Details of the key corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 71 to 97 of this annual report.

37. 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.

38. RELATED COMPANY TRANSACTIONS

Related company transactions of the Group during the Year are disclosed in Note 40 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.

39. CHANGE OF INDEPENDENT AUDITOR

Deloitte & Touche LLP ("Deloitte Singapore") was appointed as the independent auditor of the Company since its primary listing on the Main Board of the SGX-ST in 2001. Following the Company's dual listing on the Main Board of the SEHK in 2013, Deloitte Singapore retired as the Company's auditors and Deloitte Touche Tohmatsu ("Deloitte Hong Kong") has been the Company's independent auditor since the conclusion of the 2014 annual general meeting of the Company held on July 31, 2014.

In order to comply with Rule 712(2) read with Rule 712(2A) of the SGX-ST Listing Manual which took effect on February 12, 2021, and which concerns the requirements of auditing firms appointed by an SGX-ST listed issuer, starting from the Company's financial year beginning on April 1, 2022, the Company has two alternatives:

1. The Company appoints an auditing firm which meets the requirements in Rule 712(2)(a) of the SGX-ST Listing Manual, i.e. an auditing firm that is approved under the Accountants Act 2004 of Singapore (the "Singapore Accountants Act"), and the audit partner-in-charge assigned to the audit must be a public accountant under the Singapore Accountants Act; or

2. As Deloitte Hong Kong is not an approved auditing firm under the Singapore Accountants Act, the Company continues to engage Deloitte Hong Kong as the Company's independent auditor, but will have to appoint an additional auditing firm that meets the requirements in Rule 712(2)(a) of the SGX-ST Listing Manual to jointly audit its financial statements.

REPORT OF THE DIRECTORS

39. CHANGE OF INDEPENDENT AUDITOR – *continued*

The Board is of the view that appointing joint auditors, rather than a single auditor, would incur additional work, time and cost and would be unduly burdensome on the Company with no material added value to the Shareholders. Appointing a single auditor that meets the requirements in Rule 712(2)(a) of the SGX-ST Listing Manual can enhance efficiency of the audit and would be more cost efficient and therefore beneficial to the Company and the Shareholders as a whole.

Accordingly, the Board has resolved, at the recommendation of the Audit Committee, to propose the appointment of Deloitte Singapore as the new independent auditor of the Company following the retirement of Deloitte Hong Kong at the close of the 2022 AGM, to hold office until the conclusion of the next annual general meeting of the Company. While Deloitte Hong Kong will no longer act as the independent auditor of the Company, Deloitte Hong Kong will continue to audit the Company's Hong Kong-incorporated subsidiaries as a member firm within the Deloitte network.

On behalf of the Board

Mr. Leung Chun Wah
Chairman

Mr. Hon Kar Chun
Managing Director

June 28, 2022

STATEMENT OF DIRECTORS

In the opinion of the board of directors of Willas-Array Electronics (Holdings) Limited (the "Company" and the "Board", respectively), the consolidated financial statements of the Company and its subsidiaries (collectively the "Group"), including the statement of financial position and the statement of changes in equity of the Company, as set out on pages 123 to 241 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, 2022, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and 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. Hon Kar Chun
Managing Director

June 28, 2022

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 123 to 241, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2022, 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 International Auditing and Assurance Standards Board. 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

KEY AUDIT MATTER – *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, 2022, the Group's net trade receivables amounting to HK$862,816,000, which represented approximately 46% of total assets of the Group and out of these trade receivables of HK$191,133,000 were past due. As disclosed in Note 43 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 collective basis through grouping of various debtors after considering internal credit ratings of trade debtors, aging and/or 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 March 31, 2022. As disclosed in Note 43 to the consolidated financial statements, the Group's lifetime ECL on trade receivables as at March 31, 2022 amounted to HK$41,719,000.	Our audit procedures in relation to impairment assessment of trade receivables included: • Understanding key controls of the management estimation on the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the grouping in collective basis, including trade receivables aging analysis as at March 31, 2022, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents in relation 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 March 31, 2022, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories using the collective basis, and the basis of estimated loss rates applied in each category with reference to historical default rates and forward-looking information; and • Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes 25 and 43, respectively to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

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.

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, actions taken to eliminate threats or safeguards applied.

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 Chan King Yuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 28, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**3,425,832**	3,557,935
Cost of sales		**(3,091,042)**	(3,224,334)
Gross profit		**334,790**	333,601
Other income	7	**2,803**	9,667
Distribution costs		**(28,871)**	(37,469)
Administrative expenses		**(189,070)**	(186,915)
Other gains and losses	8	**808**	15,323
Impairment losses reversed (recognised) under expected credit loss ("ECL") model, net	9	**4,461**	(10,141)
Gain on fair value change of investment property	19	**439**	1,312
Finance costs	10	**(17,286)**	(19,046)
Profit before tax		**108,074**	106,332
Income tax expense	11	**(25,882)**	(13,849)
Profit for the year	12	**82,192**	92,483
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation of owned properties		**18,647**	–
– Income tax relating to gain recognised in other comprehensive income	11	**(3,292)**	–
		15,355	–
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising from translation of foreign operations		**10,746**	22,984
Other comprehensive income for the year		**26,101**	22,984
Total comprehensive income for the year attributable to owners of the Company		**108,293**	115,467
Earnings per share	16		
– Basic (HK cents)		**96.33**	108.54
– Diluted (HK cents)		**95.02**	108.54

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	17	284,293	270,142
Right-of-use assets	18	16,093	18,201
Investment property	19	9,951	9,512
Club debentures	20	2,001	2,001
Interest in an associate	21	–	–
Financial assets measured at fair value through other comprehensive income ("FVTOCI")	22	–	–
Long-term deposits	23	4,459	3,891
Deferred tax assets	36	503	624
Restricted bank deposits	29	–	2,378
Total non-current assets		317,300	306,749
Current assets			
Inventories	24	360,393	259,783
Trade receivables	25	862,816	844,049
Other receivables, deposits and prepayments	27	6,706	8,273
Income tax recoverable		4,567	4,574
Derivative financial instruments	28	–	434
Restricted bank deposits	29	2,457	–
Cash and cash equivalents	29	327,673	216,923
Total current assets		1,564,612	1,334,036
Total assets		1,881,912	1,640,785
Current liabilities			
Trade payables	30	389,528	349,349
Other payables	31	41,456	48,275
Contract liabilities	32	9,632	8,846
Income tax payable		5,204	6,101
Trust receipt loans	34	486,359	344,493
Bank borrowings	35	124,434	146,647
Derivative financial instruments	28	579	539
Lease liabilities	33	7,988	6,514
Total current liabilities		1,065,180	910,764
Net current assets		499,432	423,272
Total assets less current liabilities		816,732	730,021

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	37	**85,777**	85,207
Reserves		**684,789**	601,894
Equity attributable to owners of the Company		**770,566**	687,101
Non-current liabilities			
Deferred tax liabilities	36	**38,154**	31,652
Lease liabilities	33	**8,012**	11,268
Total non-current liabilities		**46,166**	42,920
Total liabilities and equity		**1,881,912**	1,640,785

The consolidated financial statements on pages 123 to 241 were approved and authorised for issue by the board of directors on June 28, 2022 and are signed on its behalf by:

Mr. Leung Chun Wah
DIRECTOR

Mr. Hon Kar Chun
DIRECTOR

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2022

	Attributable to owners of the Company								
	Share capital HK$'000	**Capital reserves** HK$'000 *(Note 38)*	**Statutory reserve** HK$'000 *(Note i)*	**Property revaluation reserve** HK$'000	**Currency translation reserve** HK$'000	**Financial assets measured at FVTOCI reserve** HK$'000	**Other reserve** HK$'000 *(Note ii)*	**Accumulated profits** HK$'000	**Total** HK$'000
At April 1, 2020	85,207	193,458	20,874	122,585	(12,132)	(16,448)	(3,561)	180,725	570,708
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	–	–	92,483	92,483
Other comprehensive income for the year	–	–	–	–	22,984	–	–	–	22,984
Total	–	–	–	–	22,984	–	–	92,483	115,467
Transactions with owners, recognised directly in equity:									
Share options forfeited	–	(129)	–	–	–	–	–	129	–
Recognition of equity-settled share-based payments *(Note 39)*	–	926	–	–	–	–	–	–	926
Transfer from property revaluation reserve	–	–	–	(5,144)	–	–	–	5,144	–
Transfer of statutory reserve	–	–	2,100	–	–	–	–	(2,100)	–
Total	–	797	2,100	(5,144)	–	–	–	3,173	926
At March 31, 2021	85,207	194,255	22,974	117,441	10,852	(16,448)	(3,561)	276,381	687,101

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2022

	Attributable to owners of the Company								
	Share capital HK$'000	**Capital reserves** HK$'000 *(Note 38)*	**Statutory reserve** HK$'000 *(Note i)*	**Property revaluation reserve** HK$'000	**Currency translation reserve** HK$'000	**Financial assets measured at FVTOCI reserve** HK$'000	**Other reserve** HK$'000 *(Note ii)*	**Accumulated profits** HK$'000	**Total** HK$'000
At April 1, 2021	85,207	194,255	22,974	117,441	10,852	(16,448)	(3,561)	276,381	687,101
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	–	–	82,192	82,192
Other comprehensive income for the year	–	–	–	15,355	10,746	–	–	–	26,101
Total	–	–	–	15,355	10,746	–	–	82,192	108,293
Transactions with owners, recognised directly in equity:									
Exercise of share options	570	918	–	–	–	–	–	–	1,488
Recognition of equity-settled share-based payments *(Note 39)*	–	1,802	–	–	–	–	–	–	1,802
Dividend paid *(Note 15)*	–	–	–	–	–	–	–	(28,118)	(28,118)
Transfer from property revaluation reserve	–	–	–	(5,144)	–	–	–	5,144	–
Transfer of statutory reserve	–	–	5,108	–	–	–	–	(5,108)	–
Total	570	2,720	5,108	(5,144)	–	–	–	(28,082)	(24,828)
At March 31, 2022	**85,777**	**196,975**	**28,082**	**127,652**	**21,598**	**(16,448)**	**(3,561)**	**330,491**	**770,566**

