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)

INNOVATIVE THINKING
FOR RENEWED EXCELLENCE

Annual Report 2024

# 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, 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 mainland China.

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# CORPORATE INFORMATION

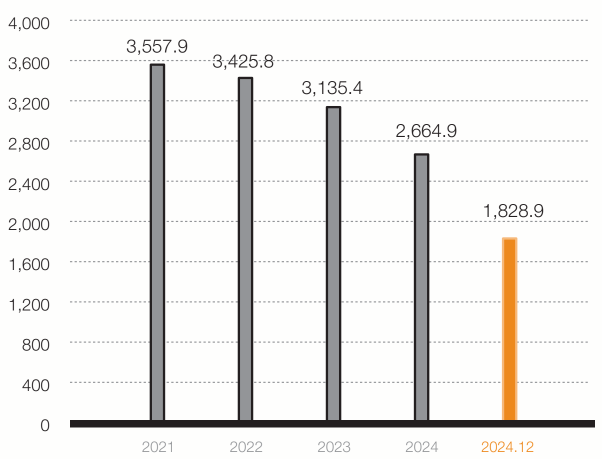
| | |
|---|---|
| **DIRECTORS** | *Executive Directors*<br>Xie Lishu *(Chairman)*<br>*(re-designated with effect from October 21, 2024)*<br>Fan Qinsheng<br><br>*Non-executive Director*<br>Huang Shaoli<br><br>*Independent Non-executive Directors*<br>Chong Eng Wee *(Lead Independent Director)*<br>Lau Chin Huat<br>Tso Sze Wai<br>Jiang Maolin |
| **COMPANY SECRETARY** | Chan Lai Yee |
| **AUDIT COMMITTEE** | Lau Chin Huat *(Chairman)*<br>Chong Eng Wee<br>Tso Sze Wai<br>Jiang Maolin |
| **NOMINATION COMMITTEE** | Chong Eng Wee *(Chairman)*<br>Lau Chin Huat<br>Tso Sze Wai<br>Jiang Maolin |
| **REMUNERATION COMMITTEE** | Tso Sze Wai *(Chairman)*<br>Chong Eng Wee<br>Lau Chin Huat<br>Jiang Maolin |
| **COMPLIANCE COMMITTEE** | Jiang Maolin *(Chairman)*<br>Chong Eng Wee<br>Lau Chin Huat<br>Tso Sze Wai |
| **EMPLOYEE SHARE OPTION SCHEME COMMITTEE** | Xie Lishu *(Chairman)*<br>Tso Sze Wai |
| **AUTHORISED REPRESENTATIVES** | Fan Qinsheng<br>Chan Lai Yee |
| **REGISTERED OFFICE** | Victoria Place, 5/F<br>31 Victoria Street<br>Hamilton HM10<br>Bermuda |

# CORPORATE INFORMATION

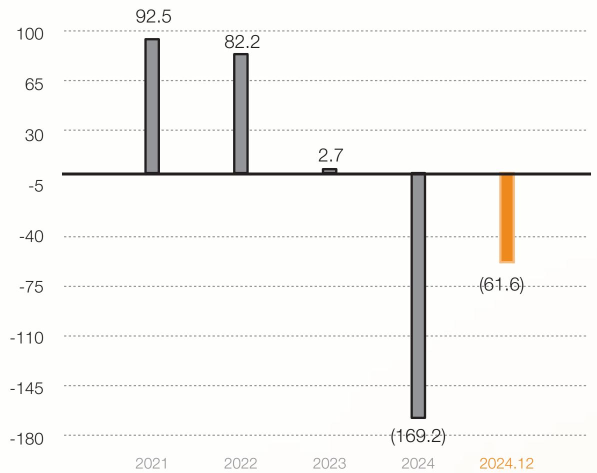
| | |
|---|---|
| **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG** | 24/F, Wyler Centre, Phase 2<br>200 Tai Lin Pai Road<br>Kwai Chung, New Territories<br>Hong Kong |
| **BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE** | Ocorian Management (Bermuda) Limited<br>Victoria Place, 5/F<br>31 Victoria Street<br>Hamilton HM10<br>Bermuda |
| **SINGAPORE SHARE TRANSFER AGENT** | Boardroom Corporate & Advisory Services Pte. Ltd.<br>1 Harbourfront Avenue<br>Keppel Bay Tower<br>#14-03/07<br>Singapore 098632 |
| **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE** | Boardroom Share Registrars (HK) Limited<br>Room 2103B, 21/F<br>148 Electric Road<br>North Point<br>Hong Kong |
| **INDEPENDENT AUDITOR** | Ernst & Young LLP<br>Public Accountants and Chartered Accountants<br>One Raffles Quay<br>North Tower, Level 18<br>Singapore 048583<br>Partner-in-charge: Low Bek Teng<br>*(Appointed for financial period ended December 31, 2024)* |
| **COMPANY WEBSITE** | www.willas-array.com.cn<br>*(with effect from July 1, 2024)* |
| **LISTING INFORMATION** | |
| **Place of Listing** | Main Board of The Stock Exchange of Hong Kong Limited<br>Main Board of Singapore Exchange Securities Trading Limited |
| **Stock Code** | Hong Kong: 854<br>Singapore: BDR |
| **Board Lot** | Hong Kong: 1,000 shares<br>Singapore: 100 shares |

# FINANCIAL HIGHLIGHTS

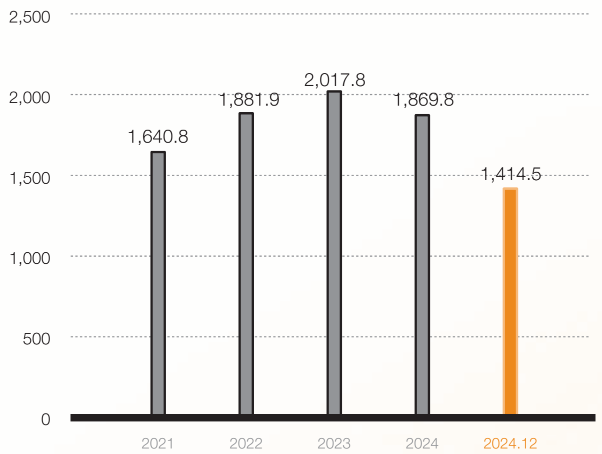
## REVENUE
(HK$ Million)



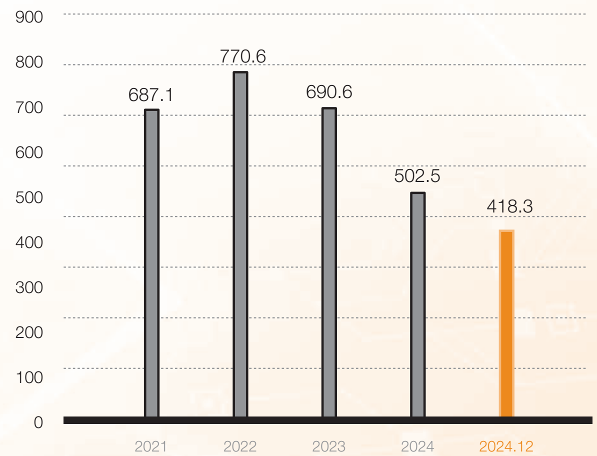

## PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS
(HK$ Million)



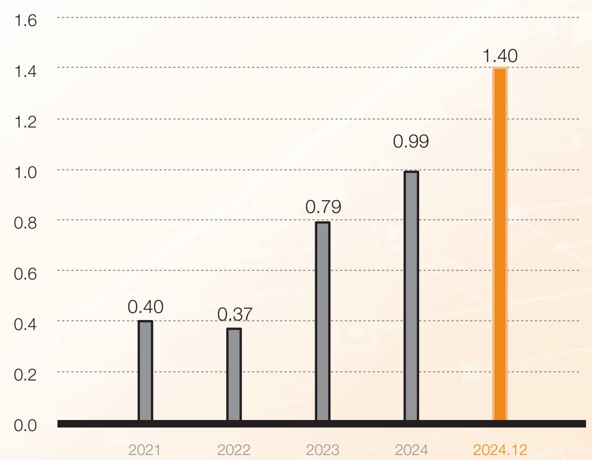

## TOTAL ASSETS
(HK$ Million)



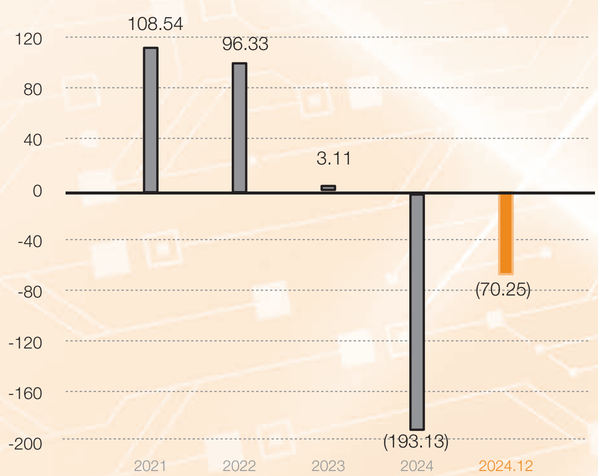

## SHAREHOLDERS' FUND
(HK$ Million)




## NET GEARING

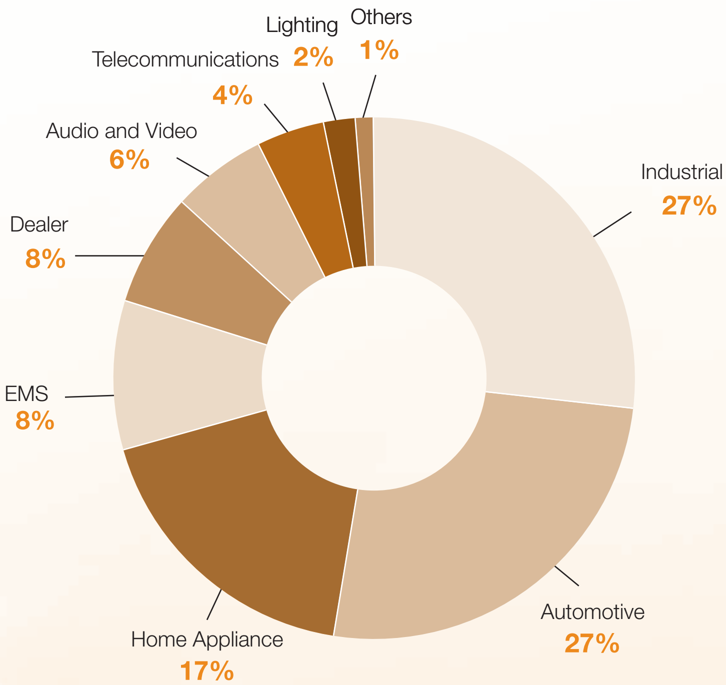



## BASIC EARNINGS (LOSS) PER SHARE
(HK Cents)

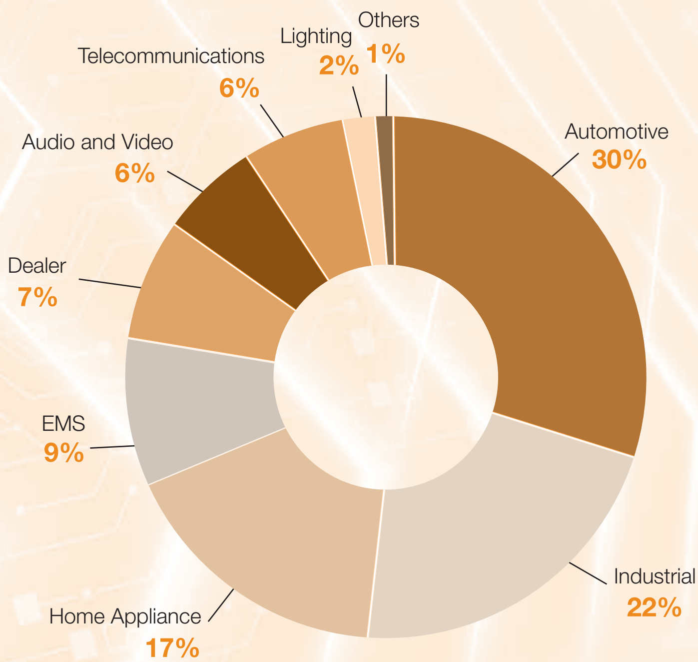


# FINANCIAL HIGHLIGHTS

## Turnover By Segments for nine months ended Dec 31, 2024




## Turnover By Segments for the year ended March 31, 2024



# FINANCIAL HIGHLIGHTS

## OPERATING RESULTS FOR THE GROUP

| | Financial year ended March 31, | | | | Nine months ended December 31, |
|---|---|---|---|---|---|
| | 2021<br>HK$'000 | 2022<br>HK$'000 | 2023<br>HK$'000 | 2024<br>HK$'000 | **2024<br>HK$'000** |
| Revenue | 3,557,935 | 3,425,832 | 3,135,433 | 2,664,883 | **1,828,900** |
| Cost of sales | (3,224,334) | (3,091,042) | (2,856,756) | (2,564,486) | **(1,760,564)** |
| Gross profit | 333,601 | 334,790 | 278,677 | 100,397 | **68,336** |
| Other income | 9,667 | 2,803 | 10,534 | 2,168 | **2,965** |
| Distribution costs | (37,469) | (28,871) | (28,896) | (22,591) | **(14,137)** |
| Administrative expenses | (186,915) | (189,070) | (183,183) | (171,586) | **(106,485)** |
| Other gains and losses | 15,323 | 808 | (30,915) | (17,254) | **125** |
| Impairment losses reversed (recognised) under expected credit loss model, net | (10,141) | 4,461 | 881 | (7,820) | **7,813** |
| (Loss) gain on fair value change of investment property | 1,312 | 439 | 995 | (715) | **(188)** |
| Finance costs | (19,046) | (17,286) | (43,750) | (52,603) | **(26,924)** |
| (Loss) profit before tax | 106,332 | 108,074 | 4,343 | (170,004) | **(68,495)** |
| Income tax credit (expense) | (13,849) | (25,882) | (1,641) | 707 | **6,893** |
| (Loss) profit for the period/year | 92,483 | 82,192 | 2,702 | (169,297) | **(61,602)** |
| Less: non-controlling interests | – | – | (14) | (74) | **(1)** |
| (Loss) profit attributable to shareholders | 92,483 | 82,192 | 2,716 | (169,223) | **(61,601)** |
| Basic (loss) earnings per share (HK cents) *(Note 2)* | 108.54 | 96.33 | 3.11 | (193.13) | **(70.25)** |

