WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

威雅利電子（集團）有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong stock code: 854)

(Singapore stock code: BDR)

Annual Report 2019/20

Navigating Through Challenges

CORPORATE PROFILE

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

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

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

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

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CORPORATE INFORMATION

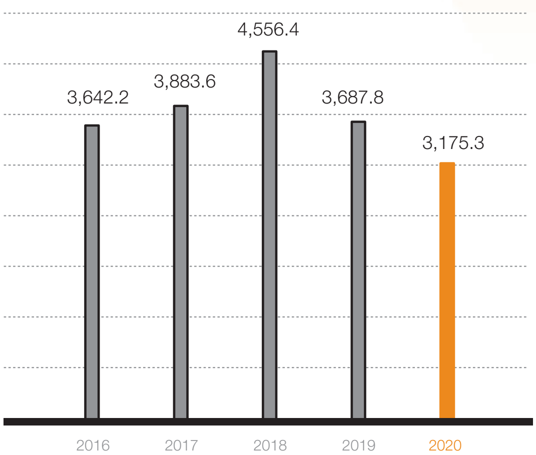
DIRECTORS	*Executive Directors* Leung Chun Wah *(Chairman)* Kwok Chan Cheung *(Deputy Chairman)* Hon Kar Chun *(Managing Director)* Leung Hon Shing Leung Chi Hang Daniel *(appointed on May 28, 2020)* *Independent Non-executive Directors* Jovenal R. Santiago *(resignation to be effective on July 28, 2020)* Wong Kwan Seng, Robert Iu Po Chan, Eugene Lim Lee Meng *(appointed on May 28, 2020)*
COMPANY SECRETARY	Leung Hon Shing
AUDIT COMMITTEE	Jovenal R. Santiago *(Chairman)* *(resignation to be effective on July 28, 2020)* Wong Kwan Seng, Robert Iu Po Chan, Eugene Lim Lee Meng *(Chairman) (to be effective on July 28, 2020)*
REMUNERATION COMMITTEE	Iu Po Chan, Eugene *(Chairman)* Jovenal R. Santiago *(resignation to be effective on July 28, 2020)* Wong Kwan Seng, Robert Lim Lee Meng *(to be effective on July 28, 2020)*
NOMINATION COMMITTEE	Wong Kwan Seng, Robert *(Chairman)* Jovenal R. Santiago *(resignation to be effective on July 28, 2020)* Iu Po Chan, Eugene Lim Lee Meng *(to be effective on July 28, 2020)*
COMPLIANCE COMMITTEE	Iu Po Chan, Eugene *(Chairman)* Jovenal R. Santiago *(resignation to be effective on July 28, 2020)* Wong Kwan Seng, Robert Lim Lee Meng *(to be effective on July 28, 2020)*
EMPLOYEE SHARE OPTION SCHEME COMMITTEE	Leung Chun Wah *(Chairman)* Kwok Chan Cheung Iu Po Chan, Eugene
AUTHORISED REPRESENTATIVES	Hon Kar Chun Leung Hon Shing

CORPORATE INFORMATION

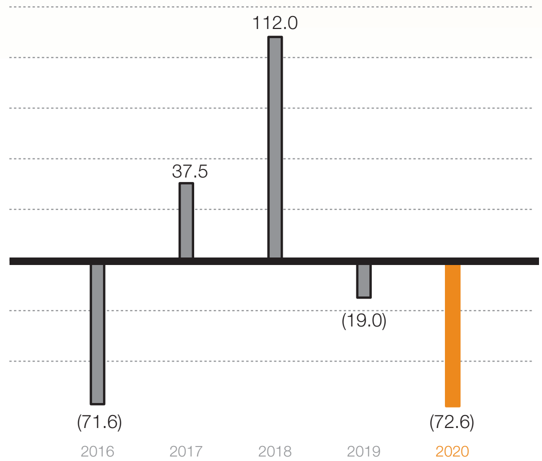
REGISTERED OFFICE	Victoria Place, 5/F 31 Victoria Street Hamilton HM10 Bermuda
HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	24/F, Wyler Centre, Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Ocorian Management (Bermuda) Limited Victoria Place, 5/F 31 Victoria Street Hamilton HM10 Bermuda
SINGAPORE SHARE TRANSFER AGENT	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F 148 Electric Road North Point Hong Kong
INDEPENDENT AUDITOR	Deloitte Touche Tohmatsu Registered Public Interest Entity Auditors 35/F, One Pacific Place 88 Queensway Hong Kong
COMPANY WEBSITE	www.willas-array.com
LISTING INFORMATION	
Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited Main Board of Singapore Exchange Securities Trading Limited
Stock Code	Hong Kong: 854 Singapore: BDR
Board Lot	Hong Kong: 1,000 shares Singapore: 100 shares

FINANCIAL HIGHLIGHTS

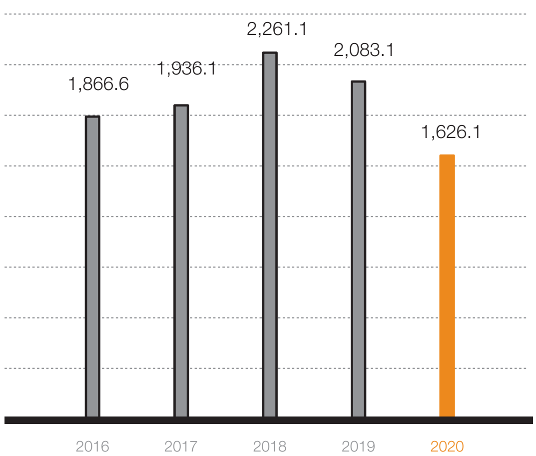
REVENUE
(HK$ Million)



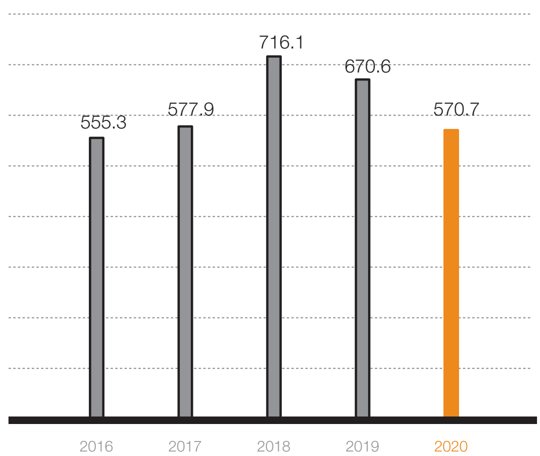
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Million)



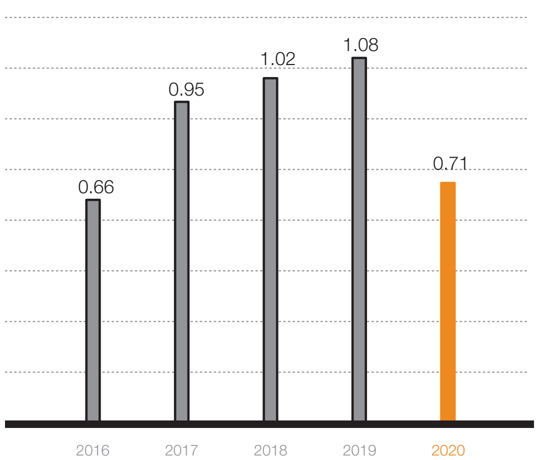
TOTAL ASSETS
(HK$ Million)



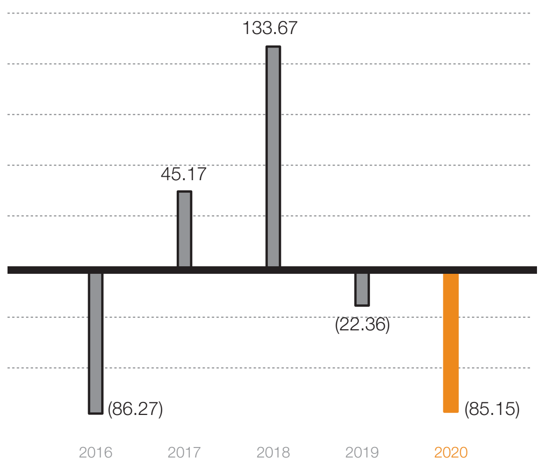
SHAREHOLDERS' FUND
(HK$ Million)



NET GEARING

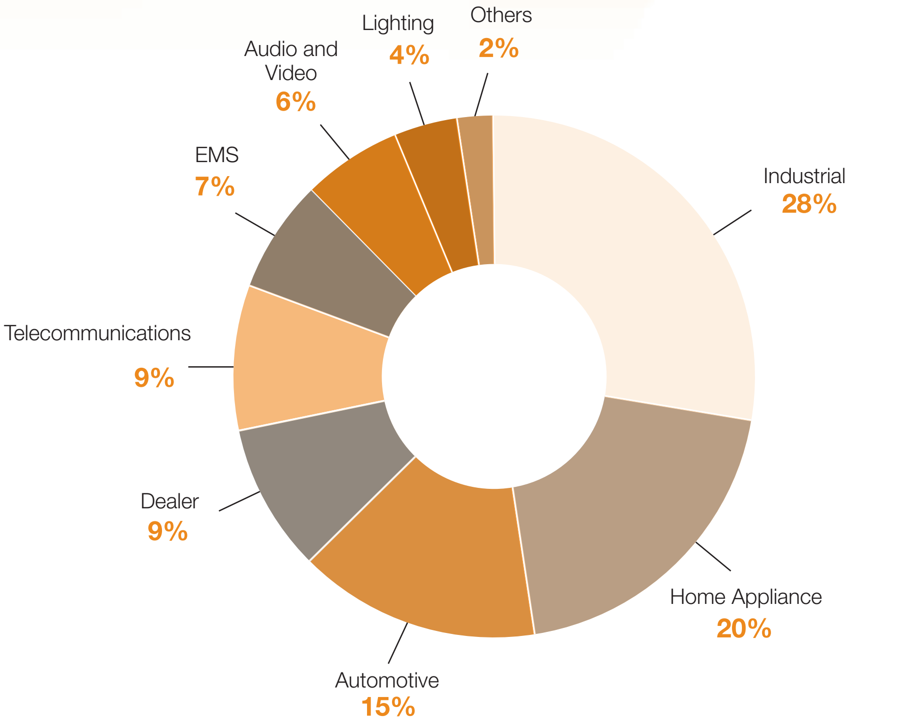


BASIC EARNINGS (LOSS) PER SHARE – RESTATED FOR 2016-2018
(HK Cents)

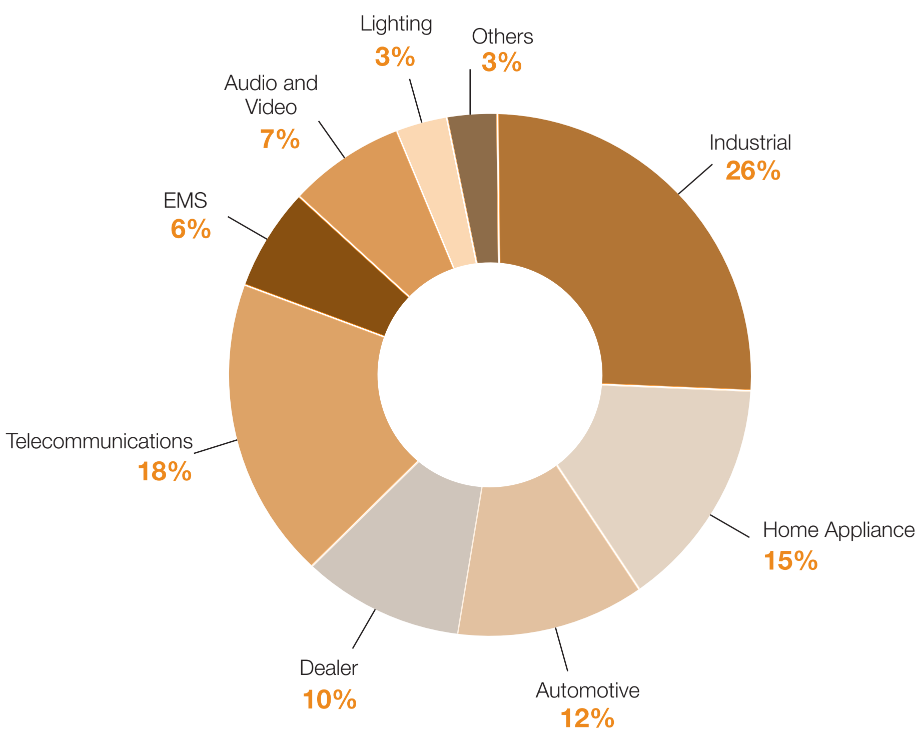


FINANCIAL HIGHLIGHTS

Turnover By Segments For The Year Ended March 31, 2020



Turnover By Segments For The Year Ended March 31, 2019



FINANCIAL HIGHLIGHTS

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	3,642,246	3,883,551	4,556,390	3,687,827	**3,175,259**
Cost of sales	(3,322,606)	(3,567,565)	(4,160,985)	(3,360,314)	**(2,969,100)**
Gross profit	319,640	315,986	395,405	327,513	**206,159**
Other income	2,911	4,067	1,708	4,899	**14,937**
Distribution costs	(47,024)	(50,571)	(60,427)	(43,092)	**(29,069)**
Administrative expenses	(200,826)	(191,325)	(211,549)	(220,074)	**(188,718)**
Share of loss of associates	(38,273)	–	–	–	**–**
Impairment loss recognised in respect of interests in associates	(70,080)	–	–	–	**–**
Gain on disposal of subsidiaries	–	12	–	–	**–**
Amortisation of financial guarantee liabilities	2,256	–	–	–	**–**
Other gains and losses	(5,676)	(7,252)	33,652	(31,319)	**(14,575)**
Impairment losses, net of reversal	–	–	4,053	(8,835)	**(23,978)**
Loss on fair value change of investment property	–	–	–	–	**(322)**
Finance costs	(20,879)	(24,526)	(30,867)	(46,570)	**(36,263)**
Profit (loss) before tax	(57,951)	46,391	131,975	(17,478)	**(71,829)**
Income tax expense	(12,093)	(9,390)	(20,019)	(1,485)	**(724)**
Profit (loss) for the year	(70,044)	37,001	111,956	(18,963)	**(72,553)**
Non-controlling interests	(1,561)	513	–	–	**–**
Profit (loss) attributable to shareholders	(71,605)	37,514	111,956	(18,963)	**(72,553)**
	(Restated)	(Restated)	(Restated)		
Basic earnings (loss) per share (HK cents) *(Notes 2 and 4)*	(86.27)	45.17	133.67	(22.36)	**(85.15)**

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2016	2017	2018	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Current assets	1,610,096	1,697,984	1,985,019	1,782,760	**1,322,183**
Property, plant and equipment	251,867	232,774	267,864	279,355	**259,787**
Right-of-use assets	–	–	–	–	**14,013**
Investment property	–	–	–	–	**8,200**
Club debentures	2,001	2,001	2,001	2,001	**2,001**
Interests in associates	–	–	–	–	**–**
Other non-current assets	2,663	3,332	6,189	19,030	**19,866**
Total assets	1,866,627	1,936,091	2,261,073	2,083,146	**1,626,050**
Current liabilities	1,289,462	1,334,954	1,514,121	1,383,855	**1,020,218**
Non-current liabilities	24,952	23,265	30,894	28,671	**35,124**
Non-controlling interests	(3,048)	–	–	–	**–**
Shareholders' equity	555,261	577,872	716,058	670,620	**570,708**
Total liabilities and equities	1,866,627	1,936,091	2,261,073	2,083,146	**1,626,050**
	(Restated)	(Restated)	(Restated)		
Net assets value per ordinary share (HK cents) *(Notes 3 and 4)*	668.53	695.76	852.70	787.05	**669.79**

Notes:

(1) The financial summary for the five financial years ended March 31, 2016 to 2020 presented above is extracted from the annual reports of the Company from 2016 to 2020. The financial summary for the Group includes continuing and discontinued operations.

(2) The basic earnings (loss) per share for the years ended March 31, 2016 to 2020 are calculated based on profit (loss) attributable to shareholders of the Company and weighted average number of 82,997,102 (restated), 83,056,556 (restated), 83,753,344 (restated), 84,811,622 and 85,207,049 ordinary shares of the Company in issue during the financial years of 2016 to 2020 respectively.

(3) The net assets value per ordinary share for the years ended March 31, 2016 to 2020 are calculated based on share capital of the Company at the end of financial year of 83,056,556 (restated), 83,056,556 (restated), 83,975,049 (restated), 85,207,049 and 85,207,049 shares respectively.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to begin my message by saying that I hope you are all well and healthy.

As countries all over the world cautiously restart their activities after the coronavirus disease 2019 ("COVID-19"), it seems that life as we know it may never be the same again. Yet, there are always opportunities in every season.

This was always the case for us in the nearly four decades of operations during which we weathered at least two financial crises (in 1997 and 2008) and one health crisis (SARS in 2003). While it was painful as we were going through them, we had always emerged from these crises stronger and more resilient. In each of those times, we also came away with important lessons that enabled us to improve and become more efficient so that we are better prepared for whatever the future brings.

Those past experiences taught us to build up strong reserves during good times so that it can sustain us during difficult times. We learnt to manage our operations and resources very stringently. Such measures, together with our long-standing customer relationships and extensive distribution network in China, have given us the confidence of being able to navigate through the current challenges brought on by COVID-19 and its aftermath.

FY2020 in Review

Looking back at the 12 months ended March 31, 2020 ("FY2020"), our business continued to be weighed down mainly by the ongoing trade dispute between the United States of America ("US") and China. The tensed situation dried up a large chunk of China's export market and led to heightened cautiousness among consumers and businesses, which also affected the domestic market.

Several of our customers faced project delays and terminations and had to cancel their orders with us. Amidst such a challenging environment, I am thankful for the resourcefulness of our employees who continued to pursue new business leads and tried their best to work out viable solutions with our customers so that we can mitigate some of the impact from the adverse conditions. Thanks to their diligent efforts to clear excess stock from cancelled orders, the Group was able to halve the inventory levels to HK$375.1 million as at March 31, 2020 as compared to HK$689.9 million as at March 31, 2019.

As a result of these external forces, our Group recorded a 13.9% year-on-year ("YOY") contraction in sales to HK$3,175.3 million in FY2020. Despite all our efforts to drive sales and tighten our belts, Willas-Array recorded a loss attributable to owners of the Company of HK$72.6 million in FY2020 because of the tough operating environment.

Although six out of our nine segments recorded weaker performance, I am extremely heartened that the ones we had identified as our growth drivers continued to show potential against the difficult backdrop.

As at March 31, 2020, the Group maintained healthy working capital of HK$302.0 million including a cash balance of HK$264.8 million, which we believe is sufficient to sustain our business until the market recovers. In view of the current market situation and also our weaker FY2020 performance, the board of directors of the Company (the "Directors" and the "Board", respectively) has prudently decided against paying a dividend for the financial year.

CHAIRMAN'S STATEMENT

The new "normal"

There remains a great deal of uncertainty surrounding US-China trade relations and I believe that the fall-out from COVID-19 will continue to shake world economies for many months to come.

While the pandemic has caused severe supply chain and business disruptions as world economies came to a standstill, I believe that the new "normal" which has emerged has also brought many fresh opportunities for our Group.

It forced everybody to relook the way they live, work, socialise and do business like no other event in recent history. As scores of workers worked from home during this time, it increased the demand for gadgets, devices and other electronic solutions required for home offices to be set up and it also increased the usage of home appliances as people spent more time at home. People want smarter features and energy saving functions. The reduction in air and road traffic also lessened pollution greatly and led to renewed calls for sustainable clean energy solutions.

