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)

RESILIENT. RESOURCEFUL. READY.

ANNUAL REPORT 2016

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, EMS and automotive segments, as well as the provision of engineering solutions.

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

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

In mainland China, Willas-Array has established a network of offices strategically located in Beijing, Chengdu, Chongqing, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen and Zhongshan. It has a subsidiary, in the Free Trade Zone in Shanghai, which serves as a logistics centre for the Group in northern China. Willas-Array also has a wholly-owned subsidiary in Taipei to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.

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CORPORATE INFORMATION

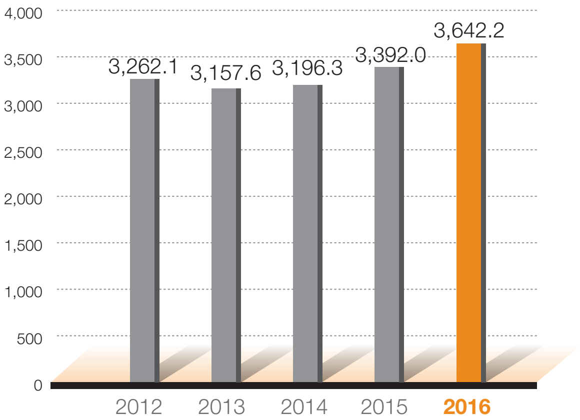
DIRECTORS	*Executive Directors* Leung Chun Wah *(Chairman)* Kwok Chan Cheung *(Deputy Chairman)* Hon Kar Chun *(Managing Director)* Leung Hon Shing *Independent Non-executive Directors* Jovenal R. Santiago Wong Kwan Seng, Robert Iu Po Chan, Eugene
COMPANY SECRETARY	Leung Hon Shing
AUDIT COMMITTEE	Jovenal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

CORPORATE INFORMATION

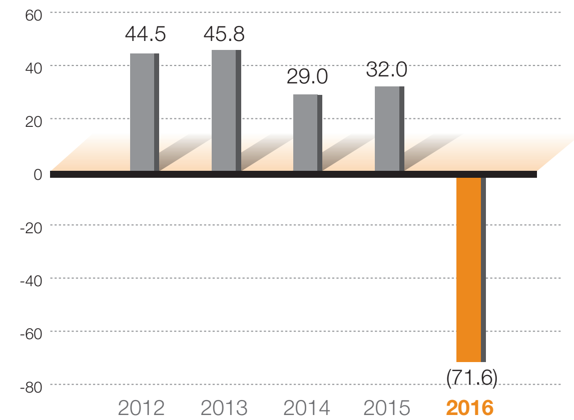
HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	24/F, Wyler Centre, Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Estera Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
SINGAPORE SHARE TRANSFER AGENT	Intertrust Singapore Corporate Services Pte. Ltd. 3 Anson Road #27-01 Springleaf Tower Singapore 079909
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
COMPANY WEBSITE	www.willas-array.com
STOCK CODE	Hong Kong: 854 Singapore: BDR

FINANCIAL HIGHLIGHTS

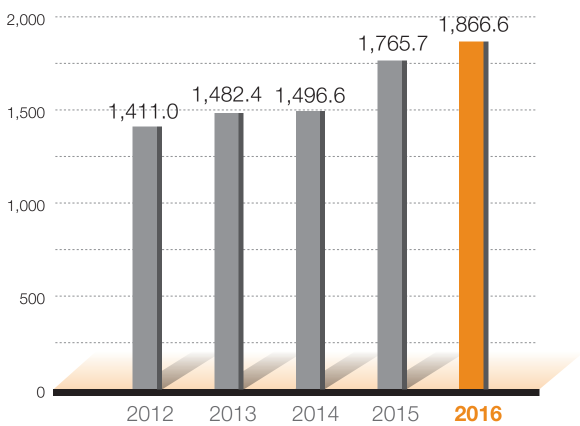
REVENUE
(HK$ Million)



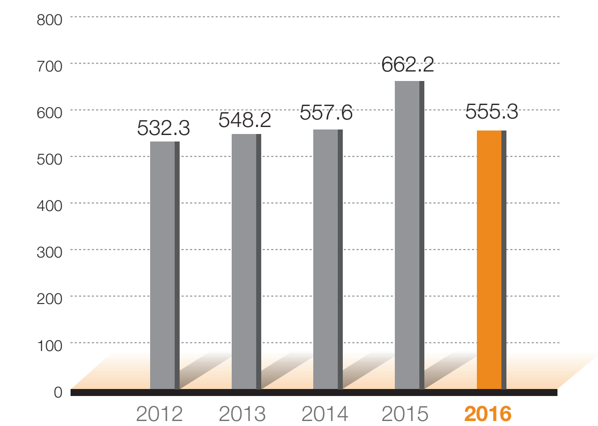
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Million)



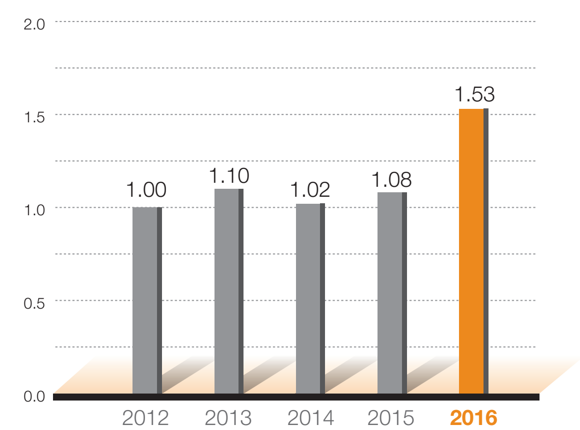
TOTAL ASSETS
(HK$ Million)



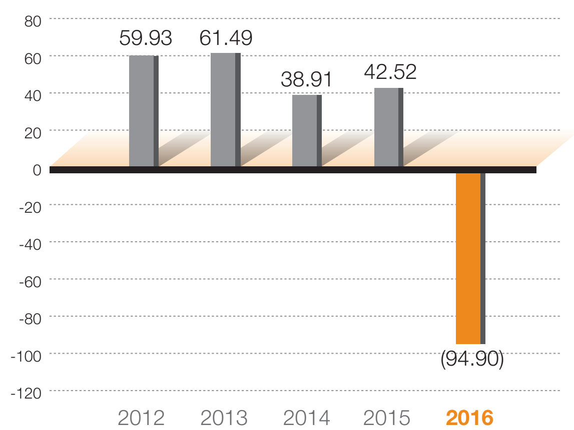
SHAREHOLDERS' FUND
(HK$ Million)



GEARING

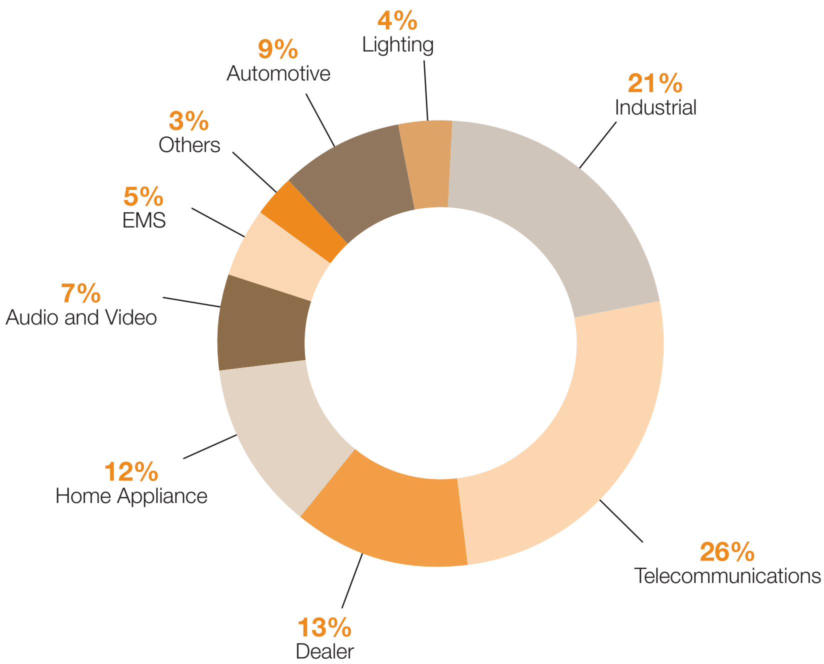


EARNINGS (LOSS) PER SHARE – RESTATED FOR 2012-2015
(HK Cents)

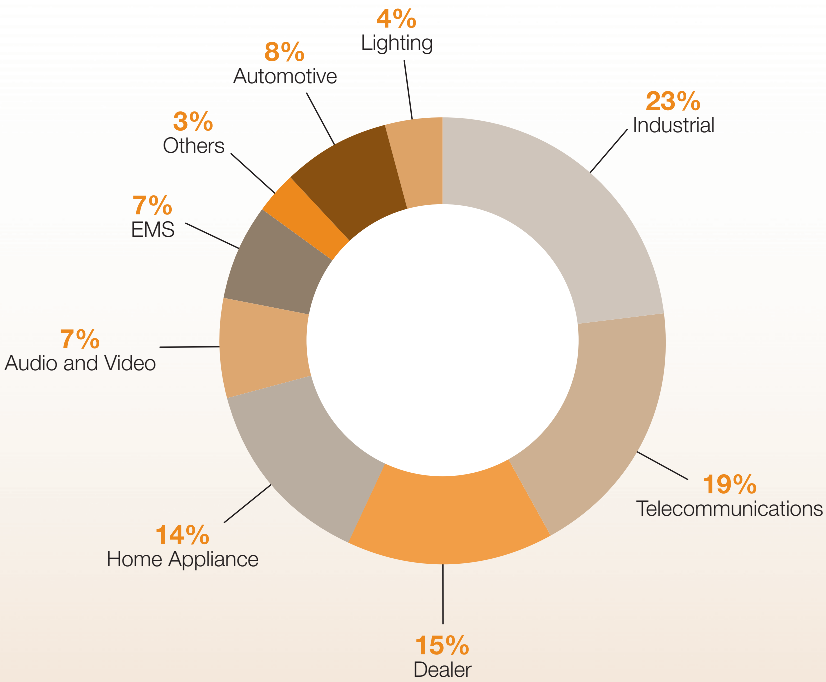


FINANCIAL HIGHLIGHTS

Turnover By Segments For The Year Ended March 31, 2016



Turnover By Segments For The Year Ended March 31, 2015



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	3,262,086	3,157,597	3,196,270	3,391,997	**3,642,246**
Cost of sales	(2,959,401)	(2,851,940)	(2,868,473)	(3,082,332)	**(3,322,606)**
Gross profit	302,685	305,657	327,797	309,665	**319,640**
Other operating income	4,246	4,635	4,216	3,490	**2,911**
Distribution costs	(39,021)	(30,112)	(46,115)	(45,267)	**(47,024)**
Administrative expenses	(216,028)	(217,936)	(211,524)	(206,186)	**(200,826)**
Share of loss of jointly controlled entities	(21)	–	–	–	**–**
Share of profit (loss) of associates	–	808	7,128	(6,486)	**(38,273)**
Impairment loss recognised in respect of interests in associates	–	–	–	–	**(70,080)**
Listing expenses	–	–	(26,055)	–	**–**
Amortization of financial guarantee liabilities	–	–	1,523	5,237	**2,256**
Other gains and losses	19,538	7,623	471	(1,164)	**(5,676)**
Finance costs	(15,514)	(16,232)	(17,202)	(16,937)	**(20,879)**
Profit (loss) before tax	55,885	54,443	40,239	42,352	**(57,951)**
Income tax expense	(13,132)	(13,144)	(14,852)	(12,137)	**(12,093)**
Profit (loss) for the year	42,753	41,299	25,387	30,215	**(70,044)**
Non-controlling interests	1,765	4,539	3,617	1,742	**(1,561)**
Profit (loss) attributable to shareholders	44,518	45,838	29,004	31,957	**(71,605)**
	(Restated)	(Restated)	(Restated)	(Restated)	
Earnings (loss) per share (HK cents) *(Notes 2 & 4)*	59.93	61.49	38.91	42.52	**(94.90)**

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Current assets	1,224,132	1,265,770	1,276,950	1,406,328	**1,610,096**
Property, plant and equipment	172,288	162,278	157,128	272,711	**251,867**
Available-for-sale investments	2,001	2,001	2,001	2,001	**2,001**
Interest in jointly controlled entities	8,752	–	–	–	**–**
Interests in associates	–	49,809	59,172	82,498	**–**
Other non-current assets	3,809	2,561	1,373	2,132	**2,663**
Total assets	1,410,982	1,482,419	1,496,624	1,765,670	**1,866,627**
Current liabilities	801,200	927,947	939,064	1,082,318	**1,289,462**
Non-current liabilities	71,733	5,000	2,791	25,774	**24,952**
Non-controlling interests	5,787	1,251	(2,847)	(4,589)	**(3,048)**
Shareholders' equity	532,262	548,221	557,616	662,167	**555,261**
Total liabilities and equities	1,410,982	1,482,419	1,496,624	1,765,670	**1,866,627**
	(Restated)	(Restated)	(Restated)	(Restated)	
Net tangible assets per share (HK cents) *(Notes 3 & 4)*	714.02	735.43	748.04	878.80	**735.39**

Notes:

(1) The financial summary for the five financial years ended March 31, 2012 to 2016 presented above is extracted from the annual reports of the Company from 2012 to 2016.

(2) The basic earnings (loss) per share for the year ended March 31, 2012 to 2016 are calculated based on profit (loss) attributable to shareholders of the Group and weighted average number of 74,284,283 (restated), 74,544,000 (restated), 74,544,000 (restated), 75,164,222 (restated) and 75,451,911 ordinary shares of the Company in issue during the financial years of 2012 to 2016 respectively.

(3) The net tangible assets per share for the year ended March 31, 2012 to 2016 are calculated based on share capital of the Company at the end of financial year of 74,544,000 (restated), 74,544,000 (restated), 74,544,000 (restated), 75,348,960 (restated) and 75,505,960 shares respectively.

(4) Weighted average number of ordinary shares of the Company, earnings (loss) per share, number of ordinary shares in issue and net asset value per ordinary share were stated after taking into account the effect of the share consolidation that took place on August 17, 2015. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior years/at prior years end.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The electronics industry is very much impacted by world economic growth and the uncertainty in the past few years has left its mark on our business.

The financial year ended March 31, 2016 ("FY2016") was another challenging one for our Group because of intense competition, downward price pressures and declining demand across several of our business segments.

In spite of this, we have reason to believe that ours continue to be a viable and sustainable business and there remains opportunity for growth. We are not alone in this analysis, Global Industry Analysts, Inc.[1] projects that the global market for electronic components will reach US$233.1 billion by 2020 driven by the growing penetration of smart electronics in key industrial sectors such as industrial, automotive, healthcare and transportation. Asia-Pacific represents the largest and fastest growing market with a projected compound annual growth rate of about 7.4% led by rapid industrialisation, development of industrial and auto electronics, economic development, increasing disposable income and the rise in electronic consumerism.

According to the "Electronics Component & Industry Forecast for 2016" by Radio-Electronics.com[2], the automotive industry is seeing a huge level of growth in the amount of electronic input to vehicles and this has had a positive impact on our industry.

The same report also highlighted another major factor that will impact on the predictions for the electronic component supply and the electronics industry is the growing area of the Internet of Things, which has led to the burgeoning demand for connected devices and created major opportunities for the electronics industry as a whole.

These reports serve to affirm that the Group has placed its efforts in the right segments.

YEAR IN REVIEW

Despite the challenging economic environment, the Group achieved a 7.4% year-on-year ("yoy") rise in revenue to HK$3,642.2 million in FY2016, as compared to revenue of HK$3,392.0 million for the preceding financial year ("FY2015").

The topline performance reflected the ongoing success of the Group's strategy to focus its engineering resources on the high-growth Telecommunications and Automotive segments. It also showed that years of establishing close partnerships with reputable principal suppliers and strong brand manufacturers in China continued to pay off in the strength of their support.

With China's smartphone brands gaining dominance both locally and abroad as well as the continued expansion of 4G networks in China, the Group's Telecommunications segment surged 47.5% yoy in FY2016 contributing 26.3% to total sales, making it the biggest revenue generator for Willas-Array.