# FINANCIAL HIGHLIGHTS

## FINANCIAL POSITION OF THE GROUP

| | Year ended as at March 31, | | | | Nine months ended as at December 31, |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | **2024** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| Current assets | 1,334,036 | 1,564,612 | 1,723,016 | 1,609,742 | **1,181,424** |
| Property, plant and equipment | 270,142 | 284,293 | 265,418 | 240,789 | **205,783** |
| Right-of-use assets | 18,201 | 16,093 | 11,859 | 3,953 | **2,941** |
| Investment property | 9,512 | 9,951 | 10,946 | 10,231 | **10,043** |
| Club debentures | 2,001 | 2,001 | 2,001 | 2,001 | **2,001** |
| Interest in an associate | – | – | – | – | **–** |
| Financial assets measured at fair value through other comprehensive income | – | – | – | – | **8,639** |
| Other non-current assets | 6,893 | 4,962 | 4,549 | 3,107 | **3,644** |
| Total assets | 1,640,785 | 1,881,912 | 2,017,789 | 1,869,823 | **1,414,475** |
| Current liabilities | 910,764 | 1,065,180 | 1,292,930 | 1,341,273 | **980,848** |
| Non-current liabilities | 42,920 | 46,166 | 34,243 | 25,975 | **15,355** |
| Non-controlling interests | – | – | 66 | 89 | **–** |
| Shareholders' equity | 687,101 | 770,566 | 690,550 | 502,486 | **418,272** |
| Total liabilities and equities | 1,640,785 | 1,881,912 | 2,017,789 | 1,869,823 | **1,414,475** |
| Net assets value per ordinary share (HK cents) *(Note 3)* | 806.39 | 898.34 | 788.10 | 573.47 | **476.98** |

*Notes:*

(1) The financial summary for the four financial years ended March 31, 2021 to 2024 and nine months ended December 31, 2024 presented above is extracted from the annual reports of the Company from 2021 to 2024.

(2) The basic (loss) earnings per share for the years ended March 31, 2021 to 2024 and nine months ended December 31, 2024 are calculated based on (loss) profit attributable to shareholders of the Company and weighted average number of 85,207,049, 85,325,912, 87,204,679, 87,622,049 and 87,685,940 ordinary shares of the Company in issue during the financial years of 2021 to 2024 respectively.

(3) The net assets value per ordinary share for the years ended March 31, 2021 to 2024 and nine months ended December 31, 2024 are calculated based on share capital of the Company at the end of financial year of 85,207,049, 85,777,049, 87,622,049, 87,622,049 and 87,692,049 shares respectively.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

As the Chairman of the board of directors of this listed company, I am in the midst of the global competitive landscape of the electronics industry, and we are facing a new normal where opportunities and challenges are intertwining. Currently, the changes in the semiconductor market not only create growth potential, but also imply the potential risks of reshaping market pattern. We firmly believe that we are able to build up our core competitiveness and a moat by deeply exploiting niche sectors. I would like to extend my sincere thanks to all shareholders, employees and partners for their strong support, which has built a solid foundation for the development of our business. We will continue to forge ahead, striving to maintain our leading position in the competitive market.

**Performance review**

During the nine months ended 31 December 2024 ("Nine Months"), in the backdrop of the global geopolitical volatility in combination with the downturn in the semiconductor industry, the new energy vehicle segment demonstrated strategic resilience, while the consumer and industrial markets were relatively sluggish, with oversupply in the overall market. The sales revenue and the products' gross profit margin of the Group performed poorly, and the decline in profitability was mainly attributed to the provision for slow-moving inventories, discounts-offering and destocking measures and foreign exchange gains and losses. As a result, the total revenue declined to HK$1,828.9 million. After making unremitting efforts in the second half of 2024, the Company's inventory level returned to a normal level.

**Segmental results**

The Company's top three business segments are Industrial, Automotive and Home Appliance, which collectively accounted for 71.2% of our total sales. Among them, Industrial is the largest segment and accounted for 27.0% of total revenue.

In the future, we will unwaveringly continue to deeply exploit, and increase our investment in the Automotive segment. Focusing on the core needs of customers during their transformation towards intelligent and electric vehicles, we will vigorously promote cutting-edge technology solutions and diversified product applications. By customizing exclusive solutions for our customers and deeply integrating them into their product development, we firmly believe this will significantly enhance customer stickiness. We will steadily increase our market share in the Automotive segment, helping the Company maintain a leading position on this high-growth track.

Sales revenue from the Electronic Manufacturing Services ("EMS") amounted to HKD151.7 million, accounting for 8.3% of total sales. Although this business segment was not the best performer, it has great potential and has become the focus of the Company's strategic planning over the next year. As global manufacturing has accelerated digital transformation, the demand for EMS has become diversified and refined, creating opportunities for the development of the Company. The Company plans to increase investment and explore potential customers, to develop EMS as a new growth driver, so as to support sustainable development of the Company.

# CHAIRMAN'S STATEMENT

In respect of all other business segments experiencing weak demand, we will, closely following the policy directions, realize efficient allocation of resources, help the Company expand businesses and make breakthroughs rapidly, and reshape the growth trend of other business segments, injecting new vitality into the overall performance improvement of the Company.

**Outlook**

According to the forecast from the World Semiconductor Trade Statistics (WSTS), the global semiconductor market is expected to see a general growth in 2025, with an estimated growth rate of 11.2%, and the global market valuation is expected to reach US$697 billion. In particular, the Asia Pacific region, being a key part of the global semiconductor industry, is expected to record a 10.4% year-on-year increase in revenue.

Among various driving factors, the national consumer subsidy policy represents a key force in boosting consumer electronics demand. For example, in the sectors like mobile phones, computers, home appliances and new energy vehicles, the subsidy policy has worked well. In the meantime, the preferential policy for domestic alternatives has provided development opportunities for the domestic semiconductor industry that have never been seen before.

Relying on the current domestic and international situation, we will capture market opportunities in Automotive and Home Appliances segments. Boosted by the consumer subsidy policy, these two segments are experiencing robust growth. The Company will intensify its market expansion efforts, to launch suitable products and solutions. Meanwhile, we will introduce domestic production lines to increase localization rate, reduce costs, and enhance product competitiveness, explore new customers and increase our market share, thus generating driving forces for the Company's sustainable development.

**Appreciation**

In this critical period in which opportunities and challenges coexist, we would like to express our sincere gratitude to the management and all employees for their dedicated efforts. At the same time, we sincerely thank our customers and suppliers for their support and trust.

I would like to extend my special thanks to all members of the board of directors for accurately navigating the Company's strategy, rationally allocating resources, and making decisive decisions, which have helped the Company to cope with challenges in the market and supply chain. I believe that under the guidance of the board of directors, our management, all employees, customers, suppliers and other stakeholders will continue to work together with one heart and mind, fully grasping each and every development opportunity. We will move forward together, keep driving the Company's growth and ride the waves, to embrace a more brilliant future.

**Xie Lishu**
*Chairman*

May 21, 2025

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the nine months ended December 31, 2024, the Group recorded a loss attributable to owners of the Company of HK$61.6 million, compared to the net attributable loss of HK$169.2 million posted in the preceding financial year ended March 31, 2024 (the "Preceding Financial Year").

The decrease in net loss was mainly attributed to: (i) a decrease in exchange loss arising from the depreciation of the Renminbi against Hong Kong dollars in the nine months ended December 31, 2024 as compared to the Preceding Financial Year where there was significant exchange difference; (ii) net impairment losses reversed under expected credit loss on trade receivables in the nine months ended December 31, 2024 as compared to the Preceding Financial Year when there was recognition of impairment losses; (iii) a decrease in finance costs mainly due to lower weighted average effective interest rate in the nine months ended December 31, 2024 as compared to the Preceding Financial Year and (iv) a decrease in staff costs in the nine months ended December 31, 2024 due to the Group's proactive review and streamlining of its cost structure, aimed at achieving better capital efficiency across its operations.

To mitigate operational risks associated with obsolete inventory, the Group implemented proactive inventories reduction initiatives. The impairment of inventories decreased significantly to HK$26.1 million in the nine months ended December 31, 2024, compared to HK$83.4 million in the Preceding Financial Year. This strategic destocking effort accelerated cash recovery and enhanced liquidity management, thereby contributing to further improvement in the Group's operating performance.

Excluding the impairment of inventories of HK$26.1 million, net impairment losses reversed under expected credit loss model of HK$7.8 million, the adjusted loss attributable to owners of the Company would have been HK$43.3 million in the nine months ended December 31, 2024.

### Revenue

The Group's revenue decreased by 31.4% to HK$1,828.9 million as all the Group's segments reported weaker sales in the nine months ended December 31, 2024, as compared to revenue of HK$2,664.9 million in the Preceding Financial Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue by Market Segment Analysis

| | Nine months ended December 31, 2024 | | Year ended March 31, 2024 | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % | HK$'000 | % |
| Industrial | **493,298** | **27.0%** | 595,831 | 22.4% | (102,533) | –17.2% |
| Automotive | **490,870** | **26.8%** | 797,361 | 29.9% | (306,491) | –38.4% |
| Home Appliance | **318,176** | **17.4%** | 444,031 | 16.7% | (125,855) | –28.3% |
| Electronic Manufacturing Services ("EMS") | **151,664** | **8.3%** | 236,024 | 8.8% | (84,360) | –35.7% |
| Dealer | **136,178** | **7.4%** | 182,734 | 6.8% | (46,556) | –25.5% |
| Audio and Video | **112,758** | **6.2%** | 157,594 | 5.9% | (44,836) | –28.5% |
| Telecommunications | **79,187** | **4.3%** | 170,395 | 6.4% | (91,208) | –53.5% |
| Lighting | **30,174** | **1.6%** | 55,171 | 2.1% | (24,997) | –45.3% |
| Others | **16,595** | **1.0%** | 25,742 | 1.0% | (9,147) | –35.5% |
| | **1,828,900** | **100.0%** | 2,664,883 | 100.0% | (835,983) | –31.4% |

### *Industrial*

Revenue from the Industrial segment declined 17.2% to HK$493.3 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. Although the segment was affected by a decline in exports and domestic demand in PRC, the Group is confident of this segment's potential which will continue to benefit from the development of PRC, in particular the industrialisation of city infrastructure, energy saving initiative and factory automation. The Group will closely monitor changes in market situation and to seize opportunities.

### *Automotive*

The Automotive contributing sales of HK$490.9 million in the nine months ended December 31, 2024. Although this was a 38.4% decrease in revenue as compared to the Preceding Financial Year, the Group remain optimistic that in the long term this segment is worthy of investment. With the global push towards net zero carbon emission, the growing international demand for new energy vehicles with smart vehicle-road-cloud integrated systems and trend of autonomous driving, the potential of this segment remains strong. It continues to enjoy ongoing support from the PRC Government for the development of new energy vehicles.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Home Appliance***

Revenue from the Home Appliance segment declined 28.3% to HK$318.2 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. Demand for this segment was affected by weak global consumer electronics market which affected export sales, as well as slower domestic demand for home appliances. Domestically, demand for home appliances was affected by the cooling measures implemented in PRC's real estate market. The Group will monitor the situation closely and maintained a reasonable inventory level.

***EMS***

The EMS segment recorded a decline in revenue of 35.7% to HK$151.7 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. The decline was mainly due to the continued trade tensions that have weakened the export market.

***Dealer***

The Dealer segment recorded a decline in revenue of 25.5% to HK$136.2 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. The segment's revenue contribution was affected by similar constraints faced by other segments, primarily due to weak exports and domestic demand for consumer electronics.

***Audio and Video***

Revenue from the Audio and Video segment declined 28.5% to HK$112.8 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. Given the current high interest rate environment, demand for consumer electronics is expected to remain weak. The Group will carefully monitor this segment to ensure that inventory levels are healthy.

***Telecommunications***

Revenue from the Telecommunication segment declined 53.5% to HK$79.2 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. The decline was mainly due to weak consumer demand for mobile phones, which affected overall demand for smartphone components. The Group will closely monitor the performance of this segment and the change in the mobile phone market.