As a distributor of electronic components for many industries including industrial, automotive and home appliances, we believe that there are opportunities for us in this new normal. Over the past several years, we had already set our sights on increasing our capabilities to support our customers in these areas. Our teams are currently monitoring the market closely and we shall respond nimbly to capitalise on new trends that emerge. We stand ready to work with our customers to increase automation as well as the electronic content of their products and solutions for mutual benefit.

Meanwhile, in response to the downside risks and overall bearish macro-environment, we have taken several measures, including further tightening our costs and expenses. To protect the health of our employees, we have stopped all overseas travel by employees. We have also reduced our headcount and are keeping inventory at a manageable level.

We remain cautiously optimistic about the key focus segments we have identified, namely Automotive, Industrial and Home Appliance, and we shall continue to focus our efforts and resources in these areas.

CHAIRMAN'S STATEMENT

Appreciation

In closing, I would like to thank my fellow Directors on the Board as well as the management and staff of Willas-Array for accepting the adjustments necessary to support the Company because of COVID-19.

I also want to thank our suppliers and customers for the support you have given the Group. We are ready to work with you to achieve mutually beneficial outcomes in the difficult months ahead.

Last but not least, I would thank all shareholders for keeping your faith in us. We shall continue to build upon our strong foundation to create a bright future for the Group.

Together we can get through this.

Leung Chun Wah
Chairman

May 28, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a loss attributable to owners of the Company of HK$72.6 million for the year ended March 31, 2020 ("FY2020") compared to HK$19.0 million for the year ended March 31, 2019 ("FY2019") mainly due to lower revenue and gross profit margin, which led to a decrease in gross profit in the year under review. The lower gross profit margin was mainly attributed to intense price competition amidst weak demand and our clearance of buffer stocks created from the last financial year. Additionally, the depreciation of the Renminbi ("RMB") further reduced the buying power of domestic customers in China, and the Group had to offer more competitive pricing to cope with the change.

Revenue

The Group's sales revenue decreased by 13.9% year-on-year ("YOY") from HK$3,687.8 million in FY2019 to HK$3,175.3 million in FY2020 mainly due to market uncertainties and weak economic sentiment. In the beginning of 2019, both the export and domestic markets in China continued to feel the effects of the trade tensions between the United States of America ("US") and China, which had dragged on for more than a year. Several of the Group's customers were affected by the postponement or cancellation of projects, which led to the issue of leftover stock despite the Group's efforts to negotiate with the customers and measures to clear the inventory. Towards the end of 2019, the electronics components market started to show signs of a rebound as US and China took the first step towards a trade deal, especially the China domestic market. However, this came to a grinding halt with the outbreak of the coronavirus disease 2019 ("COVID-19") as factories in China were ordered to shut down amidst lock down measures implemented by the Chinese government to stem its spread in the beginning of 2020. This caused even more pressure on our revenue.

Revenue by Market Segment Analysis

	FY2020		FY2019		Increase/(Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Industrial	**879,670**	**27.7%**	979,314	26.5%	(99,644)	(10.2%)
Home Appliance	**643,635**	**20.3%**	541,679	14.7%	101,956	18.8%
Automotive	**485,697**	**15.3%**	448,141	12.1%	37,556	8.4%
Dealer	**286,188**	**9.0%**	356,319	9.7%	(70,131)	(19.7%)
Telecommunications	**280,189**	**8.8%**	682,676	18.5%	(402,487)	(59.0%)
Electronic Manufacturing Services ("EMS")	**210,516**	**6.6%**	216,503	5.9%	(5,987)	(2.8%)
Audio and Video	**204,177**	**6.4%**	256,787	7.0%	(52,610)	(20.5%)
Lighting	**114,022**	**3.6%**	104,157	2.8%	9,865	9.5%
Others	**71,165**	**2.3%**	102,251	2.8%	(31,086)	(30.4%)
	3,175,259	**100.0%**	3,687,827	100.0%	(512,568)	(13.9%)

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial

The Industrial segment remained the Group's largest revenue generator having contributed sales of HK$879.7 million in FY2020, a drop of 10.2% YOY as compared to FY2019. The weak market sentiment last year caused a slow-down in the export market and domestic consumption was also conservative. We remain optimistic that in the long term, this segment will continue to benefit from the development of China, in particular the industrialisation of city infrastructure, energy saving initiative and factory automation. With our strategic position in both market coverage and engineering capability, we should be able to capitalise on the growth prospects of this segment.

Home Appliance

Revenue from the Home Appliance segment was HK$643.6 million in FY2020, an increase of 18.8% YOY as compared to FY2019. Due to our efforts to focus on the inverter application and to support our customers to meet China's domestic demand, we were able to capture the rebound in the second half of FY2020. Energy saving and higher energy efficiency features are the key initiatives for the government of China; this segment is expected to benefit from the increasing use of inverter function. With our good product portfolio and engineering capabilities, we are in a good position to capture the opportunities in this segment.

Automotive

Revenue from the Automotive segment increased by 8.4% YOY to HK$485.7 million in FY2020 as compared to FY2019. The overall China automotive industry experienced a tough year in 2019, both sales and production quantity declined. In order to keep the growth in this segment, we provided suitable solutions for car makers to develop better features and enhance the performance of vehicles. This trend of electrification and digitalisation will further increase the electronics content in each vehicle and this is the driving force behind our commitment of investment in this segment.

Dealer

The revenue from this segment was HK$286.2 million in FY2020, a drop of 19.7% YOY as compared to FY2019. In this segment, the confidence was weakened by the uncertain market sentiment and the buying power was reduced by the depreciation of RMB. It was difficult for our customers to aggressively join the stock program deal and fight for more market share. We will carefully monitor the change of market situation and partner with suppliers to tackle the market at the right moment.

Telecommunications

The Telecommunications segment registered the largest revenue loss segment of the Group in FY2020, with sales falling by 59.0% YOY as compared to FY2019 to HK$280.2 million. Disposing of the aging inventory in this segment was also the highest challenge for us in the stock clearance action. Although we were able to overcome the issue, we believe that the risk in this segment remains high and the Group will carefully monitor the ability of our customers and the change in the mobile phone market.

MANAGEMENT DISCUSSION AND ANALYSIS

EMS

Revenue from this segment fell by 2.8% in FY2020 as compared to FY2019 to HK$210.5 million. As a result of the US-China trade conflict, our customers lost orders as some US companies moved their manufacturing capacities from China. We tried to support our customers in managing the supply chain efficiency and by providing them with engineering services as they adjusted their strategies in response to keen competition and fought for more market share.

Audio and Video

Revenue from the Audio and Video segment was HK$204.2 million in FY2020, a decrease of 20.5% as compared to FY2019 due to poor demand from both the US and Europe consumer electronics market. The Group intends to put more focus on developing high-end applications and at the same time carefully monitor each project in this segment to ensure that the credit position and inventory levels are healthy.

Lighting

Revenue from this segment rose by 9.5% in FY2020 as compared to FY2019 to HK$114.0 million. Although the business in this segment was affected by the weak export market, the growth was mainly supported by the stage lighting project secured by a customer in the China domestic market, and the high-end high power application in LED lighting.

Others

Revenue from this segment fell by 30.4% in FY2020 as compared to FY2019 to HK$71.2 million. The drop was mainly due to the weak consumer confidence in the market.

Gross Profit Margin

The Group's gross profit margin decreased from 8.9% in FY2019 to 6.5% in FY2020. The ongoing US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence in 2019. The fall in gross profit margin was mainly attributed to fierce price competition amidst a weak demand situation and our clearance of buffer stocks.

Other Income

Other income increased by HK$10.0 million, or 204.9%, from HK$4.9 million in FY2019 to HK$14.9 million in FY2020. The increase was mainly due to an insurance claim of HK$10.5 million received and recognised as other income for credit-impaired trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Costs

Distribution costs decreased by HK$14.0 million, or 32.5%, from HK$43.1 million in FY2019 to HK$29.1 million in FY2020. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue. Furthermore, there was a decrease in overseas travelling and entertainment expenses as the Group tightened travelling expenses in FY2020 and suspended travelling activities in the fourth quarter of FY2020 due to COVID-19.

Administrative Expenses

Administrative expenses decreased by HK$31.4 million, or 14.2%, from HK$220.1 million in FY2019 to HK$188.7 million in FY2020. This was mainly due to (i) cost control measures introduced in FY2020, (ii) a decrease in staff costs due to lower average headcount and (iii) the absence of premises and warehouse removal expenses incurred in FY2019 for the renovation and relocation of a warehouse in Hong Kong.

Other Gains and Losses

Other losses of HK$14.6 million in FY2020 (FY2019: HK$31.3 million) were due to an exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK$24.0 million in FY2020 (FY2019: HK$8.8 million) represented the impairment losses on trade receivables. Impairment losses of uncollected trade debt for credit-impaired trade receivables were fully recognised in FY2020. Part of the uncollected trade debt was covered by trade credit insurance and an amount of HK$10.5 million was received and recognised in other income.

Finance Costs

Finance costs decreased by HK$10.3 million, or 22.1%, from HK$46.6 million in FY2019 to HK$36.3 million in FY2020. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as compared to last year. Certain rental expenses of HK$0.6 million were reclassified to finance costs in accordance with the application of International Financial Reporting Standard 16 *Leases* from April 1, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to as at March 31, 2019, trust receipt loans decreased by HK$122.9 million as at March 31, 2020. Trade payables decreased from HK$310.9 million as at March 31, 2019 to HK$305.9 million as at March 31, 2020. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at March 31, 2020. Trade receivables as at March 31, 2020 decreased by HK$107.5 million as compared to those as at March 31, 2019, due to a decrease in sales revenue towards the end of the year under review. The debtors turnover days remained at 2.5 months.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

Inventories decreased from HK$689.9 million as at March 31, 2019 to HK$375.1 million as at March 31, 2020. The inventory turnover days decreased from 2.5 months to 1.5 months.

Cash Flow

As at March 31, 2020, the Group had a working capital of HK$302.0 million, which included a cash balance of HK$264.8 million, compared to a working capital of HK$398.9 million, which included a cash balance of HK$297.5 million as at March 31, 2019. The decrease in cash by HK$32.7 million was primarily attributable to the net effect of cash outflows of HK$1.4 million in investing activities and HK$316.3 million in financing activities and a cash inflow of HK$285.8 million generated from operating activities. The Group's cash balance was mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from operating activities was mainly attributable to a decrease in inventories which was due to clearance of buffer stocks.

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

Borrowings and Banking Facilities

As at March 31, 2020, the Group had bank borrowings of HK$201.8 million which were repayable within one year. Among the Group's bank borrowings, 70.5% was denominated in HKD and 29.5% was denominated in USD. As at March 31, 2020, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 66.9% and 33.1%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.63% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 2.85% per annum.

As at March 31, 2020, trust receipt loans of HK$469.1 million were unsecured and repayable within one year and bore interest rates ranging from 2.39% to 4.38% per annum. The trust receipt loans were denominated in USD. As at March 31, 2020, the Group had unutilised banking facilities of HK$945.4 million (March 31, 2019: HK$701.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Amount repayable in one year or less, or on demand

	As at March 31, 2020		As at March 31, 2019	
	Secured HK$'000	Unsecured HK$'000	Secured HK$'000	Unsecured HK$'000
	63,712	607,184	209,147	816,998

Amount repayable after one year

	As at March 31, 2020		As at March 31, 2019	
	Secured HK$'000	Unsecured HK$'000	Secured HK$'000	Unsecured HK$'000
	–	–	–	–

As at March 31, 2020, the Group's trade receivables amounted to HK$69.9 million (March 31, 2019: HK$192.1 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK$63.7 million (March 31, 2019: HK$173.5 million).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at March 31, 2020 was 70.8% (March 31, 2019: 108.1%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders' equity at the end of a given period. The decrease was mainly due to a decrease in trust receipt loans and bank borrowings from HK$1,026.1 million to HK$670.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY AND PROSPECTS

There remains a great deal of uncertainty surrounding US-China trade relations. Although there was a short respite following the signing of the phase one agreement of a trade deal between the two countries in January 2020, it has since been replaced by renewed tensions following the outbreak of the COVID-19.

As COVID-19 broke out around the world, it has impacted commercial and manufacturing activities in many economies and triggered widespread expectations of a global recession in 2020. While the Group is not directly involved in the sectors most severely affected by COVID-19, our business will feel the impact of the sharp fall in global economic activity, lockdowns and circuit breakers in various countries as well as disruptions to the workforce and supply chains.

In unprecedented times like now, the Group has been proactive in preparation for the challenges ahead, and will work closely with its stakeholders, and continue to be prudent in managing its operations and sustaining a healthy liquidity position to weather the storm.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2020, the Group had a workforce of 377 (March 31, 2019: 467) full-time employees, of which 33.7% worked in Hong Kong, 62.9% in the PRC and the remainder in Taiwan.

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

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

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

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

Leung Chun Wah, aged 70, was appointed as an Executive Director and the Chairman on January 1, 2001. He is responsible for determining the overall strategies and direction of the Group. Mr. Leung is also a director of various subsidiaries of the Company. Mr. Leung has more than 30 years of experience in the electronics industry. Mr. Leung was an inspection supervisor/process controller of Stuart Limited from 1967 to 1970 and established Willas Company Limited (a subsidiary of the Company) in 1981. Mr. Leung is also the father of Mr. Leung Chi Hang Daniel, an Executive Director. Mr. Leung and some of his family members are the ultimate beneficiaries of a discretionary trust held by Max Power Assets Limited, a substantial shareholder of the Company.

Kwok Chan Cheung
Deputy Chairman and Executive Director
Member of ESOSC

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

Kwok Chan Cheung, aged 72, is a director of Global Success International Limited ("Global Success"), a substantial shareholder of the Company, and various subsidiaries of the Company. Mr. Kwok established Array Electronics Limited (now known as Willas-Array Electronics (Hong Kong) Limited) (a subsidiary of the Company) in 1982. He was appointed as an Executive Director, the Deputy Chairman and the Managing Director on January 1, 2001 and ceased to be the Managing Director but remained as the Deputy Chairman and an Executive Director with effect from July 31, 2014. He is responsible for overseeing the sales and marketing activities and determining the sales and marketing strategy of the Group. As Global Success is wholly owned by him, Mr. Kwok is deemed to be interested in all of the Company's shares held by Global Success.

BOARD OF DIRECTORS

Hon Kar Chun
Managing Director and Executive Director

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

Hon Kar Chun, aged 57, was appointed as an Executive Director on June 28, 2013 and as the Managing Director on July 31, 2014. He is responsible for developing and managing the sales and marketing operations of the Group. He is also a director of various subsidiaries of the Company. Mr. Hon obtained a bachelor of science degree in physics from the University of Hong Kong in 1986 and a master's degree in business administration from The Hong Kong University of Science and Technology in 2000. Mr. Hon joined Array Electronics Limited in 1986 as a marketing executive and he was the general manager of Willas-Array Singapore (Private) Limited between 2000 and 2001. Mr. Hon became the general manager of a business group of Array Electronics Limited in 2001. In 2003, he was promoted to be the general manager of the central product marketing department of Willas-Array Electronics Management Limited, which was responsible for most of the semiconductor product lines of Willas-Array Electronics Management Limited. Mr. Hon became the sales director in 2006 and was appointed as the marketing director in 2010. He was the deputy managing director of sales and marketing from 2012 to July 2014.

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

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

Leung Hon Shing, aged 54, was appointed as an Executive Director on July 31, 2014. He is also the chief financial officer and company secretary of the Company and is responsible for financial management and company secretarial matters of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in England and an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England. He obtained a professional diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1988. Mr. Leung joined the Group in 2002 as a financial controller and was appointed as the company secretary on March 28, 2006. He then became the chief financial officer in April 2014. Prior to joining us, he worked in a subsidiary of a publicly-listed company in Hong Kong from 1996 to 2001 and an international accounting firm from 1993 to 1996, where he gained extensive auditing, accounting and financial management experience.

BOARD OF DIRECTORS

Leung Chi Hang Daniel
Executive Director

Date of first appointment as a director	:	May 28, 2020
Date of last re-election as a director	:	Not applicable

Leung Chi Hang Daniel, aged 44, was appointed as an Executive Director on May 28, 2020. He is responsible for overseeing the daily operations of the human resources, information technology, logistics and marketing communication departments. Mr. Leung obtained a bachelor of science degree in business administration from The Ohio State University, the United States of America ("US") in 1998 and a master's degree in business administration from The Max M. Fisher College of Business at The Ohio State University, US in 2004. Upon his graduation with the bachelor's degree and prior to obtaining his master's degree, Mr. Leung worked at a trading company in Los Angeles, US, for four years, overseeing its daily operations. Prior to joining us, Mr. Leung worked at Accenture, a global management consulting, technology services and outsourcing firm. Mr. Leung joined the Company as the general manager for information technology and logistics in 2008. He was promoted as deputy managing director of information technology and logistics in April 2015. He has also been overseeing the marketing communication department since May 2016 and the human resources department since January 2018. Mr. Leung is the eldest son of Mr. Leung Chun Wah, the Chairman and an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Joveal R. Santiago *(resignation to be effective on July 28, 2020)*
Independent Non-executive Director
Chairman of the Audit Committee ("AC")
Member of the Remuneration Committee ("RC"),
the Nomination Committee ("NC") and the Compliance Committee ("CC")

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

Joveal R. Santiago, aged 82, 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, US 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.

BOARD OF DIRECTORS

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

Date of first appointment as a director	:	June 14, 2001
Date of last re-election as a director	:	July 26, 2019

Wong Kwan Seng, Robert, aged 63, 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 Singapore Exchange Securities Trading Limited (the "SGX-ST").

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

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

Iu Po Chan, Eugene, aged 71, 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.

BOARD OF DIRECTORS

Lim Lee Meng
Independent Non-executive Director

Date of first appointment as a director	:	May 28, 2020
Date of last re-election as a director	:	Not applicable

Lim Lee Meng, aged 64, was appointed as an Independent Non-executive Director on May 28, 2020. He graduated with a bachelor's degree of Commerce (Accountancy) from the Nanyang University, Singapore in 1980. He also holds a Master Degree in Business Administration from the University of Hull, United Kingdom in 1992 and a Diploma in Business Law from the National University of Singapore in 1989. He is a fellow member of the Singapore Institute of Chartered Accountants in Singapore, a fellow member of the Singapore Institute of Directors in Singapore and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England. Mr. Lim is an executive director of LeeMeng Capital Pte. Ltd. He is an independent non-executive director of Tye Soon Limited and Teckwah Industrial Corporation Limited, both of which are listed on the SGX-ST. He is also an independent non-executive director of ARA LOGOS Logistics Trust Management Limited which is the manager of ARA LOGOS Logistics Trust (a real estate investment trust listed on the SGX-ST).

If re-elected as an Independent Non-executive Director at the forthcoming annual general meeting of the Company to be held on July 28, 2020 (the "2020 AGM"), Mr. Lim will also be appointed as the chairman of the AC as well as a member each of the RC, the NC and the CC with effect from the conclusion of the 2020 AGM, to replace the outgoing Independent Non-executive Director Mr. Santiago in these positions.

SENIOR MANAGEMENT

Leung Chi Hang Daniel
Deputy Managing Director – Human Resources/Information Technology/Logistics/Marketing Communication
(He was appointed as an Executive Director on May 28, 2020. Please refer to his profile in the section "Board of Directors" above.)