[1] "The Global Electronics Components Market – Trends, Drivers & Projections, April 2015" by Global Industry Analysts, Inc.: http://www.strategyr.com/MarketResearch/Electronic_Components_Market_Trends.asp

[2] "Electronics Component & Industry Forecast for 2016, Ian Poole", Radio-Electronics.com: http://www.radio-electronics.com/articles/distribution-supply/electronics-component-industry-forecast-for-168

The Automotive segment also put in a solid performance in FY2016, generating 22.0% more sales yoy for the Group. The segment's strong contribution was driven by the advent of automobile component systems in cars and the strong rebound in China's automotive market following the launch of new stimulus policies by the China government in September 2015 to boost growth in the automotive industry.

Growth from our Industrial segment was flat in FY2016, while the performance of our Dealer, Home Appliance, Audio and Video, EMS and Lighting segments all declined due to weaker demand for these products.

However, an unfortunate event had a profound impact on our bottomline performance in FY2016. The Group recorded share of loss of associates of HK$38.3 million in FY2016 as compared with share of loss of associates of HK$6.5 million in FY2015, mainly due to doubtful debts provision for debtors of memory products.

The distributor agreements and cooperation between GW Electronics Company Limited (including its subsidiaries located in mainland China, collectively "GW Electronics") and Toshiba Electronics Asia, Ltd. ("Toshiba Asia") and Toshiba Electronics (China) Co., Ltd. respectively were terminated in September 2015.

Toshiba Asia filed a winding-up petition against GW Electronics and served GW Electronics the same in March 2016 alleging an outstanding and payable amount of about US$15.3 million by GW Electronics. As GW Electronics is a limited liability corporation, the Group's maximum potential exposure to any legal claim by Toshiba Asia against GW Electronics, including as a result of the winding-up petition, will be limited to the Group's equity interest in GW Electronics. This led to an impairment loss of HK$70.1 million.

As such, Willas-Array posted a net loss attributable to shareholders of HK$71.6 million in FY2016, compared to attributable net profit of HK$32.0 million in FY2015. Excluding the impairment loss of HK$70.1 million and the share of loss on associates of HK$38.3 million, the Group would have achieved a net attributable profit of HK$36.8 million from its core business.

As the Company suffered a loss in FY2016 and in view of the Group's working capital needs, the Board has resolved not to recommend the payment of any dividend for the financial year ended March 31, 2016. On behalf of the Board and management, I would like to express my utmost regret that our investment in GW Electronics did not turn out as expected. Nevertheless, we are resilient and resourceful and we are ready to move on to focus all our efforts to growing our core business.

CHAIRMAN'S STATEMENT

OUTLOOK

The Group expects market conditions to remain challenging in the year ahead in line with China's slowing economic growth. At the same time, we also see pockets of growth opportunity especially with the March 2016 launch of the Chinese government's 13th Five-Year Economic Plan (the "Plan"), which is the blueprint for the country's social, economic and political goals.

As part of the Plan, the government has projected a GDP growth target of no less than 6.5% per annum for over the next five years, with double GDP and per capita income by 2020 from the 2010 base[3].

Among the areas covered by the Plan, the Group is optimistic that "Innovation" and "Green Development" will be key drivers for our business. By promoting innovation and entrepreneurship, the Chinese Government hopes to enhance the dominance of China-made brands domestically and internationally through industrial upgrading and intelligent manufacturing. It also aims to continue pursuing the country's environmental protection goals.

For these reasons, Willas-Array's will focus its efforts and resources on supplying componentry to segments that can ride on the momentum created by the Plan. These include our Telecommunications, Industrial, Automotive, Home Appliance and Lighting segments. In view of the expected slower economic in China, we will also be keeping an eye out so we can respond correctly to changing consumer trends for electronic products. However, we are optimistic that growing digitalisation driven by modern lifestyles will continue to spur consumer demand.

APPRECIATION

FY2016 was a tough year for the Group but we managed to achieve healthy sales because of the many dedicated people who had worked tirelessly behind the scenes chasing down leads and making sales. For this, I would like to thank all the management team and staff at Willas-Array for their loyalty and strong work ethics.

I also want to express my appreciation to all our business partners and suppliers who have stood by us through thick and thin and continue to support us through good times and bad.

Lastly, I would like to thank our shareholders for your support and faith. Although the Group did not have a good year, it was because of events related to GW Electronics. Our core business remains viable and we are focused on building a sustainable future for the Group.

Leung Chun Wah
Chairman

May 27, 2016

[3]"The 13th Five-Year Plan: Xi Jinping Reiterates his Vision for China", APCO Worldwide:
http://www.apcoworldwide.com/docs/default-source/default-document-library/Thought-Leadership/13-five-year-plan-think-piece.pdf?sfvrsn=2

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group's sales revenue had increased by 7.4% from HK$3,392.0 million for the year ended March 31, 2015 ("FY2015") to HK$3,642.2 million for the year ended March 31, 2016 ("FY2016").

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

	FY2016	%	FY2015	%	Increase (Decrease)	%
Telecommunications	**959,746**	**26.3%**	650,794	19.2%	308,952	47.5%
Industrial	**771,287**	**21.2%**	770,067	22.7%	1,220	0.2%
Dealer	**470,369**	**12.9%**	495,653	14.6%	(25,284)	–5.1%
Home Appliance	**437,693**	**12.0%**	463,904	13.6%	(26,211)	–5.7%
Automotive	**327,447**	**9.0%**	268,436	7.9%	59,011	22.0%
Audio and Video	**251,275**	**6.9%**	253,211	7.5%	(1,936)	–0.8%
EMS	**189,177**	**5.2%**	236,316	7.0%	(47,139)	–19.9%
Lighting	**123,220**	**3.4%**	132,091	3.9%	(8,871)	–6.7%
Others	**112,032**	**3.1%**	121,525	3.6%	(9,493)	–7.8%
	3,642,246	**100.0%**	3,391,997	100.0%	250,249	7.4%

In FY2016, we registered a year-on-year increase of 7.4% in revenue to HK$3,642.2 million. The improvement in revenue was mainly driven by an improvement in the sales achieved by our telecommunications and automotive segments, which benefitted from the rapidly expanding market share of China's domestic brand manufacturers. The Group's long-time strategy to invest and focus on building our network and coverage of the China market had given us the ability to take advantage of the rising dominance of China branded products.

Telecommunications

The telecommunications segment is our largest revenue contributor. In FY2016, this segment achieved a 47.5% surge in revenue to HK$959.7 million compared to FY2015. In 2015, the launch of the 4G network in China had driven the demand for smartphones exponentially and this momentum continued in 2016. Our focus on China's domestic brand manufacturers coupled with our value added services to our suppliers had enabled us to benefit from the market share expansion of these Chinese smartphone makers. Although the outlook for the 2016 smartphone market appears very competitive and challenging, we believe we are well positioned to achieve healthy sales revenue.

Industrial

Year-on-year revenue growth from this segment was flat at HK$771.3 million. Due to the soft demand from both export and domestic markets, the performance of this segment was not good in the beginning of FY2016 but this was partially offset by an improvement in the market situation in the second half of FY2016 and the increase in demand for inverter type application. The segment's stable demand for componentry presents opportunities for us to drive sales through offering value added services to our customers. The new potential is the Industry 4.0, in which we will well equip our engineering resources to tackle the opportunities.

Dealer

In FY2016, this segment was impacted by unfavourable market conditions and intense price erosion and revenue decreased 5.1% year-on-year to HK$470.4 million. In addition, the weak economic condition limited the borrowing power of our customers, who were reluctant to stock up on inventory. To mitigate the situation, the Group tried its best to secure our share, and at the same time carefully monitor our inventory levels and the credit position of our customers.

Home Appliance

Revenue from this segment was HK$437.7 million, a drop of 5.7% as compared to last year. This segment was also impacted by weak export and domestic demand. Although the China government's easing of the real estate sector in the second half of FY2016 did help to improve domestic demand for home appliances, it was not enough to boost revenue to FY2015 level. Although the current situation is not very good, we believe the long-term prospects of this segment and the strong customer base make it viable for us to continue our investment in engineering resources and to source more good suppliers to expand our market share in this segment.

Automotive

Revenue from this segment was HK$327.4 million, a strong year-on-year increase of 22.0%. The automotive market had a strong rebound in the second half of FY2016 after the China government launched a new stimulation policy in September 2015. It helped the car makers, dealers and the supply chain to improve sales and clear some excessive inventory. The market became healthier and back on track for stable growth.

Audio and Video

This segment registered a marginal year-on-year decline of 0.8% in revenue to HK$251.3 million in FY2016. This segment, which mainly covers traditional audio equipment, is rapidly being replaced by mobile devices thus leading to a continuing decline in demand. Although we developed some new solutions for high-end portable audio and bluetooth speakers, it could only partially offset the falling sales of traditional audio products. Moving forward, we will vigilantly monitor the volatility of the consumer electronics market, and also efficiently allocate resources to support customers' development, track their forecast as well as manage our inventory levels carefully.

EMS

Revenue from this segment fell 19.9% year-on-year to HK$189.2 million in FY2016. The market continued to be plagued by over capacity which led to price erosion and severe competition among EMS customers and made it difficult for them to survive. With the current market sentiment and slow economic growth situation, the road to recovery for this segment would be a long way.

Lighting

Revenue from this segment declined 6.7% year-on-year to HK$123.2 million in FY2016. This segment also faces oversupply and price erosion. Despite the slowdown, the segment shows potential in certain areas, such as the expanding LED lamp coverage in consumer application. As such, we will try to keep adequate engineering service in this segment to maintain our market share.

Others

Revenue from this segment fell 7.8% year-on-year to HK$112.0 million in FY2016. Demand for componentry by this segment is very unstable. Demand from toy and health care product manufacturers was strong in the first half of FY2016 but fell sharply after the holiday gift season in the second half of FY2016. We will carefully monitor demand cycles for seasonal peaks in FY2017.

Profit Margin

China's GDP growth rate in 2015 sunk to its lowest in the last 25 years with growth decelerating every quarter since the beginning of 2010. This led to downward pressure on prices and a squeeze on our gross profit margin to 8.78% in FY2016 from 9.13% in FY2015.

Distribution costs

Distribution costs increased by HK$1.7 million, or 3.9%, from HK$45.3 million in FY2015 to HK$47.0 million in FY2016. The increase in distribution costs was mainly due to higher sales commissions incurred to boost the Group's sales revenue.

Administrative expenses

Administrative expenses decreased by HK$5.4 million, or 2.6%, from HK$206.2 million in FY2015 to HK$200.8 million in FY2016. The decrease was mainly attributable to fewer staff cost incurred following the restructuring of ValenceTech group in FY2015 because of operational downsizing to an optimum level.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains and losses

Other losses in FY2016 included an exchange loss of HK$14.3 million mainly arising from the depreciation of the Chinese renminbi against the United States dollars, offset by a reversal of allowance for doubtful trade receivables of HK$8.5 million. Other losses of HK$1.2 million in FY2015 were mainly due to an exchange loss offset by a reversal of allowance for doubtful trade receivables.

Finance costs

Finance costs increased by HK$4.0 million, or 23.3%, from HK$16.9 million in FY2015 to HK$20.9 million in FY2016. This was mainly attributable to an increase in bank borrowings.

Share of loss of associates/Impairment loss on interests in associates

Share of loss of associates increased by HK$31.8 million from HK$6.5 million in FY2015 to HK$38.3 million in FY2016. The loss was mainly due to doubtful debts provision for debtors of memory products.

In September 2015, the Group's associated company, GW Electronics Company Limited (including its subsidiaries located in mainland China, collectively "GW Electronics") received notices from Toshiba Electronics Asia, Ltd. ("Toshiba Asia") and Toshiba Electronics (China) Co., Ltd. to terminate its authorised distributorship agreements. In March 2016, GW Electronics has been served with a winding-up petition issued by Toshiba Asia in connection with an alleged outstanding amount of approximately US$15.3 million which Toshiba Asia alleged was due and payable by GW Electronics. GW Electronics has in May 2016 filed affirmations to oppose and apply to strike out the winding-up petition, or in the alternative, for the court to order that the winding-up petition be stayed for arbitration.

As GW Electronics is a limited liability corporation, the Group's maximum potential exposure to any legal claim by Toshiba Asia against GW Electronics, including as a result of the winding-up petition, will be limited to the Group's equity interest in GW Electronics. As a result thereof, an impairment loss of HK$70.1 million was made in FY2016.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Compared to the previous year ended March 31, 2015, the increase in trust receipt loans by HK$83.0 million was due to the increase in purchasing activity during the current financial period. Trade and bills receivables increased by HK$7.5 million when compared to the year ended March 31, 2015 due to increase in trade receivables towards the end of the period under review. The debtors turnover days decrease from 2.1 months to 1.9 months this year.

As at March 31, 2016, the Group's current ratio (current assets/current liabilities) was 1.25 (March 31, 2015: 1.30).

Inventories

Inventories increased from HK$515.3 million as at March 31, 2015 to HK$535.5 million as at March 31, 2016. The inventory turnover days maintained at 2.0 months.

Cash Flow

As at March 31, 2016, the Group had a working capital of HK$320.6 million, which included a cash balance of HK$482.6 million, compared to a working capital of HK$324.0 million, which included a cash balance of HK$306.0 million at March 31, 2015. The increase in cash by HK$176.6 million was attributable to the net effect of cash inflow of HK$33.5 million from operating activities and HK$163.2 million from financing activities and cash outflows of HK$26.8 million in investing activities.

Cash inflow from operating activities was mainly attributable to an increase in operating cash inflow.

Cash inflow from financing activities was attributable to an increase in trust receipt loans and bank borrowings due to increase of purchasing activities and increase in cash buffer.

Cash outflow in investing activities was mainly attributable to a further investment in the associated company in July 2015 of HK$24.5 million.

Borrowing and Banking Facilities

As at March 31, 2016, bank borrowings of HK$202.0 million (March 31, 2015: HK$169.0 million) were unsecured and repayable in quarterly or monthly installments ending in FY2018.

Bank borrowings bore interest at a weighted average effective rate of 2.91% for fixed rate borrowing and 2.30% for variable rate borrowings as at March 31, 2016.

As at March 31, 2016 trust receipt loans were unsecured, repayable within one year and bore an effective interest rate of 1.72% to 2.89% per annum. As at March 31, 2016, the Group had unutilised banking facilities of HK$488.8 million (March 31, 2015: HK$529.0 million).

As at March 31, 2016, trade receivables amounted to HK$61.0 million (March 31, 2015: HK$25.8 million) were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounted to HK$48.8 million (March 31, 2015: HK$20.6 million).

Foreign Exchange Risk Management

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

Gearing Ratio

The gearing ratio as at March 31, 2016 was 153.1% (March 31, 2015: 108.3%). The gearing ratio was derived by dividing total debt (representing interest-bearing bank borrowings, trust receipt loans and bills payables) by shareholders' equity at the end of a given period. The increase was mainly due to an increase in trust receipt loans from HK$506.5 million to HK$589.5 million and bank borrowings from HK$189.6 million to HK$250.8 million to enhance the cash buffer and to finance the increased purchasing activities.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at March 31, 2016, the aggregate banking facilities granted to the subsidiaries were HK$1,289.9 million (March 31, 2015: HK$1,225.3 million), of which HK$804.2 million (March 31, 2015: HK$699.1 million) was utilised and guaranteed by the Company.

As at March 31, 2016, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were HK$274.6 million (March 31, 2015: HK$235.9 million).

As at March 31, 2016, the Company had given corporate guarantees (unsecured) of HK$ nil (March 31, 2015: HK$167.3 million) to its banks in respect of banking facilities granted to its associates, of which HK$ nil (March 31, 2015: HK$131.4 million) was utilised, by its associates.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY AND PROSPECTS

Although further deterioration in the macroeconomic environment is not generally expected, the Chinese government has finalized its 13th five-year plan (for 2016-2020 period) and lowered its forecast of the GDP growth rate to 6.5% for the next five years, down from the 7.0% projected in the previous plan. The Group expects this to have a dampening effect on overall consumer sentiment, which will affect the electronics industry. As such, we expect the next 12 months to remain challenging with competition in the industry intensifying further.

The Group will continue to be prudent in managing its operations while maintaining its cautious stance in managing costs and sustaining a healthy liquidity position in order to support long-term growth.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2016, the Group had a workforce of 477 full-time employees (March 31, 2015: 480), of which 37.1% worked in Hong Kong, 59.5% in the People's Republic of China (the "PRC") and the remainder in Taiwan.

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

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

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

Leung Chun Wah, aged 66, was appointed as an Executive Director and the Chairman on January 1, 2001. He is responsible for determining the overall strategies and direction of the Group. Mr. Leung is also a director of various subsidiaries of the Group. 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 Group) in 1981. Mr. Leung is also the father of Mr. Leung Chi Hang, Daniel, the deputy managing director of information technology, logistics, and marketing communication. Mr. Leung and his family members are the ultimate beneficiaries of a discretionary trust held by Max Power Assets Limited, a substantial shareholder of the Company.