***Lighting***

Revenue from the lighting segment declined 45.3% to HK$30.2 million as compared to the Preceding Financial Year. The performance of the segment reflected the weak demand in the consumer and commercial lighting markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

### *Others*

Revenue from the Others segment declined 35.5% to HK$16.6 million in the nine months ended December 31, 2024 as compared to the Preceding Financial Year. The decline was mainly due to weak consumer confidence and spending. However, the growing integration of Artificial Intelligence ("AI") across more devices is expected to boost the demand for electronic components. The Group has allocated more resources to support this trend.

### Gross Profit Margin

The Group's gross profit margin slightly decreased to 3.7% in the nine months ended December 31, 2024 from 3.8% in the Preceding Financial Year. The Group's profit margin maintained at a similar level as the Preceding Financial Year. The Group's profit margin remained stable, demonstrating effective cost control and overall financial stability despite this slight dip in gross profit margin.

### Other Income

Other income increased by HK$0.8 million to HK$3.0 million in the nine months ended December 31, 2024 from HK$2.2 million in the Preceding Financial Year, mainly due to the non-recurring subsidy of approximately HK$1.3 million tax refund from the Chinese government.

### Distribution Costs

Distribution costs decreased by HK$8.5 million in the nine months ended December 31, 2024 to HK$14.1 million in the nine months ended December 31, 2024 from HK$22.6 million in the Preceding Financial Year. The decrease was mainly due to the cost control and monitoring measures implemented by the Group.

### Administrative Expenses

Administrative expenses decreased by HK$65.1 million or 37.9% to HK$106.5 million in the nine months ended December 31, 2024 from HK$171.6 million in the Preceding Financial Year. This was mainly due to the Group's proactive review and streamlining of its cost structure, aimed at achieving better capital efficiency across its operations.

### Other Gains and Losses

Other gains of HK$0.1 million were incurred in the nine months ended December 31, 2024 (year ended March 31, 2024: HK$17.3 million). RMB maintained relative stability against the US dollar ("USD") during the nine months ended December 31, 2024, while experiencing moderated fluctuations against the Hong Kong dollar ("HKD") as compared to the Preceding Financial Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Impairment Losses Reversed (Recognised) Under Expected Credit Loss Model, Net

There was a reversal of net impairment losses of HK$7.8 million in the nine months ended December 31, 2024 (year ended March 31, 2024: recognition of impairment losses of HK$7.8 million), which was mainly represented the reversal of impairment losses on trade receivables in the Preceding Financial Year due to collection from credit impaired trade receivables which has been fully provided for in the prior year.

### Finance Costs

Finance costs, which comprises interest expenses on trust receipt loans and bank borrowings, interest on lease liabilities and interest on loans from the ultimate holding company, decreased by HK$25.7 million or 48.8% to HK$26.9 million in the nine months ended December 31, 2024 from HK$52.6 million in the Preceding Financial Year. The decrease in interest expenses was mainly due to the decrease in the weighted average effective interest rate.

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial Position

Trust receipt loans decreased by HK$128.2 million to HK$140.0 million as at December 31, 2024, from HK$268.2 million as at March 31, 2024. The decrease was mainly due to the group's strategic refinancing of debt, whereby higher-interest-rate trust receipt facilities were replaced with lower-cost bank loans.

Trade payables decreased to HK$323.0 million as at December 31, 2024, from HK$735.8 million as at March 31, 2024. The decrease was due to the higher repayment to suppliers towards the end of the financial period under review as compared to the Preceding Financial Year.

Trade receivables decreased by HK$108.1 million to HK$708.4 million as at December 31, 2024, from HK$816.5 million as at March 31, 2024. The Group generally allows an average credit period of 30 to 120 days to its trade customers. The debtor turnover days slightly decreased to 3.6 months from 3.7 months as at March 31, 2024, reflecting consistent credit management practices and aligned customer payment behaviours under the group's tightened collection policies.

As at December 31, 2024, the Group's current ratio (current assets divided by current liabilities) was 1.20 (March 31, 2024: 1.20).

### Inventories

Inventories decreased to HK$417.9 million as at December 31, 2024, from HK$707.7 million as at March 31, 2024. The inventory turnover days decreased to 2.2 months as at December 31, 2024, from 3.4 months as at March 31, 2024. The significant reduction in inventory value was primarily driven by the Group's proactive inventory clearance initiatives, which included targeted promotional campaigns and accelerated liquidation of slow-moving stock.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Cash Flow

As at December 31, 2024, the Group had a working capital of HK$200.6 million which included a cash balance of HK$41.4 million, compared to a working capital of HK$268.5 million which included a cash balance of HK$68.9 million as at March 31, 2024. The decrease in cash by HK$27.5 million was primarily attributable to the net effect of cash outflow of HK$163.1 million used in operating activities and cash inflow of HK$139.4 million generated from financing activities. The Group's cash balance was mainly denominated in USD, RMB and HKD.

Cash outflow used in operating activities was mainly due to the net effect of the decrease in trade payables, inventories and trade receivables.

Cash inflow generated from financing activities was mainly attributable to proceeds from the loans from ultimate holding company during the period under review.

### Borrowings and Banking Facilities

As at December 31, 2024, the Group had bank borrowings of HK$316.9 million, which were repayable within one year. Among the Group's bank borrowings, 84.2% was denominated in RMB, 15.6% was denominated in USD and the remainder was denominated in HKD. As at December 31, 2024, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 99.8% and 0.2%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 3.78% per annum, while variable-rate bank borrowings bore interest at a weighted average effective rate of 5.62% per annum.

As at December 31, 2024, trust receipt loans of HK$140.0 million were unsecured and repayable within one year and bore interest at a weighted average effective rate of 6.95% per annum. 100% of the trust receipt loans was denominated in USD. As at December 31, 2024, the Group had unutilised banking facilities of HK$314.6 million (March 31, 2024: HK$489.6 million).

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

**Amount repayable in one year or less, or on demand**

| **As at December 31, 2024** | | As at March 31, 2024 | |
|---|---|---|---|
| **Secured** | **Unsecured** | Secured | Unsecured |
| **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| **279,917** | **177,032** | 489,548 | 75,908 |

# MANAGEMENT DISCUSSION AND ANALYSIS

**Amount repayable after one year**

| | As at December 31, 2024 | | As at March 31, 2024 | |
|---|---|---|---|---|
| | Secured | Unsecured | Secured | Unsecured |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | – | – | – | – |

As at December 31, 2024, the Group's trade receivables amounting to HK$21.4 million (March 31, 2024: HK$102.4 million) were transferred to banks by discounting those trade receivables and bills receivables amounting to HK$55.5 million (March 31, 2024: HK$60.4 million) on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it had continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK$72.6 million (March 31, 2024: HK$142.5 million).

As at December 31, 2024, the Group's remaining secured bank borrowings amounting to HK$67.3 million (March 31, 2024: HK$78.8 million) had been secured by the pledge of certain bills receivables held by the Group amounting to HK$10.7 million (March 31, 2024: HK$13.1 million).

### Foreign Exchange Risk Management

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

### Net Gearing Ratio

As at December 31, 2024, the Group's net gearing ratio was 139.9% (March 31, 2024: 99.5%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans, loans from the ultimate holding company and bills payables minus cash and cash equivalents) by shareholders' equity at the end of a given period and multiplied by 100%. The increase was mainly due to increase in loans from the ultimate holding company, decreases in cash and cash equivalents and shareholders' equity (resulting from the loss in respect of the nine months ended December 31, 2024).

# MANAGEMENT DISCUSSION AND ANALYSIS

## STRATEGY AND PROSPECTS

In the current complicated economic and trade environment in the globe, geopolitical risks continue to rise, promoting local customers and suppliers to accelerate their strategic presence in emerging markets including Southeast Asia. Against this backdrop, the Group will actively build itself as a platform for local suppliers and customers to expand their presence overseas. By integrating regional supply chains and coordinating resources, we will help partners to mitigate geopolitical risks and seize growth opportunities in regional markets.

The Group strives to become the preferred platform for small and medium-sized suppliers, by continuously introducing quality suppliers to further diversify the supply-side ecosystem of our products and services. Leveraging our established platform service capability and local advantages, we will customize cooperation plans and promote business penetration for core customers to strengthen long-term strategic partnerships with them and increase our market share in their business segments gradually.

In order to build differentiated competitiveness, the Group will focus on high-growth segments such as automotive electronics, AI and low-altitude economy, with an aim of becoming a leading enterprise in such segments.

Looking ahead, the Group will further strengthen the expansion and development of new customers. Leveraging on its advantages in niche segments, a robust supplier platform and market resources accumulated in Southeast Asia and other regions, the Group will continue to expand customer coverage. By enhancing market influence and business resilience, the Group is committed to achieving a sustainable growth and turning challenges into opportunities in the dynamic market environment, thus creating values for its shareholders and partners in the long term.

## IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE END OF THE REPORTING PERIOD

Reference is made to the Company's announcement dated February 10, 2025, in which the Company entered into the 2025 Master Supply Framework Agreement with Shanghai YCT, pursuant to which the Company agreed, for and on behalf of the Group, to supply, and Shanghai YCT agreed, for and on behalf of the Shanghai YCT Group, to purchase certain semi-conductor electronic component products from time to time from the date of the conclusion of the special general meeting of the Company ("SGM") to December 31, 2027. On February 10, 2025, the Company also entered into the 2025 Master Purchase Framework Agreement with Shanghai YCT, pursuant to which the Company agreed, for and on behalf of the Group, to purchase, and Shanghai YCT agreed, for and on behalf of the Shanghai YCT Group, to sell certain semi-conductor electronic component products from time to time from the date of the conclusion of the SGM to December 31, 2027. The transactions contemplated under the 2025 Master Supply Framework Agreement and the 2025 Master Purchase Framework Agreement (the "Continuing Connected Transactions") are subject to the reporting, annual review, announcement, and independent shareholder approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the SEHK. The Company intends to seek approval from shareholders for the adoption of a general mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (the "Proposed IPT General Mandate") for the Continuing Connected Transactions.

# MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the announcements of the Company dated February 10, 2025 and March 10, 2025, the Company intended to undertake a change of its auditors from Deloitte & Touche LLP to Ernst & Young LLP (the "Proposed Change of Auditors"). Pursuant to Rule 712(3) of the Listing Manual of the SGX-ST, the Proposed Change of Auditors was specifically approved by Shareholders in a general meeting on April 8, 2025.

Save as disclosed above, there were no other important events affecting the Group that have occurred after the end of the reporting period.

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2024, the Group had a workforce of 312 (March 31, 2024: 325) full-time employees, of which 19.23% worked in Hong Kong, 76.28% in the PRC and the remainder in Taiwan.

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

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

## CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at December 31, 2024 (March 31, 2024: nil).

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

**Xie Lishu** *(re-designated with effect from October 21, 2024)*
***Chairman and Executive Director***
***Chairman of the Employee Share Option Scheme Committee ("ESOSC")***

| | | |
|---|---|---|
| Date of first appointment as a director | : | May 20, 2023 |
| Date of last re-election as a director | : | July 28, 2023 |

**Xie Lishu**, aged 52, was re-designated as an Executive Director on October 21, 2024 and remained as the Chairman of the Board as well as the chairman of the ESOSC. Mr. Xie is responsible for determining the overall strategies and direction, and overseeing sales and marketing operations of the Group. Mr. Xie also serves as a director for various subsidiaries of the Company. Mr. Xie obtained a bachelor's degree in applied chemistry from Tongji University in 1996. He has over 28 years of experience in the electronics industry. He was a sales manager of China Circuit Technology (Shantou) Corporation from 1996 to 1999. Since 2008, Mr. Xie served as the chief executive officer of Shanghai YCT Electronics Group Co., Ltd. (上海雅創電子集團股份有限公司) (" Shanghai YCT"), which is a company listed on the ChiNext Board of the Shenzhen Stock Exchange and Mr. Xie also served as the chairman of the board of directors of Shanghai YCT since 2019. Mr. Xie is the husband of Ms. Huang Shaoli, a Non-executive Director. Mr. Xie is deemed to be interested in all of the shares held by Texin (HongKong) Electronics Co. Limited ("Texin"), a controlling shareholder of the Company.

**Fan Qinsheng**
***Executive Director and Authorised Representative***

| | | |
|---|---|---|
| Date of first appointment as a director | : | November 14, 2023 |
| Date of last re-election as a director | : | July 31, 2024 |

**Fan Qinsheng**, aged 52, was appointed as an Executive Director on November 14, 2023. He is responsible for overseeing financial internal control and compliance and external information distribution of the Group. He is also the supervisor of two subsidiaries of the Company in People's Republic of China and an authorized representative under Rule 3.05 of the HK Listing Rules. Mr. Fan graduated with a degree of Finance from Sun Yat-sen University in 2017. Mr. Fan joined the Group as a financial manager in September 2023. Before joining the Group, he was the assistant branch manager of Jieyang City Rongcheng Branch, Bank of China from May 2002 to June 2004, a sales officer of Jieyang City Branch Bank, Bank of China from November 2005 to December 2008, the branch manager of Jieyang Rongcheng Branch, Bank of China from July 2007 to June 2009, the branch manager of Jieyang Dongshan Branch, Bank of China from June 2008 to June 2010, the General Manager of International Business Department of Guangdong Jieyang Rural Commercial Bank from 2013 to 2021, a senior manager of Shanghai YCT Electronics Group Co., Ltd (a company listed on the ChiNext Board of the Shenzhen Stock Exchange) from October 2021 to July 2023.