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 respective 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 the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Profit before tax	**108,074**	106,332
Adjustments for:		
Depreciation of property, plant and equipment	**14,127**	14,010
Depreciation of right-of-use assets	**8,401**	12,276
Interest expense on bank borrowings and trust receipt loans	**16,726**	18,533
Interest expense on lease liabilities	**560**	513
Share-based payment expense	**1,802**	926
Reversal of allowance for inventories	**–**	(32,962)
Impairment losses (reversed) recognised under ECL model, net	**(4,461)**	10,141
(Gain) loss on disposal of property, plant and equipment	**(6)**	1,366
Gain on fair value change of investment property	**(439)**	(1,312)
Net loss (gain) on fair value changes of derivative financial instruments	**473**	(1,140)
Gain on lease modification	**–**	(109)
Unrealised exchange gain	**(3,170)**	(21,771)
Interest income	**(487)**	(501)
Operating cash flows before movements in working capital	**141,600**	106,302
(Increase) decrease in inventories	**(99,471)**	151,618
Increase in trade receivables *(Note)*	**(66,705)**	(173,973)
Decrease (increase) in other receivables, deposits and prepayments	**1,455**	(3,698)
(Increase) decrease in long-term deposits	**(484)**	1,586
Increase in trade payables	**35,039**	40,897
(Decrease) increase in other payables	**(8,197)**	23,240
Increase in contract liabilities	**648**	3,747
Cash generated from operations	**3,885**	149,719
Income tax (paid) refund	**(24,038)**	401
Interest paid	**(15,974)**	(20,954)
Interest received	**487**	501
Net cash (used in) from operating activities	**(35,640)**	129,667

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

	2022 HK$'000	2021 HK$'000
Investing activities		
Purchase of property, plant and equipment	(4,036)	(1,500)
Withdrawal of restricted bank deposits	–	2,231
Proceeds from disposal of property, plant and equipment	75	347
Net cash (used in) from investing activities	(3,961)	1,078
Financing activities		
Dividend paid to shareholders	(28,118)	–
Proceeds from exercise of share options	1,488	–
Repayments of trust receipt loans	(2,614,040)	(2,639,917)
Proceeds from trust receipt loans	2,754,626	2,512,405
Repayments of bank borrowings	(603,282)	(812,057)
Proceeds from bank borrowings	647,383	770,109
Repayments of lease liabilities	(8,615)	(12,807)
Net cash from (used in) financing activities	149,442	(182,267)
Net increase (decrease) in cash and cash equivalents	109,841	(51,522)
Cash and cash equivalents at beginning of the year	216,923	264,839
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	909	3,606
Cash and cash equivalents at end of the year	327,673	216,923

Note: During the year ended March 31, 2022, the Company discounted bills received from customers to banks with recourse to finance its operation and as such, the operating cash flow stated above did not include the related bills settlements of HK$66,946,000 (2021: HK$14,318,000) as it represented non-cash derecognition upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

1. GENERAL INFORMATION

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 Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, 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 46.

The consolidated financial statements of the Group for the year ended March 31, 2022 were authorised for issue by the board of directors on June 28, 2022.

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

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

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on April 1, 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *continued*

Amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

2.1 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

As at April 1, 2021, the Group has several financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	Hong Kong Dollars Hong Kong Interbank Offered Rate ("HIBOR") HK$'000	United States Dollars London Interbank Offered Rate ("LIBOR") HK$'000
Financial liabilities		
Bank borrowings	6,496	17,645

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in Note 43.

2.2 Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *continued*

Amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

2.2 Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (IAS 2 Inventories) – *continued*

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRS Standards in issue but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 - 2020[1]

1 Effective for annual periods beginning on or after January 1, 2022.
2 Effective for annual periods beginning on or after January 1, 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *continued*

New and amendments to IFRS Standards in issue but not yet effective – *continued*

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at March 31, 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *continued*

New and amendments to IFRS Standards in issue but not yet effective – *continued*

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can 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 also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") – *continued*

New and amendments to IFRS Standards in issue but not yet effective – *continued*

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on April 1, 2023. As March 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$3,889,000 and HK$3,273,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.1 Basis of preparation of consolidated financial statements – *continued*

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.

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 accounted for in accordance with IFRS 16 *Leases*, 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.

For financial instruments and investment property which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.1 Basis of preparation of consolidated financial statements – *continued*

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.

3.2 Significant accounting policies

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

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 statement 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Basis of consolidation – *continued*

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

All 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 an associate

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 an associate 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 an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Investments in an associate – *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 is not allocated to any asset, including goodwill, that 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 *Financial Instruments* ("IFRS 9"), 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 of 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/partial disposal of the relevant associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Investments in an associate – *continued*

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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

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 or 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Revenue from contracts with customers – *continued*

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.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application at IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties including car parks, staff quarters and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessee – *continued*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment property and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessee – *continued*

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Foreign currencies – *continued*

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 period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. 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 period 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 related to income 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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF") in Hong Kong 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.

Share-based payment

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Share-based payment – *continued*

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 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.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to accumulated profits.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Taxation – *continued*

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Taxation – *continued*

For the purposes of measuring deferred tax for investment property that are measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise 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 revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous property revaluation of that asset. Property revaluation reserve is transferred to accumulated profits as the asset is used by the Group, and the amount of the property revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Property, plant and equipment – *continued*

Depreciation is recognised so as to write off the cost or valuation of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the 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 sales disposal proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Club debentures

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses, if any.

Impairment of property, plant and equipment, right-of-use assets, and other intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Impairment of property, plant and equipment, right-of-use assets, and other intangible assets – *continued*

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

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 *Revenue from contracts with customers* ("IFRS 15"). 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets

Classification and subsequent measurement of financial assets

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.

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 selling and collecting 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets – *continued*

A financial asset is 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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets – *continued*

(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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, refundable deposits, amount due from an associate, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. 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, 12 month ECL ("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.

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, in which case 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – *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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(i) Significant increase in credit risk – *continued*

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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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; or

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

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using simplified approach taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Group's trade receivables which are not credit-impaired, are assessed as separate groups, while credit-impaired trade receivables, other receivables, refundable deposits, amount due from an associate, 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 where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as financial liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial liabilities and equity – *continued*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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 held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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 43.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial liabilities and equity – *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.

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.

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.

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 underlying 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 period 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually.

In addition, the Group uses the collective basis in estimating ECL on trade receivables which are not assessed individually. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and 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.

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 43 and 25, respectively.

Allowance for inventories

The Group operates in the electronics industry which is subject to rapid technological changes and price changes. The Group's policy for allowance for inventories is based on management's judgement on the realisability of the inventories which takes into account the aging, latest selling prices, costs necessary to make the sale and historical loss incurred of relevant inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories is adequate. The carrying amount of the Group's inventories at March 31, 2022 was HK$360,393,000 (2021: HK$259,783,000), net of allowance for inventories of HK$9,382,000 (2021: HK$9,956,000).

Valuation of owned properties and investment property

Owned properties and investment property are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Notes 17 and 19, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Valuation of owned properties and investment property – *continued*

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's owned properties and investment property, and the corresponding adjustment to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The directors of the Company have performed internal assessment on the risks of change in macroeconomic environment through performing sensitivity analysis in relation to the Group's owned properties and investment property.

As at March 31, 2022, the carrying amounts of the Group's owned properties and investment property are HK$275,391,000 (2021: HK$261,719,000) and HK$9,951,000 (2021: HK$9,512,000), respectively.

5. REVENUE

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Types of goods or service		
Sales of electronic components	3,425,832	3,557,935
Market segments of the customers		
Industrial	1,010,422	1,049,738
Automotive	710,758	636,418
Home appliance	660,797	662,802
Audio and video	238,855	242,741
Dealer	218,577	261,632
Telecommunications	213,945	244,453
Electronic manufacturing services	163,241	235,639
Lighting	118,753	135,958
Others	90,484	88,554
Total	3,425,832	3,557,935

5. REVENUE – *continued*

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

Revenue is recognised at a point in time when control of the goods has been 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 control of the goods has been transferred to the customer. The normal credit term is 30 to 120 days (2021: 30 to 120 days) upon delivery.