Kwok Chan Cheung
Deputy Chairman and Executive Director
Member of ESOSC

Kwok Chan Cheung, aged 68, is a director of Global Success International Limited ("Global Success"), a substantial shareholder of the Company, and various subsidiaries of the Group. Mr. Kwok established Array Electronics Limited (now known as Willas-Array Electronics (Hong Kong) Limited) (a subsidiary of the Group) in 1982. He was appointed as an Executive Director, the Deputy Chairman and the Managing Director on January 1, 2001 and ceased to be the Managing Director but remained as the Deputy Chairman and an Executive Director with effect from July 31, 2014. He is responsible for overseeing the sales and marketing activities and determining the sales and marketing strategy of the Group. As Global Success is wholly-owned by him, Mr. Kwok is deemed to be interested in all of the Company's shares held by Global Success.

Hon Kar Chun
Managing Director and Executive Director

Hon Kar Chun, aged 53, 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 Group. Mr. Hon obtained a bachelor of science degree in physics from the University of Hong Kong in 1986 and a master's degree in business administration from The Hong Kong University of Science and Technology in 2000. Mr. Hon joined Array Electronics Limited in 1986 as a marketing executive and he was the general manager of Willas-Array Singapore (Private) Limited between 2000 and 2001. Mr. Hon became the general manager of a business group of Array Electronics Limited in 2001. In 2003, he was promoted to be the general manager of the central product marketing department of Willas-Array Electronics Management Limited, which was responsible for most of the semiconductor product lines of Willas-Array Electronics Management Limited. Mr. Hon became the sales director in 2006 and was appointed as the marketing director in 2010. He was the deputy managing director of sales and marketing from 2012 to July 2014.

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

Leung Hon Shing, aged 50, was appointed as an Executive Director on July 31, 2014. He is also the chief financial officer and company secretary and is responsible for financial management and company secretarial matters of the Group. He is also a director of various subsidiaries of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in England, and an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England. He obtained a professional diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1988. Mr. Leung joined the Group in 2002 as a financial controller and was appointed as the company secretary on March 28, 2006. He then became the chief financial officer in April 2014. Prior to joining us, he worked in a subsidiary of a publicly-listed company in Hong Kong from 1996 to 2001 and an international accounting firm from 1993 to 1996, where he gained extensive auditing, accounting and financial management experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Jovenal R. Santiago, aged 78, was appointed as an Independent Non-executive Director on June 14, 2001. He obtained a bachelor of science in commerce degree from the University of Santo Tomas, the Philippines in 1957 and a master's degree in business administration from New York University, United States of America ("USA") in 1969. Mr. Santiago is a Certified Public Accountant (Philippines) and has many years of experience in the accounting and auditing profession before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore. He is also an independent director of Cosmosteel Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited (the "SGX-ST").

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

Wong Kwan Seng, Robert, aged 59, was appointed as an Independent Non-executive Director on June 14, 2001. He graduated with a bachelor's degree in law from the National University of Singapore in 1983 and was called to the Singapore bar in 1984. Mr. Wong is a lawyer by profession. He practices mainly corporate law with a particular emphasis in corporate finance. He has acted as solicitor in numerous initial public offers, rights issues, issues of debentures, takeovers, mergers and acquisitions, and joint ventures. He is also an independent director of Wee Hur Holdings Limited, a company listed on the SGX-ST.

BOARD OF DIRECTORS

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

Iu Po Chan, Eugene, aged 67, was appointed as an Independent Non-executive Director on June 28, 2013. He obtained a master's degree in banking from City University of Hong Kong in 2002. Mr. Iu is a fellow of The Chartered Institute of Bankers, England and The Hong Kong Institute of Bankers. He has over 40 years of experience in commercial banking. Mr. Iu has also held senior positions in various international and local banks in Hong Kong, Shenzhen and Macau until his retirement in 2013. Mr. Iu is also a member of the Professional Standard & Examination Board and the chairman of the Examination Moderating Committee of The Hong Kong Institute of Bankers.

SENIOR MANAGEMENT

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

Chan Sik Kong, Ringo, aged 49, is responsible for overseeing all of the sales and marketing activities of the Group. He obtained a certificate in electrical engineering from The Morrison Hill Technical Institute in 1986. Mr. Chan first joined us in 1991 as a sales engineer for two years. Mr. Chan rejoined us in 1997 as a marketing manager and he was seconded to work in the Group's Shanghai office from 2002 to 2003, where he oversaw the overall operations in the Northern China Region. He was appointed as the general manager of Willas-Array Electronics (Hong Kong) Limited in 2006 and the sales director in 2012, and then appointed as the deputy managing director of sales and marketing in April 2014.

Choi Pik Sing, Derek
Sales Director – North China

Choi Pik Sing, Derek, aged 47, is responsible for all of the business operations in the Northern China Region. He obtained a bachelor's degree in electrical engineering from the University of Ottawa, Canada in 1991. Mr. Choi joined Array Electronics Limited in 1992 as a product engineer and was promoted to marketing manager in 1999. In 2003, Mr. Choi was transferred to northern China and acted as the assistant general manager for the Northern China Region. He became the general manager for north China in 2006 and was appointed as the sales director in north China in April 2014. Prior to joining Array Electronics Limited, Mr. Choi worked as a sales engineer for Instrument Agency Hong Kong Ltd. from 1991 to 1992.

Chu Ki Pun, Joseph
Deputy Managing Director of Marketing

Chu Ki Pun, Joseph, aged 55, is responsible for overseeing the marketing activities of the Group. He obtained a higher certificate in electronic engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1985. Mr. Chu has over 25 years of experience in the electronics industry. He joined us in 1985 as a sales engineer for approximately two years. He rejoined us in 1989 as the senior sales engineer and was promoted as a general manager overseeing both the sales and product marketing activities in 2003. He was the marketing director from 2006 to 2010 and the sales director from 2010 to 2011. He was appointed as the marketing director in 2012 and was then promoted as the deputy managing director of marketing in April 2015.

SENIOR MANAGEMENT

Lam Chi Cheung, Ken
Sales Director – South China

Lam Chi Cheung, Ken, aged 56, is responsible for all of the business operations in the Southern China Region. He obtained a higher certificate in electronic engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1985. Mr. Lam first joined us in 1986 as a sales engineer and was promoted to various positions with responsibilities in various areas ranging from sales to product marketing until 1999. He rejoined us in 2003 as a general manager of sales and marketing for the Southern China Region and was promoted to the general manager of branch offices in the Southern China Region in 2012 and to the general manager of the Southern China Region in 2013. He was then appointed as the sales director in south China in April 2014. He has had extensive exposure to the mainland China market by developing sales and marketing channels in various cities, including Beijing, Shanghai, Guangzhou and Xiamen.

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

Leung Chi Hang, Daniel, aged 40, is responsible for overseeing the daily operations of the information technology, logistics, and marketing communication departments. Mr. Leung obtained a bachelor of science degree in business administration from The Ohio State University, USA in 1998 and a master's degree in business administration from The Max M. Fisher College of Business at The Ohio State University, USA in 2004. Upon his graduation with the bachelor's degree and prior to obtaining his master of business administration degree, Mr. Leung worked at a trading company in Los Angeles, USA, for four years, overseeing its daily operations. Prior to joining us, Mr. Leung worked at Accenture, a global management consulting, technology services and outsourcing firm. Mr. Leung joined us as the general manager for information technology and logistics in 2008. He was promoted as deputy managing director of information technology and logistics in April 2015. He also oversees the marketing communication department since May 2016. Mr. Leung is the eldest son of the Chairman, Mr. Leung Chun Wah.

CORPORATE GOVERNANCE PRACTICES

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

Since the listing of the Company's ordinary shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on December 6, 2013, the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code (the "HK CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules"), in addition to the Code of Corporate Governance 2012 of Singapore (the "Singapore CG Code"). In the event of any conflict between the HK CG Code and the Singapore CG Code, the Company will comply with the more onerous provisions. Throughout the year ended March 31, 2016 (the "Year"), the Company has generally complied with the principles of the HK CG Code and the Singapore CG Code. And, except for the following, the Company has complied with all the code provisions of the HK CG Code during the Year.

Under the Bye-Laws of the Company (the "Bye-Laws"), all the directors of the Company (the "Directors") except the managing director of the Company (the "Managing Director") must retire from office by rotation at each annual general meeting of the Company (the "AGM"). However, the Managing Director, whilst holding such office, is not required to retire by rotation under the Bye-Laws. Nonetheless, all Directors (including the Managing Director) will be subject to retirement by rotation at each AGM at least once every three years for good corporate governance and in compliance with the HK CG Code, which requires that every director, including those appointed for as specific term, should be subject to retirement by rotation at least once every three years.

In the event of any conflict among HK Listing Rules, the Singapore CG Code and the Bye-Laws, the Company will comply with the more onerous provisions. As such, the Board considers that sufficient measures are in place to ensure the Company's corporate governance practices relating to the appointment, retirement and re-election of Directors (including the independent non-executive Directors (the "INEDs")).

Code provision A.6.7 of the HK CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One INED was not able to attend the AGM held on July 30, 2015 (the "2015 AGM") due to his business engagement. Other Board members who attended the 2015 AGM were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2015 AGM.

BOARD OF DIRECTORS

Composition

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

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

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

Pursuant to Code Provision 3.3 of the Singapore CG Code, every company should appoint an independent director to be the lead independent director where the Chairman is not an independent director. The lead independent director should be available to the Shareholders where they have concerns and for which contact through the normal channels of the Chairman, the Managing Director or the Chief Financial Officer has failed to resolve or is inappropriate. Mr. Wong Kwan Seng, Robert (email address: ac@willas-array.com) was appointed as the Lead Independent Director among the existing INEDs effective on May 29, 2015.

The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making. Key information regarding the Directors' background, qualifications and other appointments is set out on pages 18 to 20 of this Annual Report. There has been no financial, business, family or other material relationship amongst the Directors.

INEDs

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

Role and Functions

The Board has the responsibility for the overall management of the Group. Apart from its statutory duties and responsibilities, the Board upon recommendation by the Nomination Committee approves the nomination of Directors to the Board and appointment of key managerial personnel, oversees the management of the business and affairs of the Group, approves the Company's corporate and strategic directions, determines the Company's policies and practices on corporate governance upon recommendation by the compliance committee of the Board (the "Compliance Committee"), reviews the financial performance of the Group, approves its interim and annual results upon the review and recommendation of the audit committee of the Board (the "Audit Committee") and approves any investment proposals. The Board is accountable to the Shareholders while the management is accountable to the Board. To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. To oversee particular aspects of the Group's affairs, the Board has established five Board committees, including the Audit Committee, the Nomination Committee, the remuneration committee (the "Remuneration Committee"), the employee share option scheme committee (the "ESOS Committee") and the Compliance Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Role and Functions – *continued*

The Board has reserved for its decision and consideration issues in relation to formulating the Group's strategic objectives; considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers, acquisitions and disposals; overseeing the Group's corporate governance practices; upon the recommendation by the Remuneration Committee, determining the framework of remuneration packages for all Directors and senior management; and directing and monitoring senior management in pursuit of the Group's strategic objectives. The senior management is mainly responsible for the day-to-day management and operation of the Group as well as the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time. The senior management holds regular meetings to review and discuss the Group's performance against budget, business strategy, operational issues, and matters relating to corporate services including finance and accounting, human resources, logistics and information technology.

Role of Chairman and Chief Executive

Mr. Leung Chun Wah is the Chairman and Mr. Hon Kar Chun is the Managing Director. The roles of the Chairman and the Managing Director are separate and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual of the Board. The Chairman gives guidance on the corporate direction of the Group and is also involved in the scheduling and chairing of Board meetings and the controlling of the quality, quantity and timeliness of information supplied to the Board. The Managing Director assists the Chairman in setting the business strategies and directions for the Company and manages the business operations of the Company with other management staff. Each of the Chairman and 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 committee 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 recognizes the importance of appropriate training for its Directors and participation in continuous professional development by its Directors. All the Directors and senior management personnel of the Company (the "Senior Management Personnel") are encouraged to participate in continuous professional development to develop and refresh their skills and knowledge, particularly on relevant new laws and regulations affecting, and the changing commercial risks relating to, the Group's business and governance practices from time to time.

During the Year, all the Directors attended a seminar organized by The Hong Kong Institute of Directors on (i) the risk management and internal control and (ii) environmental, social and governance reporting requirements of companies listed on the SEHK. The above training was arranged and funded by the Company. All the Directors have provided their training records for the Year to the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

The Board met four times during the Year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance pursuant to the HK CG Code. Before each Board meeting, a draft agenda is sent out to all Directors at least 14 days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors three days or such other period as agreed before each Board meeting. According to the HK Listing Rules, any Directors and their 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 resolutions approving such transactions and are not to be counted in the quorum at the meetings. However, 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. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. The number of Board, Board Committees, and general meetings 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	4	2	2	2	2	1	1
Name & Attendance of Director:							
Leung Chun Wah	4	2*	2*	2*	2*	1	1
Kwok Chan Cheung	4	x	x	x	x	1	1
Hon Kar Chun	4	2*	x	x	x	x	1
Leung Hon Shing	4	2*	2*	2*	2*	1*	1
Jovenal R. Santiago	3	2	1	2	2	x	0
Wong Kwan Seng, Robert	4	2	2	2	2	x	1
Iu Po Chan, Eugene	4	2	2	2	2	1	1

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In addition, the statement by Deloitte Touche Tohmatsu Hong Kong ("Deloitte"), the Company's independent auditors, regarding their reporting responsibility on the Company's consolidated financial statements for the Year is set out in the independent auditors' report on pages 58 and 59 of this Annual Report.

NOMINATION COMMITTEE

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

The Nomination Committee performs the following key functions:

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

(b) Reviewing all candidates nominated for appointment as Senior Management Personnel;

(c) 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;

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

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

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

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

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

NOMINATION COMMITTEE – *continued*

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

During the Year, the Nomination Committee held two meetings and has passed the resolutions recommending the re-election of Mr. Kwok Chan Cheung as an Executive Director at the 2015 AGM and nominating him as the Deputy Chairman of the Company following his re-election as an Executive Director, and recommending the re-election of Mr. Jovenal R. Santiago as an INED and Mr. Leung Hon Shing as an Executive Director at the 2015 AGM.

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

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

Matters requiring approval of the Nomination Committee may also be approved by resolutions in writing. Pursuant to the Bye-Laws, one-third of the Directors for the time being are required to retire by rotation in each AGM and will be eligible for re-election thereat. Accordingly, Mr. Hon Kar Chun, an Executive Director, Mr. Wong Kwan Seng, Robert, an INED and Mr. Iu Po Chan, Eugene, an INED will retire from office by rotation at the forthcoming AGM pursuant to Bye-Law 104 of the Bye-Laws and have offered themselves for re-election. The Nomination Committee has recommended to the Board that the above three retiring Directors be nominated for re-appointment at the forthcoming AGM. In making these recommendations, the Nomination Committee has considered the overall contribution and performance of the said Directors and the independence of Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene.

NOMINATION COMMITTEE – *continued*

The Board has not determined the maximum number of listed company board representations which any Director may hold, and leaves it to each Director to personally determine the demands of his other responsibilities and commitments, and to assess 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.

REMUNERATION COMMITTEE

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

The major functions of the Remuneration Committee are as follows:

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

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

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

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

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

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

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

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES

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

	Salary	Bonus	Directors' Fees	Others	Total	Total
	%	%	%	%	%	S$'000
Executive Directors						
Leung Chun Wah	74	18	—	8	100	679
Kwok Chan Cheung	74	19	*	7	100	523
Hon Kar Chun	66	2	—	32	100	331
Leung Hon Shing	72	9	*	19	100	318

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

	Salary	Bonus	Directors' Fees	Others	Total	Total
INEDs						
Jovenal R. Santiago	—	—	100	—	100	59
Wong Kwan Seng, Robert	—	—	100	—	100	59
Iu Po Chan, Eugene	—	—	100	—	100	59

INEDs are paid Directors' fees.