# BOARD OF DIRECTORS

## NON-EXECUTIVE DIRECTOR

**Huang Shaoli**
***Non-executive Director***

| | | |
|---|---|---|
| Date of first appointment as a director | : | May 20, 2023 |
| Date of last re-election as a director | : | July 28, 2023 |

**Huang Shaoli**, aged 47, was appointed as a Non-executive Director on May 20, 2023. Ms. Huang also serves as a director for various subsidiaries of the Company. Ms. Huang graduated with Junior College Degree in International Business from Shanghai Institute of Science & Technology Management in 1999. Ms. Huang has over 20 years of experience in the electronics industry. She was a finance manager of Shanghai YCT from 2004 to 2010 and the vice president of Shanghai YCT from 2010 to 2019. She has been a director of Shanghai YCT since 2019. Ms. Huang is also the wife of Mr. Xie Lishu, an Executive Director and the Chairman. Ms. Huang is deemed to be interested in all of the shares held by Texin, a controlling shareholder of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Chong Eng Wee**
***Independent Non-executive Director***
***Lead Independent Director***
***Chairman of the Nomination Committee ("NC")***
***Members of the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Compliance Committee ("CC")***

| | | |
|---|---|---|
| Date of first appointment as a director | : | August 11, 2023 |
| Date of last re-election as a director | : | July 31, 2024 |

**Chong Eng Wee**, aged 45, was appointed as an Independent Non-executive Director on August 11, 2023 and subsequently appointed as the Lead Independent Director on August 23, 2023. He graduated with a degree of Bachelor of Laws from Victoria University of Wellington, completed the Professional Legal Studies Course (New Zealand) from Institution of Professional Legal Studies, was awarded the Graduate Diploma in Singapore Law from National University of Singapore and completed the Postgraduate Practical Course in Law from the Board of Legal Education, Singapore. Mr. Chong is an Advocate and Solicitor of the Supreme Court of Singapore, a Solicitor of the High Court of Hong Kong, a Barrister and Solicitor of the High Court of New Zealand and a lawyer of the Supreme Court of New South Wales, Australia.

Mr. Chong is the managing director of Chevalier Law LLC since August 2021, a director of Chevalier CS Pte. Ltd. since April 2022 and a partner of Nixon Peabody CWL since July 2023. He was a consultant of Nixon Peabody CWL from December 2021 to June 2023, a partner and head of Corporate at Kennedys Legal Solutions Pte. Ltd. from October 2017 to July 2021, a partner and deputy head of Capital Markets & International China Practice at RHTLaw Taylor Wessing LLP from July 2015 to October 2017, and an associate director and representative of Shanghai representative office at Duane Morris & Selvam LLP from April 2011 to June 2015.

# BOARD OF DIRECTORS

Mr. Chong is currently the non-executive and independent chairman of Heatec Jietong Holdings Limited (SGX-ST stock code: 5OR) and Polaris Limited (SGX-ST stock code: 5BI), a non-executive and lead independent director of Accrelist Limited (SGX-ST stock code: QZG), a non-executive and independent director of AJJ Medtech Holdings Limited (SGX-ST stock code: 584), a non-executive and independent director of China Yuanbang Property Holdings Limited (SGX-ST stock code: BCD), the company secretary of LHN Limited (SEHK stock code: 1730 and SGX-ST stock code: 41O), the company secretary of Sincap Group Limited (SGX-ST stock code: 5UN), the company secretary of Shanghai Turbo Enterprises Ltd. (SGX-ST stock code: AWM), the company secretary of GS Holdings Limited (SGX-ST stock code: 43A), a director of Coronet Ventures (Singapore) Pte. Ltd., and a director of Lucky Sesa Pte Ltd.

**Lau Chin Huat**
***Independent Non-executive Director***
***Chairman of the AC***
***Members of the NC, the RC and the CC***

| | | |
|---|---|---|
| Date of first appointment as a director | : | August 23, 2023 |
| Date of last re-election as a director | : | July 31, 2024 |

**Lau Chin Huat**, aged 65, was appointed as an Independent Non-executive Director on August 23, 2023. He graduated with a degree of Bachelor of Accountancy from The National University of Singapore in 1983. He has over 41 years of experience in audit, accounting, tax and advisory roles. He is a public accountant registered with Accounting and Corporate Regulatory Authority in Singapore, a licensed Insolvency Practitioner approved by Ministry of Law in Singapore, an ISCA Financial Forensic Professional certified by Institute of Singapore Chartered Accountants in Singapore, an Accredited Tax Practitioner (Income Tax) and an Accredited Tax Advisor (GST) certified by Singapore Chartered Tax Professionals, a court-appointed Professional Deputy, a service regulated by the Public Guardian, Ministry of Social and Family Development in Singapore.

Mr. Lau is a member of Certified Public Accountants of Australia and Singapore Chartered Tax Professionals, a fellow member of Institute of Singapore Chartered Accountants and The Singapore Institute of Arbitrators and a Senior Accredited Director of Singapore Institute of Directors.

Mr Lau's roles as Court-appointed liquidator in Compulsory Winding Up (CWU), Provisional Liquidator in Creditors' Voluntary Liquidation (CVL) and Court appointed Private Trustee in Bankruptcy (PTIB) requires regular maintenance of skills of a Licensed Insolvency Practitioner.

Mr. Lau is the founder of Lau Chin Huat & Co, a public accounting firm since 1986. He is also a non-executive independent chairman of Kimly Limited (SGX-ST stock code: ID0) since November 2021, a non-executive independent director of Enviro-Hub Holdings Limited (SGX-ST stock code: L23) since October 2023 and the lead independent director of Wilton Resources Corporation Limited (SGX-ST stock code: 5F7) since October 2024.

# BOARD OF DIRECTORS

**Tso Sze Wai**
***Independent Non-executive Director***
***Chairman of the RC***
***Members of the AC, the NC, the CC and the ESOSC***

| | | |
|---|---|---|
| Date of first appointment as a director | : | August 23, 2023 |
| Date of last re-election as a director | : | July 31, 2024 |

**Tso Sze Wai**, aged 54, was appointed as an Independent Non-executive Director on August 23, 2023. He graduated with a degree of Bachelor of Commerce in Accounting from The University of New South Wales, Australia, in 1994 and awarded the Graduate Diploma in Business Computing from The University of Western Sydney, Australia, in 2000. He is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Tso is an independent non-executive director of China Jicheng Holdings Limited (SEHK stock code: 1027) since October 2016, an independent non-executive director of Net Pacific Financial Holdings Limited (SGX-ST stock code: 5QY) since July 2020, an independent non-executive director of China Asia Valley Group Limited (SEHK stock code: 63) since July 2021 and an independent non-executive director of Hop Fung Group Holdings Limited (SEHK stock code: 2320) since October 2022. He was the company secretary of China Carbon Neutral Development Group Limited (SEHK stock code: 1372) from October 2023 to January 2024.

**Jiang Maolin**
***Independent Non-executive Director***
***Chairman of the CC***
***Members of the AC, the NC and the RC***

| | | |
|---|---|---|
| Date of first appointment as a director | : | August 23, 2023 |
| Date of last re-election as a director | : | July 31, 2024 |

**Jiang Maolin**, aged 59, was appointed as an Independent Non-executive Director on August 23, 2023. He graduated with a degree of Master of Commerce in Professional Accounting from The University of New South Wales in 2001, was awarded the Bachelor of Laws from The Manchester Metropolitan University in 2012 and was awarded the PhD in Law from Renmin University of China in 2020. He is a member of Hong Kong Institute of Certified Public Accountants. Dr. Jiang is a director of Qianhai Devin Capital Management (Shenzhen) Co. Ltd.

# SENIOR MANAGEMENT

**Li Wei, Eddy**
***President***

Li Wei, Eddy, aged 53, is responsible for strategic planning and operational management, and overseeing sales and marketing department, technical department, risk management department and customer services center of the Group. Mr. Li obtained a Bachelor of Business Administration (BBA) degree by The Chinese University of Hong Kong in 1997. He joined us in February 2025 as the president of the Group. Before joining the Group, he served as Vice President of Arrow Electronics from 1998 to 2024 (later assuming the role of China Region Head).

**He Weibo**
***Deputy General Manager***

He Weibo, aged 52, is responsible for developing and managing the sales and marketing operations of the Group. Mr. He obtained a degree of industry analysis from Shandong Institute of Building Materials (later merged into University of Jinan) in 1996. He joined us in 2023 as the automotive promotion assistant general manager and was promoted to the deputy group general manager in 2024. Before joining the Group, he was an executive director and general manager of Shantou Dongzhiwang Electronic Technology Co., Ltd from August 2006 to November 2021, and a senior manager and general manager of foreign investment department of Shanghai YCT Electronics Group Co., Ltd (a company listed on the ChiNext Board of the Shenzhen Stock Exchange) from December 2021 to July 2023.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report (the "ESG Report") highlights Willas-Array Electronics (Holdings) Limited's (hereinafter referred to as the "Willas-Array", and together with its subsidiaries referred to as the "Group") ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "SEHK" respectively). The Group has prioritised the adoption of globally-recognised frameworks. This ESG Report was also prepared with reference to the Global Reporting Initiative ("GRI") Standards issued by Global Sustainability Standards Board ("GSSB"), as an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures. Additionally, the Group recognised the significance of evaluating the climate risks and opportunities of its business, and therefore disclosed climate-related issues in alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") framework. This ESG Report was in compliance with both SEHK and the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Rules.

This ESG Report has been reviewed and approved by the board of directors (the "Board" and the "Directors", respectively) of the Company. The Group has also engaged its internal auditor for the internal review of the ESG Report, as mandated by the SGX-ST.

### Scope and Reporting Period

The Group is principally engaged in the distribution of electronic components for use in industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services and automotive segments, as well as the provision of engineering solutions. This ESG Report covers the overall performance in two subject areas, namely, the Environmental and Social aspects of its major business operations in Hong Kong and the mainland of the People's Republic of China (the "PRC") from April 1, 2024 to December 31, 2024 (the "reporting period"), unless otherwise stated. This ESG Report covers the Group's major business operations that constitute major revenue, namely,

(i) The headquarters office in Hong Kong;

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

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

(iv) The warehouse in Hong Kong;

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

(vi) The warehouse in Jinqiao, Shanghai of the PRC.

Other business operations that have insignificant environmental and social impacts on the Group were excluded from the reporting scope. The reporting scope for this reporting period remained unchanged when compared to that of the previous reporting period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT – *continued*

### Reporting Principles

The contents covered in this ESG Report are in compliance with the four reporting principles of materiality, quantitativeness, balance and consistency required in Appendix C2 to the Listing Rules and their referred documentations as set out by the SEHK. Combining the application of the nine reporting principles of accuracy, balance, clarity, comparability, completeness, materiality, sustainability context, timeliness and verifiability set out by the GRI Standards, the Group ensures quality and proper presentation of the reported information. The reporting principles applied are consolidated as follows:

| | |
|---|---|
| *Accuracy and Quantitativeness*<br><br>Qualitative information in the ESG Report has been reported in consistent with the available evidence. Quantitative key performance indicators ("KPI" s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable. | *Balance*<br><br>The Group's performance during the reporting period has been presented in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements. Performance data is reported in a way that allows information users to see negative and positive year-on-year trends in impacts. |
| *Clarity*<br><br>Information presented in the ESG Report is accessible and understandable, and reported in a concise way without omitting necessary details. A content index has been prepared for easy navigation of information. | *Consistency and Comparability*<br><br>Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time. |
| *Completeness*<br><br>Activities, events and impacts for the reporting period have been presented without omitting information that is necessary for understanding the Group's impacts. | *Materiality*<br><br>Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality Assessment" in the ESG Report. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT – *continued*

### Reporting Principles – *continued*

| | |
|---|---|
| *Sustainability Context*<br><br>Information about the Group's impacts has been reported in relation to sustainable development goals and conditions | *Timeliness*<br><br>Consistency has been maintained for the lengths of reported information. Time period covered by the ESG Report has been indicated clearly. |
| *Verifiability*<br><br>Decision-making processes underlying the ESG Report has been documented to allow examination of the key decisions and processes. Internal controls have been set up and documentation has been organised to facilitate verification processes. | |

### About Willas-Array

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

Backed by long-standing relationships with over 30 internationally reputable principal suppliers, Willas-Array carries a wide product mix, distributing and marketing over 10,000 product items which cater to over 3,000 customers. Its main markets are in mainland China, Hong Kong and Taiwan.