Customers can only return or request refund if the goods delivered do not meet required quality standards. As at March 31, 2022 and 2021, 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 executive directors of the Company, 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 reversed (recognised) under ECL model, net, gain on fair value change of investment property and finance costs are excluded from segment results. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

6. SEGMENT INFORMATION – *continued*

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

Year ended March 31, 2022

	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	1,692,024	1,648,152	85,656	3,425,832	–	3,425,832
Sales - inter-company	1,065,612	451,162	208	1,516,982	(1,516,982)	–
	2,757,636	2,099,314	85,864	4,942,814	(1,516,982)	3,425,832
Cost of sales	(2,584,214)	(1,947,684)	(76,126)	(4,608,024)	1,516,982	(3,091,042)
Gross profit/segment results	173,422	151,630	9,738	334,790	–	334,790
Other income						2,803
Distribution costs						(28,871)
Administrative expenses						(189,070)
Other gains and losses						808
Impairment losses reversed under ECL model, net						4,461
Gain on fair value change of investment property						439
Finance costs						(17,286)
Profit before tax						108,074
Income tax expense						(25,882)
Profit attributable to owners of the company						82,192

6. SEGMENT INFORMATION – *continued*

Year ended March 31, 2021

	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	1,831,302	1,651,848	74,785	3,557,935	–	3,557,935
Sales - inter-company	574,967	444,120	90	1,019,177	(1,019,177)	–
	2,406,269	2,095,968	74,875	4,577,112	(1,019,177)	3,557,935
Cost of sales	(2,233,099)	(1,943,496)	(66,916)	(4,243,511)	1,019,177	(3,224,334)
Gross profit/segment results	173,170	152,472	7,959	333,601	–	333,601
Other income						9,667
Distribution costs						(37,469)
Administrative expenses						(186,915)
Other gains and losses						15,323
Impairment losses recognised under ECL model, net						(10,141)
Gain on fair value change of investment property						1,312
Finance costs						(19,046)
Profit before tax						106,332
Income tax expense						(13,849)
Profit attributable to owners of the Company						92,483

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 costs, 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) for each of the reporting period. Therefore, no further analysis of geographical information is presented.

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income from bank deposits	487	501
Government grant *(Note)*	841	7,836
Technical support fee income	373	341
Rental income	261	240
Sales of scrapped stock	33	302
Others	808	447
	2,803	9,667

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 and recognised in profit or loss in the year in which they become receivable. For the year ended March 31, 2021, the Group recognised government grants of HK$7,169,000 in respect of Covid-19-related subsidies and mainly relates to Employment Support Scheme provided by the Hong Kong government and Reassurance Employment Plan provided by the Taiwan government. The remaining amount represents incentive subsidies from the PRC government to encourage development in the region for the years ended March 31, 2022 and 2021.

8. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	HK$'000
Net foreign exchange gain *(Note)*	**1,275**	15,549
Net (loss) gain on fair value changes of derivative financial instruments	**(473)**	1,140
Gain (loss) on disposal of property, plant and equipment	**6**	(1,366)
	808	15,323

Note: During the year ended March 31, 2021, the net foreign exchange gain was mainly due to the appreciation of Renminbi.

9. IMPAIRMENT LOSSES REVERSED (RECOGNISED) UNDER ECL MODEL, NET

	2022	2021
	HK$'000	HK$'000
(Reversal of) impairment losses recognised on:		
Trade receivables	**(4,614)**	9,114
Amount due from an associate	**153**	1,027
	(4,461)	10,141

Details of impairment assessment for the years ended March 31, 2022 and 2021 are set out in Note 43.

10. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest on:		
Bank borrowings and trust receipt loans	**16,726**	18,533
Lease liabilities	**560**	513
	17,286	19,046

11. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	**5,794**	2,213
PRC Enterprise Income Tax ("EIT")	**15,659**	11,076
Taiwan	**1,028**	699
Taiwan withholding tax on dividends	**431**	539
	22,912	14,527
Under (over) provision in respect of prior year:		
Hong Kong	**171**	(1,229)
PRC EIT	**39**	(157)
Taiwan	**(88)**	(5)
	122	(1,391)
Deferred tax:		
Current year *(Note 36)*	**2,848**	713
	25,882	13,849

Under the two-tiered profits tax rates regime, the Company was subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2,000,000 of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong were subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended March 31, 2022 and 2021.

Under the Law of the PRC on EIT (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 20%.

11. INCOME TAX EXPENSE – *continued*

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

	2022 HK$'000	2021 HK$'000
Profit before tax	108,074	106,332
Tax at Hong Kong Profits Tax rate of 16.5% *(Note)*	17,832	17,545
Tax effect of expenses not deductible for tax purpose	2,582	4,608
Tax effect of income not taxable for tax purpose	(1,638)	(3,639)
Under (over) provision in respect of prior year	122	(1,391)
Tax effect of land appreciation tax and other associated tax arising on fair value change of investment property	282	872
Tax effect of deferred tax benefits not recognised	69	201
Utilisation of deferred tax benefits previously not recognised	–	(11,382)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,275	4,197
Tax effect of deferred tax liabilities arising on undistributed earnings	2,657	2,528
Taiwan withholding tax on dividends	431	539
Others	(730)	(229)
	25,882	13,849

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

Income tax recognised in other comprehensive income

	2022 HK$'000	2021 HK$'000
Deferred tax *(Note 36)*:		
Arising on income recognised in other comprehensive income:		
– Gain on revaluation of owned properties	3,292	–

12. PROFIT FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Cost of inventories recognised as expenses *(Note i)*	**3,091,042**	3,224,334
Depreciation of property, plant and equipment	**14,127**	14,010
Depreciation of right-of-use assets	**8,401**	12,276
Directors' emoluments *(Note ii)*	**11,758**	11,071
Audit fees paid to auditors		
Auditor of the Company	**2,185**	2,100
Other auditors	**152**	145
Non-audit fees paid to auditor		
Auditor of the Company	**726**	708
Staff costs (excluding directors' emoluments) *(Note ii)*	**117,568**	124,585
Share-based payments expense	**1,802**	926

Notes:

(i) During the year ended March 31, 2021, the amount included reversal of allowance for inventories amounted to HK$32,962,000 as a result of sell of inventories in 2021 (2022: nil).

(ii) During the year ended March 31, 2022, cost of defined contribution plans amounting to HK$15,389,000 (2021: HK$9,117,000) was included in staff costs and directors' emoluments. During the year ended March 31, 2021, due to the outbreak of Covid-19, the PRC government relieved certain social insurance for Group's PRC entities.

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, 2022

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit scheme HK$'000	Performance related incentive payments[8] HK$'000	Total emoluments HK$'000
Chairman and Non-executive Director:					
Leung Chun Wah[1]	1,728	–	–	–	1,728
Executive Directors:					
Hon Kar Chun	–	1,768	162	1,155	3,085
Leung Hon Shing	–	1,712	156	1,155	3,023
Leung Chi Hang Daniel[2]	–	1,747	156	1,155	3,058
Independent Non-executive Directors:					
Wong Kwan Seng, Robert[3]	216	–	–	–	216
Iu Po Chan, Eugene	290	–	–	–	290
Lim Lee Meng[4]	287	–	–	–	287
Tang Wai Loong Kenneth[5]	71	–	–	–	71
Total	2,592	5,227	474	3,465	11,758

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

Year ended March 31, 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit scheme HK$'000	Performance related incentive payments[8] HK$'000	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah[1]	–	1,766	7	–	1,773
Chairman and Non-executive Director:					
Leung Chun Wah[1]	432	–	–	–	432
Executive Directors:					
Kwok Chan Cheung[6]	–	1,334	7	–	1,341
Hon Kar Chun	–	1,670	54	957	2,681
Leung Hon Shing	–	1,485	53	610	2,148
Leung Chi Hang Daniel[2]	–	1,246	49	507	1,802
Independent Non-executive Directors:					
Jovenal R. Santiago[7]	88	–	–	–	88
Wong Kwan Seng, Robert[3]	283	–	–	–	283
Iu Po Chan, Eugene	285	–	–	–	285
Lim Lee Meng[4]	238	–	–	–	238
Total	1,326	7,501	170	2,074	11,071

Notes:

(1) Mr. Leung Chun Wah was re-designated from an executive director to a non-executive director on January 1, 2021.

(2) Mr. Leung Chi Hang Daniel appointed on May 28, 2020.

(3) Mr. Wong Kwan Seng, Robert resigned on December 31, 2021.

(4) Mr. Lim Lee Meng appointed on May 28, 2020.

(5) Mr. Tang Wai Loong Kenneth appointed on January 1, 2022.

(6) Mr. Kwok Chan Cheung resigned on January 1, 2021.

(7) Mr. Jovenal R. Santiago resigned on July 28, 2020.

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

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive directors' (including the independent non-executive directors') fees 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, 2022 and 2021.

14. FIVE HIGHEST PAID EMPLOYEES

For the year ended March 31, 2022, the five highest paid individuals of the Group included three directors (2021: four directors), details of which are included in Note 13.

The emolument of the remaining two individuals (2021: one individual) were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	2,480	1,439
Contributions to retirement benefits scheme	204	49
Performance related incentive payments	1,650	801
Share-based payments	194	61
	4,528	2,350

The total emoluments of the remaining two individuals (2021: one individual) were within the following bands:

	Number of individuals	
	2022	2021
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
	2	1

15. DIVIDEND

	2022 HK$'000	2021 HK$'000
Dividend recognised as distribution during the year:		
2021 - Final HK33.0 cents per share	28,118	–

On August 27, 2021, a final dividend of HK33.0 cents per share, in an aggregate amount of HK$28,118,000 was paid to the shareholders in respect of the financial year ended March 31, 2021.

In respect of the year ended March 31, 2022, the Board has recommended that a final dividend of HK33.0 cents per share and a special dividend of HK40.0 cents per share will be paid to the shareholders of the Company on September 21, 2022. These dividends will be 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 September 6, 2022. The estimated total dividend to be paid is HK$62,960,000.