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, 2016	Salary	Performance Bonus	Others	Total
		%	%	%	%
Senior Management Personnel					
S$250,000 – S$499,999					
Chan Sik Kong, Ringo	Deputy Managing Director of Sales and Marketing	63	20	17	100
Choi Pik Sing, Derek	Sales Director – North China	60	25	15	100
Chu Ki Pun, Joseph	Deputy Managing Director of Marketing	59	19	22	100
Lam Chi Cheung, Ken	Sales Director – South China	73	22	5	100
Leung Chi Hang, Daniel	Deputy Managing Director of Information Technology and Logistics	81	11	8	100

The aggregate total remuneration paid to the top five (5) Senior Management Personnel for the Year was approximately equivalent to S$1,690,000.

On September 1, 2008, Mr. Leung Chi Hang, Daniel, the eldest son of Mr. Leung Chun Wah, the Chairman of the Company, was employed as the General Manager for Information Technology and Logistics. He was promoted to the Deputy Managing Director of Information Technology and Logistics on April 1, 2015. The aggregate total remuneration paid to Mr. Leung Chi Hang, Daniel during the Year was within the range of S$300,000 – S$349,999.

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

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

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

During the Year, the ESOS Committee held one meeting and reviewed the adjustment to the price and number of underlying Shares comprised in the share options granted due to the share consolidation of every five (5) shares each then into one (1) consolidated share, which became effective on August 17, 2015.

EMPLOYEE SHARE OPTION SCHEME COMMITTEE – *continued*

Pursuant to the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") approved by the written resolutions of the Shareholders dated June 11, 2001 in lieu of a special general meeting, an aggregate of 836,600 share options were outstanding as at March 31, 2016. These share options were granted to the employees of the Company. The ESOS II expired on June 10, 2011. The Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") was established pursuant to the approval of the Shareholders at a special general meeting of the Company held on July 30, 2013. ESOS III will expire on July 29, 2023. No options have been granted under ESOS III. For more information on ESOS II and ESOS III, please refer to the Report of the Directors (in particular, paragraph 21 thereof) and the financial statements (in particular, Note 29 thereof).

COMPLIANCE COMMITTEE

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

The Compliance Committee performs the following functions:

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

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

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

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees 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 in particular.

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

During the Year, the Compliance Committee held two meetings and discussed and reviewed the Company's compliance with code provisions of the HK CG Code and the Singapore CG Code and noted the deviations as stated herein.

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 the Audit Committee reports on the results for review and approval. The Board approves the results and authorises the release of the results to the SGX-ST, the SEHK and the public via SGXNET and the Company's website.

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE – *continued*

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 annual and interim financial results of the Group for the year ended March 31, 2015 and the six months ended September 30, 2015, respectively, the audit plans and findings of external auditors, external auditors' independence, compliance with accounting standards, the HK Listing Rules and the SGX-ST Listing Manual and regulatory requirements, internal controls, risk management, adequacy of resources, staff qualifications and experience of the Company's finance and accounting functions. The Company confirms that it is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual.

INDEPENDENT AUDITORS' REMUNERATION

For the Year, the fees paid or payable to Deloitte were approximately HK$2,371,000 for audit services and approximately HK$531,000 for non-audit services (HK$300,000 for the review of the interim results of the Company for the six months ended September 30, 2015 and HK$231,000 for tax consultancy services) rendered to the Group.

COMPANY SECRETARY

Mr. Leung Hon Shing (who is also an Executive Director) is the Company Secretary and has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 under the HK Listing Rules during the Year.

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

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

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the respective websites of the Company and the SEHK on a timely basis. Price-sensitive information is publicly released, announced within the mandatory period and available on the respective websites of the Company and the SEHK. All Shareholders will receive the interim and annual reports and the notices of annual and special general meetings of the Company. At the AGMs, 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.

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

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

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

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

A Shareholder who wishes to nominate a person to stand for election as a Director must duly lodge the following documents at the Head Office or at the Registration Offices of the Company 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 registrar according to its records; and

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

In order to ensure other Shareholders to have sufficient time to receive and consider the information of the nominated candidate(s), Shareholders are urged to submit their proposals in case of nominating candidate(s) for election as Director, as early as practicable in advance of the relevant general meeting, but not less than 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 the 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.

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

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

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

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

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

Shareholders may refer to the relevant procedures available on the website of the Company (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 Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda for the attention of the Board or the Company Secretary.

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

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES AND PROPOSALS TO THE BOARD

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

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

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

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

To put forward proposals at an AGM or a SGM, Shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's 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 transfer agent in Singapore (as the case may be) and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

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

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

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

CORPORATE GOVERNANCE REPORT

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 5 to the Financial Statements hereof.

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

The review of the system of internal controls is an ongoing process and the Board recognises the importance of such system. In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has continued to outsource the internal audit function to an external consulting firm. RSM Consulting (Hong Kong) Limited, an international consulting firm, was re-appointed on April 1, 2015 as the Company's internal auditors. They had conducted a review of the effectiveness of the Company's material internal controls and visited the Company's office in Hong Kong in October 2015 for two weeks. The internal auditors reported directly to the Chairman of the Audit Committee and the Audit Committee is satisfied that there has been no major shortfall in the areas of the Company's internal controls system being evaluated and that adequate internal controls are in place.

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 a review, is of the opinion that the internal controls of the Group are adequate and effective to address operational, financial and compliance and information technology risks. In arriving at the opinion, the Board considers that the internal controls of the Group have reasonable assurance about achieving the objectives set out below.

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

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

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

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

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

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

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

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

DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS

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

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

2. are reminded that they should not deal in the Shares on short-term considerations;

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

4. 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 (the "Model Code") as contained in Appendix 10 to the HK Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

The Company has made specific enquiry with all Directors and they have confirmed their compliance with the relevant standards stipulated in the Model Code during the Year.

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

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

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

The Group has established procedures to ensure that all transactions with interested persons (as defined 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 Shareholders. For the Year, there were no interested person or connected transactions of the Company.

REPORT OF THE DIRECTORS

The directors of Willas-Array Electronics (Holdings) Limited (the "Company" and the "Directors", respectively) present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") including the statement of financial position and the statement of changes in equity of the Company for the financial year ended March 31, 2016 (the "Year").

1. PRINCIPAL ACTIVITIES

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

2. BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and an analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 8 and 10 and pages 11 to 17 of this annual report respectively. An analysis of the Group's financial risk management is provided in note 5 to the consolidated financial statements.

An analysis of the Group's performance during the Year using financial key performance indicators is provided in Financial Highlights on pages 4 to 7 of this annual report.

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

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

2. BUSINESS REVIEW – *continued*

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

The Group had no important events after the year end date of March 31, 2016.

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 62 of this annual report.

The board of Directors (the "Board") do not recommend the payment of a final dividend for the Year (2015: HK$0.06347 per ordinary share of HK$0.20 each).

4. 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 to 7 of this annual report.

5. PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

6. RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity.

7. DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), 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 at March 31, 2016 were approximately HK$109,266,000 (2015: HK$123,805,000).

8. SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries and associates of the Group at March 31, 2016 are set out in notes 20 and 21 to the consolidated financial statements, respectively.

9. SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

10. DIRECTORS

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

Executive Directors:

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

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

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

In accordance with bye-law 104 of the Company's Bye-Laws (the "Bye-Laws"), Mr. Hon Kar Chun, Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene will retire from office by rotation and, being eligible for re-election at the forthcoming 2016 annual general meeting of the Company (the "AGM"), and have offered themselves for re-election.

10. DIRECTORS – *continued*

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 at least three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise.

The Company has received from each of the INEDs an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules as well as the provisions of the Code of Corporate Governance 2012 of Singapore and the Company considers that all INEDs are independent.

11. DIRECTORS' SERVICE CONTRACTS

Mr. Leung Hon Shing has entered into a renewal service agreement with the Company on May 27, 2016 for his appointment as an executive Director of the Company (the "Executive Director"), for a term of two years from April 1, 2016 to March 31, 2018. He is entitled to a basic annual salary of HK$1,469,000 and a discretionary bonus and an incentive payment by reference to the amount of the net profit after taxation of the Group, which is reviewed annually by the Board with the recommendation of the remuneration committee of the Board (the "Remuneration Committee") by reference to his duties and responsibilities in the Company, the Company's performance and the prevailing market situation.

None of the Directors proposed for re-election at the 2016 AGM has an unexpired service contract with the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

12. DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director 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.

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

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

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

No shareholder of the Company (the "Shareholders") had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

15. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Neither at the end of the Year nor at any time during the Year did there subsist any arrangement (to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party) whose object is to enable the Directors to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate except for the options mentioned in paragraphs 21 and 22 of this report.

16. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the name of Director		Shareholdings in which Director 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	–	820,300	94,158,854	18,831,770
Mr. Kwok Chan Cheung	–	–	39,477,771	7,895,554
Mr. Hon Kar Chun	1,464,000	292,800	–	–
Mr. Leung Hon Shing	1,249,200	249,840	–	–

* This represents the number of shares following the consolidation of every five (5) issued and unissued ordinary shares of par value of HK$0.20 each in the capital of the Company then into one (1) consolidated ordinary share of par value of HK$1.00 each in the capital of the Company (the "Shares"), which became effective on August 17, 2015. The consolidation was made pursuant to a resolution passed at the annual general meeting of the Company held on July 30, 2015.

The Directors' interests as at April 21, 2016 were the same as those at the end of the Year.

17. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at March 31, 2016, the interests and short positions of the Directors and chief executives of the Company and their associates (as defined under the HK Listing Rules) in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"), which were required (i) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the HK Listing Rules, were as follows:

Long position in the Shares

Name of Directors/ Chief Executive	Capacity/ Nature of Interest	Number of Shares Held	Approximate Percentage of Shareholding in the Company (%)
Leung Chun Wah [(1)] ("Mr. Leung")	Beneficial owner	820,300	1.09
	Interest of spouse	731,940	0.97
	Beneficiary of a trust	18,099,830	23.97
Kwok Chan Cheung [(2)] ("Mr. Kwok")	Interest in a controlled corporation	7,895,554	10.46
Hon Kar Chun	Beneficial owner	292,800	0.39
Leung Hon Shing	Beneficial owner	249,840	0.33

Notes:

(1) Mr. Leung, being the Chairman and an Executive Director, is deemed to be interested in the 731,940 Shares held by his wife, Ms. Cheng Wai Yin, Susana. He and his family members are the ultimate beneficiaries of a discretionary trust, of which HSBC International Trustee Limited is the trustee. The 18,099,830 Shares are held by Max Power Assets Limited ("Max Power"), with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC International Trustee Limited in its capacity as trustee of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(2) Global Success International Limited ("Global Success"), which is wholly owned by Mr. Kwok, the Deputy Chairman and an Executive Director, is the beneficial owner of 7,895,554 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

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

As at March 31, 2016, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) having interests or short positions in the Shares or underlying Shares, which are required to be notified to the Company and the SEHK under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO and who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any Shares and the underlying Shares carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long position in the Shares

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares Held (7)	Approximate Percentage of Shareholding in the Company (%)
Cheng Wai Yin, Susana (1) ("Ms. Cheng")	Beneficial owner Interest of spouse	731,940 18,906,130	0.97 25.04
Max Power (2)	Beneficial owner	18,099,830	23.97
HSBC International Trustee Limited ("HSBC Trustee") (2)	Trustee	18,099,830	23.97
Global Success (3)	Beneficial owner	7,895,554	10.46
Yeo Seng Chong (4)	Beneficial owner Interest of spouse Interest of controlled corporations	300,000 500,000 6,449,904	0.40 0.66 8.54
Lim Mee Hwa (4)	Beneficial owner Interest of spouse Interest of controlled corporations	500,000 300,000 6,449,904	0.66 0.40 8.54
Yeoman Capital Management Pte Ltd ("YCMPL") (5)	Beneficial owner Interest of controlled corporations	75,000 6,374,904	0.10 8.44
Yeoman 3-Rights Value Asia Fund (6)	Beneficial owner	6,249,904	8.28
Hung Yuk Choy	Beneficial owner	5,286,918	7.00

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

Notes:

(1) Ms. Cheng, the wife of Mr. Leung, the Chairman and an Executive Director, is deemed under the SFO to be interested in the Shares held beneficially and deemed to be held by Mr. Leung. The 18,099,830 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(2) The 18,099,830 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the trust deed.

(3) Global Success, which is wholly owned by Mr. Kwok, being the Deputy Chairman and an Executive Director, is the beneficial owner of 7,895,554 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 Seng Chong owns Shares directly in his own name and his wife, Ms. Lim Mee Hwa owns Shares directly in her own name. Both own equally YCMPL, a fund manager and therefore control YCMPL. YCMPL in turns has its own direct shareholding in the Company as well as its deemed interests through its clients' direct shareholdings in the Company.

(5) YCMPL owns 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 Value Asia Fund and Yeoman Client 1.

(6) Yeoman 3-Rights Value Asia Fund owns Shares directly in its own name.

(7) The number of Shares held by the respective Shareholders represents the number of Shares after the consolidation of every five (5) issued and unissued ordinary shares then into one (1) consolidated ordinary share, which became effective on August 17, 2015.

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

19. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

20. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

21. OPTIONS TO TAKE UP UNISSUED SHARES

The Company on June 11, 2001 adopted the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") and on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") to grant share options to eligible employees, including the Executive Directors of the Group.

Under ESOS II, an option can be exercised, except in certain special circumstances:

(1) after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at the market price; and

(2) after the second anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at a discount to the market price.

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

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

21. OPTIONS TO TAKE UP UNISSUED SHARES – *continued*

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

		Number of underlying Shares comprised in share options							
Name or Category of participants	Date of grant	Balance as at April 1, 2015	Exercised during the Year	Adjusted during the Year [1]	Lapsed during the Year	Cancelled during the Year	Balance as at March 31, 2016	Adjusted exercise price per share (Before share consolidation)[1]	Exercise period
Other employees in aggregate	October 2, 2009	4,968,000	(785,000)	(3,346,400)	–	–	836,600	S$0.335 (S$0.067)	October 2, 2011 to October 1, 2019

Note:

(1) The exercise price and the number of underlying Shares comprised in the outstanding ESOS II options were adjusted pursuant to the consolidation of every five (5) issued and unissued ordinary shares of par value of HK$0.20 each then into one (1) consolidated ordinary share of par value of HK$1.00 each, which became effective on August 17, 2015.

None of the holders of outstanding share options granted under ESOS II are Directors.

The closing price of the Company's shares immediately before the date on which the options were exercised was S$0.180.

ESOS III was adopted by an ordinary resolution of the Shareholders at the special general meeting of the Company held on July 30, 2013. No options have been granted under ESOS III since its adoption. ESOS III will expire on July 29, 2023.

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

The vesting period of ESOS III is one year from and including the date of grant.

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

No Executive Directors and employees of the Group have been granted 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.

21. OPTIONS TO TAKE UP UNISSUED SHARES – *continued*

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

There were no participants to the above share option schemes, who are controlling shareholders (as defined under the HK Listing Rules and the Main Board rules of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX-ST” and “SGX-ST Listing Manual”, respectively) of the Company and their associates.

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

22. OPTIONS EXERCISED

During the Year, 785,000 shares of HK$0.20 each have been issued by virtue of the exercise of an option to take up any unissued Shares.

23. UNISSUED SHARES UNDER OPTION

At the end of the Year, there were no unissued Shares of the Company or any member corporation in the Group under option, except for the share option schemes disclosed in paragraph 21 above.

24. 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.

25. 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 public float applicable to the Company under the HK Listing Rules) during the Year and thereafter up to the date of this report.

26. MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 18.8% of the total sales for the Year and the single largest customer accounted for approximately 6.2%; purchases from the Group's five largest suppliers accounted for approximately 83.3% of the total purchases for the Year and the single largest supplier accounted for approximately 39.6%.

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

27. EMOLUMENT POLICY

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

Details of the emoluments of the Directors and the five individuals with the highest emoluments for the Year are set out in note 36 to the consolidated financial statements.

28. 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 benefits scheme/pension schemes are set out in note 42 to the consolidated financial statements.

29. 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.

30. MANAGEMENT CONTRACT

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

31. PERMITTED INDEMNITIES

Pursuant to the Bye-Laws, the Directors 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 shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. 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.

32. CHARITABLE DONATION

During the Year, charitable donations made by the Group amounted to HK$25,200 (2015: HK$29,400).

33. REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

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

34. 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 purchased or sell any of such Shares.

REPORT OF THE DIRECTORS

35. INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu, Hong Kong ("Deloitte Hong Kong") was appointed as the independent auditors of the Company (the "Independent Auditors") on July 31, 2014 to fill the vacancy arising from the retirement of Deloitte & Touche LLP, Singapore until the conclusion of the AGM held on July 30, 2015. Deloitte Hong Kong was then re-appointed as the Independent Auditors until the conclusion of the 2016 AGM.