Lai Sze Chuen, Pele
Deputy Managing Director of Marketing

Lai Sze Chuen, Pele, aged 56, is responsible for overseeing the marketing activities of Business Unit 3 of the Group. He obtained a bachelor's degree in engineering (electrical) from the Carleton University, Ottawa, Canada in 1986. Mr. Lai joined us in 2013 as a general manager of marketing. He was promoted to marketing director in January 2016, and then was promoted to deputy managing director of marketing in January 2018. Prior to joining us, Mr. Lai worked as sales director for Valence Technology Limited (a former subsidiary of the Company) from 2005 and was subsequently promoted to vice president of sales and marketing in 2012.

Kwan Wing Kin, Samuel
General Manager of Marketing

Kwan Wing Kin, Samuel, aged 53, is responsible for marketing of product lines of various brands. He obtained a bachelor's degree in electronics engineering from the City College of The City University of New York, United States in 1993. Mr. Kwan joined Array Electronics Limited as a product engineer in 1993 and was promoted to product manager in 2001, to senior product manager in 2006, to assistant general manager of central product marketing in 2008 and to general manager of central product marketing in 2013. He was appointed the general manager of marketing in January 2014.

Chan Sik Kong, Ringo
Deputy Managing Director of Sales
(resigned in April 2020)

Chan Sik Kong, Ringo, aged 53, was responsible for overseeing all of the sales 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 was then appointed as the deputy managing director of sales and marketing in April 2014. He was responsible for all sales operations of the Group from August 2019.

SENIOR MANAGEMENT

Chu Ki Pun, Joseph
Deputy Managing Director of Marketing
(resigned in April 2020)

Chu Ki Pun, Joseph, aged 59, was responsible for overseeing the marketing activities of Business Units 1 and 2 of the Group. He obtained a higher certificate in electronic engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1985. Mr. Chu has over 25 years of experience in the electronics industry. He joined us in 1985 as a sales engineer and worked 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Since the listing of the Company's ordinary shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on December 6, 2013, the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code (the "HK CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules"), in addition to the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code"). Throughout the financial year ended March 31, 2020 (the "Year"), the Company had complied with all the principles of the HK CG Code and the Singapore CG Code.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

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

Executive Directors
Mr. Leung Chun Wah *(Chairman)*
Mr. Kwok Chan Cheung *(Deputy Chairman)*
Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing
Mr. Leung Chi Hang Daniel *(appointed on May 28, 2020)*

INEDs
Mr. Jovenal R. Santiago *(resignation to be effective on July 28, 2020)*
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene
Mr. Lim Lee Meng *(appointed on May 28, 2020)*

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

The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making. Key information regarding the Directors' background, qualifications and other appointments is set out on pages 18 to 22 of this annual report. Except that Mr. Leung Chun Wah, the Chairman and an Executive Director, is the father of Mr. Leung Chi Hang Daniel, an Executive Director, 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 not less than three INEDs representing at least one-third of the Board. The Board also complied with the requirement that at least one of such INEDs should possess the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the HK Listing Rules. Further, the Company has received from each INED an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules and the Board is satisfied that all the INEDs were independent and met the independence guidelines set out in Rule 3.13 of the HK Listing Rules throughout the Year or from his appointment date and up to the date of this annual report. Mr. Jovenal R. Santiago and Mr. Wong Kwan Seng, Robert have served as our INEDs for more than nine years. The Board considers that this long service does not interfere with their exercise of independent judgment in carrying out the duties and responsibilities of an INED to maintain an independent view of the Group's affairs, in particular when their past performance is taken into account. The nomination committee of the Board (the "Nomination Committee") considers them as independent and believes that they will continue to contribute effectively to the Board because of their familiarity with the Group's business and affairs. As such, the Board and the Nomination Committee are of the same view that notwithstanding that they have served on the Board beyond nine years, they are considered independent for the purposes of the HK CG Code and the Singapore CG Code.

Role and Functions

The Board has the responsibility for the overall management of the Group. Apart from its statutory duties and responsibilities, the Board upon recommendation by the Nomination Committee approves the nomination of Directors to the Board and the 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 of the compliance committee of the Board (the "Compliance Committee"), reviews the financial performance of the Group, approves its interim and annual results upon the review and recommendation of the audit committee of the Board (the "Audit Committee") and approves any investment proposals. The Board's role is also to (a) ensure that the necessary financial and human resources are in place for the Company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets; (c) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; (d) set the Company's values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met; and (e) consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation. To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. In addition to information volunteered by management, the Board is entitled to request from management, and management will provide the Directors with such additional information in a timely manner, as needed for the Board to make informed decisions. To oversee particular aspects of the Group's affairs, the Board

CORPORATE GOVERNANCE REPORT

Role and Functions – *continued*

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. All the Board Committees report to the Board on their decisions or recommendations made.

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

Role of Chairman and Chief Executive

Mr. Leung Chun Wah is the Chairman and Mr. Hon Kar Chun is the Managing Director. The roles of the Chairman and the Managing Director are separate and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual of the Board. The Chairman gives guidance on the corporate direction of the Group and is also involved in the scheduling and chairing of Board meetings and controlling the quality, quantity and timeliness of information supplied to the Board. The Chairman also (a) leads the Board to ensure its effectiveness on all aspects of its role; (b) promotes a culture of openness and debate at the Board; (c) ensures effective communication with Shareholders; (d) encourages constructive relations within the Board and between the Board and management; (e) facilitates the effective contribution of INEDs; and (f) promotes high standards of corporate governance. The Managing Director assists the Chairman in setting the business strategies and directions for the Company and manages the business operations of the Company with other management staff. Each of the Chairman and the Managing Director performs separate functions to ensure that there is an appropriate balance of power and authority, and accountability and independent decision-making are not compromised. In addition, the Chairman and the Managing Director are not related to each other.

Induction, Orientation, Training and Continuous Professional Development

Each new Director will be issued with a formal service agreement or letter of appointment (as appropriate) and will be informed of the Company's policies, procedures, and Board Committees' charters. New Directors will be provided with appropriate orientation to acquaint them with the business, operational structure, strategy, management and governance practices of the Company. The Board recognises the importance of appropriate training for its Directors and participation in continuous professional development by its Directors. All the Directors and Senior Management Personnel are encouraged to participate in continuous professional development to develop and refresh their skills and knowledge, particularly on relevant new laws and regulations affecting, and the changing commercial risks relating to, the Group's business and governance practices from time to time.

All the current Directors (who also served in such capacity during the Year), namely Mr. Leung Chun Wah, Mr. Kwok Chan Cheung, Mr. Hon Kar Chun, Mr. Leung Hon Shing, Mr. Jovenal R. Santiago, Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene attended a seminar organised by The Hong Kong Institute of Directors on bringing Internet of Things and 5G into business. The above training was arranged and funded by the Company during the Year.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

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

All Directors have separate and independent access to the Senior Management Personnel and the company secretary of the Company (the “Company Secretary”). Mr. Leung Hon Shing (who is also an Executive Director) is the Company Secretary. The Company Secretary attends all Board and Board Committees’ meetings, ensures that minutes of the Board, the Board Committees and general meetings of the Company are prepared and kept, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively. Draft and final versions of minutes of all meetings would be sent to all Board and Board Committees’ members for their comment and records within a reasonable time after the meetings. The Company Secretary also ensures that the Bye-Laws and relevant rules and regulations, including requirements of the Bermuda Act, the SGX-ST Listing Manual and the HK Listing Rules, are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The Directors and key officers of the Group are under appropriate insurance cover on Directors’ and key officers’ liabilities in respect of their risks arising from the business of the Group.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS – *continued*

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Compliance Committee Meeting	ESOS Committee Meeting	General Meeting
No. of Meetings held in the Year	5	4	2	2	2	0	1
Name and Attendance of Directors:							
Leung Chun Wah	5	4*	2*	2*	2*	0	1
Kwok Chan Cheung	5	x	x	x	x	0	1
Hon Kar Chun	5	4*	x	x	x	x	1
Leung Hon Shing	5	4*	2*	2*	2*	x	1
Jovenal R. Santiago	5	4	2	2	2	x	1
Wong Kwan Seng, Robert	5	4	2	2	2	x	1
Iu Po Chan, Eugene	5	4	2	2	2	0	1

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In addition, the statement by Deloitte Touche Tohmatsu Hong Kong ("Deloitte"), the Company's independent auditor, regarding their reporting responsibility on the Company's consolidated financial statements for the Year is set out in the section headed "Independent Auditor's Report" on pages 87 to 92 of this annual report.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

The Nomination Committee performs the following major functions:

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

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

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

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

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

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

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

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

The Company currently has no alternate director.

During the Year, the Nomination Committee held two meetings and passed the resolutions recommending the re-election of (i) Mr. Hon Kar Chun as an Executive Director at the AGM held on July 26, 2019 (the "2019 AGM") and (ii) Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene as our INEDs at the 2019 AGM as well as the appointment of Mr. Hon Kar Chun as the Managing Director of the Company.

NOMINATION COMMITTEE – *continued*

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE – *continued*

Pursuant to the Bye-Laws, one-third of the Directors for the time being are required to retire by rotation at each AGM and will be eligible for re-election thereat. Accordingly, Mr. Leung Chun Wah and Mr. Kwok Chan Cheung, both Executive Directors, 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 two retiring Directors be nominated for re-appointment at the forthcoming AGM. In making these recommendations, the Nomination Committee has considered the overall contribution and performance of the said Directors. Further, Mr. Leung Chi Hang Daniel and Mr. Lim Lee Meng, who became an Executive Director and an INED respectively on May 28, 2020 shall hold office until the forthcoming AGM and pursuant to bye-law 107(B) of the Bye-Laws, being eligible, have offered themselves for re-election.

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

REMUNERATION COMMITTEE

The Singapore CG Code requires all Remuneration Committee members to be non-executive Directors. During the Year, the Remuneration Committee comprised Mr. Iu Po Chan, Eugene (as Chairman), Mr. Wong Kwan Seng, Robert and Mr. Jovenal R. Santiago. At all times, all members of the Remuneration Committee are INEDs.

The Remuneration Committee performs the following major functions:

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

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

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

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

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

REMUNERATION COMMITTEE – *continued*

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

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

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	72	21	–	7	100	589
Kwok Chan Cheung	73	21	–	6	100	452
Hon Kar Chun	67	–	–	33	100	289
Leung Hon Shing	77	–	–	23	100	254
INEDs						
Jovenal R. Santiago	–	–	100	–	100	60
Wong Kwan Seng, Robert	–	–	100	–	100	60
Iu Po Chan, Eugene	–	–	100	–	100	60

INEDs are paid Directors' fees.

CORPORATE GOVERNANCE REPORT

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

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

Remuneration Bands	Position as at March 31, 2020	Salary	Performance Bonus	Others	Total
		%	%	%	%
Senior Management Personnel					
S$250,000 – S$499,999					
Chan Sik Kong, Ringo	Deputy Managing Director of Sales	77	–	23	100
Chu Ki Pun, Joseph	Deputy Managing Director of Marketing	73	–	27	100
Lai Sze Chuen, Pele	Deputy Managing Director of Marketing	93	–	7	100
Leung Chi Hang Daniel	Deputy Managing Director – Human Resources/Information Technology/ Logistics/Marketing Communication	93	–	7	100
Below S$250,000					
Kwan Wing Kin, Samuel	General Manager of Marketing	95	–	5	100

The aggregate total remuneration paid to the top five Senior Management Personnel for the Year was approximately equivalent to S$1,233,000.

On September 1, 2008, Mr. Leung Chi Hang Daniel, the eldest son of Mr. Leung Chun Wah, the Chairman and an Executive Director, was employed as the General Manager for Information Technology and Logistics. He was promoted to be the Deputy Managing Director of Information Technology and Logistics on April 1, 2015. He has also been overseeing the Marketing Communication Department since May 1, 2016 and the Human Resources Department since January 1, 2018. His remuneration for the Year was within the range of S$250,000 – S$349,999. Mr. Leung Chi Hang Daniel was subsequently appointed as an Executive Director on May 28, 2020.

Save as disclosed above, there is no other employee who is a substantial shareholder of the Company, or is an immediate family member of a Director, the chief executive officer or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the Year.

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

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

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

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

Pursuant to the Willas-Array Electronics Employee Share Option Scheme II approved by the written resolutions of Shareholders dated June 11, 2001 in lieu of a special general meeting, upon expiry of the exercise period, all outstanding share options had lapsed and there were no outstanding share options as at March 31, 2020. Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") which was established pursuant to the approval of Shareholders at a special general meeting of the Company held on July 30, 2013. ESOS III will expire on July 29, 2023. No share options have been granted during the Year under ESOS III and 907,500 share options were outstanding as at March 31, 2020. For more information on ESOS, please refer to the section headed "Report of the Directors" (in particular, paragraph 23 thereof) and the consolidated financial statements (in particular, Note 40 thereof) of this annual report.

COMPLIANCE COMMITTEE

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

The Compliance Committee performs the following major functions:

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

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

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

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

(e) Reviewing the Company's compliance with the code provisions of the HK CG Code and the Singapore CG Code and the disclosure as required under the SGX-ST Listing Manual, the Singapore CG Code and the HK Listing Rules in relation to the Company's interim and annual reports, and the corporate governance report contained in the annual report in particular.

CORPORATE GOVERNANCE REPORT

COMPLIANCE COMMITTEE – *continued*

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

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

ACCOUNTABILITY

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

AUDIT COMMITTEE

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

The Audit Committee performs the following major functions:

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

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

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

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

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

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

AUDIT COMMITTEE – *continued*

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

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

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

The Audit Committee meets at least twice a year and additional meetings are held whenever necessary. The Audit Committee also holds informal meetings and discussions with the management from time to time. The Audit Committee has full discretion to invite any Director or executive officer to attend its meetings.

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

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

The Audit Committee meets periodically and at least once a year with the external auditors without the presence of the Company's management and has sufficient resources to enable it to discharge its functions properly.

The Audit Committee has reviewed the fees of non-audit services provided by the external auditors to the Company, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. During the Year, the Audit Committee met four times and reviewed the draft financial results of the Group for the year ended March 31, 2019, the first quarter ended June 30, 2019, the second quarter and the six months ended September 30, 2019, and the third quarter and the nine months ended December 31, 2019 respectively, the audit plans and findings of the external auditors, the external auditors' independence, compliance with financial reporting/accounting standards, the HK Listing Rules and the SGX-ST Listing Manual and regulatory requirements, internal controls, risk management, adequacy of resources, staff qualifications and experience of the Company's finance and accounting functions.

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of the Year paid or payable to Deloitte included audit services of approximately HK$2,108,000 and non-audit services rendered to the Group as follows:

	HK$'000
Interim review fee for the six months ended September 30, 2019	324
Tax representative service	199
Tax compliance services for transfer pricing	290
Total non-audit services	813

COMPANY SECRETARY

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

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

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

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the respective websites of the Company and the SEHK on a timely basis. Price-sensitive information is publicly released, announced within the mandatory period and available on the respective websites of the Company, SGXNET and the SEHK. All Shareholders will receive the annual report and the notices of annual and special general meetings of the Company. The interim report will be despatched to all Hong Kong Shareholders while Singapore Shareholders may submit their requests to the Company for a printed copy of the interim report. At the AGM, all Shareholders will be given the opportunity to air their views and direct their questions regarding the Group to the Directors, including the chairmen of each of the Board Committees. The external auditors are also requested to be present to address any relevant queries by Shareholders. Shareholders are also given the opportunity to participate effectively in and vote at all general meetings of Shareholders. The Company informs Shareholders of the rules governing the conduct of such general meetings, including voting procedures. All the resolutions put to the vote at the AGM will be voted on by poll and the detailed results of the poll will be announced via SGXNET and the respective websites of the SEHK and the Company.

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 as set out below for the attention of the Company Secretary:

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Registration Office – Singapore:
Willas-Array Electronics (Holdings) Limited
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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

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

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

Shareholders who hold not less than 10% of the paid-up capital of the Company as at the date of depositing the requisition can convene a SGM by serving a written requisition notice to the Board or the Company Secretary for the purpose of requesting for convening a SGM. The written requisition shall be deposited at the Company's principal place of business in Hong Kong located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, or the Company's registered office at Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda for the attention of the Board or the Company Secretary.

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.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES AND PROPOSALS TO THE BOARD

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

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

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

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

To put forward proposals at an AGM or a SGM, Shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong stated above.

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

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

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

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

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

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 45 to the consolidated financial statements of this annual report.

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

The review of the systems of risk management and internal controls is an ongoing process and the Board recognises the importance of such systems. In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls and risk management systems, the Board has continued to outsource the internal audit function to an external consulting firm. RSM Consulting (Hong Kong) Limited, an international consulting firm, was re-appointed on September 27, 2019 as the Company's internal auditors. They had conducted a review on the Company's inventory controls and inventory turnover management for Hong Kong operation and visited the Company's office in Hong Kong in September 2019 for two weeks. The internal auditors reported directly to the chairman of the Audit Committee and the Audit Committee is satisfied that there has been no major shortfall in the areas of the Company's internal controls and risk management systems being evaluated and that adequate internal controls and risk management systems are in place. The Company has conducted an annual review on whether there is a need to establish an internal audit department within the Company as there is presently no such department in the Company. Given the Company's relatively simple corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board will continue to outsource the internal audit function to an external consulting firm.

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

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

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

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

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

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

The Board has received assurance from the Managing Director and the chief financial officer of the Company that:

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

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

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF INSIDE INFORMATION

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

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

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

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

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

DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

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

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

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

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

The Company has made a specific enquiry with each of the current Directors (who also served in such capacity during the Year) and such Directors have confirmed their compliance with relevant required dealing standards stipulated in the HK Model Code during the Year.

DIVIDEND POLICY

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

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

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

(b) the financial conditions of the Group;

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

(d) the Group's liquidity position;

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Group has established procedures to ensure that all transactions with interested persons (as defined in the SGX-ST Listing Manual) and connected transactions (as defined in the HK Listing Rules) are reported in a timely manner to the Audit Committee and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Company and Shareholders as a whole. For the Year, there were no interested person or connected transactions of the Company which were required to comply with the disclosure and other requirements in accordance with applicable rules and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

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

The Group is principally engaged in the distribution of electronic components for use in industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services and automotive segments, as well as the provision of engineering solutions. This ESG Report covers the overall performance in two subject areas, namely, Environmental and Social aspects of its major business operations in Hong Kong and the People's Republic of China (the "PRC") from April 1, 2019 to March 31, 2020 (the "reporting period"), unless otherwise stated. This report covers the Group's major business operations that constitute major revenue, namely,

(i) The headquarter office in Hong Kong;

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

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

(iv) The warehouse in Hong Kong; and

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

Other business operations that have no significant environmental and social impacts to the Group were excluded from the reporting scope.