16. EARNINGS PER SHARE

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

Earnings

	2022 HK$'000	2021 HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	82,192	92,483

16. EARNINGS PER SHARE – *continued*

Number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	85,326	85,207
Effect of dilutive potential ordinary shares:		
Share options	1,178	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	86,504	85,207

The computation of diluted earnings per share for the year ended March 31, 2022 did not assume the exercise of certain share options (2021: all share options) granted by the Company since the exercise price of those share options was higher than the average market price of the shares for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Owned properties 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, 2020	246,979	7,554	3,219	67,592	325,344
Exchange difference	13,814	72	17	1,817	15,720
Additions	11,070	118	77	1,078	12,343
Disposals	–	(1,946)	(4)	(3,821)	(5,771)
Loss on revaluation	(10,144)	–	–	–	(10,144)
At March 31, 2021	261,719	5,798	3,309	66,666	337,492
Exchange difference	5,681	30	2	761	6,474
Additions	–	1,543	29	2,464	4,036
Disposals	–	(371)	(17)	(14)	(402)
Gain on revaluation	7,991	–	–	–	7,991
At March 31, 2022	**275,391**	**7,000**	**3,323**	**69,877**	**355,591**
At March 31, 2022					
Comprising:					
Cost	–	7,000	3,323	69,877	80,200
Valuation	275,391	–	–	–	275,391
	275,391	7,000	3,323	69,877	355,591
ACCUMULATED DEPRECIATION					
At April 1, 2020	–	6,782	2,702	56,073	65,557
Exchange difference	248	52	12	1,673	1,985
Depreciation for the year	9,896	414	150	3,550	14,010
Disposals	–	(1,946)	(2)	(2,110)	(4,058)
Eliminated on revaluation	(10,144)	–	–	–	(10,144)
At March 31, 2021	–	5,302	2,862	59,186	67,350
Exchange difference	81	25	2	702	810
Depreciation for the year	10,575	503	127	2,922	14,127
Disposals	–	(302)	(17)	(14)	(333)
Eliminated on revaluation	(10,656)	–	–	–	(10,656)
At March 31, 2022	**–**	**5,528**	**2,974**	**62,796**	**71,298**
CARRYING AMOUNT					
At March 31, 2022	**275,391**	**1,472**	**349**	**7,081**	**284,293**
At March 31, 2021	261,719	496	447	7,480	270,142

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:

Owned properties	Over the shorter of lease term or 50 years
Motor vehicles	20%
Plant and equipment	20%
Computer equipment, furniture and fixtures	20% to $33^1/_3$%

The Group had obtained the land use right certificates for all owned properties except for owned property with carrying amount of HK$10,983,000 (2021: HK$11,070,000) in which the Group is in the process of obtaining.

As at March 31, 2022, property, plant and equipment with an aggregate cost of HK$60,601,000 (2021: HK$57,019,000) were fully depreciated but in use.

Details of the owned properties held by the Group as at March 31, 2022 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(1)	25,618	99 years commencing from July 1, 1898(2)	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(1)	N/A	99 years commencing from July 1, 1898(2)	Car park
14/F Jinyun Century Buildings, 6033 Shennan Main Road, Futian District, Shenzhen, the PRC(1)	18,542	50 years commencing from February 28, 1997	Office
33/F International Corporate City, 3000 North Zhongshan Road, Putuo District, Shanghai, the PRC(1)	19,108	50 years commencing from July 30, 2004	Office
Room 3311-3312 and parking space No.147 on B2/F,China Resources Building (Tower A), No.6-D Shandong Road, Shinan District, Qingdao the PRC(1)	3,818	30 years expiring on June 21, 2051	Office and car park

Notes:

(1) 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.

(2) Pursuant to the Sino-British Joint Declaration, the term of the Crown lease was extended to June 30, 2047.

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Fair value measurement of the Group's owned properties

The Group's owned properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Group's leasehold land and buildings as at March 31, 2022 were performed by Assets Appraisal Limited ("AAL") and Ascent Partners Valuation Service Limited ("APV") (2021: AAL and APV), independent valuers not connected with the Group.

The fair value of the owned properties 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. The following tables gives information about how the fair values of these properties are determined (in particular, the valuation techniques and inputs used).

Category of property, plant and equipment	Fair value at Level 3 hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Owned properties in Hong Kong – buildings and car park	HK$102,000,000 (2021: HK$90,440,000)	Direct comparison method - The key input is the market price.	Direct comparison method - based on price per square foot ("sq. ft.") for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$3,343 to HK$4,185 (2021: HK$3,000 to HK$3,357) per sq. ft., while for car parks, is ranging from HK$1.15 million to HK$1.80 million (2021: HK$1.35 million to HK$1.90 million) per unit and adjusted for differences in location, view, floor area, lot size and age and condition of the properties.	A significant increase in the adjusted market price used would result in a significant increase in fair value and vice versa.

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Fair value measurement of the Group's owned properties – *continued*

Category of property, plant and equipment	Fair value at Level 3 hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Owned properties in PRC – buildings and car park	HK$173,391,000 (2021: HK$171,279,000)	Direct comparison method - The key input is the market price.	Direct comparison method - based on price per sq. ft. for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$2,511 to HK$4,908 (2021: HK$2,638 to HK$4,432) per sq. ft., while for car parks, is ranging from HK$165,284 to HK$182,382 (2021: HK$162,880 to HK$182,426) per unit and adjusted for differences in location, view, floor area, lot size and age and condition of the properties.	A significant increase in the adjusted 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 owned properties 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$119,721,000 (2021: HK$120,283,000).

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
CARRYING AMOUNT	
As at April 1, 2020	14,013
Additions to right-of-use assets	16,243
Depreciation charge	(12,276)
Exchange difference	221
As at March 31, 2021	18,201
Additions to right-of-use assets	6,216
Depreciation charge	(8,401)
Exchange difference	77
As at March 31, 2022	**16,093**

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases	**(4,086)**	(2,153)
Total cash outflow for leases *(Note)*	**(12,701)**	(14,960)

Note: Amount includes payments of principal and interest portion of lease liabilities and short-term leases.

For both years, the Group leases various offices and warehouse premises for its operations. Lease contracts are entered into for fixed term of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties including car parks, warehouse, staff quarters and offices.

Restrictions on leases

In addition, lease liabilities of HK$16,000,000 (2021: HK$17,782,000) are recognised with related right-of-use assets of HK$16,093,000 (2021: HK$18,201,000) as at March 31, 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INVESTMENT PROPERTY

	HK$'000
At April 1, 2020	8,200
Gain on fair value change recognised in profit or loss	1,312
At March 31, 2021	9,512
Gain on fair value change recognised in profit or loss	439
At March 31, 2022	**9,951**

Details of the residential apartment held by the Group as at March 31, 2022 are set out below:

Description and location	Gross area (sq.ft.)	Tenure	Use
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

The investment property was measured at fair value on March 31, 2022 with a fair value gain, determined by the directors of the Company by reference to a valuation performed by AAL, independent valuer not connected with the Group of HK$439,000 (2021: HK$1,312,000).

In determining the fair value of the investment property, the management of the Group determines the appropriate valuation techniques and inputs for fair value measurements. The Group engages and works closely with AAL to perform the valuation and establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the investment property.

19. INVESTMENT PROPERTY – *continued*

The fair value of the investment property 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 investment property, the highest and best use of the properties is their current use. The fair value of the investment property as at March 31, 2022 is HK$9,951,000 (2021: HK$9,512,000).

Category	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Residential apartment	Level 3	Direct comparison method - The key input is the market price.	Direct comparison method - based on price per sq. ft., using market observable comparable prices of similar properties ranging from HK$6,540 to HK$7,667 (2021: HK$5,881 to HK$7,648) per sq. ft, and adjusted for differences in locations and other individual factors such as the location, view, floor area, lot size and age and condition of the properties.	A significant increase in the adjusted 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.

20. CLUB DEBENTURES

	2022 HK$'000	2021 HK$'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 annually and when whenever there is an indication that they may be impaired.

On March 31, 2022, 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 (2021: nil).

21. INTEREST IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'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 losses	**(36,823)**	(36,823)
Translation reserve	**(113)**	(113)
	70,080	70,080
Impairment loss	**(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. The financial guarantee contracts were expired in prior years.

21. 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
					2022	2021	2022	2021	
GW Electronics Company Limited ("GWE")	Incorporated	Hong Kong	Hong Kong	Ordinary	49%	49%	49%	49%	Inactive

During the year ended March 31, 2016, a winding-up petition was issued by a major supplier to GWE as a result of the termination of an authorised distributorship agreement. GWE ceased its operation in 2016. The directors of the Company reviewed and assessed this circumstance to be an indication for non-recoverability of the investment in GWE and a full impairment loss of HK$70,080,000 was made on the investment in this associate as at March 31, 2016. For the year ended March 31, 2021, the court ruled that all proceedings in the winding-up order against GWE would be stayed altogether permanently, and GWE remained inactive. There is no reversal of impairment loss since the directors of the Company estimated the recoverable amount of it to be minimal as the future economic benefits are not probable to bring to the Group based on value in use calculation.

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

22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Financial assets measured at FVTOCI	–	–

The amount represents investments in unlisted equity securities issued by private entities in Hong Kong and Korea. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

As at March 31, 2022 and 2021, the directors of the Company consider that the fair values of these financial assets measured at FVTOCI were negligible considering that insignificant shareholdings in both unlisted investees are held by the Group.

23. LONG-TERM DEPOSITS

	2022	2021
	HK$'000	HK$'000
Refundable deposits *(Note)*	**4,459**	3,891

Note: Refundable deposits mainly consists of rental deposits, which is expected to be repayable over 1 year and shown under non-current assets.

24. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Finished goods held for sale	**360,393**	259,783

25. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	904,535	890,362
Less: allowance for credit losses	(41,719)	(46,313)
	862,816	844,049

The Group allows a credit period of 30 to 120 days (2021: 30 to 120 days) to its trade customers.

As at April 1, 2020, trade receivables from contracts with customers amounted to HK$660,912,000.

The following is an aging analysis of trade receivables net of allowance for credit losses, presented based on the invoice date at the end of the reporting periods.

	2022 HK$'000	2021 HK$'000
Within 60 days	574,161	516,550
61 to 90 days	164,883	171,679
Over 90 days	123,772	155,820
	862,816	844,049

25. TRADE RECEIVABLES – *continued*

As at March 31, 2022, total bills received amounting to HK$95,061,000 (2021: HK$67,150,000) are held by the Group for future settlement of trade receivables, of which nil (2021: HK$17,506,000) bills were further discounted by the Group and details are disclosed in Note 26. The Group continues to recognise their full carrying amounts at the end of the reporting period and does not hold any collateral over the balance. All bills received by the Group are with a maturity period of less than one year.

As at March 31, 2022, included in the Group's net trade receivables balance are debtors with aggregate carrying amount of HK$191,133,000 (2021: HK$192,121,000) which are past due as at the reporting date. No past due balances in both years has been past due 90 days or more and is not considered as in default.

Details of impairment assessment of trade receivables for the years ended March 31, 2022 and 2021 are set out in Note 43.

26. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at March 31, 2022 and 2021 that were transferred to banks by discounting those trade receivables and bills received 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$36,845,000 (2021: HK$41,647,000) (Note 35).

26. TRANSFER OF FINANCIAL ASSETS – *continued*

As at March 31, 2022

	Trade receivables discounted to banks with full recourse HK$'000	Bills received discounted to banks with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	**43,217**	**–**	**43,217**
Carrying amount of associated liabilities	**(36,845)**	**–**	**(36,845)**
Net position	**6,372**	**–**	**6,372**

As at March 31, 2021

	Trade receivables discounted to banks with full recourse HK$'000	Bills received discounted to banks with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	29,340	17,506	46,846
Carrying amount of associated liabilities	(24,141)	(17,506)	(41,647)
Net position	5,199	–	5,199

Finance costs recognised for trade receivables and bills received discounted to banks for the year ended March 31, 2022 are HK$968,000 and HK$488,000 (2021: HK$1,538,000 and HK$337,000), respectively, which are included in interest on bank borrowings and trust receipt loans (Note 10).

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Deposits	1,622	3,431
Prepayments	3,065	3,869
Other tax recoverable	116	112
Others	1,903	861
	6,706	8,273

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Foreign exchange forward contracts	–	(579)	434	(539)
Analysis by:				
Current	–	(579)	434	(539)

28. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

Foreign exchange forward contracts

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

Outstanding contracts	Forward exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2022	2021	2022 '000	2021 '000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Buy Japanese Yen ("YEN") and sell HK$ less than 3 months *(Note i)*	YEN1/ HK$0.0680	YEN1/ HK$0.0734	YEN50,000	YEN75,000	3,402	5,509	(178)	(238)
Buy YEN and sell HK$ less than 3 months *(Note i)*	YEN1/ HK$0.0645	YEN1/ HK$0.0708	YEN60,000	YEN85,000	3,872	6,014	(2)	(42)
Buy United States dollars ("USD") and sell Chinese Renminbi ("RMB") less than 3 months *(Note ii)*	USD1/ RMB6.4007	USD1/ RMB6.5055	RMB7,500	RMB7,500	9,171	8,957	(80)	104
Buy USD and sell RMB less than 3 months *(Note ii)*	USD1/ RMB6.4063	USD1/ RMB6.5145	RMB7,500	RMB7,500	9,163	8,944	(75)	104
Buy USD and sell RMB less than 3 months *(Note ii)*	USD1/ RMB6.3640	USD1/ RMB6.5535	RMB7,500	RMB7,500	9,224	8,891	(2)	63
Buy USD and sell RMB less than 3 months *(Note ii)*	USD1/ RMB6.3715	USD1/ RMB6.5615	RMB7,500	RMB7,500	9,213	8,880	(3)	63
Buy USD and sell RMB less than 3 months *(Note ii)*	USD1/ RMB6.4180	USD1/ RMB6.5242	RMB7,500	RMB7,500	9,147	8,931	(61)	48
Buy USD and sell RMB less than 3 months *(Note ii)*	USD1/ RMB6.4240	USD1/ RMB6.5296	RMB7,500	RMB7,500	9,138	8,924	(61)	52
Buy USD and sell RMB less than 1 year *(Note ii)*	USD1/ RMB6.3540	N/A	USD500	N/A	19,568	N/A	(117)	N/A
Buy USD and sell HK$ less than 1 year *(Note iii)*	N/A	USD1/ HK$7.7680	N/A	USD20,000	N/A	155,360	N/A	(259)

Notes:

(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.

(iii) The foreign currency forward was settled in gross on maturity of the contract during the year ended March 31, 2022.

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

29. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	HK$'000
Cash at banks	277,396	201,651
Term deposits	52,457	17,378
Cash on hand	277	272
	330,130	219,301
Analysis by:		
Restricted bank deposits *(Note i)*	2,457	2,378
Cash and cash equivalents *(Note ii)*	327,673	216,923
	330,130	219,301

Notes:

(i) As at March 31, 2022, certain term deposits are pledged to a bank to facilitate the customs' clearing process and included in the amount is a balance of HK$2,457,000 with contract tenure of less than one year and accordingly is classified as current assets (2021: HK$2,378,000 with contract tenure of over one year and accordingly is classified as non-current assets). As at March 31, 2022, the restricted bank deposits bear an average effective interest of 2.75% (2021: 2.75%) per annum.

(ii) As at March 31, 2022, cash and cash equivalents comprise cash held by the Group of HK$277,673,000 (2021: HK$201,923,000) and short-term bank deposits with an original maturity of three months or less of HK$50,000,000 (2021: HK$15,000,000). As at March 31, 2022, bank balances carry interest at market interest rates, ranging from 0.01% to 0.40% (2021: 0.01% to 0.39%) per annum and the short-term deposits bear average effective interest of 0.35% (2021: 0.06%) per annum and for tenure of 61 to 90 days (2021: 14 to 90 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:

	2022	2021
	HK$'000	HK$'000
USD	65,830	48,160
YEN	2,027	1,295
RMB	1,371	910
Singapore dollars ("S$")	1,878	617
HK$	49	6

30. TRADE PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**389,528**	349,349

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

	2022 HK$'000	2021 HK$'000
Within 30 days	**281,386**	236,751
31 to 60 days	**108,142**	112,598
	389,528	349,349

The average credit period on purchases of goods is 30 days (2021: 30 days). At the end of each reporting period, interest is charged at 2% per month by certain suppliers on any overdue trade payables.

As at March 31, 2022, HK$257,038,000 (2021: HK$261,729,000) of trade payables are eligible for the Group to obtain the trust receipt loans from the banks for settlement of trade payables to the vendors.

31. OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Accrual for staff costs	**20,944**	30,639
Accrued expenses	**8,986**	6,250
Other tax payables	**7,845**	8,529
Interest payables	**1,745**	993
Others	**1,936**	1,864
	41,456	48,275

32. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Receipts in advances from customers	**9,632**	8,846

As at April 1, 2020, contract liabilities amounted to HK$4,851,000.

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	
	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**8,846**	4,851

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 customers obtain the control of the products.

33. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**7,988**	6,514
Within a period of more than one year but not more than two years	**7,438**	5,485
Within a period of more than two years but not more than five years	**574**	5,783
	16,000	17,782
Less: Amount due for settlement within 12 months shown under current liabilities	**(7,988)**	(6,514)
Amount due for settlement after 12 months shown under non-current liabilities	**8,012**	11,268

The weighted average incremental borrowing rates applied to lease liabilities range from 3.0% to 4.0% (2021: 3.3% to 4.0%).

34. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear fixed-rates with weighted average effective interest rate of 2.94% (2021: 2.42%) per annum, and are repayable within one year.

The trust receipts loans were drawn down by the Group from the banks for settlement of its trade payables. During the year ended March 31, 2022, gross amount of HK$2,754,626,000 (2021: HK$2,512,405,000) trade payables have been settled through the trust receipt loans provided by the banks. During the year ended March 31, 2022, gross amount of HK$2,614,040,000 (2021: HK$2,639,917,000) trust receipt loans have been repaid to banks.

At March 31, 2022, the Group's trust receipt loans with carrying amount of HK$90,312,000 (2021: HK$94,577,000) are required to comply with loan covenants to maintain certain amount of the Group's net tangible assets. The Group has complied with the loan covenants for both years.

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

	2022 **HK$'000**	2021 HK$'000
USD	**486,359**	344,493

35. BANK BORROWINGS

	2022 **HK$'000**	2021 HK$'000
Trade receivables and bills received discounted to banks with full recourse	**36,845**	41,647
Other bank borrowings	**87,589**	105,000
	124,434	146,647
The carrying amount of the above bank borrowings are repayable:		
Within one year *(Note i)*	**124,434**	146,647
Analysis by:		
Secured *(Note ii)*	**49,434**	41,647
Unsecured	**75,000**	105,000
	124,434	146,647

35. BANK BORROWINGS – *continued*

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$97,335,000 (2021: HK$145,043,000) which contain repayment on demand clause.

(ii) During the year ended March 31, 2022, the Group discounted trade receivables and bills received with recourse for bank borrowings in an aggregated amount of HK$405,279,000 and HK$49,100,000 (2021: HK$538,979,000 and HK$31,048,000), respectively.