The Board, which concurs with the Audit Committee's recommendation, has proposed the nomination of Deloitte Hong Kong for re-appointment as the Independent Auditors at the 2016 AGM.

Deloitte Hong Kong have expressed their willingness to accept the re-appointment.

Save as disclosed above, there have been no changes of the Independent Auditors for the preceding three years.

On behalf of the Board

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman

May 27, 2016

STATEMENT OF DIRECTORS

In the opinion of the board of directors (the "Board") of Willas-Array Electronics (Holdings) Limited (the "Company"), the consolidated financial statements of the Company and its subsidiaries (collectively the "Group"), including the statement of financial position and the statement of changes in equity of the Company as set out on pages 60 to 168 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, 2016, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, and there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman

May 27, 2016

INDEPENDENT AUDITORS' REPORT

Deloitte.
德勤

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

REPORT ON THE FINANCIAL STATEMENTS

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 60 to 168, which comprise the statement of financial position of the Company and consolidated statement of financial position of the Group as at March 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY – *continued*

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

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

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the financial position of the Group and the Company as at March 31, 2016, and of its financial performance and cash flows of the Group for the year then ended in accordance with the International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Jimmy Toy
Partner
Appointed on July 31, 2014

Hong Kong
May 27, 2016

STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2016

	NOTES	THE GROUP 2016 HK$'000	THE GROUP 2015 HK$'000	THE COMPANY 2016 HK$'000	THE COMPANY 2015 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**482,601**	305,955	**3,063**	3,367
Restricted bank deposits	8	**2,395**	2,516	**–**	–
Trade and bills receivables	9	**580,895**	573,421	**–**	–
Other receivables and prepayment – current	11	**6,266**	8,678	**193,899**	159,057
Prepaid lease payments – current	12	**12**	12	**–**	–
Derivative financial instruments	13	**–**	20	**–**	–
Income tax recoverable		**2,380**	452	**166**	–
Inventories	14	**535,547**	515,274	**–**	–
Total current assets		**1,610,096**	1,406,328	**197,128**	162,424
Non-current assets					
Other receivables – non-current	11	**–**	–	**–**	49,000
Prepaid lease payments – non-current	12	**581**	594	**–**	–
Property, plant and equipment	15	**251,867**	272,711	**–**	–
Long-term deposits	16	**1,697**	1,125	**–**	–
Goodwill	17	**–**	–	**–**	–
Available-for-sale investments	18	**2,001**	2,001	**–**	–
Other intangible assets	19	**–**	–	**–**	–
Investments in subsidiaries	20	**–**	–	**117,470**	117,470
Interests in associates	21	**–**	82,498	**–**	7,490
Deferred tax assets	26	**385**	413	**–**	–
Total non-current assets		**256,531**	359,342	**117,470**	173,960
Total assets		**1,866,627**	1,765,670	**314,598**	336,384
LIABILITIES AND EQUITY					
Current liabilities					
Trust receipt loans	22	**589,485**	506,466	**–**	–
Trade and bills payables	23	**366,062**	347,440	**–**	–
Other payables	24	**79,525**	36,544	**10,184**	10,270
Income tax payable		**3,608**	1,436	**–**	109
Derivative financial instruments	13	**14**	92	**–**	–
Financial guarantee liabilities	39	**–**	730	**–**	730
Bank borrowings	25	**250,768**	189,610	**–**	–
Total current liabilities		**1,289,462**	1,082,318	**10,184**	11,109

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2016

	NOTES	THE GROUP 2016 HK$'000	THE GROUP 2015 HK$'000	THE COMPANY 2016 HK$'000	THE COMPANY 2015 HK$'000
Non-current liabilities					
Deferred tax liabilities	26	24,952	25,774	–	–
Capital, reserves and non-controlling interests					
Issued capital	27	75,506	75,349	75,506	75,349
Capital reserves	28	194,378	194,343	194,378	194,343
Other reserves		285,377	392,475	34,530	55,583
Equity attributable to owners of the Company		555,261	662,167	304,414	325,275
Non-controlling interests		(3,048)	(4,589)	–	–
Total equity		552,213	657,578	304,414	325,275
Total liabilities and equity		1,866,627	1,765,670	314,598	336,384
Net current assets		320,634	324,010	186,944	151,315
Total assets less current liabilities		577,165	683,352	304,414	325,275

Approved and authorised for issue by the Board of Directors on May 27, 2016.

Mr. Leung Chun Wah
Director

Mr. Kwok Chan Cheung
Director

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	30	**3,642,246**	3,391,997
Cost of sales		**(3,322,606)**	(3,082,332)
Gross profit		**319,640**	309,665
Other operating income	31	**2,911**	3,490
Distribution costs		**(47,024)**	(45,267)
Administrative expenses		**(200,826)**	(206,186)
Share of loss of associates	21	**(38,273)**	(6,486)
Impairment loss recognised in respect of interests in associates	21	**(70,080)**	–
Other gains and losses	32	**(5,676)**	(1,164)
Amortisation of financial guarantee liabilities	39	**2,256**	5,237
Finance costs	33	**(20,879)**	(16,937)
(Loss) Profit before tax		**(57,951)**	42,352
Income tax expense	34	**(12,093)**	(12,137)
(Loss) Profit for the year	35	**(70,044)**	30,215
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation of properties		**–**	121,314
– Income tax relating to gains recognised in other comprehensive income		**–**	(24,695)
		–	96,619
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of overseas operations		**(11,603)**	(278)
– Release of exchange differences upon dissolution of overseas operations		**(51)**	280
		(11,654)	2
Other comprehensive (expense) income for the year, net of tax		**(11,654)**	96,621
Total comprehensive (expense) income for the year		**(81,698)**	126,836

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2016

	NOTE	2016 HK$'000	2015 HK$'000
(Loss) Profit attributable to:			
Owners of the Company		**(71,605)**	31,957
Non-controlling interests		**1,561**	(1,742)
		(70,044)	30,215
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(83,239)**	128,578
Non-controlling interests		**1,541**	(1,742)
		(81,698)	126,836
			(Restated)
(Loss) Earnings per share	37		
– Basic (HK cents)		**(94.90)**	42.52
– Diluted (HK cents)		**(94.90)**	42.09

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2016

	Issued capital HK$'000	Capital reserves HK$'000 (Note 28)	Statutory reserve HK$'000 (Note)	Revaluation reserve HK$'000 (Note 15)	Currency translation reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
THE GROUP									
Balance at April 1, 2014	74,544	195,716	16,480	–	20,756	250,120	557,616	(2,847)	554,769
Total comprehensive income for the year:									
Profit for the year	–	–	–	–	–	31,957	31,957	(1,742)	30,215
Other comprehensive income for the year, net of income tax	–	–	–	96,619	2	–	96,621	–	96,621
Total	–	–	–	96,619	2	31,957	128,578	(1,742)	126,836
Transactions with owners, recognised directly in equity:									
Exercise of share options	805	870	–	–	–	–	1,675	–	1,675
Share options cancelled/lapsed	–	(2,243)	–	–	–	2,243	–	–	–
Dividend paid (Note 38)	–	–	–	–	–	(25,702)	(25,702)	–	(25,702)
Transfer to statutory reserve	–	–	45	–	–	(45)	–	–	–
Total	805	(1,373)	45	–	–	(23,504)	(24,027)	–	(24,027)
Balance at March 31, 2015	75,349	194,343	16,525	96,619	20,758	258,573	662,167	(4,589)	657,578
Total comprehensive (expense) income for the year:									
Loss for the year	–	–	–	–	–	(71,605)	(71,605)	1,561	(70,044)
Other comprehensive expense for the year, net of income tax	–	–	–	–	(11,634)	–	(11,634)	(20)	(11,654)
Total	–	–	–	–	(11,634)	(71,605)	(83,239)	1,541	(81,698)
Transactions with owners, recognised directly in equity:									
Exercise of share options	157	138	–	–	–	–	295	–	295
Share options cancelled	–	(103)	–	–	–	103	–	–	–
Dividend paid (Note 38)	–	–	–	–	–	(23,962)	(23,962)	–	(23,962)
Transfer from revaluation reserve	–	–	–	(3,348)	–	3,348	–	–	–
Total	157	35	–	(3,348)	–	(20,511)	(23,667)	–	(23,667)
Balance at March 31, 2016	**75,506**	**194,378**	**16,525**	**93,271**	**9,124**	**166,457**	**555,261**	**(3,048)**	**552,213**

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

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2016

	Issued capital HK$'000	Capital reserves HK$'000 (Note 28)	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
Balance at April 1, 2014	74,544	195,716	39,858	310,118
Profit for the year, representing total comprehensive income for the year	–	–	39,184	39,184
Transactions with owners, recognised directly in equity:				
Exercise of share options	805	870	–	1,675
Share options cancelled/lapsed	–	(2,243)	2,243	–
Dividend paid (Note 38)	–	–	(25,702)	(25,702)
Total	805	(1,373)	(23,459)	(24,027)
Balance at March 31, 2015	75,349	194,343	55,583	325,275
Profit for the year, representing total comprehensive income for the year	–	–	2,806	2,806
Transactions with owners, recognised directly in equity:				
Exercise of share options	157	138	–	295
Share options cancelled	–	(103)	103	–
Dividend paid (Note 38)	–	–	(23,962)	(23,962)
Total	157	35	(23,859)	(23,667)
Balance at March 31, 2016	**75,506**	**194,378**	**34,530**	**304,414**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
(Loss) Profit before tax	**(57,951)**	42,352
Adjustments for:		
Depreciation expense	**14,499**	11,562
Amortisation of prepaid lease payments	**13**	13
Interest expense	**20,879**	16,937
Allowance for inventories	**10,333**	4,916
Reversal of allowance for doubtful trade receivables	**(8,537)**	(3,200)
Gain on disposal of property, plant and equipment	**(12)**	(355)
Net gain on fair value changes of derivative financial instruments	**(58)**	(196)
Share of loss of associates	**38,273**	6,486
Impairment loss recognised in respect of interest in associates	**70,080**	–
Amortisation of financial guarantee liabilities	**(2,256)**	(5,237)
Interest income	**(809)**	(863)
Release of exchange differences upon dissolution of overseas operations	**(51)**	280
Operating cash flows before movements in working capital	**84,403**	72,695
(Increase) Decrease in trade and bills receivables	**(8,827)**	30,755
Decrease (Increase) in other receivables and prepayment	**2,356**	(1,703)
Increase in inventories	**(33,140)**	(81,016)
Increase in trade and bills payables	**20,182**	7,998
Increase (Decrease) in other payables	**896**	(5,155)
Increase in long-term deposits	**(581)**	(697)
Cash generated from operations	**65,289**	22,877
Income tax paid	**(11,975)**	(16,406)
Interest paid	**(20,669)**	(15,850)
Interest received	**809**	863
Net cash generated from (used in) operating activities	**33,454**	(8,516)
Investing activities		
Purchase of property, plant and equipment	**(2,425)**	(6,396)
Withdrawal of restricted bank deposits	**5,029**	7,296
Placement of restricted bank deposits	**(4,908)**	(2,516)
Proceeds from disposal of property, plant and equipment	**13**	909
Capital injection to associates	**(24,500)**	(24,500)
Net cash used in investing activities	**(26,791)**	(25,207)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 HK$'000	2015 HK$'000
Financing activities		
Dividend paid to shareholders	**(23,962)**	(25,702)
Proceeds from exercise of share options	**295**	1,675
Advance from associates	**42,414**	–
Repayment of trust receipt loans	**(2,044,266)**	(1,920,330)
Proceeds from trust receipt loans	**2,127,285**	1,985,991
Repayment of bank borrowings	**(445,807)**	(190,838)
Proceeds from bank borrowings	**507,254**	268,443
Net cash from financing activities	**163,213**	119,239
Net increase in cash and cash equivalents	**169,876**	85,516
Cash and cash equivalents at beginning of the year	**305,955**	218,977
Effects of exchange rate changes on the balance of cash held in foreign currencies	**6,770**	1,462
Cash and cash equivalents at end of the year	**482,601**	305,955

1. GENERAL

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 20 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended March 31, 2016 were authorised for issue by the Board of Directors on May 27, 2016.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of these amendments to IFRSs in the current year has no material impact on the Company's financial position and Group's financial performance and positions for the current and prior years and/or on the disclosures set out on their set out in this financial statements.

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]

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

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

Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and amortisation[3]
Amendments to IFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2016
4 Effective for annual periods beginning on or after January 1, 2019
5 Effective for annual periods beginning on or after a date to be determined

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

IFRS 9 *Financial Instruments* – *continued*

Key requirements of IFRS 9 are described as follows:

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

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

IFRS 9 *Financial Instruments* – *continued*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness text has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

IFRS 15 *Revenue from Contracts with Customers* – *continued*

Under IFRS 15, an entity 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the accompanying financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of IFRS 16 may result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of certain lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements.

The Directors anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

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

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the accompanying financial statements.

Except as described above, the directors anticipate that the application of the other new and revised standards and interpretations will have no material impact on the statement of profit or loss and other comprehensive income and the statement of financial position of the Group and the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 as basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payment*, leasing transaction that are within the scope of IAS 17 *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*.

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

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

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

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

Changes in the Group's ownership interests in subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in subsidiaries

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

Business combinations

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations – *continued*

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on acquisition of an associate is described below.

Investments in associates

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates – *continued*

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

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates – *continued*

When the Group reduces its ownership interest in an associate or a joint venture 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 its associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Rendering of services

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

Interest income

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

Financial guarantee income

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives on the following bases:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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

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

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

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

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Leasehold land and buildings

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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

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

Retirement benefit costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

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

3. SUMMARY OF 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Current and deferred tax

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

Intangible assets

Internally-generated intangible assets – research and development expenditure

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

Internally-generated intangible assets – research and development expenditure – *continued*

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of tangible and intangible assets other than goodwill

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

Intangibles assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF 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 basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments

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

Equity instruments

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Financial liabilities at FVTPL – continued

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

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

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a 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 immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair value and if not designated as at FVTPL, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions

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

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

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

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting 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. 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 option reserve will be transferred to accumulated profits. 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 option reserve will continue to be held in share options reserve.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

The 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, are discussed below.

Allowance for doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of Group's trade receivables at March 31, 2016 were approximately HK$560,894,000 (2015: HK$550,290,000), net of allowance for doubtful debts of HK$16,387,000 (2015: HK$26,727,000).

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

Key sources of estimation uncertainty – *continued*

Allowance for inventories obsolescence

The Group operates in the electronics industry which is subject to rapid technological changes and product obsolescence. The Group's policy for allowance for inventories obsolescence is based on the aging analysis of inventories and on management's judgement on the realisability of the inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories obsolescence is adequate but not excessive. The carrying amount of Group's inventories at March 31, 2016 were approximately HK$535,547,000 (2015: HK$515,274,000), net of allowance for inventories of HK$25,100,000 (2015: HK$18,358,000).

Fair value of derivative financial instruments

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

Management has evaluated the assumptions used and judgement applied and is of the opinion that the assumptions used and judgement applied are reasonable and appropriate. The carrying amount of derivative financial instruments is disclosed in Notes 5 and 13.

Impairment of investments in associates and subsidiaries

Management exercises their judgement on estimating recoverable amounts of the Group and subsidiaries of the Company.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, management needs to estimate the future cash flows expected from the cash – generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

During the year, an impairment on associates of the Group amounting to HK$70,080,000 (2015: HK$ nil) was recorded. The carrying amount of investments in associates as at March 31, 2016 is HK$ nil (2015: HK$82,498,000).

The carrying amount of investments in subsidiaries of the Company as at March 31, 2016 is HK$117,470,000 (2015: HK$117,470,000).

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

Key sources of estimation uncertainty – *continued*

Useful lives, impairment assessment and revaluation of property, plant and equipment

Leasehold land and buildings is stated in the statements of financial position at revalued amounts less accumulated depreciation and identified impairment losses. Motor vehicles, plant and equipment and computer equipment, furniture and fixtures are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of asset. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amounts and the amount of the write-down is charged to profit or loss. Leasehold land and buildings is revalued to fair value and management determines the appropriate techniques and inputs for fair value measurement. The carrying amount of property, plant and equipment at March 31, 2016 was approximately HK$251,867,000 (2015: HK$272,711,000).