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

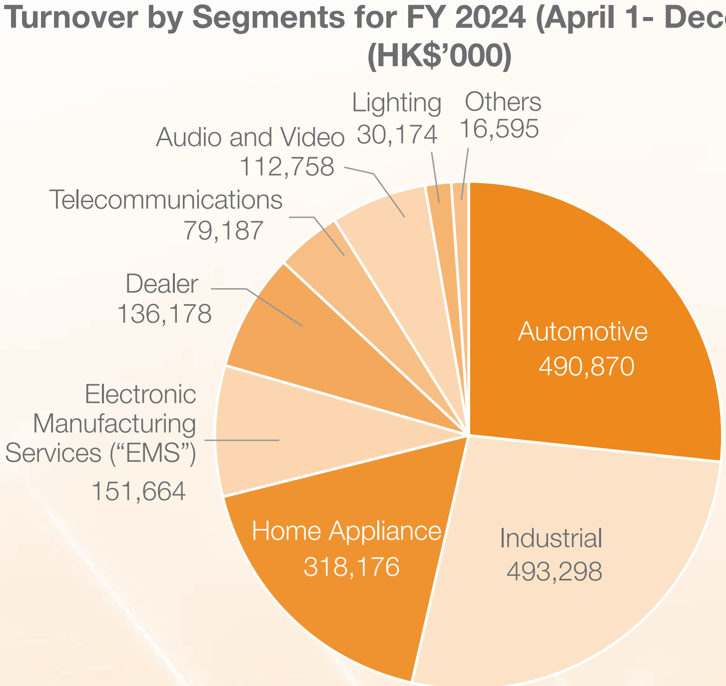
In Mainland China, Willas-Array has established a network of offices strategically located in Beijing, Chongqing, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen and Zhongshan. It has a wholly-owned subsidiary in the Free Trade Zone in Shanghai, which serves as a logistics centre for the Group in northern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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT – *continued*

### About Willas-Array – *continued*

There were no significant changes to the Group's size, structure, or supply chain during the reporting period. The Group's product sales by market segments are shown below.




### The Board's Statement

I am delighted to present to you the ESG Report of WAE for the reporting period. During the reporting period under review, we remained committed to our core ESG values and worked closely with our stakeholders to reinforce our sustainability efforts.

With a focus on promoting smart and sustainable living, green environment and making a positive impact on society, we integrate ESG considerations across our operations and organisation, including our business strategy, decision-making, and overall operations. We have established a sustainability strategy, which the Board oversees, while heads of supporting units and general staff at all levels within the Group implement the measures and ensure goal alignment across the Group.

We have an ESG task-force team (the "ESG Team") that takes a proactive approach to planning and implementing sustainability strategies, supporting the Board in overseeing effective ESG risk management and internal control systems, evaluating material ESG matters and climate risks, and setting relevant targets for continuous improvement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT – *continued*

### The Board's Statement – *continued*

To mitigate climate change, we strive to minimise our environmental impact by reducing waste and conserving resources by ensuring that our operations are efficient and productive. We treat climate change as both a risk to mitigate and an opportunity for the Group to explore new market opportunities and expedite the transformation of its products to low-carbon, energy-efficient, and climate-resilient. We will continue to expand our product portfolio towards the provision of clean energy and low-carbon solutions in the automotive and industrial segments.

Developing and maintaining talent is crucial to the Group's business growth. Guided by our human resource policy, we are committed to building our talent pool and nurturing future leaders through comprehensive training programmes. We have set up a dedicated working group to support and provide regular feedback on employee training and development.

Looking ahead, Willas-Array will endeavour to maintain sustainable growth in its business and support the global push for all things green by introducing smarter and more innovative solutions that encourage energy efficiency. The Group will stay true to its mission and take its role as a responsible global corporate citizen seriously.

**Fan Qinsheng**
*Executive Director*

May 21, 2025

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH

### Stakeholder Engagement and Materiality Assessment

#### *Stakeholder Engagement*

The Group recognizes the importance of the materiality assessment process in informing its decision-making and sustainability reporting. This process plays a vital role in identifying and prioritizing the issues that are most relevant to its stakeholders. The Group has revised its materiality assessment process to align with the updated GRI Standards. This revision incorporates various factors, including the Group's context, the actual and potential impacts of its operations, and the significance of the identified impacts. By utilizing this enhanced process, the Group aims to ensure that its sustainability efforts are focused on addressing the most significant issues and meeting the expectations of its stakeholders.

**Identifying ESG Topics**

Stakeholder engagement exercise conducted through questionnaires for key groups of stakeholders (including internal and external stakeholders)

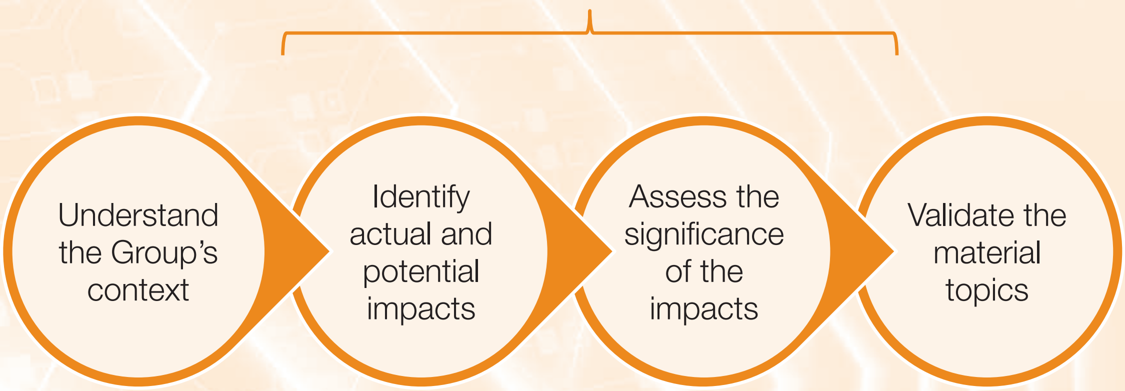
**Ranking ESG Topics**

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

**Validating the Results**

The Group reviewed and validated the prioritised material topics from the materiality matrix

**Stakeholder Engagement Process**




- The Group's context was understood based on internal assessment, the Materiality Map of Sustainabilty Accounting Standards Board ("SASB") Standards, and advice from external professionals

- Topics with high relevance to the Group's actual and potential impacts were identified and considered

- The Group's impacts have been assessed. Topics relevant to significant impacts of the Group have been determined as material topics

- The Board and the management has reviewed the materiality matrix and impact assessment results, and validated the scope, topic boundaries and completeness of the material topics

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Stakeholder Engagement and Materiality Assessment – *continued*

***Stakeholder Engagement*** – *continued*

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

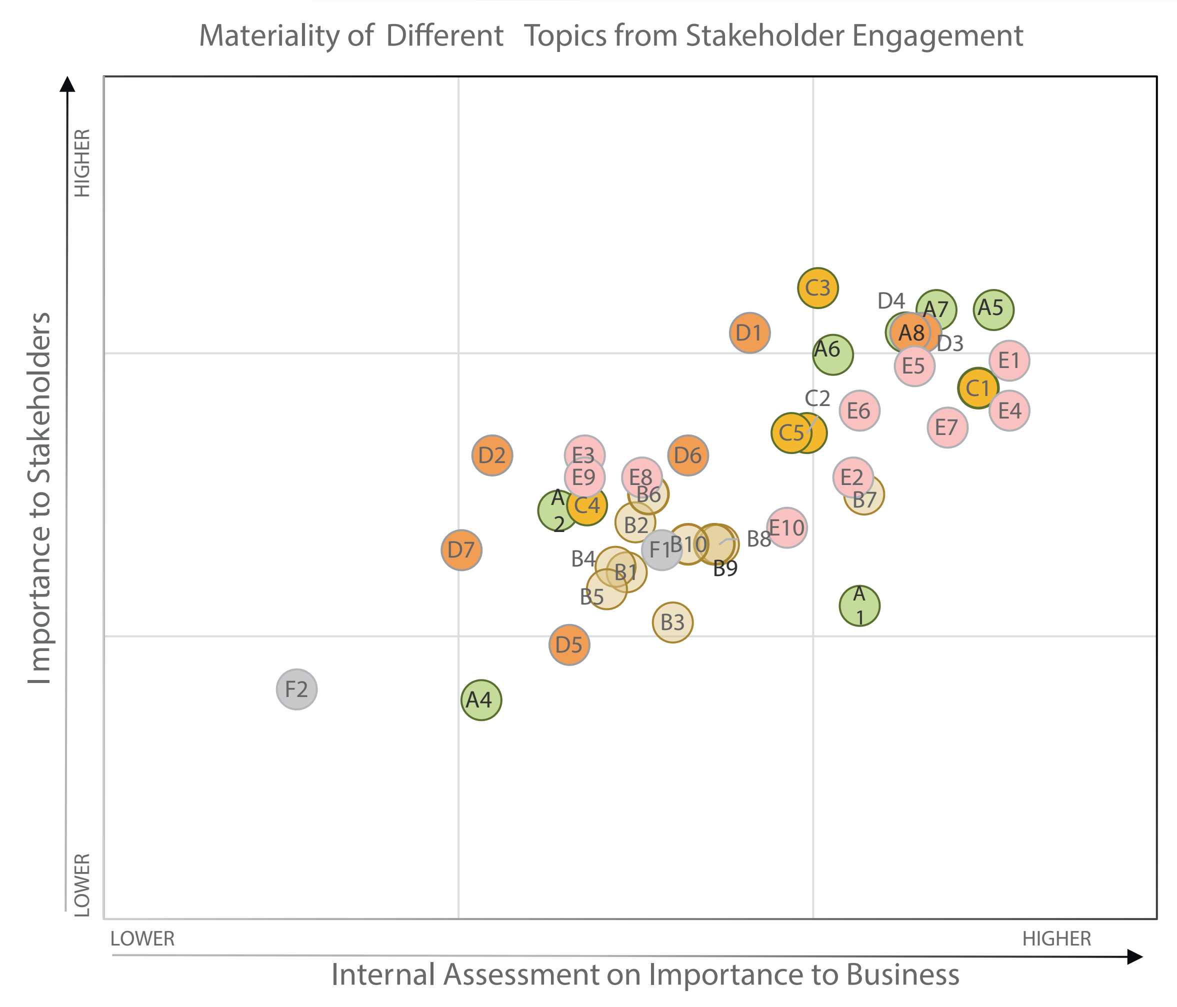
## 1. OUR SUSTAINABILITY APPROACH – *continued*

**Stakeholder Engagement and Materiality Assessment** – *continued*

***Stakeholder Engagement*** – *continued*

There were 42 economic, environmental, and social-related ESG aspects identified to be related to the Group's business operation. The Group engaged the board members, substantial shareholders, senior management, frontline staff, vendors and customers to share views regarding the identified ESG aspects of the Group's operation through surveys. The result of the materiality matrix is illustrated below.

**Materiality Matrix**



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

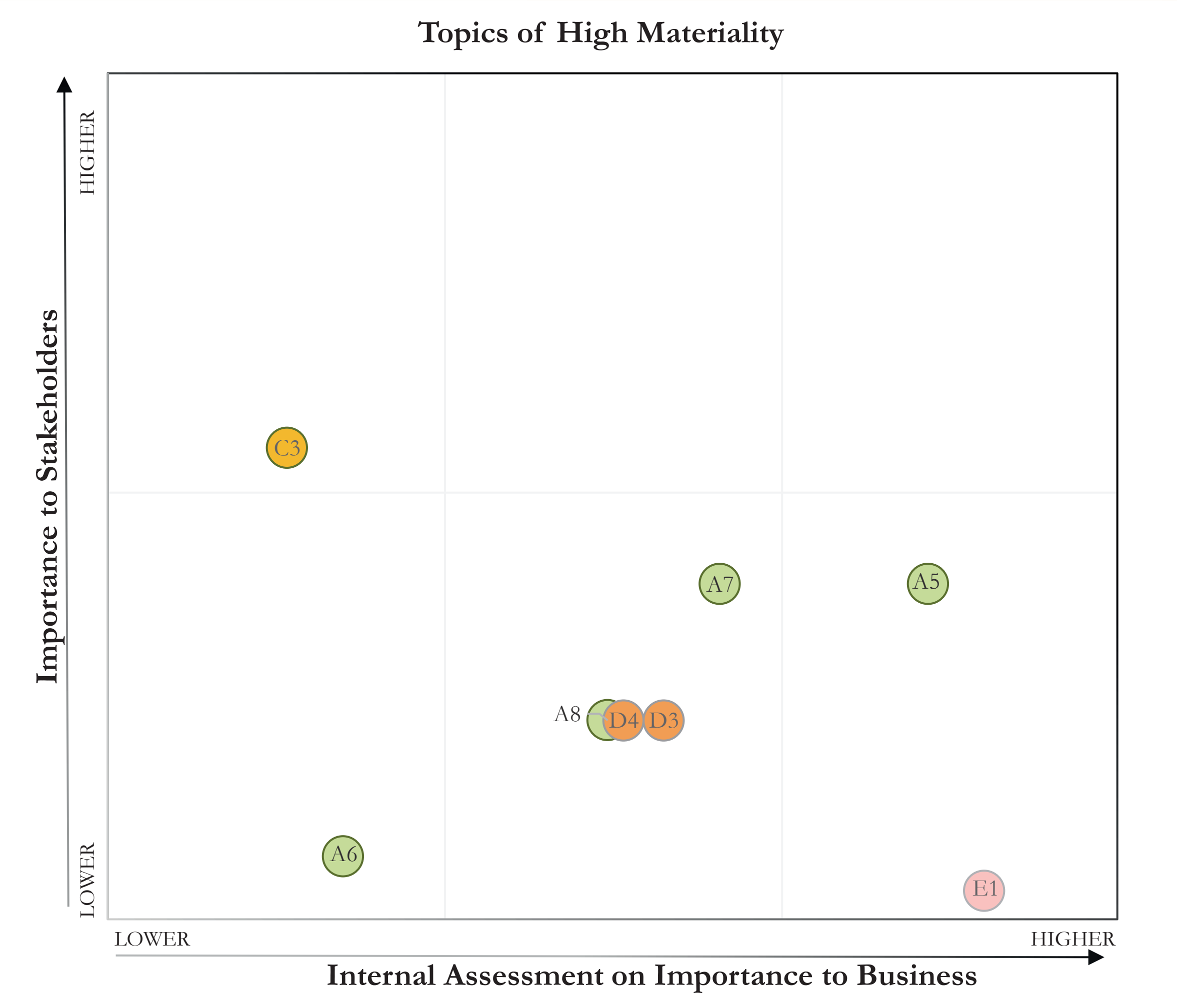
**Materiality Matrix** – *continued*

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

**Materiality Matrix** – *continued*




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

- Anti-corruption
- Anti-competitive Behavior
- Tax
- Socioeconomic Compliance
- Occupational Health and Safety
- Preventing Child Labor
- Preventing Forced or Compulsory Labor
- Product Quality

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Assessment of Impacts

In addition to engaging with the Group's stakeholders, both the Board and management have conducted thorough assessments of the actual and potential impacts arising from the Group's operations. Through these assessments, the Group aims to identify and understand the negative impacts of its operations, including social, environmental, and economic dimensions. These assessments have been conducted based on the advice of external professionals and the Materiality Map of SASB Standards. The significance of these impacts has also been evaluated.