As at March 31, 2022, the Group's bank borrowings amounted to HK$12,589,000 had been secured by the pledged of the certain bills receivables held by the Group amounted to HK$14,002,000 (2021: nil).

As at March 31, 2022, the Group's fixed-rate borrowings with carrying amount of HK$103,853,000 (2021: HK$122,506,000) are repayable within one year.

In addition, the Group has variable-rate borrowings at March 31, 2022 with interest rates ranged from 1.10% to 1.25% (2021: 1.10% to 1.50%) per annum over respective bank's cost of fund, which are HIBOR or USD LIBOR or Taipei forex (2021: HIBOR, USD LIBOR or Taipei forex) for the floating rate loans, where appropriate.

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

	2022	2021
Weighted average effective interest rate:		
– fixed-rate borrowings	**2.60%**	3.10%
– variable-rate borrowings	**1.85%**	1.54%

As at March 31, 2022 and 2021, the Group's bank borrowings with carrying amount of HK$5,438,000 and HK$4,417,000, respectively, are required to comply with certain loan covenants. The directors of the Company have reviewed the covenants compliance and represented that they were not aware of any breach during both years.

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:

	2022	2021
	HK$'000	HK$'000
USD	**36,080**	17,645

36. 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:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	503	624
Deferred tax liabilities	(38,154)	(31,652)
	(37,651)	(31,028)

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

	Revaluation of owned properties HK$'000	Fair value change on investment property HK$'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, 2020	(28,433)	(4,828)	(1,566)	2,039	(2,620)	6,304	(29,104)
Credit (charge) to profit or loss	1,200	(872)	476	(1,355)	(2,528)	2,366	(713)
Exchange difference	(1,211)	–	–	–	–	–	(1,211)
At March 31, 2021	(28,444)	(5,700)	(1,090)	684	(5,148)	8,670	(31,028)
Credit (charge) to profit or loss	1,235	(282)	(86)	285	(2,658)	(1,342)	(2,848)
Charge to other comprehensive income	(3,292)	–	–	–	–	–	(3,292)
Exchange difference	(483)	–	–	–	–	–	(483)
At March 31, 2022	**(30,984)**	**(5,982)**	**(1,176)**	**969**	**(7,806)**	**7,328**	**(37,651)**

36. DEFERRED TAX – *continued*

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% (2021: 21%).

At March 31, 2022, the total temporary differences attributable to the accumulated profits amounting to HK$152,936,000 (2021: HK$101,118,000). Based on the Group's expectation of the dividend payout ratio, 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$76,468,000 (2021: HK$50,559,000) 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.

Subject to the agreement by the tax authorities, at March 31, 2022, the Group has unutilised tax losses of HK$53,700,000 (2021: HK$61,580,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$44,412,000 (2021: HK$52,548,000) of such losses for the Group as at March 31, 2022. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$9,288,000 (2021: HK$9,032,000) due to the unpredictable profit stream. Tax losses of HK$53,700,000 (2021: HK$61,580,000) in current year that may be carried forward indefinitely.

At March 31, 2022, the Group has other deductible temporary differences on allowance for credit losses and inventories of HK$8,101,000 (2021: HK$10,387,000). 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.

37. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	**2022**	2021
	'000	'000	**HK$'000**	HK$'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	**85,207**	85,207	**85,207**	85,207
Exercise of share options	**570**	–	**570**	–
At end of the year	**85,777**	85,207	**85,777**	85,207

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 39.

38. CAPITAL RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Total HK$'000
At April 1, 2020	117,373	75,070	1,015	193,458
Share options forfeited	–	–	(129)	(129)
Recognition of equity-settled share-based payments	–	–	926	926
At March 31, 2021	117,373	75,070	1,812	194,255
Exercise of share options	1,337	–	(419)	918
Recognition of equity-settled share-based payments	–	–	1,802	1,802
At March 31, 2022	**118,710**	**75,070**	**3,195**	**196,975**

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 39.

39. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company 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 share option scheme is 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 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.

39. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

Details of the Company's share options outstanding under ESOS III held by employees during the year are as follows:

	2022		2021	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
At the beginning of the year	4,577,000	2.83	907,500	3.91
Granted during the year *(Note i)*	–	–	3,835,000	2.61
Forfeited during the year *(Note ii)*	–	–	(115,500)	3.91
Forfeited during the year *(Note ii)*	(70,000)	2.61	(50,000)	2.61
Exercised during the year *(Note iii)*	(570,000)	2.61	–	–
At the end of the year	3,937,000	2.87	4,577,000	2.83
Exercisable at the end of the year	3,937,000		792,000	

The share options outstanding under ESOS III (Grant date: July 17, 2017) at the end of the reporting period have a weighted average remaining contractual life of 5.3 years (2021: 6.3 years) with an expiry date on July 17, 2027.

The share options outstanding under ESOS III (Grant date: December 2, 2020) at the end of the reporting period have a weighted average remaining contractual life of 8.7 years (2021: 9.7 years) with an expiry date on December 2, 2030.

Notes:

(i) For the year ended March 31, 2021, 3,835,000 share options under ESOS III were granted on December 2, 2020 with an exercise price of HK$2.61 per share. The period for the exercise of the share options will commence after the first anniversary of the date of grant and expire on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was approximately HK$2,817,000.

(ii) For the years ended March 31, 2022 and 2021, 70,000 and 165,500, respectively, share options under ESOS III were forfeited. For the year ended March 31, 2021, the amount previously recognised in share options reserve in relation to the 115,500 share options forfeited after vesting was transferred to accumulated profits.

(iii) For the year ended March 31, 2022, certain share options holders under ESOS III exercised part of their share options and subscribed for 570,000 shares of HK$1.00 each of the Company at an exercise price of HK$2.61 per share. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$3.98 per share.

39. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' and valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	ESOS III	ESOS III
Grant date	December 2, 2020	July 17, 2017 *(Note)*
Share price at valuation date	HK$2.25	HK$4.07
Exercise price	HK$2.61	HK$4.30
Expected volatility	35.49%	48.41%
Risk-free rate	0.59%	1.49%
Expected dividend yield	0.00%	7.62%
Expected life	10 years	10 years
Exercisable period	9 years	9 years
Vesting period	1 year	1 year
Fair value per share option	HK$0.73	HK$1.23

Note: During the prior years, upon the bonus issue becoming effective on August 28, 2018, (i) the exercise price of the outstanding options granted under ESOS III was adjusted to HK$3.91 per share; and (ii) the respective numbers of underlying shares comprised in the outstanding options granted under ESOS III of the Company have been adjusted accordingly.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the directors' and valuer's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended March 31, 2022, share-based payment expense of HK$1,802,000 (2021: HK$926,000) had been recognised in profit or loss.

40. 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:

	2022 HK$'000	2021 HK$'000
Associate		
– other receivables	1,712	1,559

Amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

During the year ended March 31, 2022, an impairment on amount due from an associate of HK$153,000 (2021: HK$1,027,000) has been provided.

(b) Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the year are as follows:

	2022 HK$'000	2021 HK$'000
Short-term benefits	19,451	17,179
Post-employment benefits	858	334
Other long-term benefits	–	934
Share-based payments	412	208
	20,721	18,655

The emoluments of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

41. 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 Labour Pension Act of Taiwan.

As at March 31, 2022 and 2021, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

A property held by the Group for rental purpose has committed leases for the next 1 year.

Undiscounted lease payments receivable on leases are as follows:

	2022	2021
	HK$'000	HK$'000
Within 1 year	**100**	96

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	1,200,653	1,071,474
Derivative financial instruments (FVTPL)	–	434
Financial assets measured at FVTOCI	–	–
Financial liabilities		
Financial liabilities at amortised cost	1,004,002	843,347
Derivative financial instruments (FVTPL)	579	539

(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, derivative financial instruments, trade payables, other payables, trust receipt loans, bank borrowings and lease liabilities. 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 management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The risks arising from the Group's financial instruments are mainly foreign exchange risk, interest rate 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.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Market risk – *continued*

(i) Foreign exchange risk management

The group entities transact business in various foreign currencies, including USD, HK$, YEN, RMB, Euro and S$ relative to respective functional currencies mainly in HK$.

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

	2022		2021	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
USD	**484,215**	**(878,828)**	440,789	(694,513)
HK$	**160**	**–**	6	–
YEN	**5,569**	**(4,204)**	4,083	(10,532)
RMB	**1,523**	**(332)**	1,516	(50)
Euro	**36**	**–**	38	(130)
S$	**1,878**	**–**	617	(25)
Intra-group balances				
USD	**211,103**	**(210,103)**	226,734	(227,549)
HK$	**638**	**(37,540)**	743	(88,115)
RMB	**819**	**(1,164)**	819	(1,164)

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 28.

43. 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

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.

If the relevant foreign currency weakens by 5% against the functional currency of the respective group entity, post-tax profit (2021: post-tax profit) for the year will increase (decrease) (2021: increase (decrease)) by:

	2022	2021
	HK$'000	HK$'000
USD (i)	**7,062**	7,364
HK$	**1,451**	3,451
YEN (ii)	**(54)**	255
RMB (iii)	**(33)**	(44)
Euro	**(1)**	4
S$	**(74)**	(23)

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 profit after income tax.

Notes:

(i) This is mainly attributable to the exposure on bank balances, trade receivables and payables and intra-group balances as at year end. Included in carrying amounts of monetary assets and monetary liabilities including intra-group balances, denominated in USD of HK$648,732,000 (2021: HK$621,323,000) and HK$863,557,000 (2021: HK$689,439,000), respectively, were recognised by group entities with functional currency of HK$ and being excluded for the sensitivity analysis since the HK$ remains closely pegged to USD.