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Derivative financial instruments (fair value through profit or loss)	**–**	20	**–**	–
Loan and receivables (including cash and cash equivalents)	**1,071,017**	889,286	**196,938**	211,382
Available-for-sale financial assets	**2,001**	2,001	**–**	–
Financial liabilities				
Liabilities at amortised cost	**1,251,485**	1,045,812	**9,344**	9,403
Derivative financial instruments (fair value through profit or loss)	**14**	92	**–**	–
Financial guarantee contracts	**–**	730	**–**	730

(b) Financial risk management policies and objectives

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

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

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

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

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

(i) *Foreign exchange risk management*

The Group transacts business in various foreign currencies, including United States dollars, Japanese yen ("YEN"), Chinese renminbi, Euro, Singapore dollars and Taiwan Dollars and therefore is exposed to foreign exchange risk.

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

	THE GROUP			
	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**903,006**	722,125	**(575,412)**	(525,097)
HK$	**1,953**	2,468	**(71,400)**	(61,912)
YEN	**4,023**	3,075	**(15,279)**	(11,898)
Chinese renminbi	**1,843**	1,972	**(1,148)**	(1,211)
Euro	**–**	–	**(5)**	–
Singapore dollars	**1,640**	1,973	**(21)**	(53)
Taiwan dollars	**–**	10,932	**–**	–
Other currencies	**2**	2	**–**	–

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

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

(i) Foreign exchange risk management – *continued*

	THE COMPANY			
	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**39**	39	**–**	–
Singapore dollars	**1,629**	1,957	**(21)**	(53)

Certain companies in the Group use forward contracts to reduce the currency risk exposure. Further details on the forward exchange derivative instruments are found in Note 13.

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 sensitivities rate used when reporting foreign currency risk internally to key management personnel 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. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

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

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

(i) Foreign exchange risk management – *continued*

Foreign currency sensitivity – continued

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

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars [i]	**5,092**	4,326	**–**	–
HK$ [i]	**2,604**	2,229	**–**	–
YEN [ii]	**422**	331	**–**	–
Chinese renminbi [iii]	**(26)**	(29)	**–**	–
Euro	**–**	–	**–**	–
Singapore dollars	**(61)**	(72)	**(67)**	(79)
Taiwan dollars [iv]	**–**	(410)	**–**	–

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

Notes:

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

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

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

(iv) This is mainly attributable to the exposure on intra-group balances denominated in Taiwan dollars as at end of the reporting period.

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

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

(ii) Interest rate risk management

Interest rate risk arises from the potential changes in interest rates that may have adverse effects on the Group's results. The interest rates and terms of repayment of the trust receipt loans and bank borrowings of the Group are disclosed in Notes 22 and 25 respectively.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and trust receipt loans at the end of the reporting period. 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 point (2015: 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 (2015: 50 basis points) higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended March 31, 2016 would decrease or increase by HK$2,840,000 (2015: decrease or increase by HK$2,585,000).

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

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

(iii) Credit risk management

As at March 31, 2016 and 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 39.

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

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

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, the Group has concentration of credit risk as 4% and 7% of the total trade receivables were due from the Group's largest customer as at March 31, 2016 and 2015, respectively.

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

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

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. The committed unutilised banking facilities made available to the Group are approximately HK$489 million (2015: HK$529 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.

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

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

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

(iv) Liquidity risk management – *continued*

Liquidity and interest risk analyses – continued

Non-derivative financial liabilities – *continued*

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
At March 31, 2016							
Trade and bills payables							
– non-interest bearing	–	366,062	–	–	–	366,062	366,062
Other payables							
– non-interest bearing	–	45,170	–	–	–	45,170	45,170
Trust receipt loans							
– variable interest rate	2.36	590,647	–	–	–	590,647	589,485
Bank borrowings							
– variable interest rates	2.30	91,105	–	–	–	91,105	90,768
– fixed interest rate	2.91	161,652	–	–	–	161,652	160,000
		1,254,636	–	–	–	1,254,636	1,251,485
At March 31, 2015							
Trade and bills payables							
– non-interest bearing	–	347,440	–	–	–	347,440	347,440
Other payables							
– non-interest bearing	–	2,296	–	–	–	2,296	2,296
Financial guarantee contract	–	131,393	–	–	–	131,393	730
Trust receipt loans							
– variable interest rate	2.28	507,852	–	–	–	507,852	506,466
Bank borrowings							
– variable interest rates	2.43	113,165	–	–	–	113,165	112,610
– fixed interest rate	3.08	77,980	–	–	–	77,980	77,000
		1,180,126	–	–	–	1,180,126	1,046,542

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

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

(iv) Liquidity risk management – *continued*

Liquidity and interest risk analyses – continued

Non-derivative financial liabilities – *continued*

	Weighted average effective interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY							
At March 31, 2016							
Other payables							
– non-interest bearing	–	30	–	–	–	30	30
Amount due to subsidiary							
– non-interest bearing	–	9,314	–	–	–	9,314	9,314
Financial guarantee contracts	–	1,127,623	–	–	–	1,127,623	–
		1,136,967	–	–	–	1,136,967	9,344
At March 31, 2015							
Other payables							
– non-interest bearing	–	61	–	–	–	61	61
Amount due to subsidiary							
– non-interest bearing	–	9,342	–	–	–	9,342	9,342
Financial guarantee contracts	–	1,087,047	–	–	–	1,087,047	730
		1,096,450	–	–	–	1,096,450	10,133

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

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

(iv) Liquidity risk management – *continued*

Liquidity and interest risk analyses – continued

Non-derivative financial liabilities – *continued*

Bank borrowings and trust receipt loans with a repayable on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at March 31, 2016 and 2015, the aggregate undiscounted principal amounts of these bank borrowings and trust receipt loans amounted to HK$227,514,000 and HK$589,485,000 respectively (2015: HK$169,000,000 and HK$506,466,000 respectively). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that the long-term portion of such bank loans will be repaid one year after the end of the reporting period 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$847,793,000.

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

The amounts included above for variable interest rate instruments for non-derivative interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

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

(iv) Liquidity risk management – *continued*

Liquidity and interest risk analyses – continued

Non-derivative financial assets

The Group and Company's financial liabilities are to be met by the maturity of financial assets that more than sufficiently cover the financial liabilities. The non-derivative financial assets are all due and receivable within one year except for long-term deposits of the Group and non-current other receivables from a subsidiary of the Company as disclosed in Notes 16 and 11 respectively, and are all non-interest bearing except for cash at bank and restricted bank deposits which bear interest as disclosed in Note 8.

Derivative financial instruments – net settlement

	Within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE GROUP			
At March 31, 2016			
Foreign exchange forward contract			
– outflow	**(14)**	**(14)**	**(14)**
	(14)	**(14)**	**(14)**
At March 31, 2015			
Foreign exchange forward contract			
– inflow	20	20	20
– outflow	(92)	(92)	(92)
	(72)	(72)	(72)

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

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

(v) Fair value measurements

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

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

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

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, 2016	March 31, 2015				
Foreign currency forward contracts (see Note 13)	**Assets – HK$nil** **Liabilities – HK$14,000**	Assets – HK$20,000 Liabilities – HK$92,000	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

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

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

(v) Fair value measurements – *continued*

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

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

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

Fair value measurements and valuation process

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

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

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

(c) 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 borrowings disclosed in Notes 22 and 25, offset by cash and cash equivalents, restricted bank deposits and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits as disclosed in the notes to consolidated financial statements. The Group is required to comply with bank covenants in loan agreements with banks.

The management reviews the capital structure on an ongoing basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. 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.

6. RELATED COMPANY TRANSACTIONS

The Company

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

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

6. RELATED COMPANY TRANSACTIONS – *continued*

The Group

The Group entered into the following transactions with associates:

	2016 HK$'000	2015 HK$'000
Sales of electronic components	1,017	2,029
Other income	487	826
Management fee received	361	–
Commission expenses	–	135
Purchases of electronic components	15,040	62,847

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

	2016 HK$'000	2015 HK$'000
Associates		
– other receivables (Note)	–	1
– other payables (Note)	(42,414)	–
– trade payables aged less than 30 days	–	(5,984)

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

7. OTHER RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Short-term benefits	**18,290**	17,717
Post-employment benefits	**1,322**	1,186
Other long-term benefits	**1,245**	1,246
	20,857	20,149

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

8. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank	**465,014**	293,913	**3,063**	3,367
Term deposits	**19,489**	14,171	**–**	–
Cash on hand	**493**	387	**–**	–
	484,996	308,471	**3,063**	3,367
Analysed as:				
Cash and cash equivalents [(a)]	**482,601**	305,955	**3,063**	3,367
Restricted bank deposits [(b)]	**2,395**	2,516	**–**	–
	484,996	308,471	**3,063**	3,367

Notes:

(a) As at March 31, 2016, cash and cash equivalents comprise cash held by the Group of HK$465,507,000 (2015: HK$294,300,000) and short-term bank deposits with an original maturity of three months or less of HK$17,094,000 (2015: HK$11,655,000). The carrying amounts of these assets approximate their fair values. The short-term deposits bear average effective interest of 0.255% (2015: 0.135%) per annum and for tenure of 7 days (2015: 8 days).

(b) The balance is pledged to a bank to facilitate the customs' clearing process. As at March 31, 2016, the restricted bank deposits bear average effective interest of 2.25% (2015: 3.25%) per annum and for tenure of 379 days (2015: 365 days).

9. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Trade receivables	**577,281**	577,017
Less: allowance for doubtful debts	**(16,387)**	(26,727)
Net trade receivables	**560,894**	550,290
Bills receivables	**20,001**	23,131
	580,895	573,421

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

The average credit period on sales of goods is 60 days (2015: 60 days). The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice dates, at the end of the reporting period.

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Less than 60 days	**407,633**	391,291
61 to 90 days	**105,474**	111,096
Over 90 days	**47,787**	47,903
	560,894	550,290

9. TRADE AND BILLS RECEIVABLES – *continued*

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Less than 60 days	**16,969**	18,892
61 to 180 days	**3,032**	4,239
	20,001	23,131

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 82% (2015: 81%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$87,541,000 (2015: HK$80,539,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Less than 90 days	**87,541**	80,539

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

9. TRADE AND BILLS RECEIVABLES – *continued*

Movement in the allowance for doubtful debts

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Balance at beginning of the year	**26,727**	30,417
Reversal of allowance recognised in profit or loss	**(8,537)**	(3,200)
Amounts written off as uncollectible	**(1,156)**	(461)
Currency realignment	**(647)**	(29)
Balance at end of the year	**16,387**	26,727

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$ nil (2015: HK$797,000).

10. TRANSFER OF FINANCIAL ASSETS

As at March 31, 2016, trade receivables amounted to HK$60,960,000 (2015: HK$25,762,000) were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounted to HK$48,768,000 (2015: HK$20,610,000). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

11. OTHER RECEIVABLES AND PREPAYMENT

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from subsidiaries	**–**	–	**193,874**	208,015
Due from an associate	**–**	1	**–**	–
Deposits	**1,574**	1,415	**–**	–
Prepayment	**2,096**	2,176	**25**	42
Payment in advance	**2,348**	4,620	**–**	–
Others	**248**	466	**–**	–
	6,266	8,678	**193,899**	208,057
Represented by:				
Current portion	**6,266**	8,678	**193,899**	159,057
Non-current portion	**–**	–	**–**	49,000
	6,266	8,678	**193,899**	208,057

The amounts due from subsidiaries and an associate are unsecured, interest-free, repayable on demand and expected to be settled in cash within the next twelve months from the end of the reporting period except for an amount due from a subsidiary of HK$ nil (2015: HK$49,000,000) which the directors considered that the balance will be settled in cash after one year from the end of the reporting period.

12. PREPAID LEASE PAYMENTS

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
COST		
At beginning and end of the year	**764**	764
AMORTISATION		
At beginning of the year	**158**	145
Charge to profit or loss during the year	**13**	13
At end of the year	**171**	158
CARRYING AMOUNT		
At end of the year	**593**	606
At beginning of the year	**606**	619
Represented by:		
Current portion	**12**	12
Non-current portion	**581**	594
Total	**593**	606

Prepaid lease payments represent land use rights for 1 plot of land with lease term of 62 years in the PRC.

13. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

	2016		2015	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts	–	(14)	20	(92)

Forward foreign exchange contracts

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

Outstanding contracts	Exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2016	2015	2016 '000	2015 '000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Buy YEN and sell HK$ Less than 3 months	YEN 1/ HK$0.06904084	YEN 1/ HK$0.0646 to HK$0.0651	200,000	185,000	13,808	12,007	(6)	(63)
Buy YEN and sell HK$ Less than 3 months	YEN 1/ HK$0.06897	YEN 1/ HK$0.0651	204,000	70,000	14,070	4,557	(8)	(29)
Buy YEN and sell HK$ Less than 3 months	N/A	YEN 1/ HK$0.0645	N/A	110,000	N/A	7,097	N/A	20

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

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

14. INVENTORIES

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Finished goods held for resale	**560,647**	533,632
Less: Allowance for inventories	**(25,100)**	(18,358)
	535,547	515,274

Movement in the allowance for inventories

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Balance at beginning of the year	**18,358**	18,397
Increase in allowance recognised in profit or loss	**10,333**	4,916
Amounts written off during the year	**(3,467)**	(4,945)
Currency realignment	**(124)**	(10)
Balance at end of the year	**25,100**	18,358

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Plant and equipment HK$'000	Computer equipment, furniture and fixtures HK$'000	Total HK$'000
THE GROUP					
COST					
At April 1, 2014	165,190	5,237	2,447	73,201	246,075
Exchange difference	–	–	(7)	(37)	(44)
Additions	–	4,106	314	1,976	6,396
Disposals	–	(3,206)	(23)	(12,118)	(15,347)
Revaluation increase	94,710	–	–	–	94,710
At March 31, 2015	259,900	6,137	2,731	63,022	331,790
Exchange difference	(8,753)	(36)	(8)	(1,091)	(9,888)
Additions	–	598	170	1,657	2,425
Disposals	–	–	(32)	(877)	(909)
At March 31, 2016	**251,147**	**6,699**	**2,861**	**62,711**	**323,418**
Comprising:					
At Cost	–	6,699	2,861	62,711	72,271
At Valuation	251,147	–	–	–	251,147
	251,147	6,699	2,861	62,711	323,418
ACCUMULATED DEPRECIATION					
At April 1, 2014	22,631	4,333	1,800	60,183	88,947
Exchange difference	–	–	(5)	(28)	(33)
Depreciation for the year	3,973	995	315	6,279	11,562
Disposals	–	(3,206)	(23)	(11,564)	(14,793)
Eliminated on revaluation	(26,604)	–	–	–	(26,604)
At March 31, 2015	–	2,122	2,087	54,870	59,079
Exchange difference	(122)	(35)	(5)	(957)	(1,119)
Depreciation for the year	8,022	1,133	260	5,084	14,499
Disposals	–	–	(31)	(877)	(908)
At March 31, 2016	**7,900**	**3,220**	**2,311**	**58,120**	**71,551**
CARRYING AMOUNT					
At March 31, 2016	**243,247**	**3,479**	**550**	**4,591**	**251,867**
At March 31, 2015	259,900	4,015	644	8,152	272,711

15. PROPERTY, PLANT AND EQUIPMENT – *continued*

Details of the leasehold properties held by the Group as at March 31, 2016 are set out below:

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT – *continued*

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

The Group's leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at March 31, 2016 were performed by Assets Appraisal Limited (2015: DTZ Debenham Tie Leung Limited), independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

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

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

Category of property, plant and equipment	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	March 31,2016	March 31, 2015				
Land and buildings	HK$244,251,000	HK$259,900,000	Level 2	Direct comparison method – based on market observable transactions of similar properties and adjusted for difference in the location, view, floor area, lot size and age and condition of the properties under review	N/A	N/A

15. PROPERTY, PLANT AND EQUIPMENT – *continued*

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

Details of the Group's leasehold land and buildings and information about the fair value hierarchy are as follows:

	2016 Level 2 HK$'000	2015 Level 2 HK$'000	Fair value as at March 31, 2016 HK$'000	Fair value as at March 31, 2015 HK$'000
Leasehold land and buildings situated in:				
– Hong Kong	76,000	76,000	76,000	76,000
– PRC	168,251	183,900	168,251	183,900
	244,251	259,900	244,251	259,900

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would be approximately HK$128,667,000 (2015: HK$138,586,000).

16. LONG-TERM DEPOSITS

	THE GROUP	
	2016 HK$'000	2015 HK$'000
Refundable security deposits	1,697	1,125

Refundable security deposits are mainly deposits placed with the landlords.