The Group engages with affected stakeholders to understand their concerns and gather input on effective remediation strategies. Moving forward, the Board and management will regularly evaluate the materiality of topics through the use of a materiality matrix and impact assessment. This ongoing process will enable them to stay informed about the significance of various issues and ensure that the Group's ESG reporting remains comprehensive and aligned with the evolving needs and expectations of stakeholders.

### The Top Material Topics of the Group and Their Boundaries

In the previous reporting period, the stakeholder materiality assessment identified several key topics that are central to the Group's operations and stakeholders. These topics were categorized as economic and corporate governance, environmental, labor management, human rights, product responsibility and social participation. There were 8 material topics identified.

In the current reporting period, the Group reviewed the key topics and concluded that there have been no significant changes. These topics have consistently remained significant over the past three reporting periods, highlighting their ongoing importance.

For a more comprehensive overview, please refer to the table below, which highlights the impact boundaries and the Group's management approach to these material topics. For more detailed information, consult the relevant sections within this ESG Report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

**The Top Material Topics of the Group and Their Boundaries** – *continued*

| Material Topics | Impact Boundaries | | | | Management Approach |
|---|---|---|---|---|---|
| | Employees | Customers | Suppliers | Shareholders & Investors | |
| Anti-corruption | ✓ | ✓ | ✓ | | – Rolled out a specific anti-corruption policy<br>– Adhere to the internal Code of Business Conduct in all business interactions<br>– Encourage employees to raise concerns about misconduct, malpractice or irregularities with the whistleblowing policy in place |
| Anti-competitive Behaviour | ✓ | | ✓ | ✓ | – Prohibition of anti-competitive practices, and in compliance with laws and regulations.<br>– Protection of confidential information.<br>– Management of conflicts of interest.<br>– Training and communication on the Code of Business Conduct.<br>– Annual completion of confirmation and declaration forms regarding the Code of Business Conduct and conflicts of interest. |
| Tax | ✓ | | | ✓ | – The Group has a tax strategy and engages an external tax representative for compliance with tax regulations and laws.<br>– The Finance and Accounting Department and HR Department within the Group oversee tax-related matters. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

**The Top Material Topics of the Group and Their Boundaries** – *continued*

<table>
<tr><th rowspan="2">Material Topics</th><th colspan="4">Impact Boundaries</th><th rowspan="2">Management Approach</th></tr>
<tr><th>Employees</th><th>Customers</th><th>Suppliers</th><th>Shareholders & Investors</th></tr>
<tr><td>Socioeconomic Compliance</td><td>✓</td><td></td><td>✓</td><td>✓</td><td>– Conduct a comprehensive assessment across various areas, such as supply chain, and customer relationships.<br>– Adopt transparent reporting practices, providing relevant information on its socioeconomic compliance efforts on the annual report.<br>– Engage stakeholders through annual survey and other communication channels.<br>– The Group should regularly review and evaluate its socioeconomic compliance performance.<br>– Annual review on its business strategy.</td></tr>
<tr><td>Occupational Health and Safety</td><td>✓</td><td></td><td>✓</td><td></td><td>– Comprehensive safety policies, including training and evacuation exercises.<br>– Fire safety provisions, first-aid kits, and regular checks.<br>– Promptly addresses and investigates occupational incidents.<br>– Compliance with relevant laws and regulations.</td></tr>
<tr><td>Preventing child labour</td><td>✓</td><td></td><td>✓</td><td></td><td rowspan="2">– Prohibit child and forced/ compulsory labour in the Group's operation.<br>– Perform detailed evaluation during selection of suppliers taking into account the suppliers' performance in fulfilling their social responsibilities and commitments.</td></tr>
<tr><td>Preventing forced/ compulsory labour</td><td>✓</td><td></td><td>✓</td><td></td></tr>
</table>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### The Top Material Topics of the Group and Their Boundaries – *continued*

| Material Topics | Impact Boundaries | | | | Management Approach |
|---|---|---|---|---|---|
| | Employees | Customers | Suppliers | Shareholders & Investors | |
| Product Quality | | ✓ | | | – Establish standardised procedures ensuring product consistency and quality.<br>– Utilize the Enterprise Resource Planning (ERP) system to access and analyze real-time information and data.<br>– Include warranty terms in vendor agreements with suppliers. |

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

### Sustainability Governance

The Group has established an ESG Team that is responsible for the systematic planning and implementation of sustainability strategies across its departments and subsidiaries. This team is coordinated by the financial consultant and consists of members from the Finance and Accounting Department and Human Resources Department. Their primary role is to support the Board in ensuring effective ESG risk management and internal control systems.

The ESG Team provides annual reports to the Board, which include updates on ESG activities and progress. The Board convenes annually to assess and prioritize material ESG-related issues, evaluate risks and opportunities associated with climate change, and review ESG targets.

To integrate sustainability into the Group's business practices, the Board has established a robust governance structure. This structure facilitates the communication of ESG strategies, the review of ESG performance and targets, and the evaluation of ESG risks and opportunities throughout the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Sustainability Governance – *continued*

The following table outlines the governance structure and the responsibilities of different parties involved:

**Board of Directors**

- Formulate and review ESG approach and targets
- Evaluate and prioritise material ESG-related issues
- Identify climate change-related risks and opportunities
- Review, approve and communicate ESG approach, performance and targets to stakeholders

**The ESG Team**

- Plan and implement ESG strategies across departments and subsidiaries
- Establish effective ESG monitoring and evaluation mechanism
- Supervise the implementation of ESG strategies across departments and subsidiaries
- Support the Board in decision-making, identifying and managing ESG opportunities and risks

**Management from various departments**

- Implement major tasks assigned by the Board and the ESG Team
- Implement and monitor ESG strategies, performance and targets
- Establish an effective ESG data monitoring mechanism
- Identify and manage ESG opportunities and risks

Aside from the rigid sustainability governance structure, the audit committee of the Board (the "Audit Committee") ensure the effectiveness of the Group's financial control, operational control, internal control, compliance control, information technology control and risk management and internal control systems. Details are shown in the Corporate Governance Report of the Annual Report 2024.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Governance Structure and Composition

The Board leads the Group by providing strategic and effective governance. The chairman is responsible for giving 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 responsibility of the chairman includes:

- leads the Board to ensure its effectiveness on all aspects of its role;
- promotes a culture of openness and debate at the Board;
- ensures effective communication with shareholders;
- encourages constructive relations within the Board and between the Board and management
- facilitates the effective contribution of INEDs; and
- promotes high standards of corporate governance.

To prevent and mitigate conflicts of interest, a clear division of responsibilities between the role of a chairman and the chief executive officer is established. A lead independent director has been appointed to provide leadership in situations where conflict of interest potentially exists when the chairman executes his duties. If a director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. All directors facing conflicts of interest will recuse themselves from discussions and decisions involving the issues of conflict.

The Board comprises 2 executive directors, 1 non-executive director and 4 independent non-executive directors (the "INED") as of December 31, 2024. The tenure of services for the members on the Board is 2 years. While the Board has no cross-board membership, cross-shareholding with suppliers and other stakeholders, and transactions and outstanding balances with related parties during the reporting period, as per the Listing Rules, the Board shall make sure to disclose the existence of controlling shareholders or any related parties, their relationships, transactions, and outstanding balances if such entities exist. Details are shown in the sections "Material Contracts" and "Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance" of the Annual Report 2024.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Governance Structure and Composition – *continued*

The competencies of the Directors relevant to the Group's impacts are described in the "Board of Directors" section of the Annual Report 2024. The list of Directors and their gender and roles and functions as of December 31, 2024 is shown below.

| Director | Gender | Roles | Audit Committee | Nomination Committee | Remuneration Committee | Compliance Committee | Employee Share Option Scheme Committee |
|---|---|---|---|---|---|---|---|
| Xie Lishu | M | Chairman of the Board and Executive Director | – | – | – | – | chairman |
| Fan Qinsheng | M | Executive Director | – | – | – | – | – |
| Huang Shaoli | F | Non-executive Director | – | – | – | – | – |
| Chong Eng Wee | M | INED and Lead Independent Director | member | chairman | member | member | – |
| Lau Chin Huat | M | INED | chairman | member | member | member | – |
| Tso Sze Wai | M | INED | member | member | chairman | member | member |
| Jiang Maolin | M | INED | member | member | member | chairman | |

### Board Selection and Diversity

In order to support its strategic objectives and sustainable development, the Group views enhancing diversity at the Board level as a crucial factor in achieving a balanced and sustainable development. The Company has implemented a nomination policy and board diversity policy to promote diversity and inclusion in its corporate governance practices. The nomination policy sets out the approach to guide the nomination committee (the "Nomination Committee") of the Board in relation to selection, appointment and re-appointment of the directors of the Company. The board diversity policy sets out the framework that the Company has in place to achieve and maintain the appropriate diversity of the Board. Through these policies, the Company aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Group's business.

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. The remuneration committee (the "Remuneration Committee") of the Board considers the remuneration package for the selected candidate. 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Board Selection and Diversity – *continued*

The Nomination Committee evaluates, selects and recommends candidate(s) for directorships to the Board and evaluates and recommends the retiring Director(s) for re-appointment by giving due consideration to certain criteria, including but not limited to,

(i) diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(ii) commitment for responsibilities of the Board in respect of available time and relevant interest;

(iii) qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the Company's business is involved;

(iv) independence (for the INEDs);

(v) reputation for integrity;

(vi) potential contributions that the individual can bring to the Board; and

(vii) plan(s) in place for an orderly succession of the Board.

Shareholders may put forward proposals in general meetings to nominate any person to stand for election as a director of the Company according to the Company's procedures for shareholders to propose a person for election as a director.

The Group values gender diversity and recognizes the importance of representation. Currently, the Board comprises 6 male directors and 1 female director.

### Remuneration Policies

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

Further, the Remuneration Committee 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

**Remuneration Policies** – *continued*

Although there are no independent remuneration consultants, the Code of Corporate Governance 2018 of Singapore requires all Remuneration Committee members to be non-executive directors ("NEDs"), with the majority (including the Chairman of the Remuneration Committee) to be independent directors. At all times during the reporting period, all members of the Remuneration Committee are INEDs.

The Remuneration Committee has adopted a framework which consists of a base fee to remunerate INEDs based on their appointments and roles in the respective committees of the Board, taking into account the level of contribution and factors such as effort, time spent and responsibilities. Directors' fees to be paid to the INEDs will be tabled for the approval by the Company's shareholders. The Directors' fees are reviewed annually to ensure that the INEDs are not overcompensated to the extent that their independence may be compromised. For details of the five highest paid individuals for the reporting period, please refer to the "Remuneration and Benefits of Directors and Top Five Key Executives" section of the Annual Report 2024.

**The Board's Engagement**

The Board engages the Group's internal and external stakeholders through various channels stated in the section "Stakeholder Engagement and Materiality Assessment" of this ESG Report. The Board receives substantial stakeholders' feedback on the Group's ESG performance through monthly and quarterly meetings with various departments. The received feedback will be taken into consideration during meetings of the Board annually, where the effectiveness of the Board's governance and management of the Group's impacts on economy, environment and the people is also reviewed.

In November 2022, the Board has rolled out the shareholders' communication policy which outlined how the Company's shareholders can access information and express their views on matters impacting the Group. The policy also details how the Company seeks to understand its shareholders' perspectives and facilitates active stakeholder engagement. Critical concerns can be raised by stakeholders through channels stated in the shareholders' communication policy and "Stakeholders' Feedback" of this ESG Report to the company secretary of the Company (the "Company Secretary"). Critical concerns will be reported to the Board by the Company Secretary and addressed by the Board immediately. During the reporting period, the Group has not received critical concerns raised by stakeholders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. OUR SUSTAINABILITY APPROACH – *continued*

### Collective Knowledge of the Board

The Board recognises the importance of appropriate training for its directors and participation in continuous professional development by its directors. All the directors and senior management personnel are encouraged to participate, at the Company's expense, in continuous professional development to develop and refresh their skills and knowledge, particularly on relevant new laws and regulations affecting, and the changing commercial risks relating to, the Group's business and governance practices from time to time.