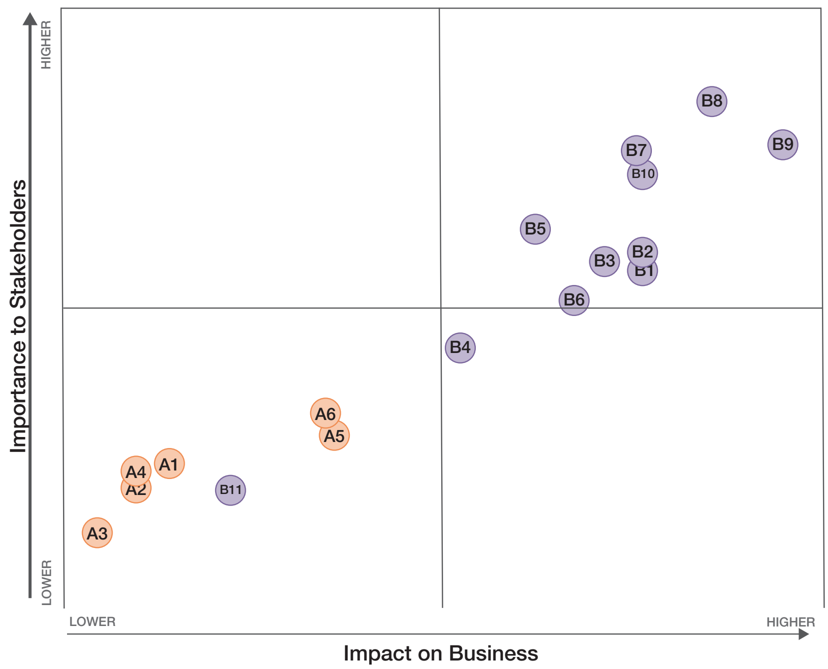
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT – *continued*

Materiality Matrix



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT – *continued*

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

- Customer service;
- Product quality;
- Customer privacy;
- Anti-corruption;
- Supply chain management; and
- Occupational health and safety.

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. Management of the aspects have been described in separate sections below. In particular, the Group has placed more emphasis on the occupational health and safety and implemented the Guideline on Workplace Safety for ensuring office and warehouse safety. Besides, the Group recognises the importance of upholding the highest ethical standards and adhering to the internal Code of Business Conduct in all business interactions. During the reporting period, the Group has updated the Code of Business Conduct and Declaration of Conflict of Interest policies by adopting more stringent operating procedures. The revised procedures have become effective since September 2019.

The assessment results have provided important reference for the Group to enhance its ESG performance and disclosure. The Group regularly reviews ESG risks of its business and ensures compliance with relevant laws and regulations. It will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to gain further insights on ESG material aspects.

STAKEHOLDERS' FEEDBACK

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

The Group is committed to continuous improving its environmental performance. It strives to achieve more efficient use of resources and reduction of waste, save energy and raise environment awareness among staff. An environmental policy is in place to guide the implementation of environmental initiatives, encourage staff to contribute ideas on green practices and foster staff engagement and contribution on environmental protection. Moreover, the Group has organized a variety of activities to promote the environmental awareness and participations among the employees. For instance, the Group had set up "Green Corner" in the Hong Kong, Shenzhen and Shanghai offices. During the reporting period, an environmental quiz competition, for enhancing employees' knowledge on environmental issues, was conducted for the employees in Hong Kong.

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

A1.1. Air Emissions

During the reporting period, petrol and diesel were consumed for the Group-owned vehicles, which contributed to the emission of 5.62 kg of nitrogen oxides ("NO_x"), 0.21 kg of sulphur oxides ("SO_x") and 0.67 kg of respiratory suspended particles ("RSP").

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

During the reporting period, the Group's business operation contributed to the GHG emission of 629.50 tonnes of carbon dioxide equivalent ("$tCO_2eq.$"), mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons. The overall intensity of the GHG emissions for the Group was <0.01 $tCO_2eq./ft^2$ with reference to the total floor area of the Group's business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A1. Emissions – *continued*

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

Scope of GHG Emissions	Emission Sources	GHG Emission (tCO_2eq.)	Total GHG Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuel for mobile sources[1]	Petrol	31.95	6%
	Diesel	6.59	
Scope 2 Indirect Emission			
Purchased electricity[2]		498.58	79%
Scope 3 Other Indirect Emission			
Paper waste disposed of in landfills		26.17	15%
Electricity used for freshwater treatment		0.06	
Electricity used for sewage treatment		0.03	
Business air travel[3]		66.12	
TOTAL		**629.50**	**100%**

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

Note 2: *Combined margin emission factor of 0.54 tCO_2/MWh and 0.65 tCO_2/MWh were used for purchased electricity in Shenzhen and Shanghai of the PRC.*

Note 3: *CO_2 emissions from the Group's business air travels were reported in accordance with to the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.*

A1.3. Hazardous Waste

Although no substantial hazardous waste was generated by the Group, small amount of batteries has been used for office electronic devices. Used batteries were collected separately with the collection trays at offices and recycled at the government's designated public collection points or building management collection points. A total of 5.52 kg of waste batteries had been collected and recycled during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A1. Emissions – *continued*

A1.4. Non-hazardous Waste

A total of 5.45 tonnes of waste paper and 8.65 tonnes of commercial wastes and plastic bottles had been generated during the reporting period, contributing to an overall intensity of 0.0001 tonnes/ft^2.

A1.5. Measures to Mitigate Emissions

Although business air travel is essential to sustainable business growth, the Group is aware of the GHG emission generated and therefore taken proactive measures to minimize unnecessary travels. The Group's green travel policy has stipulated that business air travels must be reasonable and necessary. With continuous efforts, GHG emission from travels had been reduced significantly by 37% when compared to the last reporting period.

A1.6. Waste Reduction and Initiatives

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

The Group adopted the principles of reduce, reuse, recycle and replace for its waste management. To reduce paper consumption, the Group deployed e-leave system for leave application and e-payslip. The use of system has also been extended for business trip applications. It has also launched the e-Company Brochure to replace the printed brochure being distributed to its customers previously. Employees are constantly reminded to reuse single-sided paper, envelopes and carton boxes for internal use. They are also encouraged to bring their own containers or water bottles for drinks when they go out or attend meetings. When communicating with clients or promoting products, electronic mail is preferred. To separate recyclable materials from other wastes at source, green boxes have been provided in the workplace for collecting paper for reuse or recycling. Collection bins for plastic bottles and aluminium have also been provided for recycling and employees should handle recycling materials properly before placing them in collection bins. The recyclable wastes collected will be delivered to the nearest public recycling bins by the human resources department. The Group has not recorded the amount of paper being recycled. During the reporting period, the Group generated 24% less paper waste than the last reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A2. Use of Resources

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

A2.1. Energy Consumption

Energy Consumption Sources	Direct Consumption	Consumption (in MWh)	Intensity (in kWh/ft^2)
Electricity	942.21 MWh	942.21	6.93
Petrol	11,853.16 L	105.04	0.77
Diesel	2,489.73 L	24.89	0.18
TOTAL	N/A	1,072.14	N/A

The total energy consumed in kWh was 1,072.14 MWh during the reporting period, with an intensity of 7.88 kWh/ft^2. The total energy consumption was reduced by 7% compared with the last reporting period.

A2.2. Water Consumption

The Group consumed freshwater supplied by the municipal freshwater supplier. Water was mainly consumed for domestic use, in which the consumption amount was minimal. Water consumption of the warehouses in Shanghai and Hong Kong during the reporting period was 161 m^3 (with an intensity of <0.01 m^3/ft^2). Water consumption of the offices were not included since the consumption was managed by the building management, thus relevant data was not accessible. There was no issue in sourcing water for the Group's business operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A2. Use of Resources – *continued*

A2.3. Energy Use Efficiency Initiatives

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

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

A2.4. Water Use Efficiency Initiatives

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL – *continued*

A2. Use of Resources – *continued*

A2.5. Packaging Materials

During the reporting period, the Group had consumed a total of 36.82 tonnes of bubble wraps, plastic wraps and cardboard boxes for products packaging, contributing to a consumption intensity of 0.27 kg/ft^2). The Group consumed 26% packaging materials less than the last reporting period.

Type of Packaging Materials	Consumption (in tonnes)
Bubble/plastic wraps	0.58
Cardboard boxes	36.24
TOTAL	36.82

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

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

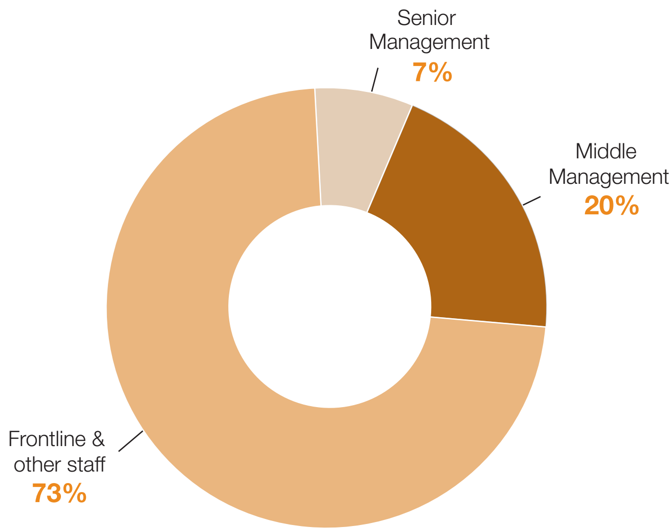
1. Employment and Labour Practices

B1. Employment

Total Workforce and Turnover

The business operations covered in the reporting scope had a total number of 311 employees as of March 31, 2020, in which all employees were on full-time basis. The distribution of workforce by employment category is shown below.

Distribution of Employees by Employment Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

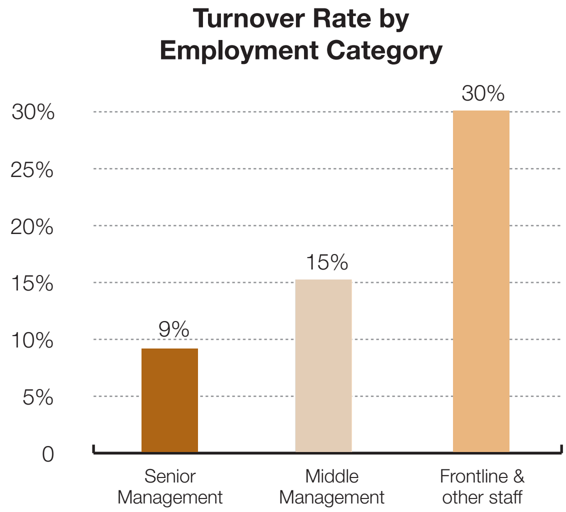
1. Employment and Labour Practices – *continued*

B1. Employment – *continued*

Total Workforce and Turnover – *continued*

A total of 90 employees left the Group during the reporting period, representing an average turnover rate *(Note)* of 29%.

Note: Turnover rate (%) $= \dfrac{\text{Number of employees resigned during the reporting period}}{\text{Number of employees as at the end of the reporting period}} \times 100\%$



Employee Benefits and Equal Opportunity

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B1. Employment – *continued*

Employee Benefits and Equal Opportunity – *continued*

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

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

Employee Communication

To foster work-life balance, the Group regularly organizes social, sports and recreational activities for employees. During the reporting period, the Group has organised various sports competitions (e.g., football, badminton and basketball) with its customers and vendors. In addition, the Group has conducted a number of small quizzes through WeChat account. This also enhances employees' sense of belonging and satisfaction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B2. Employee Health and Safety

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

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

In response to the coronavirus disease 2019 ("COVID-19") outbreak since January 2020, the Group has formed an Emergency Response Team to closely monitor the development of the epidemic, implemented special arrangements and stepped up precautionary measures to protect its employees. The health and safety of employees in times of the pandemic remains the Group's primary concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B2. Employee Health and Safety – *continued*

The implemented special arrangements included:

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

– Enforcing the use of face masks in the workplace;

– Routine monitoring of body temperature;

– Banning business travel; and

– Using video conferencing to avoid large-scale meetings.

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

– Casual wear in the office;

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

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

– Strengthen workplace hygiene.

The Group ensures that appropriate fire safety provisions such as fire sprinklers, fire extinguishers and smoke detectors have been installed in warehouses and offices. The warehouses and offices have been equipped with first-aid kits, which is checked monthly by the human resources department. Employees are reminded to work safely with display screen equipment and to avoid potential hazards when using printers, shredders, cutting boards and other sharp tools. Any work-related injuries should be recorded. In addition to Guideline on Workplace Safety, a procedure of reporting workplace accidents has been developed during the reporting period. There was no material non-compliance relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

1. Employment and Labour Practices – *continued*

B2. Employee Health and Safety – *continued*

Occupational Health and Safety Data in 2019/20	
Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0 days

B3. Development and Training

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

Orientation programmes are provided to new employees to facilitate their adaptation to the new working environment. The Group promotes openness and creative thinking. In-house training, peer learning, on-the-job coaching and internal briefing sessions are arranged to foster creativity and knowledge sharing within and among work teams. The Group also encourages employees to participate in job-related training. For example, employees attend external courses and seminars to stay abreast of the changes in new product development, accounting standards and corporate governance issues.

B4. Labour Standards

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices

B5. Supply Chain Management

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

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

B6. Product Responsibility

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

Product and Service Responsibility

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B6. Product Responsibility – *continued*

Product and Service Responsibility – *continued*

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

Intellectual Property ("IP") Rights

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

Customer Data Collection and Privacy

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

- Only collect personal data that is believed to be relevant and required to conduct its business;
- Use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- No transfer or disclose of personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B6. Product Responsibility – *continued*

Customer Data Collection and Privacy – *continued*

- Maintain appropriate security systems and measures designed to prevent unauthorized access to personal data; and
- Include the confidentiality clauses in the employee contracts.

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

B7. Anti-corruption

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL – *continued*

2. Operating Practices – *continued*

B7. Anti-corruption – *continued*

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

B8. Community Investment

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

During the reporting period, the Group participated in the Flag Day for the Tung Wah Group of Hospitals on August 31, 2019. Many colleagues donated to share their care. A certificate of appreciation was awarded by Tung Wah Group of Hospitals to the Group for participating in the fundraising activities. We have raised over HK$5,000 from the activities.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Willas-Array Electronics (Holdings) Limited (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") including the statement of financial position and statement of change in equity of the Company for the financial year ended March 31, 2020 (the "Year").

1. PRINCIPAL ACTIVITIES

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

2. BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion on the Group's future business development and the principal risks and uncertainties facing the Group can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 8 to 10 and pages 11 to 17 of this annual report, respectively. An analysis of the Group's financial risk management is provided in note 45 to the consolidated financial statements.

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

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

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

2. BUSINESS REVIEW – *continued*

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

Further discussion of the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" on pages 49 to 67 of this annual report.

The Group had no important events after the year end date of March 31, 2020.

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 93 of this annual report.

The board of Directors (the "Board") has resolved not to recommend the payment of a final dividend for the Year as the Group intends to retain cash for the business operations (2019: HK20.0 cents per ordinary share of HK$1.00 each).

REPORT OF THE DIRECTORS

4. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 annual general meeting of the Company

The forthcoming 2020 annual general meeting of the Company will be held on Tuesday, July 28, 2020 (the "2020 AGM"). For the purpose of determining the entitlement of the shareholders of the Company (the "Shareholders") to attend and vote at the 2020 AGM, for Hong Kong Shareholders, the Hong Kong branch register of members (the "Hong Kong Branch Register") will be closed from Thursday, July 23, 2020 to Tuesday, July 28, 2020, both days inclusive. During this period, no transfer of the shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the 2020 AGM, the non-registered Hong Kong Shareholders must lodge all duly completed and stamped transfer documents accompanied by the relevant share certificates for registration with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, July 22, 2020.

For Singapore Shareholders, the share transfer books and Singapore branch register of members (the "Singapore Branch Register") will be closed at 5:00 p.m. on Friday, July 24, 2020. Duly completed registrable transfers of Shares received by the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Friday, July 24, 2020 will be registered to determine Singapore Shareholders' entitlements to attend and vote at the 2020 AGM.

Any transfer of the Shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch register of members of the Company (the "Register of Members") and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, July 10, 2020 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, July 10, 2020 for Singapore Shareholders.

5. FIVE-YEAR FINANCIAL SUMMARY

A summary of the results as well as the assets and liabilities of the Group for the past five financial years is set out on pages 6 and 7 of this annual report.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the Year are set out in notes 17 and 20, respectively to the consolidated financial statements.

7. RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity.

8. DISTRIBUTABLE RESERVES OF THE COMPANY

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

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

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

In the opinion of the Directors, the reserves of the Company which were available for distribution to Shareholders as at March 31, 2020 were approximately HK$159,817,000 (2019: HK$162,243,000).

9. SUBSIDIARIES AND AN ASSOCIATE

Details of the principal subsidiaries and an associate of the Company as at March 31, 2020 are set out in notes 47 and 22 to the consolidated financial statements, respectively.

10. SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 38 to the consolidated financial statements.

REPORT OF THE DIRECTORS

11. DIRECTORS

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

Executive Directors:

Mr. Leung Chun Wah *(Chairman)*
Mr. Kwok Chan Cheung *(Deputy Chairman)*
Mr. Hon Kar Chun *(Managing Director)*
Mr. Leung Hon Shing
Mr. Leung Chi Hang Daniel *(appointed on May 28, 2020)*

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

Mr. Jovenal R. Santiago *(resignation to be effective on July 28, 2020)*
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, Eugene
Mr. Lim Lee Meng *(appointed on May 28, 2020)*

In accordance with bye-law 104 of the Company's bye-laws (the "Bye-Laws"), Mr. Leung Chun Wah and Mr. Kwok Chan Cheung will retire from office by rotation and, being eligible for re-election at the 2020 AGM, have offered themselves for re-election.

In accordance with bye-law 107(B) of the Bye-Laws, Mr. Leung Chi Hang Daniel and Mr. Lim Lee Meng will retire from office and, being eligible for re-election at the 2020 AGM, have offered themselves for re-election.

At all times during the Year, the Company had met the requirements under Rules 3.10 and 3.10A of the HK Listing Rules relating to the appointment of not less than three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the INEDs an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules as well as the provisions of the Code of Corporate Governance 2018 of Singapore and the Company considers that all INEDs are independent.

12. DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2020 AGM has or is proposed to have an unexpired service contract or appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

13. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

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

16. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Neither at the end of the Year nor at any time during the Year did there subsist any arrangement (to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party) whose object was to enable the Directors to acquire benefits by means of the acquisition of shares or debt securities (including debentures) of the Company or any other body corporate except for the share options mentioned in paragraphs 23 and 24 of this report.

REPORT OF THE DIRECTORS

17. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the name of a Director		Shareholdings in which a Director was deemed to have an interest	
	At beginning of the Year	At end of the Year	At beginning of the Year	At end of the Year
The Company				
Mr. Leung Chun Wah	1,230,130	1,230,130	20,714,947	20,714,947
Mr. Kwok Chan Cheung	37,400	37,400	8,685,109	8,685,109
Mr. Hon Kar Chun	322,080	322,080	–	–
Mr. Leung Hon Shing	274,824	274,824	–	–

The Directors' interests as at April 21, 2020 were the same as those at the end of the Year.

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

As at March 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the "HK Model Code"), were as follows:

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

Long position in the Shares

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

Notes:

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

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

(3) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at March 31, 2020 (i.e. 85,207,049 Shares).

Save as disclosed above, as at March 31, 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the HK Model Code.

REPORT OF THE DIRECTORS

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

As at March 31, 2020, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who had or deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long position in the Shares

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

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

Notes:

(1) Ms. Cheng, the wife of Mr. Leung, the Chairman and an Executive Director, is deemed under the SFO to be interested in the Shares held beneficially and deemed to be held by Mr. Leung. The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and some of his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the relevant trust deed.

(2) The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and some of his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the relevant trust deed.

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

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

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

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

(7) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at March 31, 2020 (i.e. 85,207,049 Shares).

Save as disclosed above, as at March 31, 2020, the Directors are not aware of any corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

20. DIRECTORS' RECEIPT OF AND ENTITLEMENT TO CONTRACTUAL BENEFITS

During the Year, none of the Directors has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the attached consolidated financial statements.

21. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are set out on pages 18 to 24 of this annual report.