17. GOODWILL

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
COST		
At beginning and end of the year	**8,142**	8,142
IMPAIRMENT		
At beginning and end of the year	**8,142**	8,142
CARRYING AMOUNT		
At beginning and end of the year	**–**	–

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

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

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

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Unquoted equity shares, at cost	**16,448**	16,448
Less: Impairment on investments	**(16,448)**	(16,448)
	–	–
Club debentures, at cost	**2,001**	2,001
	2,001	2,001

Movement for impairment provision

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Balance at beginning and end of the year	**16,448**	16,448

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

19. OTHER INTANGIBLE ASSETS

	Contract-based workforce HK$'000	Customer relationship and network HK$'000	Proprietary technology HK$'000	Capitalised development cost HK$'000	Total HK$'000
THE GROUP					
COST					
At April 1, 2014, at March 31, 2015 and at March 31, 2016	2,769	5,002	7,594	2,016	17,381
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At April 1, 2014, at March 31, 2015 and at March 31, 2016	2,769	5,002	7,594	2,016	17,381
CARRYING AMOUNT					
At April 1, 2014, at March 31, 2015 and at March 31, 2016	–	–	–	–	–

The intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over, on the following periods:

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

20. INVESTMENTS IN SUBSIDIARIES

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Unquoted equity shares, at cost	**117,470**	117,470

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

Name of subsidiary	Place of Incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Gain (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Noblehigh Enterprises Inc. (Note)	BVI/Hong Kong	**40**	40	**1,541**	(1,742)	**(3,048)**	(4,589)

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

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

Noblehigh Enterprises Inc.

	2016	2015
	HK$'000	HK$'000
Current assets	**7,869**	6,006
Non-current assets	**221**	368
Current liabilities	**(15,710)**	(17,846)
Equity attributable to owners of the Company	**(7,620)**	(11,472)

20. INVESTMENTS IN SUBSIDIARIES – *continued*

	2016 HK$'000	2015 HK$'000
Revenue	20,355	24,795
Expenses	(16,452)	(29,150)
Profit (loss) for the year	3,903	(4,355)
Other comprehensive expense for the year	(51)	–
Total comprehensive expense for the year	3,852	(4,355)
Net cash inflow (outflow) from operating activities	4,573	(853)
Net cash (outflow) inflow from investing activities	(82)	687
Net cash outflow from financing activities	(2,253)	(1,793)
Net cash inflow (outflow)	2,238	(1,959)

20. INVESTMENTS IN SUBSIDIARIES – *continued*

Details of the Group's subsidiaries at March 31, 2106 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		
			2016 %	2015 %	2016 %	2015 %	
Cleverway Profits Limited	British Virgin Islands ("BVI")/ Hong Kong	US$7	100	100	–	–	Investment holding
Array Electronics (China) Limited [(a), (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
ASP Microelectronics Limited [(b), (i)]	Hong Kong	HK$3,000,000	–	–	60	60	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 [(b), (c)]	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
LEC Electronic Components Limited [(b), (i)]	Hong Kong	HK$1,500,000	–	–	60	60	Inactive
Noblehigh Enterprises Inc. [(f)]	BVI/Hong Kong	US$60,000	–	–	60	60	Investment holding

20. INVESTMENTS IN 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 Directly 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Principal activities
Pinerise Limited [(b), (c)]	BVI/PRC	US$1	–	–	100	100	Investment holding
Starling Pacific Limited [(b), (c)]	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
Valence Semiconductor Design Limited [(a), (i)]	Hong Kong	HK$3,000,000	–	–	60	60	Design and trading of electronic components
Valence Technology Limited [(a), (h)]	Hong Kong	HK$100,000	–	–	60	60	Provision of corporate management services
ValenceTech Limited [(g)]	Bermuda/Hong Kong	HK$879,991	–	–	60	60	Investment holding
Willas Company Limited [(b), (c)]	Hong Kong	HK$35,001,002	–	–	100	100	Inactive
Willas-Array Electronics (Hong Kong) Limited [(a), (b), (c)]	Hong Kong	HK$1,001,002	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shanghai) Limited [(a), (e), (j), (k)]	PRC	US$7,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shenzhen) Limited [(a), (d), (j), (k)]	PRC	US$5,500,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Taiwan) Inc. [(a), (c), (k)]	Taiwan/PRC	NT$1,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics Management Limited [(a), (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
慧能思達科技(成都)有限公司[(i), (j), (k), (l)]	PRC	HK$2,000,000	N/A	–	N/A	60	Liquidated

20. INVESTMENTS IN SUBSIDIARIES – *continued*

Notes:

(a) Audited by Deloitte Touche Tohmatsu, Hong Kong ("Deloitte Hong Kong") for consolidation purpose

(b) Statutory audit performed by Deloitte Hong Kong

(c) Subsidiaries directly held by Cleverway Profits Limited

(d) Subsidiary of Full Link Investment Limited

(e) Subsidiaries directly held by Kind Faith Limited

(f) Subsidiary of Willas-Array Investments Limited

(g) Subsidiary of Noblehigh Enterprises Inc.

(h) Subsidiary directly held by ValenceTech Limited

(i) Subsidiaries directly held by Valence Technology Limited

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

(k) Statutory audit performed by local practice in PRC/Taiwan

(l) Liquidated on July 31, 2015

20. INVESTMENTS IN SUBSIDIARIES – *continued*

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

Principal activities	Place of incorporation/ establishment and operation	Number of wholly owned subsidiaries 2016	2015
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

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2016	2015
Investment holding	BVI/Hong Kong	**1**	1
	Bermuda/Hong Kong	**1**	1
Design and trading	Hong Kong	**1**	1
Inactive	Hong Kong	**2**	2
Other	Hong Kong	**1**	1
	PRC	**–**	1
		6	7

21. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Cost of interests in associates	98,000	73,500	–	–
Deemed capital contribution	9,016	7,490	9,016	7,490
Share of post-acquisition reserves:				
Post-acquisition profits brought forward	1,450	7,936	–	–
Loss for the year	(38,273)	(6,486)	–	–
Translation reserve	(113)	58	–	–
	70,080	82,498	9,016	7,490
Impairment	(70,080)	–	(9,016)	–
	–	82,498	–	7,490

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

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

Name of entity	Form of business structure	Place of incorporation/ establishment	Principal place of operation	Class of share held	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activities
					2016	2015	2016	2015	
GW Electronics Company Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	49%	49%	49%	49%	Investment holding and trading of electronic components
Held by GW Electronics Company Limited									
茲雅電子(深圳)有限公司	Incorporated	PRC	PRC	Registered capital	49%	49%	49%	49%	Inactive
茲雅電子(上海)有限公司	Incorporated	PRC	PRC	Registered capital	49%	49%	49%	49%	Inactive

21. INTERESTS IN ASSOCIATES – *continued*

The summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Current assets	**132,790**	649,965
Non-current assets	**–**	5,120
Current liabilities	**(8,170)**	(502,008)
The above amounts of assets and liability include the following:		
Cash and cash equivalents	**30,744**	96,926
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(268,149)

	2016	2015
	HK$'000	HK$'000
Revenue	**545,950**	1,822,071
Loss for the year	**(78,108)**	(13,236)
Other comprehensive (expense) income for the year	**(349)**	9
Total comprehensive expense for the year	**(78,457)**	(13,227)
Group's share of associates' loss and other comprehensive expense for the year	**(38,444)**	(6,481)
The above loss for the year include the following:		
Depreciation	**1,027**	1,303
Income tax expense (credit)	**2,109**	(1,660)

21. INTERESTS IN ASSOCIATES – *continued*

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

	2016 HK$'000	2015 HK$'000
Net assets of the associate	124,620	153,077
Proportion of the Group's ownership interest in GW Electronics Company Limited	49%	49%
Deemed capital contribution	9,016	7,490
Carrying amount of the Group's interest in GW Electronics Company Limited	70,080	82,498
Impairment	(70,080)	–
	–	82,498

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

22. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear effective interest ranging from 1.72% to 2.89% (2015: 1.83% to 2.79%) per annum and are repayable within one year.

At the end of March 31, 2016 and 2015, the Group's trust receipt loans with carrying amount of approximately HK$40,745,000 and HK$12,884,000 are required to comply with certain loan covenants.

The Group has complied with the loan covenants for both years.

23. TRADE AND BILLS PAYABLES

	THE GROUP	
	2016 HK$'000	2015 HK$'000
Trade payables	356,476	326,650
Bills payables	9,586	20,790
	366,062	347,440

Bills payables of the Group are aged within 30 days (2015: 60 days).

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

	THE GROUP	
	2016 HK$'000	2015 HK$'000
Less than 30 days	266,381	298,703
31 to 60 days	88,393	27,871
Over 60 days	1,702	76
	356,476	326,650

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

24. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Accrual for staff costs	20,044	19,464	–	–
Accrued expenses	6,064	6,129	840	867
Deposits from customers	3,776	3,415	–	–
Due to subsidiaries	–	–	9,314	9,342
Due to associates	42,414	–	–	–
Other tax payables	1,373	2,352	–	–
Interest payables	3,098	2,888	–	–
Others	2,756	2,296	30	61
	79,525	36,544	10,184	10,270

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

25. BANK BORROWINGS

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Carrying amount of bank borrowing repayable (Note i):		
Within one year	**230,768**	149,610
Carrying amount of bank loans contain a repayment on demand clause that are repayable in:		
– One to two years	**20,000**	20,000
– Two to five years	**–**	20,000
	250,768	189,610
Less: Amounts shown under current liabilities	**(250,768)**	(189,610)
Non-current portion	**–**	–
Analysed as:		
Secured (Note ii)	**48,768**	20,610
Unsecured	**202,000**	169,000
	250,768	189,610

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(ii) Trade receivables are pledged as collateral to secure the bank borrowing. Details regarding the pledged assets are set out in Note 10.

At March 31, 2016, the Group's fixed rate borrowing with carrying amount of approximately HK$160,000,000 (2015: HK$77,000,000) are due within one year.

In addition, the Group has variable rate borrowings at March 31, 2016, the interest rates reprice at 0.4% to 2.75% (2015: 0.4% to 2.75%) per annum over respective bank's cost of fund, HIBOR, LIBOR or TAIFX3 for the floating rate loans.

25. BANK BORROWINGS – *continued*

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Weighted average effective interest rate:		
– fixed rate borrowings	**2.91%**	3.08%
– variable rate borrowings	**2.30%**	2.43%

No loan covenants are required to comply for the Group's unsecured bank loans for both years.

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

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

	2016	2015
	HK$'000	HK$'000
United States dollars	**30,876**	20,610

26. DEFERRED TAX

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

	Revaluation of leasehold land and buildings HK$'000	Accelerated tax depreciation HK$'000	Allowance HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
THE GROUP					
Balance at April 1, 2014	–	(1,108)	1,447	(2,791)	(2,452)
Credit (charge) to profit or loss	–	(167)	770	1,183	1,786
Charge to other comprehensive income	(24,695)	–	–	–	(24,695)
Balance at March 31, 2015	(24,695)	(1,275)	2,217	(1,608)	(25,361)
Credit (charge) to profit or loss	818	219	(1,537)	645	145
Currency realignment	649	–	–	–	649
Balance at March 31, 2016	**(23,228)**	**(1,056)**	**680**	**(963)**	**(24,567)**

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

Under the Income Tax Act prescribed by the Ministry of Finance of Taiwan, dividends paid to non-resident shareholders shall be subject to withholding tax at a rate of 20%. Also, a 10% surtax is imposed on any current year earnings that remain undistributed by the end of the following year. The surtax paid limited to 5% (2015:10%) can be used as a tax credit to offset against the future withholding tax payable upon dividend distribution under calculations prescribed under Article 61-1 of Enforcement Rules of Income Tax Act.

26. DEFERRED TAX – *continued*

As the Group does not expect to distribute dividends out of the earnings from its Taiwan subsidiaries in the next twelve months from the end of the reporting period, it has accrued 10% surtax as at March 31, 2016 accordingly.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC and Taiwan subsidiaries amounting to approximately HK$18,952,000 (2015: HK$30,667,000) 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.

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Deferred tax assets	**385**	413
Deferred tax liabilities	**(24,952)**	(25,774)
	(24,567)	(25,361)

Subject to the agreement by the tax authorities, at March 31, 2016, the Group has unutilised tax losses of HK$55,061,000 (2015: HK$42,395,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

At March 31, 2016, the Group has other deductible temporary difference of approximately HK$14,314,000 (2015: HK$14,786,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the deductible temporary differences can be utilised.

27. ISSUED CAPITAL

	THE GROUP AND THE COMPANY			
	Number of shares		Share capital	
	2016	2015	**2016**	2015
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.20 each/ HK$1.0 each (Note)				
Authorised:				
At beginning of the year	**600,000**	600,000	**120,000**	120,000
Share consolidation (Note)	**(480,000)**	–	**–**	–
	120,000	600,000	**120,000**	120,000
Issued and paid up:				
At beginning of the year	**376,745**	372,720	**75,349**	74,544
Exercise of share options	**785**	4,025	**157**	805
Share consolidation (Note)	**(302,024)**	–	**–**	–
At end of the year	**75,506**	376,745	**75,506**	75,349

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 plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 29.

Note: Pursuant to the resolution passed at the annual general meeting held on July 30, 2015, the consolidation of every five (5) issued and unissued ordinary shares of par value HK$0.20 each in the capital of the Company then into one (1) consolidated ordinary share of par value HK$1.00 each in the capital of the Company became effective on August 17, 2015.

28. CAPITAL RESERVES

	THE GROUP AND THE COMPANY			
	Share premium	**Contributed surplus**	**Share options reserve**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at April 1, 2014	117,027	75,070	3,619	195,716
Exercise of share options	1,521	–	(651)	870
Share options cancelled/lapsed	–	–	(2,243)	(2,243)
Balance at March 31, 2015	118,548	75,070	725	194,343
Exercise of share options	138	–	–	138
Share options cancelled	128	–	(231)	(103)
Balance at March 31, 2016	**118,814**	**75,070**	**494**	**194,378**

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

The share option reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set out in Note 29.

29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

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

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

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

29. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

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

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

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

	THE GROUP AND THE COMPANY			
	2016		2015	
	Number of share options	**Weighted average exercise price S$**	Number of share options	Weighted average exercise price S$
At the beginning of the year	**4,968,000**	**0.067**	18,532,800	0.105
Exercised during the year	**(785,000)**	**0.067**	(4,024,800)	0.067
Lapsed during the year	**–**	**–**	(8,580,000)	0.149
Cancelled during the year	**–**	**–**	(960,000)	0.067
Consolidated during the year (Note)	**(3,346,400)**	**0.067**	–	–
At the end of the year	**836,600**	**0.335**	4,968,000	0.067
Exercisable at the end of the year	**836,600**		4,968,000	

Note: Upon the share consolidation became effective on August 17, 2015, the exercise price and the number of underlying shares comprised in the outstanding options granted under the ESOS II of the Company have been adjusted.

29. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

The following share options granted under ESOS II were exercised in the current year:

Option type	Number exercised	Exercise date	Share price at exercise date
			S$
2016:			
Granted on October 2, 2009	785,000	August 4, 2015	0.180
2015:			
Granted on October 2, 2009	3,016,800	June 13, 2014	0.164
Granted on October 2, 2009	1,008,000	July 22, 2014	0.165
	4,024,800		

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 3.50 years (2015: 4.51 years).

29. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

The number of options held by employees at the end of the reporting period and their expiry dates are as follows:

Expiry on	Number of options 2016	Number of options 2015
October 1, 2019	836,600	4,968,000

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

Grant date	ESOS II October 2, 2009
Share price at valuation date	S$0.09
Exercise price	S$0.08
Expected life	2
Expected volatility	91%
Expected dividend yield	8.67%
Discount rate	0.436%
Fair values	S$0.04

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

30. REVENUE

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Sales of electronic components	**3,642,246**	3,391,997

31. OTHER OPERATING INCOME

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Interest income from bank deposits	**809**	863
Management fee income	**273**	543
Management fee income from associates	**361**	–
PRC tax rebate	**613**	1,015
Service income from associates	**487**	826
Others	**368**	243
	2,911	3,490

32. OTHER GAINS AND LOSSES

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Net foreign exchange loss	**(14,283)**	(4,915)
Net gain on fair value changes of derivative financial instruments	**58**	196
Reversal of allowance for doubtful trade receivables	**8,537**	3,200
Gain on disposal of property, plant and equipment	**12**	355
	(5,676)	(1,164)

33. FINANCE COSTS

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Interest on:		
Bank borrowings and trust receipt loans		
– wholly repayable within five years	**20,879**	16,937

34. INCOME TAX EXPENSE

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	**10,401**	9,532
PRC Enterprise Income Tax	**756**	803
Other jurisdictions	**278**	697
Taiwan withholding tax on dividends distributed by subsidiaries	**650**	2,692
	12,085	13,724
Under (over)provision in prior year:		
Hong Kong	**(142)**	(138)
PRC Enterprise Income Tax	**282**	289
Other jurisdictions	**13**	48
	153	199
Deferred tax:		
Current year (Note 26)	**(145)**	(1,786)
	12,093	12,137

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. The tax rate of the Taiwan subsidiary is 17%.