To ensure a well-informed and knowledgeable Board, the Group has established training programs for directors. All first-time directors undergo training programs specifically designed for them, conducted by the Singapore Institute of Directors, as prescribed under Rule 720(7) of the Listing Manual set out by the SGX-ST. These programs include essential training on environmental, social, and governance (ESG) matters, recognizing the significance of these aspects in the current business landscape.

In addition, experienced directors also receive training on sustainability matters unless they already possess expertise in this area. This training requirement is prescribed by the SGX-ST. By providing sustainability training to experienced directors, the Group aims to enhance their knowledge and understanding of sustainability issues and their relevance to the Group's operations.

These training initiatives ensure that the Board members possess the necessary knowledge and understanding of ESG and sustainability matters, enabling them to effectively address these issues in their decision-making processes.

### Due Diligence

The Board and the senior management of the Group strive to avoid or minimise negative impacts on the economy, environment and people, including impacts on their human rights whenever possible. Upon identification of potential negative impacts, the Group will develop corresponding prevention or mitigation measures. If the Group's operation has caused actual negative impact, the Group will spare no effort to remediate the impacts. The Group's impacts on the economy, people and the environment and their corresponding prevention or mitigation measures are described in the sections "Business Strategy", "Environmental" and "Social" of the ESG Report respectively.

### 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

## 2. BUSINESS STRATEGY

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

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

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL

### Emissions

The Group is committed to continual improvement in its environmental performance by striving for more efficient resource utilization, waste reduction, energy conservation, and raising environmental awareness among its staff. To guide the implementation of environmental initiatives, the Group has an environmental policy in place. The policy encourages staff to contribute their ideas on green practices and fosters staff engagement and contribution to environmental protection.

To promote environmental awareness and participation among employees, the Group has organized various activities, including the establishment of a "Green Corner" in its Hong Kong, Shenzhen, and Shanghai offices. Furthermore, in collaboration with CLP Power Hong Kong Limited, the Group has upgraded the lighting fixtures at its headquarters office to energy-efficient and environmentally friendly LED tubes, replacing the previous incandescent and fluorescent lamps used before December 2021. The Group already successfully replaced all incandescent and fluorescent tubes at the Shanghai office and warehouse with LED lighting.

The Group will regularly review the necessity of target setting in its operations, taking into account its environmental performance and evolving priorities. By continuously evaluating its environmental practices, the Group aims to uphold its commitment to environmental sustainability.

### Air Emissions[1]

During the reporting period, petrol was consumed by the Group-owned vehicles, which contributed to the emission of 0.74 kg of nitrogen oxides ("NOx"), 0.005 kg of sulphur oxides ("SOx") and 0.05 kg of particulate matter ("PM"). The emissions of NOx, SOx and PM decreased slightly mainly due to the reduced consumption of petrol and the reduced mileage travelled by the Group's vehicles.

| Air Emission Data | In FY 2024 (April 1– December 31) | in FY 2023/24 | in FY 2022/23 |
|---|---|---|---|
| $NO_x$ (in kg) | 0.74 | 3.2 | 5.01 |
| $SO_x$ (in kg) | <0.01 | 0.13 | 0.17 |
| PM (in kg) | 0.05 | 0.24 | 0.37 |

1 Emission factors were made by reference to Appendix 2: Reporting Guidance on Environmental KPIs of ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Greenhouse Gas ("GHG") Emissions[2]

During the reporting period, the Group's business operation contributed to the GHG emission of 296.45 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 0.003 $tCO_2eq./ft^2$ with reference to the floor area of the Group's business operations and 1.21 $tCO_2eq.$/employee with reference to the total number of employees as of December 31, 2024.

| Scope of GHG Emissions | Emission Sources | GHG Emission ($tCO_2eq.$) In FY 2024 (April 1– December 31) | GHG Emission ($tCO_2eq.$) in FY 2023/24 | GHG Emission ($tCO_2eq.$) in FY 2022/23 |
|---|---|---|---|---|
| **Combustion of fuel for mobile sources**[1] | Petrol | 0.73 | 22.92 | 31.15 |
| **Purchased electricity**[2] | | 218.03 | 335.17 | 358.74 |
| **Paper waste disposed of in landfills** | | 10.37 | 12.64 | 14.90 |
| **Electricity used for freshwater treatment** | | 0.01 | 0.06 | 0.08 |
| **Business air travel** | | 67.31 | 51.72 | 22.86 |
| | **TOTAL** | **296.45** | **422.54** | **427.76** |
| | **INTENSITY ($tCO_2eq./ft^2$)** | **<0.01** | **<0.01** | **<0.01** |
| | **INTENSITY ($tCO_2eq.$/employee)** | **1.21** | **1.58** | **1.47** |

### Hazardous Waste

Although no substantial hazardous waste was generated by the Group, a small number of batteries have been used for office electronic devices. Used batteries were collected separately with the collection trays at offices and recycled at the designated public collection points in metro stations or building management collection points. There were no batteries disposal, hence no hazardous wastes generated by the Group during the reporting period.

[2] Emission factors were made by reference to Appendix 2: Reporting Guidance on Environmental KPIs of ESG Reporting Guide set out in Appendix C2 to the Listing Rules, average carbon dioxide emission factors of China's regional power grid, carbon dioxide emission factors of urban water supply in China Products Carbon Footprint Factors Database (CPCD) and the International Civil Aviation Organization (ICAO) Carbon Emission Calculator.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Non-hazardous Waste

During the reporting period, the Group generated 5.15 tonnes of non-hazardous waste, with an intensity of 0.02 tonne/employee. The type of non-hazardous waste generated by the Group was household waste.

| Non-hazardous Waste Data | Waste Generation in FY 2024 (April 1 – December 31) | Waste Generation in FY 2023/24 | Waste Generation in FY 2022/23 |
|---|---|---|---|
| Non-hazardous waste (in tonnes) | 5.15 | 10.87 | 11.82 |
| Non-hazardous waste generation intensity (in tonnes/employee) | 0.02 | 0.04 | 0.04 |

### Emissions Mitigation and Targets

During the reporting period, GHG emissions from purchased electricity and business air travel accounted for 97% of the total emissions, as the two major sources of emissions. While the Group's business operations do no involve production, the Group took the following measures to further reduce greenhouse gas emissions. The Group replaced incandescent and fluorescent tubes at the office with LED lighting to reduce electricity consumption. The Group also implemented the green travel policy, emphasizing reasonable and necessary business trips to mitigate the environmental impact caused by unnecessary travel. For details of the GHG emission reduction target, please refer to the "Energy Use Efficiency Initiatives and Targets" section of this ESG Report.

### Waste Reduction and Targets

Although the waste generated from the Group's business activities was minimal, the Group has made efforts to reduce waste generation, reuse materials, and recycle as much as possible. During the reporting period, the Group has successfully achieved the target set in the previous reporting period with the non-hazardous waste generation intensity of 0.02 tons/employee, not exceeding the relatively low intensity observed in the previous reporting periods (0.04 tonnes/employee).

The Group's environmental policy places significant emphasis on compliance with relevant laws and regulations, to ensure that waste handling practices exert no detrimental impacts on the environment and human health. In its waste management endeavors, the Group consistently adheres to the principles of reduction, reuse, recycling, and replacement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Waste Reduction and Targets – *continued*

To effectively minimize paper consumption, the Group has implemented a series of practical measures. An electronic leave-application system has been introduced for leave requests, payslip distribution, and business-trip applications, which has significantly reduced the reliance on printed documents. The Group has also replaced printed company brochures with e-brochures that are distributed electronically to customers. Employees are actively encouraged to reuse single-sided paper, envelopes, and carton boxes within the Group. They are also encouraged to bring their own containers or water bottles for beverages when attending meetings or going out. Additionally, the Group promotes the use of electronic communication means for interacting with clients and marketing products.

Regarding the promotion of waste source-separation, the Group has installed green collection boxes in the workplace specifically for gathering paper intended for reuse or recycling. In addition, collection bins for plastic bottles and aluminum products have been provided for recycling purposes. The Group actively guides employees to properly pre-process recyclable materials before placing them in the designated collection bins. The Human Resources Department is tasked with delivering the collected recyclable waste to the nearest public recycling bins. However, the Group has not recorded the amount of paper being recycled.

This reporting period, the Group has established a waste reduction target for the next reporting period. The target is to ensure that the intensity of non-hazardous waste disposal does not exceed 0.04 tonnes/employee. To reduce waste generation, the Group will take the following measures: put up signages related to waste reduction to raise awareness; provide training to employees on waste-reduction methods; install recycling bins for paper and plastic waste and ensure that the collected waste is sent to reliable recyclers; and formulate measures to reduce kitchen and food waste.

### 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Energy Consumption

| Energy Consumption Sources | Consumption in FY 2024 (April 1– December 31) | Consumption in FY2023/24 | Consumption in FY2022/23 |
|---|---|---|---|
| Electricity (in MWh) | 498.84 | 774.95 | 829.06 |
| Petrol (in MWh) | 2.72 | 83.22 | 113.50 |
| **TOTAL (in MWh)** | **501.56** | **858.17** | **942.56** |
| **Energy Consumption Intensity(in KWh/ft$^2$)** | **4.66** | **7.97** | **8.75** |
| **Energy Consumption Intensity (in KWh/employee)** | **2,038.86** | **3,202.13** | **3,239.02** |

The Group's total energy consumption was 501.56 MWh during the reporting period, with an overall energy intensity of 4.66 KWh/ft$^2$ and 2,038.86 KWh/employee. No renewable energy and non-renewable energy were used or sold by the Group.

### 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 53 m$^3$, with an intensity of 0.0005 m$^3$/ft$^2$ and 0.22 m$^3$/employee. Water consumption of the offices was not included since the consumption was managed by the building management, thus relevant data was not accessible. There was no issue in sourcing water for the Group's business operation.

| Water Consumption | Consumption in FY 2024 (April 1– December 31) | Consumption in FY 2023/24 | Consumption in FY 2022/23 |
|---|---|---|---|
| Water consumption (in m$^3$) | 53 | 149 | 178 |
| Water Consumption Intensity (in m$^3$/ft$^2$) | <0.01 | <0.01 | <0.01 |
| Water Consumption Intensity (in m$^3$/ employee) | 0.22 | 0.56 | 0.61 |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Energy Use Efficiency Initiatives and Targets

Electricity is the primary type of energy consumption in the Group's warehouses. The Group is committed to controlling energy consumption levels while providing a comfortable working environment for employees and maintaining suitable temperature and humidity conditions for inventory preservation. This is achieved through the use of air-conditioners and ceiling fans in the warehouses.

To enhance energy efficiency, the Group actively monitors energy consumption in the Hong Kong warehouse. Various measures have been implemented, such as adjusting air-conditioner temperatures based on weather conditions and turning off some air-conditioning units after normal work hours to reduce unnecessary energy usage. In office areas, employees are encouraged to switch off monitors when away from their desks for more than 15 minutes. Additionally, all computers, printers, and office equipment should be switched off after office hours, and power-saving modes should be enabled whenever possible. The Group also prioritizes the procurement of equipment with energy-efficient features, including appliances with Grade 1 energy labels under the Mandatory Energy Efficiency Labelling Scheme in Hong Kong.

The Group has been actively exploring opportunities to transition from incandescent and fluorescent tubes to LED lighting. The headquarters office in Hong Kong has completed the phased transition to LED lighting. The Group has replaced all incandescent and fluorescent tubes with LED lighting at the Shanghai office.

The Group has established energy consumption reduction targets and GHG emission reduction targets as illustrated in the figure below. The energy consumption reduction target for the next reporting period aims to ensure that the intensity of energy consumption does not exceed the relatively low intensity observed in the current reporting period (2.03 MWh/employee). By setting this target, the Group aims to continuously improve its energy management and GHG emission reduction practices and maintain a responsible approach to achieve energy conservation and address climate change, demonstrating its ongoing commitment to sustainable energy practices.

| Timeframe | Target |
|---|---|
| Long-term | Carbon Neutrality by 2060 (aligned with national objectives) |
| Medium-term | 10% reduction by 2040 compared to 2024 |
| Short-term | 5% reduction by 2028 compared to 2024 |

### Water Use Efficiency Initiatives and Targets

The Group encourages water conservation and reduces water wastage whenever possible. It has installed water-saving devices and examined water pipes regularly to avoid water leakage. Since fresh water was used for domestic use and the consumption is insignificant, only directional targets were set. Our target is to reduce water consumption as much as practicable and to reuse and recycle water resources as much as possible.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Packaging Materials

During the reporting period, the Group consumed a total of 2,955 kg of packaging materials, including cartons, packaging films, bubble wraps, etc., with a consumption density of 0.03 kg/ft$^2$.

| Type of Packaging Materials | Consumption in FY 2024 (April 1– December 31) | Consumption in FY 2023/24 | Consumption in FY 2022/23 |
|---|---|---|---|
| Bubble Wrap/Wrapping films (in tonnes) | 0.03 | 0.18 | 0.72 |
| Cartons (in tonnes) | 2.93 | 6.74 | 9.03 |
| **TOTAL (in tonnes)** | **2.96** | **6.92** | **9.75** |
| **Consumption Intensity (in kg/ft$^2$)** | **0.03** | **0.06** | **0.09** |

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

### The Environment and Natural Resources

During the reporting period, the Group's sources of emissions included petrol, electricity, paper, water, and business air travel. The Group maintained strict compliance with national and local laws and regulations pertaining to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste. No instances of non-compliance that significantly impacted the Group were recorded during the reporting period in relation to air and GHG emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste.