43. 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*

Notes: – continued

(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 intra-group balances denominated in RMB as at end of the reporting period.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits (Note 29), fixed-rate bank borrowings (Note 35), lease liabilities (Note 33) and long term deposits (refundable deposits) (Note 23). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 29) and variable-rate bank borrowings (Note 35). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR or LIBOR arising from the Group's Hong Kong and US dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. As listed in Note 2, several of the Group's LIBOR or HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform is set out under "interest rate benchmark reform" in this note.

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.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Market risk – *continued*

(ii) Interest rate risk management – continued

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings 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 (2021: 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 (2021: 50 basis points) higher or lower and all other variables were held constant, the Group's post-tax profit (2021: post-tax profit) for the year ended March 31, 2022 would decrease or increase by HK$86,000 (2021: decrease or increase by HK$101,000).

Credit risk and impairment management

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, restricted bank deposits, bank balances, amount due from an associate, other receivables and refundable deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

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 and credit approvals. The Group also insured certain trade debtors with credit insurance agencies with the insurance coverage which was negotiable between the Group and the agencies based on the credit quality of respective debtors.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the discounted bills is insignificant. In this regard, the management considers that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables with credit-impaired individually. Except for trade receivables with credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment losses of HK$4,614,000 were reversed (2021: impairment losses of HK$9,114,000 were recognised) during the year ended March 31, 2022. Details of the quantitative disclosures are set out below in this note.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

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 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 probability of default and average loss rates of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the 12m ECL on bank balances and restricted bank deposits is considered insignificant.

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. The management of the Group believes that there are no significant increase in credit risk of these amounts and the credit loss amount is insignificant, no loss allowance is recognised.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Amount due from an associate

The management of the Group determined that there was loss credit rating for amount due from an associate since the associate was under winding-up order and currently inactive. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$1,712,000 was provided by the Group as at March 31, 2022 (2021: HK$1,559,000).

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 with good reputation and repayment history in general	Lifetime ECL – not credit-impaired	12m ECL
Normal risk	Normal risk types customers represent debtors occasionally repays after due dates but settle in full	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	Lifetime ECL – not credit-impaired
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

43. 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, 2022 and 2021 which are subject to ECL assessment:

Financial assets at amortised costs

2022	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Restricted bank deposits	29	Baa3	N/A	12m ECL	2,457
Bank balances	29	Aa1 to Baa3	N/A	12m ECL	327,396
Long-term deposits (refundable deposits)	23	N/A	Note 1	12m ECL	4,459
Other receivables and deposits	27	N/A	Note 1	12m ECL	3,248
Amount due from an associate	27	N/A	Loss *(Note 3)*	Lifetime ECL (Credit-impaired)	1,712
Trade receivables	25	N/A	Note 2	Lifetime ECL (Collective assessment)	874,973
			Loss	Lifetime ECL (Credit-impaired)	29,562

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *continued*

2021	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Restricted bank deposits	29	Baa3	N/A	12m ECL	2,378
Bank balances	29	Aa3 to Baa3	N/A	12m ECL	216,651
Long-term deposits (refundable deposits)	23	N/A	Note 1	12m ECL	3,891
Other receivables and deposits	27	N/A	Note 1	12m ECL	4,233
Amount due from an associate	27	N/A	Loss *(Note 3)*	Lifetime ECL (Credit-impaired)	1,559
Trade receivables	25	N/A	Note 2	Lifetime ECL (Collective assessment)	860,317
			Loss	Lifetime ECL (Credit-impaired)	30,045

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *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, 2022 and 2021, 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 that are credit-impaired, the Group determines the expected credit losses on these items on a collective basis 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$29,562,000 as at March 31, 2022 (2021: HK$30,045,000) are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$29,562,000 was provided by the Group as at March 31, 2022 (2021: HK$30,045,000).

As part of the individual assessment of the lifetime ECL for each credit-impaired trade receivables, the management of the Group has obtained an analysis on the counterparties' credit risk characteristics by reviewing the trading history and historical settlement pattern with the Group. Such analysis also include operational update and financial position, to the extent the Group is possible to obtain such information or from the observable data in the market. The management of the Group estimates the amount of lifetime ECL individually based on expectation on cash flows that take into account the credit risk characteristics of individual debtors taking into consideration of historical settlement record adjusted to reflect current conditions and forward-looking information, including gross domestic product rate, that is reasonably and supportably available to directors of the Company without undue cost or effort, and are updated at each reporting date if considered to be required.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *continued*

Notes: – continued

(2) *– continued*

The remaining trade receivables with gross carrying amount of HK$874,973,000 (2021: HK$860,317,000) 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 on a collective basis as at March 31, 2022 and 2021 within lifetime ECL (not credit-impaired).

Gross carrying amount

	2022 Average loss rate	2022 Gross carrying amount HK$'000	2022 Allowance amount HK$'000	2021 Average loss rate	2021 Gross carrying amount HK$'000	2021 Allowance amount HK$'000
Low risk	0.02%	128,724	26	0.03%	68,820	21
Normal risk	1.04%	590,476	6,141	1.40%	607,060	8,519
High risk	3.85%	155,773	5,990	4.19%	184,437	7,728
		874,973	12,157		860,317	16,268

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *continued*

Notes: – continued

(2) *– 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 April 1, 2020	7,355	29,430	36,785
Impairment losses recognised	16,268	615	16,883
Impairment losses reversed	(7,769)	–	(7,769)
Transfer	(132)	132	–
Write off	–	(132)	(132)
Exchange difference	546	–	546
As at March 31, 2021	16,268	30,045	46,313
Impairment losses recognised	12,157	–	12,157
Impairment losses reversed	(16,503)	(268)	(16,771)
Write off	–	(228)	(228)
Exchange difference	235	13	248
As at March 31, 2022	**12,157**	**29,562**	**41,719**

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *continued*

Notes: – continued

(2) – *continued*

Changes in the loss allowance for trade receivables are mainly due to:

	2022 Increase (decrease) in lifetime ECL		2021 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000
Newly originated trade receivable balance with gross amount of HK$874,973,000 (2021: HK$860,317,000)	12,157	–	16,268	–
Newly originated trade receivable balance with gross amount of nil (2021: HK$615,000)	–	–	–	615
Settlement in full of trade debtors with a gross carrying amount of HK$860,585,000 (2021: HK$668,135,000)	(16,503)	(268)	(7,769)	–

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.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Credit risk and impairment management – *continued*

Financial assets at amortised costs – *continued*

Notes: – continued

(3) The Group assessed the loss allowance for amount due from an associate on lifetime ECL for internal credit rating of loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the associate, its settlement status and other contractual conditions to ensure it is financially viable to settle the amount balance. The Group has applied 100% (2021: 100%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table shows the movement in ECL that has been recognised for other receivables.

	Lifetime ECL (not credit impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at April 1, 2020	–	532	532
Impairment losses recognised	–	1,027	1,027
As at March 31, 2021	–	1,559	1,559
Impairment losses recognised	–	153	153
As at March 31, 2022	**–**	**1,712**	**1,712**

Changes in the loss allowance for other receivables are mainly due to:

	2022 Increase in lifetime ECL		2021 Increase in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**	Not credit-impaired HK$'000	Credit-impaired HK$'000
Newly originated amount due from an associate balance with gross amount of HK$153,000 (2021: HK$1,027,000)	**–**	**153**	–	1,027

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

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. As at March 31, 2022, the committed unutilised banking facilities made available to the Group are approximately HK$980 million (2021: HK$1,018 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.

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 were 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.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Non-derivative financial liabilities – continued

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2022						
Trade payables	–	389,528	–	–	389,528	389,528
Other payables	–	3,681	–	–	3,681	3,681
Trust receipt loans						
– fixed interest rates	2.94	486,359	–	–	486,359	486,359
Bank borrowings						
– variable interest rates	1.85	20,581	–	–	20,581	20,581
– fixed interest rate	2.60	91,264	12,589	–	103,853	103,853
Lease liabilities	3.0 – 4.0	1,673	6,703	8,199	16,575	16,000
		993,086	19,292	8,199	1,020,577	1,020,002

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Non-derivative financial liabilities – continued

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2021						
Trade payables	–	349,349	–	–	349,349	349,349
Other payables	–	2,858	–	–	2,858	2,858
Trust receipt loans						
– fixed interest rates	2.42	344,493	–	–	344,493	344,493
Bank borrowings						
– variable interest rates	1.54	24,141	–	–	24,141	24,141
– fixed interest rate	3.10	122,506	–	–	122,506	122,506
Lease liabilities	3.3 – 4.0	1,840	5,149	11,643	18,632	17,782
		845,187	5,149	11,643	861,979	861,129

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Non-derivative financial liabilities – continued

As at March 31, 2022, bank borrowings and trust receipt loans with a repayable on demand clause of HK$583,694,000 (2021: HK$489,536,000) are included in the "on demand or less than 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that 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$589,306,000 (2021: HK$493,135,000).