34. INCOME TAX EXPENSE – *continued*

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
(Loss) profit before tax	**(57,951)**	42,352
Income tax expense at statutory rate	**(9,562)**	6,988
Tax effect of expenses not deductible for tax purpose	**21,280**	4,710
Tax effect of income not taxable for tax purpose	**(3,039)**	(3,167)
Under provision in respect of prior year	**153**	199
Tax effect of tax losses not recognised	**3,179**	919
Utilisation of deferred tax benefits previously not recognised	**65**	(4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**782**	653
Reversal of deferred tax liabilities arising on undistributed profit	**(686)**	(1,183)
Taiwan withholding tax on dividends distributed by subsidiaries	**650**	2,692
Others	**(729)**	330
	12,093	12,137

Income tax recognised in other comprehensive income

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
– Gain on revaluation of properties	**–**	(24,695)

35. (LOSS) PROFIT FOR THE YEAR

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

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Directors' fees:		
Directors of the Company	**1,001**	1,112
Directors of the subsidiaries	**6**	6
Directors' remuneration:		
Directors of the Company	**10,378**	10,189
Directors of the subsidiaries	**266**	353
Audit fees paid to auditors:		
Auditor of the Company	**2,371**	2,290
Other auditors	**179**	215
Non-audit fees paid to auditors:		
Auditor of the Company	**531**	546
Other auditors	**–**	–
Staff costs (excluding directors' remuneration)	**133,688**	136,131
Amortisation of prepaid lease payments	**13**	13
Cost of inventories recognised as expenses	**3,322,606**	3,082,332
Gain on disposal of property, plant and equipment	**(12)**	(355)
Allowance for inventories	**10,333**	4,916

36. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

Year ended March 31, 2016

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Performance related incentive payment HK$'000 (Note i)	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah (Note ii)	–	3,550	258	–	3,808
Executive Directors:					
Kwok Chan Cheung	3	2,730	202	–	2,935
Hon Kar Chun	–	1,660	156	42	1,858
Leung Hon Shing (Note iv)	3	1,486	136	158	1,783
Independent Non-executive Directors:					
Jovenal R. Santiago	330	–	–	–	330
Wong Kwan Seng, Robert	333	–	–	–	333
Iu Po Chan, Eugene	332	–	–	–	332
Total	1,001	9,426	752	200	11,379

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

(a) Directors' emoluments

Year ended March 31, 2015

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit schemes HK$'000	Performance related incentive payment HK$'000 (Note i)	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah (Note ii)	–	3,550	258	–	3,808
Executive Directors:					
Kwok Chan Cheung	3	2,730	202	–	2,935
Hung Yuk Choy (Note iii)	–	200	20	–	220
Hon Kar Chun	–	1,723	153	299	2,175
Leung Hon Shing (Note iv)	3	896	85	73	1,057
Independent Non-executive Directors:					
Jovenal R. Santiago	369	–	–	–	369
Wong Kwan Seng, Robert	369	–	–	–	369
Iu Po Chan, Eugene	368	–	–	–	368
Total	1,112	9,099	718	372	11,301

Notes:

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

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

(iii) Mr. Hung Yuk Choy has retired as director effective from July 31, 2014.

(iv) Mr. Leung Hon Shing has been appointed as director on July 31, 2014.

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

No Directors waived any emoluments in the year ended March 31, 2016 and 2015.

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

(b) Employees' Emoluments

The five highest paid individuals of the Group included two directors for the year ended March 31, 2016 and three directors for the year ended March 31, 2015. The emolument of the remaining three individuals for the year ended March 31, 2016 and the emoluments of the remaining two individuals for the year ended March 31, 2015 were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**4,427**	2,869
Contributions to retirement benefits scheme	**357**	214
Performance related incentive payments	**1,287**	785
	6,071	3,868

The total emoluments of the remaining three individuals for the year ended March 31, 2016 and the remaining two individuals for the year ended March 31, 2015 were within the following bands:

	Number of individuals	
	2016	2015
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**2**	–
	3	2

37. (LOSS) EARNINGS PER SHARE

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

(Loss) Earnings

	2016 HK$'000	2015 HK$'000
(Loss) Earnings for the purposes of basic and diluted earnings per share ((loss) profit for the year attributable to owners of the Company)	(71,605)	31,957

Number of shares

	2016 '000	2015 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	75,452	75,164
Effect of dilutive potential ordinary shares: Options	N/A	756
Weighted average number of ordinary shares for the purposes of diluted earnings per share	75,452	75,920

The computation of diluted loss per share for the year ended March 31, 2016 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

Weighted average number of ordinary shares, potential dilutive ordinary shares, basic and diluted (loss) earnings per share were stated after taking into account the effect of the share consolidation that took place on August 17, 2015. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior year.

38. DIVIDEND

	2016 HK$'000	2015 HK$'000
Dividend recognised as distribution during the year:		
2014 – Final HK6.822 cents per share of HK$0.20 each	–	25,702
2015 – Final HK6.347 cents per share of HK$0.20 each	23,962	–
	23,962	25,702

On August 26, 2015, a dividend of HK6.347 cents per share (total dividend of approximately HK$23,962,000) was paid to shareholders in respect of the financial year ended March 31, 2015.

The Board of Directors of the Company does not recommend the payment of a final dividend for the year ended March 31, 2016.

39. CONTINGENT LIABILITIES

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. At March 31, 2016, the aggregate banking facilities granted to the subsidiaries were approximately HK$1,289,875,000 (2015: HK$1,225,255,000) of which HK$804,170,000 (2015: HK$699,145,000) was utilised and guaranteed by the Company.

At March 31, 2016, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were approximately HK$274,634,000 (2015: HK$235,867,000).

At March 31, 2016, the Company had given corporate guarantees (unsecured) of approximately HK$ nil (2015: HK$167,340,000) to its banks in respect of banking facilities granted to its associates, of which HK$ nil (2015: HK$131,393,000) banking facilities have been utilised by its associates.

At March 31, 2016, an amount of HK$ nil (2015: HK$730,000) has been recognised in the consolidated statement of financial position of the Group and the statement of financial position of the Company as liabilities.

39. CONTINGENT LIABILITIES – *continued*

The movement of guarantee liabilities are shown as below:

	2016 HK$'000	2015 HK$'000
At beginning of the year	730	660
Recognition of fair values of financial guarantee contracts at initial recognition	1,526	5,307
Amortisation of financial liabilities	(2,256)	(5,237)
At end of the year	–	730

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

40. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2016 HK$'000	2015 HK$'000
Minimum lease payments paid under operating leases during the year	10,625	10,874

40. OPERATING LEASE COMMITMENTS – *continued*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Within one year	**8,814**	6,974
In the second to fifth year inclusive	**7,516**	8,023
	16,330	14,997

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

41. CAPITAL COMMITMENT

	THE GROUP	
	2016	2015
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**561**	598

42. RETIREMENT BENEFITS OBLIGATIONS

Defined Contribution Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Employees in Taiwan may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

For the year ended March 31, 2016 and 2015, the total cost charged to income of approximately HK$17,112,000 and HK$16,680,000, respectively, represents contributions payable to these schemes by the Group.

43. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance are principally categorised into two key operating segments, (i) trading of electronic components and (ii) trading and designing integrated circuits, in which for trading of electronic components segment, it will further be disaggregated by geographical locations for CODM's review.

The Group's reportable segments are as follows:

(i) Trading of electronic components

– Southern China Region;

– Northern China Region;

– Taiwan

(ii) Trading and designing integrated circuits

43. SEGMENT INFORMATION – *continued*

Year ended March 31, 2016

	Trading of electronic components				Trading and designing integrated circuits	Elimination	Total
	Southern China Region	Northern China Region	Taiwan	Sub-total			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue							
Sales – external	1,978,264	1,587,369	69,993	3,635,626	6,620	–	3,642,246
Sales – inter-company	348,441	282,472	2,189	633,102	13,735	(646,837)	–
Net sales	2,326,705	1,869,841	72,182	4,268,728	20,355	(646,837)	3,642,246
Cost of sales	2,159,519	1,737,334	63,193	3,960,046	9,575	(647,015)	3,322,606
Gross profit	167,186	132,507	8,989	308,682	10,780	178	319,640
Segment result	29,544	16,646	(61)	46,129	3,685	178	49,992
Unallocated other revenue							921
Amortisation of financial guarantee liabilities							2,256
Unallocated corporate expenses							(2,767)
Share of loss of associates							(38,273)
Impairment loss recognised in respect of interests in associates							(70,080)
Loss before tax							(57,951)
Income tax expenses							(12,093)
Loss for the year							(70,044)
Non-controlling interests							(1,561)
Loss attributable to owners of the Company							(71,605)

43. SEGMENT INFORMATION – *continued*

Year ended March 31, 2015

	Trading of electronic components				Trading and designing integrated circuits	Elimination	Total
	Southern China Region	Northern China Region	Taiwan	Sub-total			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue							
Sales – external	1,938,927	1,352,894	94,921	3,386,742	5,255	–	3,391,997
Sales – inter-company	361,883	236,258	7,232	605,373	19,540	(624,913)	–
Net sales	2,300,810	1,589,152	102,153	3,992,115	24,795	(624,913)	3,391,997
Cost of sales	2,126,516	1,474,000	90,191	3,690,707	15,824	(624,199)	3,082,332
Gross profit	174,294	115,152	11,962	301,408	8,971	(714)	309,665
Segment result	33,249	16,000	2,400	51,649	(3,640)	(714)	47,295
Unallocated other revenue							912
Amortisation of financial guarantee liabilities							5,237
Unallocated corporate expenses							(4,606)
Share of loss of associates							(6,486)
Profit before tax							42,352
Income tax expenses							(12,137)
Profit for the year							30,215
Non-controlling interests							1,742
Profit attributable to owners of the Company							31,957

43. SEGMENT INFORMATION – *continued*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the profit earned by or loss from each segment without allocation of central administration expense, other revenue, amortisation of financial guarantee liabilities and share of loss of associates and impairment loss recognised in respect of interests in associates. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

The CODM is of the opinion that the presentation of assets and liabilities in accordance with the reportable segments is not meaningful as the management can monitor the Group's assets and liabilities in one pool which is more efficient and effective.

Revenue from major products

The Group's major product is electronic components. The Group's revenue from continuing operations from its major products is HK$3,635,626,000 (2015: HK$3,386,742,000).

Information about major customers

No single external customer amounts to more than 10% of the Group's revenue for each of the reporting period.

Geographical information

The Group's operations are located in the PRC (countries of domicile) and Taiwan.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
The PRC	**3,572,253**	3,297,076	**253,733**	274,173
Taiwan	**69,993**	94,921	**412**	257
	3,642,246	3,391,997	**254,145**	274,430

Note: Non-current assets excluded available-for-sale investments, interests in associates and deferred tax assets.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JUNE 8, 2016

Authorised share capital	: HK$120,000,000
Issued share capital	: HK$75,505,960
Number of shares	: 75,505,960
Class of shares	: ordinary shares of HK$1.00
Voting rights	: one vote per share

Based on the information available to the Company as at June 8, 2016, approximately 46.19% 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	25	1.68%	219	0.00%
100 – 999	274	18.36%	146,973	0.20%
1,000 – 10,000	795	53.28%	3,678,414	4.87%
10,001 – 1,000,000	388	26.01%	23,595,227	31.25%
1,000,001 and above	10	0.67%	48,085,127	63.68%
	1,492	100%	75,505,960	100%

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

	Name of Shareholders	Number of Shares held Direct Interest	Deemed Interest
1	Global Success International Limited	7,895,554	–
2	Max Power Assets Limited	18,099,830	–
3	Cheng Wai Yin, Susana (i)	731,940	18,906,130
4	Leung Chun Wah (ii)	820,300	18,831,770
5	Kwok Chan Cheung (iii)	–	7,895,554
6	Hung Yuk Choy	5,286,918	–
7	Lee Woon Nin (iv)	–	18,099,830
8	HSBC International Trustee Limited (v)	–	18,099,830
9	HSBC Private Banking Holdings (Suisse) SA (vi)	–	18,099,830
10	HSBC Finance (Netherlands) (vi)	–	18,099,830
11	HSBC Holdings Plc (vi)	–	18,099,830
12	Yeo Seng Chong (vii)	300,000	6,949,904
13	Lim Mee Hwa (viii)	500,000	6,749,904
14	Yeoman Capital Management Pte Ltd (ix)	75,000	6,374,904
15	Yeoman 3-Rights Value Asia Fund	6,249,904	–

(i) Ms. Cheng Wai Yin, Susana

Deemed interest held through her husband, Mr. Leung Chun Wah (Mr. Leung has deemed interests in the shares held through Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account).

(ii) Mr. Leung Chun Wah

Deemed interest in the shares held through Max Power Assets Limited, HSBC Private Bank (Suisse) SA Nassau Client Account and shares held by his wife, Ms. Cheng Wai Yin, Susana.

(iii) Mr. Kwok Chan Cheung

Deemed interests in the shares held through Global Success International Limited.

(iv) Ms. Lee Woon Nin

Deemed interests in the direct interests of Max Power Assets Limited.

(v) HSBC International Trustee Limited

Deemed interests in the shares held by Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account.

(vi) HSBC Private Banking Holdings (Suisse) SA, HSBC Finance (Netherlands) and HSBC Holdings Plc

Deemed interests held through HSBC International Trustee Limited which is a wholly-owned subsidiary of HSBC Private Banking Holdings (Suisse) SA, which is a wholly-owned subsidiary of HSBC Finance (Netherlands), which is a wholly-owned subsidiary of HSBC Holdings Plc.

(vii) Mr. Yeo Seng Chong

Deemed interests held through Yeoman Capital Management Pte Ltd. and Yeoman 3-Rights Value Asia Fund.

(viii) Ms. Lim Mee Hwa

Deemed interests held through Yeoman Capital Management Pte Ltd. and Yeoman 3-Rights Value Asia Fund.

(ix) Yeoman Capital Management Pte Ltd.

Deemed interests held through Yeoman 3-Rights Value Asia Fund and Yeoman Client 1.

SHAREHOLDERS' INFORMATION

TOP TWENTY SHAREHOLDERS AS AT JUNE 8, 2016

S/No.	Name	Shares Number	Shares Percentage
1	HSBC (SINGAPORE) NOMINEES PTE LTD	18,103,830	23.98%
2	GLOBAL SUCCESS INTERNATIONAL LIMITED	7,895,554	10.46%
3	STANDARD CHARTERED BANK (HONG KONG) LTD	5,018,078	6.65%
4	DEUTSCHE BANK AG	3,375,000	4.47%
5	DB NOMINEES (SINGAPORE) PTE LTD	3,000,304	3.97%
6	UOB KAY HIAN (HONG KONG) LTD	2,819,402	3.73%
7	UOB KAY HIAN PTE LTD	2,660,194	3.52%
8	DBS NOMINEES PTE LTD	1,984,145	2.63%
9	LAM YEN YONG	1,940,000	2.57%
10	LI WAI-CHI	1,288,620	1.71%
11	RAFFLES NOMINEES (PTE) LTD	900,660	1.19%
12	PHILLIP SECURITIES (HONG KONG) LTD	820,800	1.09%
13	CHENG WAI YIN, SUSANA	731,940	0.97%
14	NOMURA SINGAPORE LIMITED	679,620	0.90%
15	PHILLIP SECURITIES PTE LTD	603,580	0.80%
16	BRIGHT SMART SECURITIES INTERNATIONAL	557,000	0.74%
17	BNP PARIBAS SECURITIES SERVICES	526,000	0.70%
18	CIMB SECURITIES LTD	513,200	0.68%
19	LAM LAI CHENG	500,000	0.66%
20	LIM MEE HWA	500,000	0.66%
		54,417,927	72.08%

WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

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