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

Pursuant to Rule 13.51B(1) of the HK Listing Rules, changes in the information of the Directors since the date of the 2019/20 interim report of the Company required to be disclosed in this annual report are as follows:

Mr. Leung Chi Hang Daniel was appointed as an Executive Director on May 28, 2020.

Mr. Jovenal R. Santiago has tendered resignation as an INED, which will take effect from the conclusion of the 2020 AGM and accordingly, will cease to be the chairman of the audit committee of the Board (the "Audit Committee"), as well as a member of each of the Board's remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and compliance committee (the "Compliance Committee") at the same time.

Mr. Lim Lee Meng was appointed as an INED on May 28, 2020. If re-elected at the 2020 AGM, Mr. Lim will also be appointed as the chairman of the Audit Committee as well as a member of each of the Remuneration Committee, the Nomination Committee and the Compliance Committee with effect from the conclusion of the 2020 AGM.

23. SHARE OPTIONS TO TAKE UP UNISSUED SHARES

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

ESOS II

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

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

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

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

		Number of underlying Shares comprised in share options							
Category of participants	Date of grant	Balance as at April 1, 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at March 31, 2020	Exercise price per Share	Exercise period
Employees in aggregate	October 2, 2009	1,760	–	–	(1,760)	–	–	S$0.305	October 2, 2011 to October 1, 2019

REPORT OF THE DIRECTORS

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

ESOS III

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

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

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

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

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

		Number of underlying Shares comprised in share options							
Category of participants	Date of grant	Balance as at April 1, 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at March 31, 2020	Exercise price per Share	Exercise period
Employees in aggregate	July 17, 2017	990,000	–	–	–	(82,500)	907,500	HK$3.91	July 18, 2018 to July 17, 2027

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

ESOS III – *continued*

As at the date of this annual report, the total number of Shares available for issue under ESOS III was 907,500 Shares, which represented approximately 1.07% of the issued Shares as at that date.

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

24. SHARE OPTIONS EXERCISED

During the Year, no share option to take up any unissued Shares was exercised.

25. UNISSUED SHARES UNDER OPTION AND EQUITY-LINKED AGREEMENTS

As at the end of the Year, there were no unissued shares of the Company or any member corporations in the Group under option, except for ESOS III disclosed in paragraph 23 above.

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

26. PRE-EMPTIVE RIGHTS

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

27. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued Shares have been held by the public (i.e. the prescribed minimum public float applicable to the Company under the HK Listing Rules) during the Year and thereafter up to the date of this annual report.

28. MAJOR CUSTOMERS AND SUPPLIERS

During the Year,

(1) sales to the Group's five largest customers accounted for approximately 16.6% of the total sales for the Year and the single largest customer accounted for approximately 7.8%; and

(2) purchases from the Group's five largest suppliers accounted for approximately 83.6% of the total purchases for the Year and the single largest supplier accounted for approximately 45.9%.

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

29. EMOLUMENT POLICY

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

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

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

30. RETIREMENT BENEFIT SCHEMES/PENSION SCHEMES

The Group's employees in Hong Kong and Taiwan are required to participate in the mandatory provident fund scheme and a defined contribution pension scheme respectively, whereby the Group is required to pay contributions for such employees at a certain rate of the wages determined by the relevant authorities in Hong Kong and Taiwan respectively. The Group is also required to make contributions to various government sponsored employee-benefit funds, including social insurance fund, housing fund, basic pension insurance fund and unemployment, maternity and work-related insurance funds for its employees in China in accordance with the applicable laws and regulations of China.

The Group has no other material obligation for payment of retirement benefits or pension to its employees beyond the contributions described above. Details of the Group's retirement benefit schemes/pension schemes are set out in note 42 to the consolidated financial statements.

REPORT OF THE DIRECTORS

31. TAX RELIEF

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

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

32. MANAGEMENT CONTRACT

No contracts, other than employment contracts and Directors' contract of service, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

33. PERMITTED INDEMNITIES

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

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

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

34. CHARITABLE DONATION

During the Year, charitable donations made by the Group amounted to HK$nil (2019: HK$4,000).

35. REVIEW OF FINAL RESULTS BY AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to 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 Mr. Joveal R. Santiago (committee chairman), Mr. Wong Kwan Seng, Robert and Mr. Iu Po Chan, Eugene. The Group's audited consolidated results for the Year have been reviewed by the Audit Committee.

REPORT OF THE DIRECTORS

36. CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 25 to 48 of this annual report.

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

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

38. RELATED COMPANY TRANSACTIONS

Related company transactions of the Group during the Year are disclosed in note 41 to the consolidated financial statements. None of these related company transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 14A of the HK Listing Rules, which is required to comply with the disclosure requirements in accordance with Chapter 14A of the HK Listing Rules.

39. INDEPENDENT AUDITOR

The Board, which concurs with the Audit Committee's recommendation, has proposed the nomination of Deloitte Touche Tohmatsu ("Deloitte") for re-appointment as the independent auditor at the 2020 AGM.

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

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

On behalf of the Board

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

May 28, 2020

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 statement of change in equity of the Company as set out on pages 93 to 200 of this annual report are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at March 31, 2020, and of the results, changes in equity and cash flows of the Group and change in equity of the Company for the financial year then ended and as at the date of this statement, and there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman

May 28, 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 93 to 200, which comprise the consolidated statement of financial position of the Group as at March 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
Allowance for inventories	
We identified the allowance for inventories as a key audit matter as the Group operates in a fast evolving industry where inventories comprise of electronic components which are subject to rapid technological changes and price changes. As such, significant management estimates and judgements are involved in determining the allowance for inventories. The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price. As disclosed in Note 25 to the consolidated financial statements, as at March 31, 2020, the carrying amount of the Group's inventories was HK$375,130,000, net of allowance for inventories of HK$46,482,000.	Our audit procedures in relation to the allowance for inventories included: • Understanding and evaluating the basis of how slow-moving or obsolete inventories are identified by the management, and their assessment of net realisable value and allowance for inventories; • Engaging our internal information technology specialists to perform a computer assisted audit techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales; • Testing the net realisable values of inventories by reference to latest sales margin report to identify inventories that are obsolete or selling at loss and assessing whether the allowance was properly provided for the relevant inventories; and • Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at March 31, 2020, the Group's net trade receivables amounting to HK$660,912,000, which represented approximately 41% of total assets of the Group and out of these trade receivables of HK$183,572,000 were past due. As disclosed in Note 45 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables that are not credit-impaired based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses as at March 31, 2020. As disclosed in Note 45 to the consolidated financial statements, the Group recognised an additional amount of HK$23,978,000 of impairment of trade receivables, net of reversal, for the year and the Group's lifetime ECL on trade receivables as at March 31, 2020 amounted to HK$36,785,000.	Our audit procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at March 31, 2020, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents in relation to the determination of credit rating of the customers; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at March 31, 2020, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information; • Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes 26 and 45, respectively to the consolidated financial statements; and • Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 28, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5	**3,175,259**	3,687,827
Cost of sales		**(2,969,100)**	(3,360,314)
Gross profit		**206,159**	327,513
Other income	7	**14,937**	4,899
Distribution costs		**(29,069)**	(43,092)
Administrative expenses		**(188,718)**	(220,074)
Other gains and losses	8	**(14,575)**	(31,319)
Impairment losses, net of reversal	9	**(23,978)**	(8,835)
Loss on fair value change of investment property	20	**(322)**	–
Finance costs	10	**(36,263)**	(46,570)
Loss before tax		**(71,829)**	(17,478)
Income tax expense	11	**(724)**	(1,485)
Loss for the year	12	**(72,553)**	(18,963)
Other comprehensive income (expenses):			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation of owned properties		**4,390**	21,514
– Gain on revaluation of leasehold land transferred to investment property	20	**7,355**	–
– Income tax relating to gain recognised in other comprehensive income		**(6,070)**	(4,273)
		5,675	17,241
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(15,993)**	(17,108)
Other comprehensive (expense) income for the year		**(10,318)**	133
Total comprehensive expenses for the year attributable to owners of the Company		**(82,871)**	(18,830)
Loss per share	16		
– Basic (HK cents)		**(85.15)**	(22.36)
– Diluted (HK cents)		**(85.15)**	(22.36)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2020

	NOTES	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**259,787**	279,355
Right-of-use assets	18	**14,013**	–
Prepaid lease payments – non-current	19	**–**	544
Investment property	20	**8,200**	–
Club debentures	21	**2,001**	2,001
Interest in an associate	22	**–**	–
Financial assets measured at fair value through other comprehensive income ("FVTOCI")	23	**–**	–
Long-term deposits	24	**15,697**	16,514
Deferred tax assets	37	**1,982**	1,972
Restricted bank deposits	30	**2,187**	–
Total non-current assets		**303,867**	300,386
Current assets			
Inventories	25	**375,130**	689,898
Trade receivables	26	**660,912**	768,428
Other receivables, deposits and prepayments	28	**5,486**	10,019
Prepaid lease payments – current	19	**–**	12
Income tax recoverable		**12,604**	12,201
Derivative financial instruments	29	**993**	31
Restricted bank deposits	30	**2,219**	4,673
Cash and cash equivalents	30	**264,839**	297,498
Total current assets		**1,322,183**	1,782,760
Total assets		**1,626,050**	2,083,146
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	31	**305,928**	310,863
Other payables	32	**26,164**	34,776
Contract liabilities	33	**4,851**	8,604
Income tax payable		**412**	2,927
Trust receipt loans	35	**469,131**	591,998
Bank borrowings	36	**201,765**	434,147
Derivative financial instruments	29	**61**	540
Lease liabilities	34	**11,906**	–
Total current liabilities		**1,020,218**	1,383,855

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2020

	NOTES	2020 HK$'000	2019 HK$'000
Net current assets		301,965	398,905
Total assets less current liabilities		605,832	699,291
Capital and reserves			
Share capital	38	85,207	85,207
Reserves		485,501	585,413
Equity attributable to owners of the Company		570,708	670,620
Non-current liabilities			
Deferred tax liabilities	37	31,086	28,671
Derivative financial instruments	29	2,177	–
Lease liabilities	34	1,861	–
Total non-current liabilities		35,124	28,671
Total liabilities and equity		1,626,050	2,083,146

The consolidated financial statements on pages 93 to 200 were approved and authorised for issue by the Board of Directors on May 28, 2020 and are signed on its behalf by:

Mr. Leung Chun Wah
DIRECTOR

Mr. Kwok Chan Cheung
DIRECTOR

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2020

	Attributable to owners of the Company								
	Share capital HK$'000	Capital reserves HK$'000 *(Note 39)*	Statutory reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Currency translation reserve HK$'000	Financial assets measured at FVTOCI reserve HK$'000	Other reserve HK$'000 *(Note ii)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2018	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797	716,058
Total comprehensive income (expense) for the year:									
Loss for the year	–	–	–	–	–	–	–	(18,963)	(18,963)
Other comprehensive income (expense) for the year	–	–	–	17,241	(17,108)	–	–	–	133
Total	–	–	–	17,241	(17,108)	–	–	(18,963)	(18,830)
Transactions with owners, recognised directly in equity:									
Exercise of share options	1,120	3,696	–	–	–	–	–	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	–	–	–	–	–	1,110
Share options cancelled	–	(1,303)	–	–	–	–	–	1,303	–
Issuance of new shares under the bonus issue	7,746	(7,746)	–	–	–	–	–	–	–
Dividend paid *(Note 15)*	–	–	–	–	–	–	–	(32,534)	(32,534)
Transfer from property revaluation reserve	–	–	–	(4,332)	–	–	–	4,332	–
Transfer of statutory reserve	–	–	1,446	–	–	–	–	(1,446)	–
Total	8,866	(4,243)	1,446	(4,332)	–	–	–	(28,345)	(26,608)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2020

	Attributable to owners of the Company								
	Share capital HK$'000	**Capital reserves** HK$'000 *(Note 39)*	**Statutory reserve** HK$'000 *(Note i)*	**Property revaluation reserve** HK$'000	**Currency translation reserve** HK$'000	**Financial assets measured at FVTOCI reserve** HK$'000	**Other reserve** HK$'000 *(Note ii)*	**Accumulated profits** HK$'000	**Total** HK$'000
At March 31, 2019	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489	670,620
Total comprehensive income (expense) for the year:									
Loss for the year	–	–	–	–	–	–	–	(72,553)	(72,553)
Other comprehensive income (expense) for the year	–	–	–	5,675	(15,993)	–	–	–	(10,318)
Total	–	–	–	5,675	(15,993)	–	–	(72,553)	(82,871)
Transactions with owners, recognised directly in equity:									
Share options cancelled	–	(92)	–	–	–	–	–	92	–
Share options lapsed	–	(1)	–	–	–	–	–	1	–
Dividend paid *(Note 15)*	–	–	–	–	–	–	–	(17,041)	(17,041)
Transfer from property revaluation reserve	–	–	–	(5,031)	–	–	–	5,031	–
Transfer of statutory reserve	–	–	1,294	–	–	–	–	(1,294)	–
Total	–	(93)	1,294	(5,031)	–	–	–	(13,211)	(17,041)
At March 31, 2020	**85,207**	**193,458**	**20,874**	**122,585**	**(12,132)**	**(16,448)**	**(3,561)**	**180,725**	**570,708**

Notes:

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

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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before tax	(71,829)	(17,478)
Adjustments for:		
Depreciation of property, plant and equipment	14,121	13,360
Depreciation of right-of-use assets	10,509	–
Amortisation of prepaid lease payments	–	12
Interest expense on bank borrowings and trust receipt loans	35,633	46,570
Interest expense on lease liabilities	630	–
Share-based payment expense	–	1,110
Allowance for inventories	14,230	7,871
Impairment losses, net of reversal	23,978	8,835
Loss on disposal of property, plant and equipment	68	40
Loss on fair value change of investment property	322	–
Net loss on fair value changes of derivative financial instruments	735	535
Unrealised exchange loss	15,640	24,763
Interest income	(1,984)	(1,920)
Operating cash flows before movements in working capital	42,053	83,698
Decrease (increase) in inventories	296,748	(11,759)
(Increase) decrease in trade receivables *(Note)*	(6,007)	153,011
Decrease in other receivables, deposits and prepayments	4,387	820
Increase in long-term deposits	(69)	(1,601)
Increase (decrease) in trade payables	231	(84,667)
Decrease in other payables	(5,388)	(20,919)
(Decrease) increase in contract liabilities	(3,631)	2,784
Cash generated from operations	328,324	121,367
Income tax paid	(6,307)	(24,213)
Interest paid	(38,195)	(44,634)
Interest received	1,984	1,920
Net cash generated from operating activities	285,806	54,440

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	2020 HK$'000	2019 HK$'000
Investing activities		
Purchase of property, plant and equipment	(1,319)	(14,737)
Deposit paid for acquisition of property, plant and equipment	–	(11,985)
Placement of restricted bank deposits	(2,359)	(2,353)
Withdrawal of restricted bank deposits	2,260	–
Proceeds from disposal of property, plant and equipment	–	11
Net cash used in investing activities	(1,418)	(29,064)
Financing activities		
Dividend paid to shareholders	(17,041)	(32,534)
Proceeds from exercise of share options	–	4,816
Repayments of trust receipt loans	(2,274,689)	(2,932,522)
Proceeds from trust receipt loans	2,151,822	2,706,142
Repayments of bank borrowings	(916,077)	(667,981)
Proceeds from bank borrowings	751,122	871,343
Repayments of lease liabilities	(11,397)	–
Net cash used in financing activities	(316,260)	(50,736)
Net decrease in cash and cash equivalents	(31,872)	(25,360)
Cash and cash equivalents at beginning of the year	297,498	327,050
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(787)	(4,192)
Cash and cash equivalents at end of the year	264,839	297,498

Note: During the year ended March 31, 2020, the Company discounted bills received from customers to banks with recourse to finance its operation and as such, the operating cash flow stated above did not include the related bills settlements of HK$65,954,000 (2019: nil) as it represented non-cash derecognition upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

1. GENERAL

Willas-Array Electronics (Holdings) Limited (the "Company") was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business is located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are disclosed in Note 47.

The consolidated financial statements of the Group for the year ended March 31, 2020 were authorised for issue by the Board of Directors on May 28, 2020.

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

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

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

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

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

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

New and amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after April 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, April 1, 2019. As at April 1, 2019, other than reclassification of prepaid lease payments of HK$556,000, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

New and amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

IFRS 16 Leases – *continued*

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 4%.

	At April 1, 2019 HK$'000
Operating lease commitments disclosed as at March 31, 2019	23,212
Lease liabilities discounted at relevant incremental borrowing rates	20,663
Less: Recognition exemption – short term leases	(1,213)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at April 1, 2019	19,450
Analysis by:	
Current	9,072
Non-current	10,378
	19,450

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

New and amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

IFRS 16 Leases – *continued*

As a lessee – continued

The carrying amount of right-of-use assets as at April 1, 2019 comprises the following:

	Note	At April 1, 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		19,450
Reclassified from prepaid lease payments	(a)	556
		20,006
By class:		
Leasehold lands		556
Leased properties		19,450
		20,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

New and amendments to IFRS Standards that are mandatorily effective for the current year – *continued*

IFRS 16 Leases – *continued*

As a lessee – continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at April 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at March 31, 2019 HK$'000	Adjustments HK$'000	Carrying amounts under IFRS 16 at April 1, 2019 HK$'000
Non-current assets				
Right-of-use assets	(a) & (b)	–	20,006	20,006
Prepaid lease payments	(a)	544	(544)	–
Current assets				
Prepaid lease payments	(a)	12	(12)	–
Current liabilities				
Lease liabilities		–	(9,072)	(9,072)
Non-current liabilities				
Lease liabilities		–	(10,378)	(10,378)

For the purpose of reporting cash flows from operating activities under indirect method for the year ended March 31, 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at April 1, 2019 as disclosed above.

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at March 31, 2019. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$12,000 and HK$544,000, respectively, were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, no adjustment is made as the directors of the Company consider that the discounting effect is not significant to the consolidated financial statements upon the application of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

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

IFRS 17	Insurance Contracts[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[5]

1 Effective for annual periods beginning on or after January 1, 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2020.
5 Effective for annual periods beginning on or after January 1, 2022.
6 Effective for annual periods beginning on or after June 1, 2020.

In addition to the above new and amendments to IFRS Standards, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after April 1, 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRS Standards and will be mandatorily effective for the Group's annual period beginning on April 1, 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined consolidated financial statements.

Consequential amendments have been made so that references in certain IFRS Standards have been updated to the New Framework, whilst some IFRS Standards are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on April 1, 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at March 31, 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (for example, direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to all outstanding sales contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract – *continued*

The directors of the Company do not expect the application of the amendments will result in a material impact on the assessment on whether those unsatisfied contracts with customers are onerous.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (Since April 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates – *continued*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 *Financial Instruments* ("IFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate.

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

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

Revenue from contracts with customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue from contracts with customers – *continued*

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

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

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

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

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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

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

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

Short-term leases

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) – *continued*

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment property and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and lease payment made at or before commencement date for land use rights.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment property”.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases (prior to April 1, 2019)

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 (prior to April 1, 2019)

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

The Group as a lessor

Measurement of leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve.

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

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

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” (upon application of IFRS 16) or “prepaid lease payments” (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

Ownership interests in leasehold land and building – *continued*

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.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under IFRS 16 or prepaid lease payments under IAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

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

Investment property

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets (including club debentures)

Intangible assets (including club debentures) acquired separately

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating unites) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating unites) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from contracts with customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets – continued

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

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

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

A financial asset is held for trading if:

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Classification and subsequent measurement of financial assets – continued

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

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

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

(i) Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

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

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

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – continued

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as financial liabilities or equity

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

Equity instruments

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is 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.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in a manner described in Note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity – *continued*

Financial liabilities at amortised cost

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition of financial liabilities

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

Share-based payment arrangements

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 45 and 26, respectively.