	Maturity analysis - Bank borrowings and trust receipt loans with a repayable on demand clause based on scheduled repayment			
	Less than 3 months	**3 months to 1 year**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2022	**589,306**	**–**	**589,306**	**583,694**
March 31, 2021	493,135	–	493,135	489,536

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Derivative financial instruments

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Within 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2022				
Foreign exchange forward contracts - gross settlement				
– inflow	7,094	–	7,094	N/A
– outflow	(7,274)	–	(7,274)	N/A
	(180)	–	(180)	(180)
Foreign exchange forward contracts - net settlement				
– outflow	(399)	–	(399)	(399)
	(579)	–	(579)	(579)

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Liquidity risk management – *continued*

Derivative financial instruments – continued

	Within 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2021				
Foreign exchange forward contracts - gross settlement				
– inflow	166,344	–	166,344	N/A
– outflow	(166,883)	–	(166,883)	N/A
	(539)	–	(539)	(539)
Foreign exchange forward contracts - net settlement				
– inflow	434	–	434	434
	(105)	–	(105)	(105)

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

Interest rate benchmark reform

As disclosed in Note 35, the Group has certain bank borrowings carried at LIBOR or HIBOR, which may be subject to the interest rate benchmark reform.

The following table shows the total amounts of these outstanding contracts as at March 31, 2022. The amounts of financial liabilities are shown at their carrying amounts.

	Carrying amounts HK$'000
Non-derivative financial liabilities	
Bank borrowings linked to USD LIBOR	7,228
Bank borrowings linked to HIBOR	13,353

As at March 31, 2022, the above short term borrowings will mature within 1 year and the directors of the Company expect the related HIBOR or USD LIBOR will continue till maturity. Accordingly, the impact of the interest rate benchmark reform is insignificant to the Group.

43. 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 below.

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.

43. 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*

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.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	March 31, 2022	March 31, 2021				
Foreign exchange forward contracts (see Note 28)	**Assets – nil Liabilities – HK$579,000**	Assets – HK$434,000 Liabilities – HK$539,000	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.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements at amortised cost approximate their fair values.

43. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

(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 34 and 35, respectively, lease liabilities, 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.

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.

44. 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.

	Interest payables	Lease liabilities	Dividend payable	Trust receipt loans	Bank borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	
	(Note 31)	*(Note 33)*	*(Note 15)*	*(Note 34)*	*(Note 35)*	
At April 1, 2020	3,414	13,767	–	469,131	201,765	688,077
Financing cash flows	–	(12,807)	–	(127,512)	(41,948)	(182,267)
Interest expense	18,533	513	–	–	–	19,046
Exchange difference	–	175	–	2,874	1,148	4,197
Modification of leases	–	16,243	–	–	–	16,243
Gain on lease modification	–	(109)	–	–	–	(109)
Non-cash settlements	–	–	–	–	(14,318)	(14,318)
Interest paid	(20,954)	–	–	–	–	(20,954)
At March 31, 2021	993	17,782	–	344,493	146,647	509,915
Financing cash flows	–	(8,615)	(28,118)	140,586	44,101	147,954
Dividend declared	–	–	28,118	–	–	28,118
Interest expense	16,726	560	–	–	–	17,286
Exchange difference	–	57	–	1,280	632	1,969
Modification of leases	–	6,216	–	–	–	6,216
Non-cash settlements	–	–	–	–	(66,946)	(66,946)
Interest paid	(15,974)	–	–	–	–	(15,974)
At March 31, 2022	**1,745**	**16,000**	**–**	**486,359**	**124,434**	**628,538**

45. MAJOR NON-CASH TRANSACTIONS

During the year, the Group modified lease agreements for the use of various offices and warehouse premises for 2 years to 3 years. On the effective date of modification, the Group recognised HK$6,216,000 right-of-use assets and HK$6,216,000 lease liabilities (2021: HK$16,243,000 right-of-use assets and HK$16,243,000 lease liabilities).

46. LIST OF SUBSIDIARIES

Details of the Group's subsidiaries at March 31, 2022 and 2021 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				Principal activities
			Directly		Indirectly		
			2022 %	2021 %	2022 %	2021 %	
Cleverway Profits Limited	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
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)	PRC	US$7,000,000	–	–	100	100	Trading of electronic components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

46. 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		
			2022 %	2021 %	2022 %	2021 %	
Willas-Array Electronics (Shenzhen) Limited [(a), (d), (f)]	PRC	US$5,500,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Taiwan) Inc. [(a), (c)]	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:

(a) Audit work performed by Deloitte Touche Tohmatsu ("Deloitte Hong Kong") for consolidation purpose and audited by Shanghai Hddy Certified Public Accountants Co., Ltd. and other local audit firms in the PRC/Taiwan for statutory financial report 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

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

46. LIST OF SUBSIDIARIES – *continued*

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

Principal activities	Place of incorporation/ establishment and operation	Number of wholly-owned subsidiaries	
		2022	2021
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

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company

	2022 HK$'000	2021 HK$'000
Non-current assets		
Amount due from a subsidiary *(Note)*	33,814	33,814
Interests in subsidiaries	162,165	157,024
Total non-current assets	195,979	190,838
Current assets		
Amounts due from subsidiaries *(Note)*	249,381	213,604
Deposits and prepayments	17	17
Income tax recoverable	101	–
Cash and cash equivalents *(Note)*	3,588	976
Total current assets	253,087	214,597
Total assets	449,066	405,435
Current liabilities		
Other payables	1,510	947
Income tax payable	–	63
Financial guarantee liabilities	5,141	1,981
Total current liabilities	6,651	2,991
Net current assets	246,436	211,606
Total assets less current liabilities	442,415	402,444
Capital and reserves		
Share capital	85,777	85,207
Reserves	356,638	317,237
Equity attributable to owners of the Company	442,415	402,444
Total liabilities and equity	449,066	405,435

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 years ended March 31, 2022 and 2021.

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Statement of change in equity of the Company

	Share capital HK$'000	**Capital reserves** HK$'000 *(Note 38)*	**Accumulated profits** HK$'000	**Total** HK$'000
At April 1, 2020	85,207	193,458	84,747	363,412
Profit for the year, representing total comprehensive income for the year	–	–	38,106	38,106
Transactions with owners, recognised directly in equity:				
Share options forfeited	–	(129)	129	–
Recognition of equity-settled share-based payments	–	926	–	926
Total	–	797	129	926
At March 31, 2021	85,207	194,255	122,982	402,444
Profit for the year, representing total comprehensive income for the year	–	–	64,799	64,799
Transactions with owners, recognised directly in equity:				
Exercise of share options	570	918	–	1,488
Recognition of equity-settled share-based payments	–	1,802	–	1,802
Dividend paid *(Note 15)*	–	–	(28,118)	(28,118)
Total	570	2,720	(28,118)	(24,828)
At March 31, 2022	**85,777**	**196,975**	**159,663**	**442,415**

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JULY 4, 2022

Authorised share capital	: HK$120,000,000
Issued share capital	: HK$86,987,049
Number of shares	: 86,987,049
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 July 4, 2022, approximately 47.94% 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	45	3.57%	1,349	0.00%
100 - 1,000	207	16.42%	96,530	0.11%
1,001 - 10,000	601	47.66%	2,674,538	3.07%
10,001 - 1,000,000	400	31.72%	22,074,871	25.38%
1,000,001 and above	8	0.63%	62,139,761	71.44%
	1,261	100%	86,987,049	100%

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

	Name of Shareholders	Number of Shares Held Direct Interest	Number of Shares Held 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	Yeo Seng Chong (iv)	749,200	7,661,784
8	Lim Mee Hwa (v)	575,000	7,835,984
9	Yeoman Capital Management Pte Ltd (vi)	82,500	7,004,284
10	Yeoman 3-Rights Value Asia Fund VCC	6,866,784	–

(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 of which Mr. Leung Chun Wah is the sole director and shareholder.

(ii) Mr. Leung Chun Wah

Deemed interest in the shares held by Max Power Assets Limited of which he is the sole director and shareholder 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) Mr. Yeo Seng Chong

Deemed interests in shares held by his wife, Ms. Lim Mee Hwa and the shares held by Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund VCC.

(v) Ms. Lim Mee Hwa

Deemed interests in shares held by her husband, Mr. Yeo Seng Chong and the shares held by Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund VCC.

(vi) Yeoman Capital Management Pte Ltd

Deemed interests held through Yeoman 3-Rights Value Asia Fund VCC and Yeoman Client 1.

SHAREHOLDERS' INFORMATION

TOP TWENTY SHAREHOLDERS AS AT JULY 4, 2022

S/No.	Name	Shares Number	Percentage
1	HKSCC NOMINEES LIMITED	35,979,883	41.36%
2	GLOBAL SUCCESS INTERNATIONAL LIMITED	8,685,109	9.98%
3	HUNG YUK CHOY	5,614,309	6.45%
4	DB NOMINEES (SINGAPORE) PTE LTD	3,416,584	3.93%
5	DBS NOMINEES (PRIVATE) LIMITED	2,999,539	3.45%
6	LAM YEN YONG	2,389,420	2.75%
7	UOB KAY HIAN PRIVATE LIMITED	2,007,281	2.31%
8	SEE BENG LIAN JANICE	1,047,636	1.20%
9	CHENG WAI YIN, SUSANA	805,134	0.93%
10	NOMURA SINGAPORE LIMITED	747,582	0.86%
11	LIM MEE HWA	575,000	0.66%
12	IFAST FINANCIAL PTE. LTD.	547,420	0.63%
13	YEE LAT SHING	514,100	0.59%
14	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	462,600	0.53%
15	MAYBANK SECURITIES PTE. LTD.	384,180	0.44%
16	ENG KOON HOCK	382,000	0.44%
17	YEO SENG CHONG	350,000	0.40%
18	NG CHEE KIONG	346,360	0.40%
19	TEO TECK LIAM	333,170	0.38%
20	FSK INVESTMENT HOLDING PTE. LTD.	330,000	0.38%
		67,917,307	78.07%

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