Allowance for inventories

The Group operates in the electronics industry which is subject to rapid technological changes and price changes. The Group's policy for allowance for inventories is based on management's judgement on the realisability of the inventories which takes into account the aging, latest selling prices and historical loss incurred of relevant inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories is adequate. The carrying amount of the Group's inventories at March 31, 2020 was HK$375,130,000 (2019: HK$689,898,000), net of allowance for inventories of HK$46,482,000 (2019: HK$38,750,000).

Valuation of owned properties and investment property

Owned properties is stated in the consolidated statement of financial position at revalued amounts less accumulated depreciation and identified impairment losses and investment property are stated at fair value. Management of the Group has reference to valuations performed by an independent professional valuer and determines that the valuations used appropriate techniques and inputs for fair value measurement. The carrying amount of owned properties and investment property at March 31, 2020 was HK$246,979,000 (2019: HK$263,171,000) and HK$8,200,000 (2019: nil), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

5. REVENUE

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Types of goods or service		
Sales of electronic components	**3,175,259**	3,687,827
Market segments of the customers		
Industrial	**879,670**	979,314
Home appliance	**643,635**	541,679
Automotive	**485,697**	448,141
Dealer	**286,188**	356,319
Telecommunications	**280,189**	682,676
Electronic manufacturing services	**210,516**	216,503
Audio and video	**204,177**	256,787
Lighting	**114,022**	104,157
Others	**71,165**	102,251
Total	**3,175,259**	3,687,827

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

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

Advance payments may be received based on terms of sales contract and any transaction price received by the Group is recognised as a contract liability until the control of the goods has been transferred to the customer. The normal credit term is 30 to 120 days (2019: 30 to 120 days) upon delivery.

Customers can only return or request refund if the goods delivered do not meet required quality standards. As at March 31, 2020 and 2019, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

- Southern China Region;
- Northern China Region; and
- Taiwan

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

6. SEGMENT INFORMATION – *continued*

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

Year ended March 31, 2020

	Trading of electronic components					
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
Sales – external	1,628,107	1,463,083	84,069	3,175,259	–	3,175,259
Sales – inter-company	490,998	402,727	900	894,625	(894,625)	–
	2,119,105	1,865,810	84,969	4,069,884	(894,625)	3,175,259
Cost of sales	(2,016,228)	(1,771,476)	(76,021)	(3,863,725)	894,625	(2,969,100)
Gross profit/segment results	102,877	94,334	8,948	206,159	–	206,159
Other income						14,937
Distribution costs						(29,069)
Administrative expenses						(188,718)
Other gains and losses						(14,575)
Impairment losses, net of reversal						(23,978)
Loss on fair value change of investment property						(322)
Finance costs						(36,263)
Loss before tax						(71,829)
Income tax expense						(724)
Loss attributable to owners of the Company						(72,553)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

6. SEGMENT INFORMATION – *continued*

Year ended March 31, 2019

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

6. SEGMENT INFORMATION – *continued*

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

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

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

Information about major customers

No single external customer amounts to more than 10% of the Group's revenue for each of the reporting period.

Geographical information

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

7. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Interest income from bank deposits	**1,984**	1,920
Government grant *(Note)*	**1,584**	935
Technical support fee income from a supplier	**344**	1,637
Residential apartment rental income	**183**	–
Sales of scrapped stock	**137**	159
Income from credit insurance for trade receivables	**10,511**	20
Others	**194**	228
	14,937	4,899

Note: The government grant related to income that is receivable as compensation for expenses or for the purpose of giving immediate financial support to the Group and recognised in profit or loss in the year in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Net foreign exchange loss	**(13,772)**	(30,744)
Net loss on fair value changes of derivative financial instruments	**(735)**	(535)
Loss on disposal of property, plant and equipment	**(68)**	(40)
	(14,575)	(31,319)

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised on:		
Trade receivables	**23,978**	8,835

Details of impairment assessment for the year ended March 31, 2020 are set out in Note 45.

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
Bank borrowings and trust receipt loans	**35,633**	46,570
Lease liabilities	**630**	–
	36,263	46,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	187	1,458
PRC Enterprise Income Tax ("EIT")	1,847	5,294
Taiwan	421	1,982
Taiwan withholding tax on dividends	1,414	558
	3,869	9,292
(Over) under provision in respect of prior year:		
Hong Kong	65	(228)
PRC EIT	(433)	(95)
Taiwan	(28)	(23)
Taiwan withholding tax on dividends	–	27
	(396)	(319)
Deferred tax:		
Current year *(Note 37)*	(2,749)	(7,488)
	724	1,485

Under the two-tiered profits tax rates regime, the Company was subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2,000,000 of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong were subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended March 31, 2020 and 2019.

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

11. INCOME TAX EXPENSE – *continued*

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

	2020 HK$'000	2019 HK$'000
Loss before tax	(71,829)	(17,478)
Tax at Hong Kong Profits Tax rate of 16.5% *(Note)*	(11,852)	(2,884)
Tax effect of expenses not deductible for tax purpose	2,392	2,112
Tax effect of income not taxable for tax purpose	(1,175)	(1,088)
Overprovision in respect of prior year	(396)	(319)
Tax effect of Land appreciation tax and other associated tax arising on fair value change of investment property	(190)	–
Tax effect of deferred tax benefits not recognised	11,019	120
Utilisation of deferred tax benefits previously not recognised	–	(964)
Effect of different tax rates of subsidiaries operating in other jurisdictions	922	2,525
Tax effect of deferred tax liabilities arising on undistributed earnings	(1,133)	623
Taiwan withholding tax on dividends	1,414	558
Others	(277)	802
	724	1,485

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

Income tax recognised in other comprehensive income

	2020 HK$'000	2019 HK$'000
Deferred tax *(Note 37)*:		
Arising on income recognised in other comprehensive income:		
– Gain on revaluation of owned properties	(1,052)	(4,273)
– Gain on revaluation of leasehold land transferred to investment property	(5,018)	–
	(6,070)	(4,273)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

12. LOSS FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Amortisation of prepaid lease payments	–	12
Cost of inventories recognised as expenses *(Note i)*	2,969,100	3,360,314
Depreciation of property, plant and equipment	14,121	13,360
Depreciation of right-of-use assets	10,509	–
Directors' emoluments *(Note ii)*	10,089	11,493
Audit fees paid to auditors		
Auditor of the Company	2,108	2,123
Other auditors	177	205
Non-audit fees paid to auditor		
Auditor of the Company	813	884
Staff costs (excluding directors' emoluments) *(Note ii)*	114,316	142,189
Share-based payments expense	–	1,110

Notes:

(i) During the years ended March 31, 2020 and 2019, the amount included allowance for inventories amounting to HK$14,230,000 and HK$7,871,000, respectively.

(ii) During the years ended March 31, 2020 and 2019, there were cost of defined contribution plans amounting to HK$16,335,000 and HK$18,938,000, respectively, included in staff costs and directors' emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Year ended March 31, 2020

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit scheme HK$'000	Performance related incentive payments HK$'000 *(Note)*	Total emoluments HK$'000
Chairman and Executive Director:					
Leung Chun Wah	–	3,176	194	–	3,370
Executive Directors:					
Kwok Chan Cheung	–	2,436	151	–	2,587
Hon Kar Chun	–	1,536	121	–	1,657
Leung Hon Shing	–	1,347	108	–	1,455
Independent Non-executive Directors:					
Jovenal R. Santiago	340	–	–	–	340
Wong Kwan Seng, Robert	340	–	–	–	340
Iu Po Chan, Eugene	340	–	–	–	340
Total	1,020	8,495	574	–	10,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

Year ended March 31, 2019

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

Note: The performance related incentive payment is determined based on the market practice, performance of the Group and performance of the individual.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

No directors of the Company waived any emoluments in the years ended March 31, 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

14. FIVE HIGHEST PAID EMPLOYEES

For the year ended March 31, 2020, the five highest paid individuals of the Group included three directors (2019: four directors), details of which are included in Note 13.

The emolument of the remaining two individuals (2019: one individual) for the year ended March 31, 2020 were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	2,870	1,561
Contributions to retirement benefits scheme	216	138
	3,086	1,699

The total emoluments of the remaining two individuals (2019: one individual) for the year ended March 31, 2020 were within the following bands:

	Number of individuals	
	2020	2019
HK$1,500,001 to HK$2,000,000	2	1

15. DIVIDEND

	2020 HK$'000	2019 HK$'000
Dividend recognised as distribution during the year:		
2019 – Final HK20.0 cents per share	17,041	–
2018 – Final HK42.0 cents per share	–	32,534
	17,041	32,534

On August 26, 2019, a final dividend of HK20.0 cents per share, in an aggregate amount of HK$17,041,000 was paid to shareholders in respect of the financial year ended March 31, 2019.

The board of directors of the Company does not recommend the payment of a final dividend for the year ended March 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

16. LOSS PER SHARE

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

Loss

	2020 HK$'000	2019 HK$'000
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	(72,553)	(18,963)

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	85,207	84,812

The computation of diluted loss per share for the years ended March 31, 2020 and 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the years.

The weighted average number of ordinary shares, dilutive potential ordinary shares as well as basic and diluted loss per share have been adjusted for the effect of the Bonus Issue (as defined in Note 38) on August 28, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Motor vehicles HK$'000	Plant and equipment HK$'000	Computer equipment, furniture and fixtures HK$'000	Total HK$'000
COST OR VALUATION					
At April 1, 2018	261,825	7,671	2,924	62,177	334,597
Exchange difference	(11,203)	(61)	(15)	(1,576)	(12,855)
Additions	–	–	306	14,431	14,737
Disposals	–	–	(128)	(6,836)	(6,964)
Gain on revaluation	12,549	–	–	–	12,549
At March 31, 2019	263,171	7,610	3,087	68,196	342,064
Exchange difference	(10,480)	(56)	2	(1,369)	(11,903)
Additions	–	–	145	1,174	1,319
Transfers to investment property *(Note)*	(619)	–	–	–	(619)
Disposals	–	–	(15)	(409)	(424)
Loss on revaluation	(5,093)	–	–	–	(5,093)
At March 31, 2020	**246,979**	**7,554**	**3,219**	**67,592**	**325,344**
At March 31, 2020 Comprising:					
Cost	–	7,554	3,219	67,592	78,365
Valuation	246,979	–	–	–	246,979
	246,979	7,554	3,219	67,592	325,344
ACCUMULATED DEPRECIATION					
At April 1, 2018	–	4,678	2,539	59,516	66,733
Exchange difference	(36)	(13)	(9)	(1,448)	(1,506)
Depreciation for the year	9,001	1,429	162	2,768	13,360
Disposals	–	–	(128)	(6,785)	(6,913)
Eliminated on revaluation	(8,965)	–	–	–	(8,965)
At March 31, 2019	–	6,094	2,564	54,051	62,709
Exchange difference	(165)	(29)	1	(1,236)	(1,429)
Depreciation for the year	9,653	717	152	3,599	14,121
Transfers to investment property *(Note)*	(5)	–	–	–	(5)
Disposals	–	–	(15)	(341)	(356)
Eliminated on revaluation	(9,483)	–	–	–	(9,483)
At March 31, 2020	**–**	**6,782**	**2,702**	**56,073**	**65,557**
CARRYING AMOUNT					
At March 31, 2020	**246,979**	**772**	**517**	**11,519**	**259,787**
At March 31, 2019	263,171	1,516	523	14,145	279,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Note: The amount includes transfer of owned properties with a cost of HK$619,000 to investment property as set out in Note 20. The relevant accumulated depreciation of HK$5,000 has been eliminated upon the transfer.

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

Owned properties	Over the shorter of lease term or 50 years, straight-line method
Motor vehicles	20%, straight-line method
Plant and equipment	20%, straight-line method
Computer equipment, furniture and fixtures	20% to $33^{1}/_{3}$%, straight-line method

Details of the owned properties held by the Group as at March 31, 2020 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
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

17. PROPERTY, PLANT AND EQUIPMENT – *continued*

Fair value measurement of the Group's owned properties

The Group's owned properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at March 31, 2020 were performed by Assets Appraisal Limited ("AAL") (2019: AAL), independent valuer not connected with the Group.

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

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

Category of property, plant and equipment	Fair value as at March 31, 2020	Fair value as at March 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Owned properties – buildings and car park	HK$246,979,000	HK$263,171,000	Level 3	Direct comparison method – The key input is the market price.	Direct comparison method - based on price per square foot ("sq. ft") for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$2,857 to HK$3,571 (2019: HK$3,214 to HK$3,571) per sq. ft, while for car parks, is ranging from approximately HK$1.38 million to HK$1.58 million (2019: HK$1.00 million to HK$1.42 million) per unit and adjusted for differences in locations and other individual factors such as floor level, building age, size and conditions of the properties.	A significant decrease in the market price used would result in a significant decrease in fair value and vice versa.

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

If the owned properties had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would be HK$104,176,000 (2019: HK$114,608,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

18. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
CARRYING AMOUNT			
As at April 1, 2019	556	19,450	20,006
Additions to right-of-use assets	–	5,135	5,135
Transferred to investment property *(Note 20)*	(553)	–	(553)
Depreciation charge	(3)	(10,506)	(10,509)
Exchange difference	–	(66)	(66)
As at March 31, 2020	**–**	**14,013**	**14,013**
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			(4,653)
Total cash outflow for leases *(Note)*			(16,050)

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

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

The Group regularly entered into short-term leases for properties including car parks, staff quarters and offices. As at March 31, 2020, the portfolio of short term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

Restrictions on leases

In addition, lease liabilities of HK$13,767,000 are recognised with related right-of-use assets of HK$14,013,000 as at March 31, 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. PREPAID LEASE PAYMENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

20. INVESTMENT PROPERTY

	HK$'000
At April 1, 2019	–
Transferred from property, plant and equipment	614
Transferred from right-of-use assets	553
Gain on fair value change recognised in other comprehensive income upon transfer	7,355
Loss on fair value change recognised in profit or loss	(322)
At March 31, 2020	**8,200**

During the year, a residential apartment has been classified and accounted for as investment property since date of change in use, and are measured using the fair value model. The fair value of the property at the date of transfer amounted to HK$8,522,000.

Details of the residential apartment held by the Group as at March 31, 2020 are set out below:

Description and location	**Gross area** (sq.ft.)	**Tenure**	**Use**
Portion of Unit H, Level 6 and car parking space No.108, Maple Court, Shang-Mira Garden, Hongqiao Road, Shanghai, the PRC	1,408	62 years commencing from July 19, 2002	Residential and car park

The investment property was measured at fair value on March 31, 2020 with a fair value loss, determined by the directors of the Company by reference to a valuation performed by AAL, independent valuer not connected with the Group of HK$322,000. The fair value of the investment property as at March 31, 2020 is HK$8,200,000 (2019: nil).

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

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

20. INVESTMENT PROPERTY – *continued*

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

Category	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Residential apartment	Level 3	Direct comparison method – The key input is the market price.	Direct comparison method – based on price per square foot ("sq. ft"), using market observable comparable prices of similar properties ranging from HK$5,655 to HK$5,920 (2019: nil) per sq. ft, and adjusted for differences in locations and other individual factors such as floor level, building age, size and conditions of the properties.	A significant decrease in the market price used would result in a significant decrease in fair value and vice versa.

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

21. CLUB DEBENTURES

	2020 **HK$'000**	2019 HK$'000
Balance at beginning and end of the year	**2,001**	2,001

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

On March 31, 2020, the directors of the Company conducted impairment review on the investments in club debentures. The recoverable amounts of the investments in club debentures have been determined based on the market price of similar club debentures. Based on the assessment, the directors of the Company expect the carrying amount of the investments in club debentures to be recoverable and there is no impairment of the investments in club debentures (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

22. INTEREST IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Cost of interest in an associate	98,000	98,000
Deemed capital contribution	9,016	9,016
Share of post-acquisition reserves:		
Post-acquisition profits	(36,823)	(36,823)
Translation reserve	(113)	(113)
	70,080	70,080
Impairment	(70,080)	(70,080)
	–	–

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

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

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of ownership interest held by the Group		Proportion of voting power held by the Group		Principal activities
					2020	2019	2020	2019	
GW Electronics Company Limited ("GWE")	Incorporated	Hong Kong	Hong Kong	Ordinary	49%	49%	49%	49%	Under liquidation

During the year ended March 31, 2016, a winding-up petition was issued by a major supplier to GWE as a result of the termination of an authorised distributorship agreement. GWE ceased its operation in 2016. The directors of the Company reviewed and assessed this circumstance to be an indication for non-recoverability of the investment in GWE and a full impairment loss of HK$70,080,000 was made on the investment in this associate as at March 31, 2016. GWE is still undergoing its liquidation process as at March 31, 2020 and 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

	2020 HK$'000	2019 HK$'000
Financial assets measured at FVTOCI	–	–

The amount represents two investments (2019: four investments) in unlisted equity securities issued by private entities. They are measured at FVTOCI and are not subject to impairment assessment at the end of the reporting period. The Group has written off two investments in unlisted equity securities issued by private entities during the year ended March 31, 2020 since the unlisted investees were dissolved.

As at March 31, 2020 and 2019, the directors of the Company consider that the fair values of these financial assets measured at FVTOCI were negligible considering that both unlisted investees are dissolved or insignificant shareholdings in certain investees held by the Group.

24. LONG-TERM DEPOSITS

	2020 HK$'000	2019 HK$'000
Refundable deposits *(Note i)*	5,213	5,313
Non-refundable security deposit *(Note ii)*	10,484	11,201
	15,697	16,514

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

25. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods held for resale	421,612	728,648
Less: allowance for inventories	(46,482)	(38,750)
	375,130	689,898

Movement in the allowance for inventories

	2020 HK$'000	2019 HK$'000
Balance at beginning of the year	38,750	34,690
Increase in allowance recognised in profit or loss	14,230	7,871
Amounts written off during the year	(5,700)	(2,998)
Exchange difference	(798)	(813)
Balance at end of the year	46,482	38,750

26. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	697,697	781,407
Less: allowance for credit losses	(36,785)	(12,979)
	660,912	768,428

As at April 1, 2018, trade receivables from contracts with customers amounted to HK$955,926,000.

The Group allows a credit period of 30 to 120 days (2019: 30 to 120 days) to its trade customers.

26. TRADE RECEIVABLES – *continued*

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

	2020 HK$'000	2019 HK$'000
Within 60 days	440,454	456,723
61 to 90 days	89,299	160,002
Over 90 days	131,159	151,703
	660,912	768,428

As at March 31, 2019, total bills received amounting to HK$90,564,000 were held by the Group for future settlement of trade receivables, of which certain bills were further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in Note 27. All bills received by the Group were with a maturity period of less than one year. There are no bills receivables that are held by the Group for future settlement of trade receivables and no bills was further discounted by the Group as at March 31, 2020.

As at March 31, 2020, included in the Group's net trade receivables balance are debtors with aggregate carrying amount of HK$183,572,000 (2019: HK$187,650,000) which are past due as at the reporting date. Out of the past due balances, nil (2019: HK$22,942,000) has been past due 90 days or more and is not considered as in default as the balances were related to customers with sound repayment history and no recent history of default. The Group does not hold any collateral over the balance.

Details of impairment assessment of trade receivables for the years ended March 31, 2020 and 2019 are set out in Note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

27. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at March 31, 2020 and 2019 that were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounting to HK$63,712,000 (2019: HK$173,491,000) (see Note 36).

As at March 31, 2020

	Trade receivables discounted to banks with full recourse HK$'000	Bills received discounted to banks with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	69,862	–	69,862
Carrying amount of associated liabilities	(63,712)	–	(63,712)
Net position	6,150	–	6,150

As at March 31, 2019

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

Finance costs recognised for trade receivables and bills received discounted to banks for the year ended March 31, 2020 are HK$3,528,000 and HK$241,000 (2019: HK$5,252,000 and HK$589,000), respectively, which are included in interest on bank borrowings and trust receipt loans (Note 10).

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Deposits	1,621	4,533
Prepayments	3,637	4,658
Other tax recoverable	103	110
Others	125	718
	5,486	10,019

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Foreign exchange forward contracts	993	(2,238)	31	(540)
Analysis by:				
Current	993	(61)	31	(540)
Non-current	–	(2,177)	–	–
	993	(2,238)	31	(540)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

Foreign exchange forward contracts

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

Outstanding contracts	Exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2020	2019	**2020 '000**	2019 '000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Buy Japanese Yen ("YEN") and sell HK$ less than 3 months *(Note i)*	**YEN1/ HK$0.0712**	YEN1/ HK$0.0714	**YEN30,000**	YEN35,000	**2,136**	2,498	**13**	(15)
Buy YEN and sell HK$ less than 3 months *(Note i)*	**YEN1/ HK$0.0721**	YEN1/ HK$0.0716	**YEN44,000**	YEN54,000	**3,170**	3,864	**(14)**	(29)
Buy United States dollars ("USD") and sell Chinese Renminbi ("RMB") less than 3 months *(Note ii)*	**USD1/ RMB7.1120**	USD1/ RMB6.7240	**RMB15,000**	RMB15,000	**16,350**	17,512	**(17)**	15
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB7.1200**	USD1/ RMB6.7257	**RMB15,000**	RMB15,000	**16,332**	17,508	**(30)**	16
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.9170**	USD1/ RMB6.7660	**RMB15,000**	RMB15,000	**16,811**	17,403	**397**	(108)
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB6.9210**	USD1/ RMB6.7671	**RMB15,000**	RMB15,000	**16,801**	17,400	**385**	(106)
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB7.0500**	USD1/ RMB6.7820	**RMB15,000**	RMB15,000	**16,494**	17,362	**100**	(139)
Buy USD and sell RMB less than 3 months *(Note ii)*	**USD1/ RMB7.0540**	USD1/ RMB6.7840	**RMB15,000**	RMB15,000	**16,484**	17,357	**98**	(143)
Buy USD and sell HK$ over 1 year *(Note i)*	**USD1/ HK$7.7680**	N/A	**USD44,000**	N/A	**341,792**	N/A	**(2,177)**	N/A

Notes:

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

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

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

30. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash at banks	149,687	210,467
Term deposits	119,135	91,023
Cash on hand	423	681
	269,245	302,171
Analysis by:		
Restricted bank deposits *(Note i)*	4,406	4,673
Cash and cash equivalents *(Note ii)*	264,839	297,498
	269,245	302,171

Notes:

(i) The balance is pledged to a bank to facilitate the customs' clearing process and included in the amount is a balance of HK$2,187,000 (2019: nil) with contract tenure of over one year and accordingly is classified as non-current assets as at March 31, 2020. As at March 31, 2020, the restricted bank deposits bear an average effective interest of 1.52% (2019: 2.13%) per annum.

(ii) As at March 31, 2020, cash and cash equivalents comprise cash held by the Group of HK$150,110,000 (2019: HK$211,148,000) and short-term bank deposits with an original maturity of three months or less of HK$114,729,000 (2019: HK$86,350,000). As at March 31, 2020, bank balances carry interest at market interest rates, ranging from 0.01% to 0.39% (2019: 0.01% to 0.38%) per annum and the short-term deposits bear average effective interest of 1.5% (2019: 2.1%) per annum and for tenure of 1 to 31 days (2019: 3 days).

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

	2020 HK$'000	2019 HK$'000
USD	84,260	200,370
YEN	4,505	5,272
RMB	1,347	1,216
Singapore dollars ("S$")	392	1,048
HK$	15	79

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31. TRADE PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**305,928**	310,863

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

	2020 HK$'000	2019 HK$'000
Within 30 days	**247,694**	248,991
31 to 60 days	**58,234**	61,872
	305,928	310,863

The average credit period on purchases of goods is 30 days (2019: 30 days). At the end of each reporting period, interest is charged at 2% per month by certain suppliers on any overdue trade payables.

32. OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Accrual for staff costs	**5,982**	15,526
Accrued expenses	**6,444**	5,751
Other tax payables	**6,119**	5,921
Interest payables	**3,414**	5,976
Amount due to an associate *(Note 41)*	**2,944**	–
Others	**1,261**	1,602
	26,164	34,776

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33. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Receipts in advances from customers	**4,851**	8,604

As at April 1, 2018, contract liabilities amounted to HK$6,013,000.

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

	Receipts in advance from customers	
	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**8,604**	6,013

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

34. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	**11,906**
Within a period of more than one year but not more than two years	**1,861**
	13,767
Less: Amount due for settlement within 12 months shown under current liabilities	**(11,906)**
Amount due for settlement after 12 months shown under non-current liabilities	**1,861**

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35. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear variable-rates with effective interest ranging from 2.39% to 4.38% (2019: 2.98% to 5.06%) per annum over respective bank's cost of fund, which is London Interbank Offered Rate for the floating rate loans, where appropriate, and is repayable within one year.

At March 31, 2020 and 2019, the Group's trust receipt loans with carrying amount of HK$174,087,000 and HK$157,891,000, respectively, are required to comply with certain loan covenants. The Group has complied with the loan covenants for both years.

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

	2020 HK$'000	2019 HK$'000
USD	469,131	–

36. BANK BORROWINGS

	2020	2019
	HK$'000	HK$'000
Bank borrowings	**138,053**	260,656
Trade receivables and bills received discounted to banks with full recourse	**63,712**	173,491
	201,765	434,147
The carrying amount of the above bank borrowings are repayable:		
Within one year *(Note i)*	**201,765**	434,147
Analysis by:		
Secured *(Note ii)*	**63,712**	209,147
Unsecured	**138,053**	225,000
	201,765	434,147

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements and included in the balance is borrowings of HK$149,995,000 (2019: HK$354,542,000) which contain repayment on demand clause.

(ii) During the year, the Group discounted trade receivables and bills received with recourse for bank borrowings in an aggregated amount of HK$600,889,000 and HK$21,405,000 (2019: HK$580,714,000 and HK$44,549,000), respectively.

At March 31, 2020, the Group's fixed-rate borrowings with carrying amount of HK$135,000,000 (2019: HK$269,549,000) are due within one year.

In addition, the Group has variable-rate borrowings at March 31, 2020 with interest rates ranged from 1.25% to 1.50% (2019: 0.4% to 1.40%) per annum over respective bank's cost of fund, which are Hong Kong Interbank Offered Rate, London Interbank Offered Rate or Taipei forex for the floating rate loans, where appropriate.

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36. BANK BORROWINGS – *continued*

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

	2020	2019
Weighted average effective interest rate:		
– fixed-rate borrowings	4.63%	4.54%
– variable-rate borrowings	2.85%	3.83%

At March 31, 2020 and 2019, the Group's bank borrowings with carrying amount of HK$3,053,000 and HK$35,656,000, respectively, are required to comply with certain loan covenants. The directors of the Company have reviewed the covenants compliance and represented that they were not aware of any breach during both years.

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

	2020 HK$'000	2019 HK$'000
USD	59,472	139,586

37. DEFERRED TAX

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	1,982	1,972
Deferred tax liabilities	(31,086)	(28,671)
	(29,104)	(26,699)

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

	Revaluation of owned properties HK$'000	Fair value change on investment property HK$'000	Accelerated tax depreciation HK$'000	Allowance HK$'000	Undistributed profits of subsidiaries HK$'000	Tax losses HK$'000	Total HK$'000
At April 1, 2018	(27,095)	–	(785)	200	(3,130)	–	(30,810)
Credit (charge) to profit or loss	1,014	–	(997)	1,790	(623)	6,304	7,488
Charge to other comprehensive income	(4,273)	–	–	–	–	–	(4,273)
Exchange difference	896	–	–	–	–	–	896
At March 31, 2019	(29,458)	–	(1,782)	1,990	(3,753)	6,304	(26,699)
Credit to profit or loss	1,161	190	216	49	1,133	–	2,749
Charge to other comprehensive income	(1,052)	(5,018)	–	–	–	–	(6,070)
Exchange difference	916	–	–	–	–	–	916
At March 31, 2020	**(28,433)**	**(4,828)**	**(1,566)**	**2,039**	**(2,620)**	**6,304**	**(29,104)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. DEFERRED TAX – *continued*

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

Under the Income Tax Act prescribed by the Ministry of Finance of Taiwan, dividends paid to non-resident shareholders shall be subject to withholding tax at a rate of 21% (2019: 21%).

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the PRC and Taiwan subsidiaries amounting to HK$24,925,000 (2019: HK$33,779,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Subject to the agreement by the tax authorities, at March 31, 2020, the Group has unutilised tax losses of HK$109,672,000 (2019: HK$47,962,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$38,206,000 (2019: HK$38,206,000) of such losses for the Group as at March 31, 2020. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$71,466,000 (2019: HK$9,756,000) due to the unpredictable profit stream. Included in unused tax losses are losses of HK$102,421,000 (2019: HK$47,962,000) that may be carried forward indefinitely. Other tax losses will be expired in the following years:

	2020	2019
	HK$'000	HK$'000
2025	**7,251**	–

At March 31, 2020, the Group has other deductible temporary differences on allowance for credit losses and inventories of HK$15,718,000 (2019: HK$10,644,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that the deductible temporary differences can be utilised.

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38. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$1.0 each				
Authorised:				
At beginning and at end of the year	**120,000**	120,000	**120,000**	120,000
Issued and paid up:				
At beginning of the year	**85,207**	76,341	**85,207**	76,341
Exercise of share options	**–**	1,120	**–**	1,120
Issue of bonus shares *(Note)*	**–**	7,746	**–**	7,746
At end of the year	**85,207**	85,207	**85,207**	85,207

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

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

Share options granted under the employee share option scheme carry no rights to dividends and no voting rights. Further details of the employee share option scheme are contained in Note 40.

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39. CAPITAL RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Total HK$'000
At April 1, 2018	120,047	75,070	2,677	197,794
Exercise of share options	5,072	–	(1,376)	3,696
Recognition of equity-settled share-based payments	–	–	1,110	1,110
Share options cancelled	–	–	(1,303)	(1,303)
Issuance of new shares under the Bonus Issue	(7,746)	–	–	(7,746)
At March 31, 2019	117,373	75,070	1,108	193,551
Share options cancelled	–	–	(92)	(92)
Share options lapsed	–	–	(1)	(1)
At March 31, 2020	**117,373**	**75,070**	**1,015**	**193,458**

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

The share options reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set out in Note 40.

40. 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.

No further options will be granted under ESOS II thereunder but in all other respects, the provisions of the ESOS II shall remain in force and all share options granted shall continue to be valid and exercisable in accordance therewith before the expiry on October 1, 2019. As at the date of this report, all share options granted under ESOS II were lapsed and there was no outstanding share option under ESOS II.

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

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

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

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

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40. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

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

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

ESOS II

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

	2020		2019	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$ *(Note i)*
At the beginning of the year	1,760	0.305	1,600	0.335
Adjustment on the Bonus Issue during the year *(Note i)*	–	–	160	–
Lapsed during the year *(Note ii)*	(1,760)	0.305	–	–
At the end of the year	–	–	1,760	0.305
Exercisable at the end of the year	–		1,760	

The share options outstanding under ESOS II for the year ended March 31, 2019 have a weighted average remaining contractual life of 0.5 years with an expiry date on October 1, 2019.

40. SHARE-BASED PAYMENTS – *continued*

Equity-settled share option scheme – *continued*

ESOS III

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

	2020		2019	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$ *(Note i)*
At the beginning of the year	990,000	3.91	3,080,000	4.30
Exercised during the year	–	–	(1,120,000)	4.30
Adjustment on the Bonus Issue during the year *(Note i)*	–	–	196,000	–
Cancelled during the year *(Note iii)*	(82,500)	3.91	(1,166,000)	3.91
At the end of the year	907,500	3.91	990,000	3.91
Exercisable at the end of the year	907,500		990,000	

The share options outstanding under ESOS III at the end of the reporting period have a weighted average remaining contractual life of 7.3 years (2019: 8.3 years) with an expiry date on July 17, 2027.

Notes:

(i) Upon the Bonus Issue becoming effective on August 28, 2018, (i) the exercise price of the outstanding options granted under ESOS II and ESOS III was adjusted to Singapore dollar 0.305 per share and HK$3.91 per share, respectively; and (ii) the respective numbers of underlying shares comprised in the outstanding options granted under ESOS II and ESOS III of the Company have been adjusted accordingly.

(ii) For the year ended March 31, 2020, 1,760 share options under ESOS II were lapsed, the amount previously recognised in share options reserve was transferred to accumulated profits.

(iii) For the years ended March 31, 2020 and 2019, 82,500 and 1,166,000, respectively, share options under ESOS III were cancelled, the amount previously recognised in share options reserve was transferred to accumulated profits.

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40. SHARE-BASED PAYMENTS – *continued*

ESOS III – *continued*

The following share options granted under ESOS III were exercised during the year ended March 31, 2019.

Option type	Number exercised	Exercise date	Share price at exercise date
			HK$
Granted on July 17, 2017	290,000	July 19, 2018	6.00
Granted on July 17, 2017	830,000	July 30, 2018	5.98

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$5.99 per share.

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	ESOS III
Grant date	July 17, 2017
Share price at valuation date	HK$4.07
Exercise price	HK$4.30
Expected volatility	48.41%
Risk-free rate	1.49%
Expected dividend yield	7.62%
Exercisable period	9 years
Vesting period	1 year
Fair value per share option	HK$1.23

During the year ended March 31, 2019, share-based payment expense of HK$1,110,000 had been recognised in profit or loss. No such expense was recognised during the year ended March 31, 2020.

41. RELATED COMPANY TRANSACTIONS

(a) Transactions and balances with an associate

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

	2020 HK$'000	2019 HK$'000
Associate		
– other receivables *(Note i)*	532	532
– other payables *(Note ii)*	(2,944)	–

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

Notes:

(i) Full impairment on amount due from an associate of HK$532,000 (2019: HK$532,000) had been provided during the year ended March 31, 2017.

(ii) The Group received customers' receipts on behalf of its associate and the balance represents amount due after netting off with related legal and administrative expenses paid.

(b) Compensation of directors and key management personnel

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

	2020 HK$'000	2019 HK$'000
Short-term benefits	14,846	16,619
Post-employment benefits	1,056	1,385
Other long-term benefits	1,245	1,245
Share-based payments	–	54
	17,147	19,303

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

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FOR THE YEAR ENDED MARCH 31, 2020

42. RETIREMENT BENEFITS OBLIGATIONS

Defined Contribution Plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees. The maximum mandatory contributions for the MPF Scheme are capped at HK$1,500 monthly.

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

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

At March 31, 2020 and 2019, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

43. OPERATING LEASE COMMITMENTS

The Group as lessee

	2019 HK$'000
Minimum lease payments paid under operating leases during the year	17,322

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

	2019 HK$'000
Within 1 year	11,710
In 2 to 5 years inclusive	11,502
	23,212

Operating lease payments represent rentals payable by the Group for certain of its warehouses and office properties. Leases are negotiated for an average term of 2 to 3 years and rentals are fixed.

The Group as lessor

Residential apartment rental income earned during the year was HK$183,000 (2019: nil). The residential apartment held has committed tenants within one year (2019: nil).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2020 HK$'000	2019 HK$'000
Within one year	**85**	–

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FOR THE YEAR ENDED MARCH 31, 2020

44. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	396

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	936,883	1,080,600
Derivative financial instruments (FVTPL)	993	31
Financial assets measured at FVTOCI	–	–
Financial liabilities		
Financial liabilities at amortised cost	984,443	1,344,586
Derivative financial instruments (FVTPL)	2,238	540

(b) Financial risk management policies and objectives

The Group's major financial instruments include trade receivables, other receivables and refundable deposits, restricted bank deposits, cash and cash equivalents, financial assets measured at FVTOCI, derivative financial instruments, trade payables, other payables, trust receipt loans, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The risks arising from the Group's financial instruments are mainly foreign exchange risk, interest rate risk, credit risk and liquidity risk. The directors of the Company review policies for managing each of these risks, details of which are summarised below.

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

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

Market risk

(i) Foreign exchange risk management

The group entities transact business in various foreign currencies, including USD, HK$, YEN, RMB, Euro and S$ and therefore is exposed to foreign exchange risk.

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

	2020		2019	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
USD	422,512	(826,564)	584,496	(435,799)
HK$	15	–	98	(14)
YEN	6,175	(6,540)	8,076	(8,346)
RMB	2,489	(109)	1,737	(497)
Euro	6	(145)	9	(59)
S$	392	(5)	1,048	(28)
Intra-group balances				
USD	231,234	(229,969)	286,136	(286,496)
HK$	904	(72,160)	710	(78,357)
RMB	819	(1,164)	819	(1,164)

Certain companies in the Group use forward contracts to reduce the currency risk exposure. Further details on the forward exchange derivative instruments are set out in Note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Market risk – *continued*

(i) Foreign exchange risk management – continued

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

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

	2020 HK$'000	2019 HK$'000
USD (i)	6,927	8,254
HK$	2,814	3,064
YEN (ii)	14	11
RMB (iii)	(80)	(35)
Euro	5	2
S$	(15)	(40)

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

Notes:

(i) This is mainly attributable to the exposure on bank balances, trade receivables and payables and intra-group balances as at year end. Included in carrying amount of monetary assets and monetary liabilities including intra-group balances denominated in US$ of HK$601,939,000 (2019: HK$805,754,000) and HK$829,372,000 (2019: HK$448,510,000), respectively, were recognised by group entities with functional currency of HK$ and being excluded for the sensitivity analysis since the HK$ remains closely pegged to USD.

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

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

Market risk – *continued*

(i) Foreign exchange risk management – continued

Foreign currency sensitivity – *continued*

Notes: – continued

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

(iii) This is mainly attributable to the exposure on bank balances and intra-group balances denominated in RMB as at end of the reporting period.

(ii) Interest rate risk management

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 35 and 36, respectively.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings and trust receipt loans at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 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 (2019: 50 basis points) higher or lower and all other variables were held constant, the Group's post-tax loss for the years ended March 31, 2020 and 2019 would increase or decrease by HK$2,237,000 (2019: HK$3,345,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Credit risk and impairment management

As at March 31, 2020 and 2019, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also insured certain trade debtors with credit insurance agencies with the insurance coverage which was negotiable between the Group and the agencies based on the credit quality of respective debtors..

The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are to be settled by bills.

In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade receivables balances individually or based on provision matrix.

Bank balances and restricted bank deposits

The credit risks on bank balances and restricted bank deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies in the PRC and Hong Kong.

The Group assessed 12m ECL for bank balances and restricted bank deposits by reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies.

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

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

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

Credit risk and impairment management – *continued*

Other receivables and refundable deposits

The management of the Group makes periodic individual assessment on the recoverability of other receivables and refundable deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivables and refundable deposits.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	Low risk types customers represent the counterparty with good reputation and repayment history in general	Lifetime ECL – not credit-impaired	12m ECL
Normal risk	Normal risk types customers represent debtors occasionally repays after due dates but settle in full	Lifetime ECL – not credit-impaired	12m ECL
High risk	High risk types customers represent debtors frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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FOR THE YEAR ENDED MARCH 31, 2020

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

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

Credit risk and impairment management – *continued*

The tables below detail the credit risk exposures of the Group's financial assets as at March 31, 2020 and 2019 which are subject to ECL assessment:

Financial assets at amortised costs

2020	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Restricted bank deposits	30	AAA	N/A	12m ECL	4,406
Bank balances	30	AAA to Baa2	N/A	12m ECL	264,416
Long-term deposits (refundable deposits)	24	N/A	Note 1	12m ECL	5,213
Other receivables and deposits	28	N/A	Note 1	12m ECL	1,513
Trade receivables	26	N/A	Note 2	Lifetime ECL (provision matrix)	668,267
			Loss	Lifetime ECL	29,430
					697,697

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

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

Credit risk and impairment management – *continued*

2019	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Restricted bank deposits	30	BBB-	N/A	12m ECL	4,673
Bank balances	30	AAA to BBB-	N/A	12m ECL	296,817
Long-term deposits (refundable deposits)	24	N/A	Note 1	12m ECL	5,313
Other receivables and deposits	28	N/A	Note 1	12m ECL	4,688
Trade receivables	26	N/A	Note 2	Lifetime ECL (provision matrix)	752,223
			Loss	Lifetime ECL	29,184
					781,407

Notes:

(1) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly since initial recognition. As at March 31, 2020 and 2019, the balances of other receivables and refundable deposits are not past due and based on the historical default rates of these balances are considered as low risk.

(2) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix for debtors grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales of electronic components.

Trade receivables that are credit-impaired with an aggregate gross carrying amount of HK$29,430,000 as at March 31, 2020 (2019: HK$29,184,000) are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$29,430,000 was provided by the Group as at March 31, 2020 (2019: HK$7,326,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Credit risk and impairment management – *continued*

Notes: – continued

(2) – *continued*

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

The increase in the loss allowance made is to reflect the deterioration of financial position of the debtors during the current year and the Group has taken legal action against the relevant debtors to recover the amount due. Other than this, there is no significant changes to estimation techniques and assumptions made during the current year.

The remaining trade receivables with gross carrying amount of HK$668,267,000 (2019: HK$752,223,000) are assessed based on the internal credit rating of the Group for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which is assessed based on provision matrix as at March 31, 2020 and 2019 within lifetime ECL (not credit-impaired).

Gross carrying amount

	2020			2019		
	Average loss rate	**Gross carrying amount HK$'000**	**Allowance amount HK$'000**	Average loss rate	Gross carrying amount HK$'000	Allowance amount HK$'000
Low risk	**0.02%**	**197,407**	**39**	0.01%	264,933	37
Normal risk	**1.33%**	**422,639**	**5,621**	0.93%	427,926	3,993
High risk	**3.52%**	**48,221**	**1,695**	2.73%	59,364	1,623
		668,267	**7,355**		752,223	5,653

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

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

Credit risk and impairment management – *continued*

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

	Lifetime ECL (not credit impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at April 1, 2018	–	4,450	4,450
Impairment losses recognised	5,653	7,326	12,979
Impairment losses reversed	–	(4,144)	(4,144)
Write off	–	(113)	(113)
Exchange difference	–	(193)	(193)
As at March 31, 2019	5,653	7,326	12,979
Impairment losses recognised	7,355	22,104	29,459
Impairment losses reversed	(5,481)	–	(5,481)
Transfer	(97)	97	–
Write off	–	(97)	(97)
Exchange difference	(75)	–	(75)
As at March 31, 2020	**7,355**	**29,430**	**36,785**

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FOR THE YEAR ENDED MARCH 31, 2020

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

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

Credit risk and impairment management – *continued*

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

	2020 Increase (decrease) in lifetime ECL		2019 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000
Newly originated trade receivable balance with gross amount of HK$668,267,000 (2019: HK$752,223,000)	7,355	–	5,653	–
Newly originated trade receivable balance with gross amount of HK$246,000 (2019: HK$29,184,000)	–	246	–	7,326
Changes due to financial instruments recognised as at April 1, 2019 (2019: April 1, 2018)	–	21,858	–	–
Settlement in full of trade debtors with a gross carrying amount of HK$752,223,000 (2019: HK$4,144,000)	(5,481)	–	–	(4,144)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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

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

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. The committed unutilised banking facilities made available to the Group are approximately HK$945 million (2019: HK$702 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 analyses

Non-derivative financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Non-derivative financial liabilities – continued

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2020						
Trade payables						
– non-interest bearing	–	305,928	–	–	305,928	305,928
Other payables	–	7,619	–	–	7,619	7,619
Trust receipt loans						
– variable interest rates	3.38	469,131	–	–	469,131	469,131
Bank borrowings						
– variable interest rates	2.85	66,765	–	–	66,765	66,765
– fixed interest rate	4.63	135,000	–	–	135,000	135,000
Lease liabilities	4.00	2,118	10,137	1,878	14,133	13,767
		986,561	10,137	1,878	998,576	998,210

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

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Non-derivative financial liabilities – continued

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At March 31, 2019						
Trade payables – non-interest bearing	–	310,863	–	–	310,863	310,863
Other payables	–	7,578	–	–	7,578	7,578
Trust receipt loans – variable interest rates	3.77	591,998	–	–	591,998	591,998
Bank borrowings						
– variable interest rates	3.83	164,728	–	–	164,728	164,598
– fixed interest rate	4.54	269,549	–	–	269,549	269,549
		1,344,716	–	–	1,344,716	1,344,586

Bank borrowings and trust receipt loans with a repayable on demand clause of HK$619,126,000 (2019: HK$946,540,000) are included in the "on demand or less than 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflow will amount to HK$627,031,000 (2019: HK$957,642,000).

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FOR THE YEAR ENDED MARCH 31, 2020

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

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Non-derivative financial liabilities – continued

	Maturity analysis – Bank borrowings and trust receipt loans with a repayable on demand clause based on scheduled repayment			
	Less than 3 months	3 months to 1 year	Total undiscounted cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2020	**627,031**	**–**	**627,031**	**619,126**
March 31, 2019	957,642	–	957,642	946,540

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

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

Liquidity risk management – *continued*

Liquidity analyses – continued

Derivative financial instruments

	Within 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At March 31, 2020				
Foreign exchange forward contracts – gross settlement				
– inflow	5,305	339,615	344,920	N/A
– outflow	(5,306)	(341,792)	(347,098)	N/A
	(1)	(2,177)	(2,178)	(2,178)
Foreign exchange forward contracts – net settlement				
– inflow	980	–	980	980
– outflow	(47)	–	(47)	(47)
	933	–	933	933
	932	(2,177)	(1,245)	(1,245)
At March 31, 2019				
Foreign exchange forward contracts – gross settlement				
– inflow	6,318	–	6,318	N/A
– outflow	(6,362)	–	(6,362)	N/A
	(44)	–	(44)	(44)
Foreign exchange forward contracts – net settlement				
– inflow	31	–	31	31
– outflow	(496)	–	(496)	(496)
	(465)	–	(465)	(465)
	(509)	–	(509)	(509)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

(c) Fair value measurements of financial instruments

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

Fair value measurements and valuation process

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company determines the fair value by reference to the valuation carried out as of the end of reporting period by banks and financial institutions for foreign currency forward contracts.

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

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

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

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

The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

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

(c) Fair value measurements of financial instruments – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	March 31, 2020	March 31, 2019				
Foreign exchange forward contracts (see Note 29)	**Assets – HK$993,000 Liabilities – HK$2,238,000**	Assets – HK$31,000 Liabilities – HK$540,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There were no transfers between the different levels of the fair value hierarchy for the year.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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

(d) Capital management policies and objectives

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

The capital structure of the Group consists of net debt, which includes the trust receipt loans and bank borrowings disclosed in Notes 35 and 36, respectively, lease liabilities, net of cash and cash equivalents, restricted bank deposits and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the notes. The Group is required to comply with bank covenants in loan agreements with banks.

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

(e) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

No further disclosure on the netting arrangement is presented as the financial impact is insignificant.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables HK$'000 *(Note 32)*	**Lease liabilities** HK$'000 *(Note 34)*	**Dividend payable** HK$'000 *(Note 15)*	**Trust receipt loans** HK$'000 *(Note 35)*	**Bank borrowings** HK$'000 *(Note 36)*	**Total** HK$'000
At April 1, 2018	4,040	–	–	818,378	231,343	1,053,761
Financing cash flows	–	–	(32,534)	(226,380)	203,362	(55,552)
Dividends declared	–	–	32,534	–	–	32,534
Interest expense	46,570	–	–	–	–	46,570
Exchange difference	–	–	–	–	(558)	(558)
Interest paid	(44,634)	–	–	–	–	(44,634)
At April 1, 2019	5,976	–	–	591,998	434,147	1,032,121
Adjustment upon application of IFRS 16	–	19,450	–	–	–	19,450
At April 1, 2019 (restated)	5,976	19,450	–	591,998	434,147	1,051,571
Financing cash flows	–	(11,397)	(17,041)	(122,867)	(164,955)	(316,260)
Dividends declared	–	–	17,041	–	–	17,041
Interest expense	35,633	630	–	–	–	36,263
Exchange difference	–	(51)	–	–	(1,473)	(1,524)
New lease entered	–	5,135	–	–	–	5,135
Non-cash settlements	–	–	–	–	(65,954)	(65,954)
Interest paid	(38,195)	–	–	–	–	(38,195)
At March 31, 2020	**3,414**	**13,767**	**–**	**469,131**	**201,765**	**688,077**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

47. LIST OF SUBSIDIARIES

Details of the Group's subsidiaries at March 31, 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership and voting power held by the Company Directly 2020 %	Directly 2019 %	Indirectly 2020 %	Indirectly 2019 %	Principal activities
Cleverway Profits Limited	British Virgin Islands ("BVI")/ Hong Kong	US$7	100	100	–	–	Investment holding
Array Electronics (China) Limited (b), (c)	Hong Kong/PRC	HK$2	–	–	100	100	Trading of electronic components
Array Electronics Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Inactive
Bestime Corporation Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Investment holding
Brightway Transportation Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Provision of transportation services
Elite Vantage Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Trading of electronic components
Full Link Investment Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Investment holding
Joy Port Limited (b), (e)	Hong Kong	HK$2	–	–	100	100	Property holding
Kind Faith Limited (b), (c)	Hong Kong	HK$2	–	–	100	100	Investment holding
Leader First Limited (c)	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
Pinerise Limited (c)	BVI/PRC	US$1	–	–	100	100	Investment holding
Starling Pacific Limited (c)	BVI/Hong Kong	US$1	–	–	100	100	Investment holding
Willas Company Limited (b), (c)	Hong Kong	HK$35,001,002	–	–	100	100	Inactive

47. LIST OF SUBSIDIARIES – *continued*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	2020 %	2019 %	
Willas-Array Electronics (Hong Kong) Limited [b], [c]	Hong Kong	HK$1,001,002	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shanghai) Limited [a], [e], [f]	PRC	US$7,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Shenzhen) Limited [a], [d], [f]	PRC	US$5,500,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics (Taiwan) Inc. [a], [c]	Taiwan/PRC	NT$1,000,000	–	–	100	100	Trading of electronic components
Willas-Array Electronics Management Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Provision of management and consultancy services
Willas-Array Investments Limited [b], [c]	Hong Kong	HK$2	–	–	100	100	Investment holding

Notes:

(a) Audit work performed by Deloitte Touche Tohmatsu, Hong Kong ("Deloitte Hong Kong") for consolidation purpose and audited by Shanghai Hddy Certified Public Accountants Co., Ltd and other local audit firms in the PRC/Taiwan for statutory financial report purpose

(b) Statutory audit performed by Deloitte Hong Kong

(c) Subsidiaries directly held by Cleverway Profits Limited

(d) Subsidiary of Full Link Investment Limited

(e) Subsidiaries directly held by Kind Faith Limited

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

47. LIST OF SUBSIDIARIES – *continued*

None of the subsidiaries had issued any debt securities at the end of the years or at any time during the years.

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	
		2020	2019
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

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current assets		
Amount due from a subsidiary	33,814	33,814
Interests in subsidiaries	155,043	117,470
Total non-current assets	188,857	151,284
Current assets		
Amounts due from subsidiaries *(Note)*	185,036	227,239
Deposits and prepayments	11	83
Income tax recoverable	109	331
Cash and cash equivalents *(Note)*	1,181	3,235
Total current assets	186,337	230,888
Total assets	375,194	382,172
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,407	1,467
Financial guarantee liabilities	10,375	14,774
Total current liabilities	11,782	16,241
Net current assets	174,555	214,647
Total assets less current liabilities	363,412	365,931
Capital and reserves		
Share capital	85,207	85,207
Reserves	278,205	280,724
Equity attributable to owners of the Company	363,412	365,931
Total liabilities and equity	375,194	382,172

Note: ECL for amounts due from subsidiaries and bank balances are assessed on a 12m ECL basis as these had been no significant increase in credit risk since initial recognition and impairment allowance is considered to be insignificant. No provision for impairment loss has been recognised during the years ended March 31, 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Statement of change in equity of the Company

	Share capital HK$'000	Capital reserves HK$'000 *(Note 39)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2018	76,341	197,794	88,674	362,809
Profit for the year, representing total comprehensive income for the year	–	–	29,730	29,730
Transactions with owners, recognised directly in equity:				
Exercise of share options	1,120	3,696	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	1,110
Share options cancelled	–	(1,303)	1,303	–
Issuance of new shares under the Bonus Issue	7,746	(7,746)	–	–
Dividend paid *(Note 15)*	–	–	(32,534)	(32,534)
Total	8,866	(4,243)	(31,231)	(26,608)
At March 31, 2019	85,207	193,551	87,173	365,931
Profit for the year, representing total comprehensive income for the year	–	–	14,522	14,522
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Share options lapsed	–	(1)	1	–
Dividend paid *(Note 15)*	–	–	(17,041)	(17,041)
Total	–	(93)	(16,948)	(17,041)
At March 31, 2020	**85,207**	**193,458**	**84,747**	**363,412**

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JUNE 4, 2020

Authorised share capital	: HK$120,000,000
Issued share capital	: HK$85,207,049
Number of shares	: 85,207,049
Class of shares	: ordinary shares of HK$1.00
Voting rights	: one vote per share

Based on the information available to the Company as at June 4, 2020, approximately 47.54% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDERS' DISTRIBUTION SCHEDULE

Size of	Shareholders		Shares Held	
Shareholdings	Number	Percentage	Number	Percentage
1 – 99	28	2.19%	597	0.00%
100 – 1,000	219	17.15%	100,630	0.12%
1,001 – 10,000	633	49.57%	2,791,273	3.28%
10,001 – 1,000,000	391	30.62%	19,095,784	22.41%
1,000,001 and above	6	0.47%	63,218,765	74.19%
	1,277	100%	85,207,049	100%

SHAREHOLDERS' INFORMATION

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

Name of Shareholders		Number of Shares held Direct Interest	Number of Shares held Deemed Interest
1	Global Success International Limited	8,685,109	–
2	Max Power Assets Limited	19,909,813	–
3	Cheng Wai Yin, Susana (i)	805,134	21,139,943
4	Leung Chun Wah (ii)	1,230,130	20,714,947
5	Kwok Chan Cheung (iii)	37,400	8,685,109
6	Hung Yuk Choy	5,614,309	–
7	Lee Woon Nin (iv)	–	19,909,813
8	HSBC International Trustee Limited (v)	–	19,909,813
9	HSBC International Trustee (Holdings) Pte. Limited (vi)	–	19,909,813
10	The Hongkong and Shanghai Banking Corporation Limited (vi)	–	19,909,813
11	HSBC Asia Holdings Limited (vi)	–	19,909,813
12	HSBC Holdings Plc (vi)	–	19,909,813
13	Yeo Seng Chong (vii)	330,000	7,489,684
14	Lim Mee Hwa (viii)	550,000	7,269,684
15	Yeoman Capital Management Pte Ltd (ix)	82,500	6,857,184
16	Yeoman 3-Rights Value Asia Fund	6,719,684	–

(i) Ms. Cheng Wai Yin, Susana

Deemed interest in shares held by her husband, Mr. Leung Chun Wah directly and the shares held by Max Power Assets Limited through a trust structure of which Mr. Leung is a beneficiary.

(ii) Mr. Leung Chun Wah

Deemed interest in the shares held by Max Power Assets Limited through a trust structure of which he is a beneficiary and shares held by his wife, Ms. Cheng Wai Yin, Susana.

(iii) Mr. Kwok Chan Cheung

Deemed interests in the shares held through Global Success International Limited.

(iv) Ms. Lee Woon Nin

Deemed interests in Max Power Assets Limited's direct interests.

SHAREHOLDERS' INFORMATION

(v) HSBC International Trustee Limited

Deemed interests in the shares held by Max Power Assets Limited in its capacity as trustee of a trust.

(vi) HSBC International Trustee (Holdings) Pte. Limited, The Hongkong and Shanghai Banking Corporation Limited, HSBC Asia Holdings Limited, HSBC Holdings Plc

Deemed interests held through HSBC International Trustee Limited which is a wholly-owned subsidiary of HSBC International Trustee (Holdings) Pte. Limited, which is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, which is a wholly-owned subsidiary of HSBC Asia Holdings Limited, which is a wholly-owned subsidiary of HSBC Holdings Plc.

(vii) Mr. Yeo Seng Chong

Deemed interests held through Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund.

(viii) Ms. Lim Mee Hwa

Deemed interests held through Yeoman Capital Management Pte Ltd and Yeoman 3-Rights Value Asia Fund.

(ix) Yeoman Capital Management Pte Ltd

Deemed interests held through Yeoman 3-Rights Value Asia Fund and Yeoman Client 1.

SHAREHOLDERS' INFORMATION

TOP TWENTY SHAREHOLDERS AS AT JUNE 4, 2020

S/No.	Name	Shares Number	Percentage
1	HKSCC NOMINEES LIMITED	44,241,892	51.92%
2	GLOBAL SUCCESS INTERNATIONAL LIMITED	8,685,109	10.19%
3	DB NOMINEES (SINGAPORE) PTE LTD	3,340,484	3.92%
4	DBS NOMINEES (PRIVATE) LIMITED	2,712,259	3.18%
5	LAM YEN YONG	2,173,420	2.55%
6	UOB KAY HIAN PRIVATE LIMITED	2,065,601	2.42%
7	CHENG WAI YIN, SUSANA	805,134	0.94%
8	NOMURA SINGAPORE LIMITED	747,582	0.88%
9	PHILLIP SECURITIES PTE LTD	565,348	0.66%
10	LAM LAI CHENG	550,000	0.65%
11	LIM MEE HWA	550,000	0.65%
12	SEE BENG LIAN JANICE	448,536	0.53%
13	FSK INVESTMENT HOLDING PTE LTD	330,000	0.39%
14	KOH KEE BOON	330,000	0.39%
15	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	323,730	0.38%
16	NG CHEE KIONG	314,260	0.37%
17	ONG LAI SOON	260,920	0.31%
18	CHIN KHIN SIONG	257,796	0.30%
19	HOCK GUAN CHEONG BUILDER PTE LTD	242,000	0.28%
20	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	221,054	0.26%
		69,165,125	81.17%

WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

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