As a responsible organization, the Group is committed to minimizing waste and maximizing the utilization of resources. When developing new product sales, the Group takes a precautionary approach and considers the potential environmental impacts associated with the product life cycle. Furthermore, the Group will continue to monitor its resource consumption and waste generation, aiming to reduce any adverse environmental impact. By maintaining a proactive stance and implementing sustainable practices, the Group strives to mitigate its environmental footprint and contribute to a more sustainable future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Climate Change

The Group acknowledges the significant impacts of climate change and the need for prompt action. It faces risks from both physical and transition impacts of climate change. However, the Company also recognises the opportunities arising from the transition to a low-carbon economy. The Group is dedicated to managing these risks and capitalising on the opportunities presented by sustainable business development. This year, the Group continued its climate disclosure, in line with the four core elements recommended by the TCFD framework, namely, Governance, Strategy, Risk Management and Metrics and Targets.

#### *Governance*

The Board has the responsibility to oversee the Group's strategy and risk management, including identification and assessment of climate-related risks and opportunities. The Board evaluates ESG performance of the Group including climate-related issues and reviews the effectiveness of governance and management practices in addressing these issues. The Group has established clear roles and responsibilities for overseeing climate-related risks and opportunities and engages regularly with stakeholders to understand their perspectives and concerns. The management of the Group assists the Board to identify climate-related risks and opportunities, assesses the likelihood and potential of relevant physical and transition risks, and develop appropriate strategies to mitigate risks and capitalise on opportunities. The Board and the management regularly reviews and monitors effectiveness of climate-related strategies to ensure they remain relevant and effective in addressing climate-related risks and opportunities.

Although specific policies have yet to be formulated, the Group has implemented practices to ensure the integration of climate-related risks and opportunities into its decision-making processes. Moreover, the Group's governance practices and performance in this regard have been communicated to stakeholders through this ESG Report.

#### *Strategy*

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Climate Change – *continued*

***Strategy*** – *continued*

In terms of climate-related risks, the Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

| | Climate Risks | Time horizon | Trend | Potential financial impact |
|---|---|---|---|---|
| Physical Risks | Acute | Short to medium term | Increase | With extreme weather events of cyclones, hurricanes, storm surges and floods in increased severity, the warehouses of the Group may face property damage, business interruption and supply chain disruptions. They bring about damage of warehouses and inventory, resulting in repair and replacement costs, loss of revenue from disrupted operations and potential increases in insurance premiums. |
| | Chronic | Long term | | Longer-term shifts in climate patterns can increase operating costs and reduce revenue, resulting from higher energy and water costs, as well as increased maintenance and repair expenses for the warehouses. The Group may also face challenges for reduced availability of insurance on assets in locations with high exposure to natural disasters. |
| Transition Risks | Policy and Legal | Short term | Increase | Upon implementation of tightened environmental laws and the carbon pricing system could result in increased compliance costs for the Group such as investments in clean energy technologies or changes to supply chain practices. These increase compliance costs and reduce revenue of the Group. |
| | Reputation | Medium to long term | Increase | Negative perceptions of the Group's environmental and sustainability-related practices could impact its brand value and customer loyalty. As a result of reputational damage, the Group may face increased costs in marketing and implementation of sustainability initiatives. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Climate Change – *continued*

***Risk Management***

An ESG risk assessment was carried out by evaluating the possibility and impact of each identified risk, categorizing them into three levels: high, medium, and low. The overall risk levels are then classified into the risk levels, high, medium and low based on the possibility and impact ratings. The overall risk level was then prioritised by the Group.

| Risk levels | Definition of the overall risk levels |
|---|---|
| High | Risks at this level may have serious consequences. It is highly likely that there will be some impacts to the Group and hindrance for the Group to achieve strategic goals. |
| Medium | Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher |
| Low | Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low. |

The Group has identified its risk profile based on the climate-related risks suggested by the TCFD recommendations on climate-related financial disclosure. The relevant climate risks, their overall risk levels and management approach are shown below.

| | Climate risks | Overall risk level | Management Approach |
|---|---|---|---|
| Physical Risks | Acute | High | – Screen out warehouses in the basement and the ground floor<br>– Contain warehouses in different geographical regions<br>– Engage suppliers from various geographical regions |
| | Chronic | High | |
| Transition Risks | Policy and Legal | Medium | – Continuously monitor the latest climate-related regulations and trends<br>– Engage professional consultants to provide insights on climate-related issues<br>– Enhance disclosure to ensure effective communication with stakeholders |
| | Reputation | Low | – Ensure compliance of environmental laws and regulations<br>– Enhance supply chain management of the Group to mitigate risks arising from the supply chain<br>– Continuously monitor the latest climate-related regulations and trends |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. ENVIRONMENTAL – *continued*

### Metrics and Targets

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, Scope 3 GHG emissions (in $tCO_2eq.$), total GHG emissions (in $tCO_2eq.$) and the GHG emission intensity (in $tCO_2eq./ft^2$ and $tCO_2eq./employee$) regularly. The GHG emission data and reduction target are shown in the section "Emissions" and "Energy Use Efficiency Initiatives and Targets" of this ESG Report respectively.

## 4. SOCIAL

### Employment and Labour Practices

***Employment***

*Total Workforce and Turnover*

The business operations covered in the reporting scope had a total number of 246 employees as of December 31, 2024, including full-time, permanent, and temporary employees. The workforce distribution list by gender, age group, employee category, employee grade and geographical region are shown below.

**Workforce Distribution**

| | | |
|---|---|---|
| Workforce Distribution by Gender | Female | 48.78% |
| | Male | 51.22% |
| Workforce Distribution by Age Group | 18-25 | 6.91% |
| | 26-35 | 30.08% |
| | 36-45 | 31.30% |
| | 46-55 | 24.39% |
| | 56 or above | 7.32% |
| Workforce Distribution by Employee Category | full-time | 24.39% |
| | permanent | 34.15% |
| | temporary | 41.46% |
| Workforce Distribution by Employee Grade | Senior management | 6.10% |
| | Middle Management | 20.33% |
| | Frontline and Other staff | 73.58% |
| Workforce Distribution by Geographical Region | Mainland China | 50.00% |
| | Taiwan | 0.41% |
| | Hongkong | 49.59% |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Employment and Labour Practices – *continued*

***Employment*** – *continued*

*Total Workforce and Turnover – continued*

In addition, the proportion of female was 30.77% in management team while the proportion of male is 69.23%.

A total of 50 employees left the Group during the reporting period, representing an annual average turnover rate of 16.89%.

**Turnover Rates[3]**

| | | |
|---|---|---|
| Turnover Rates by Gender | Female | 11.11% |
| | Male | 21.74% |
| Turnover Rates by Age Group | 18-25 | 19.05% |
| | 26-35 | 16.85% |
| | 36-45 | 18.95% |
| | 46-55 | 13.04% |
| | 56 or above | 18.18% |
| Turnover Rates by Employee Category | full-time | 24.05% |
| | permanent | 8.70% |
| | temporary | 18.40% |
| Turnover Rates by Employee Grade | Senior management | 11.76% |
| | Middle Management | 15.25% |
| | Frontline and Other staff | 17.73% |
| Turnover Rates by Geographical Region | Mainland China | 13.38% |
| | Taiwan | 0.00% |
| | Hongkong | 20.26% |

*Employee Benefits and Equal Opportunity*

The Group's human resources policy encompasses various procedures and terms related to recruitment, promotion, code of conduct, discipline, working hours, leaves, and other benefits. In order to attract and retain talented individuals, the Group offers competitive compensation packages. These packages include provisions for medical insurance, life insurance, personal accident insurance, long service awards, and retirement schemes. Remuneration is reviewed on an annual basis, taking into consideration employee performance and market trends.

[3] The turnover rate is calculated as (number of employees who left the Group during the reporting period/ (number of employees as at December 31 of reporting period + number of employees who left the Group during the reporting period) * 100%). Employees who left the Group during the probationary period were not included in the calculation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

**Employment and Labour Practices** – *continued*

***Employment*** – *continued*

*Employee Benefits and Equal Opportunity – continued*

In addition to statutory holidays and leaves, employees are entitled to one day off with pay to celebrate their birthdays, providing them with an extra opportunity for personal celebration. The Group values employee satisfaction and recognizes the importance of work-life balance, ensuring that employees are rewarded and supported beyond the basic requirements.

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

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

*Human Rights*

Human rights have gained increasing significance to achieving a sustainable economy. The Group is aware of the rights set out in the UN International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation ("ILO") Declaration on Fundamental Principles and Rights at Work. The Group reviews the human rights policies and procedures on a regular basis to ensure that it conducts business in a way that reflects its commitment to supporting and respecting internationally proclaimed human rights.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Employment and Labour Practices – *continued*

***Employment*** – *continued*

*Human Rights – continued*

It is more common that risks of human rights are discovered through the business's supply chain. Along its employment and its value chain, the Group respects:

- Rights not to be subjected to slavery, servitude or forced labour;
- Rights to freedom of thought, conscience and religion;
- Rights to enjoy just and favourable conditions of work; and
- Rights to health.

The Group's commitments and practices for respecting human rights are described in the sections "Employee Benefits and Equal Opportunity" and "Labour Standards" of this Report.

*Employee Communication*

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

The Group places significant importance on its grievance mechanisms and related processes. Two main approaches are employed to track the effectiveness of the mechanisms and processes. One is through feedback mechanisms, where surveys or feedback forms are implemented for the users of the grievance mechanism to assess their satisfaction with the process and outcomes. The other is by establishing clear Key Performance Indicators (KPIs), such as resolution time, the percentage of grievances resolved, and the recurrence rate of similar issues, to measure the effectiveness of these mechanisms.

To foster work-life balance, the Group regularly organises social, sports and recreational activities for employees.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Employee Health and Safety

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

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

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

- Casual wear in the office;
- Encourage employees to perform stretching exercises in the office to relieve stress;
- Provide employees with useful anti-epidemic measures from time to time; and
- Strengthen workplace hygiene.

The Group ensures that appropriate fire safety provisions such as fire sprinklers, fire extinguishers and smoke detectors have been installed in warehouses and offices. The warehouses and offices have been equipped with first-aid kits, which are checked monthly by the human resources department.

During the reporting year, there was one work injury case recorded. Prompt corrective actions were taken immediately to address the issue and prevent similar incidents in the future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Employee Health and Safety – *continued*

Employees are reminded to work safely with display screen equipment and to avoid potential hazards when using printers, shredders, cutting boards and other sharp tools. Any work-related injuries should be recorded. In addition to the Guideline on Workplace Safety, a procedure for reporting workplace accidents has been developed. In the event of an occupational incident, injured employees or witnesses are required to promptly report it to their department head and the HR department. The HR department will then initiate the necessary insurance claims. Additionally, thorough investigations are conducted to identify the root causes and prevent the recurrence of any potential issues, ensuring a safer work environment for all.

The Group complied with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period, including but not limited to the PRC Law on the Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong.

There was one work injury case reported and corrective actions were taken to address the issue. There were no work-related fatalities reported in the reporting year.

| Occupational Health and Safety Data | In FY 2024 (April 1– December 31) | in FY2023/24 | in FY2022/23 |
|---|---|---|---|
| Work related fatality | 0 | 0 | 0 |
| Work related fatality rate | 0% | 0% | 0% |
| Work injury cases >3 days | 1 | 0 | 0 |
| Work injury cases ≤3 days | 0 | 1 | 0 |
| Lost days due to work injury | 56 days | 50 days | 0 days |

### Development and Training

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

## 4. SOCIAL – *continued*

### Development and Training – *continued*

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 training provided by the Group during the reporting period includes:

- Company Policies;
- Client Services;
- Operating Procedures;
- Risk Management;
- SAP or Computer Software Application;
- Product or Technical Training;
- New Employee Orientation;
- Credit training; and
- Logistics Training.

The Group also encourages employees to participate in job-related training. For example, employees attend external courses and seminars to stay abreast of the changes in new product development, accounting standards and corporate governance issues. The percentage of trained employees and average training hours completed per employee by categories are shown below[4,5].

**Percentage of Trained Employees**

| | | |
|---|---|---|
| Overall | | 48.37% |
| By Gender | Female | 44.17% |
| | Male | 52.38% |
| By Employee Grade | Senior management | 26.67% |
| | Middle Management | 36.00% |
| | Frontline and Other staff | 53.59% |

**Training Hours per Employee**

| | | |
|---|---|---|
| Overall | | 1.42 |
| By Gender | Female | 1.45 |
| | Male | 1.39 |
| By Employee Grade | Senior management | 0.63 |
| | Middle Management | 0.64 |
| | Frontline and Other staff | 1.70 |

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Labour Standards

In pursuance of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the PRC and other applicable laws and regulations, there was no child labour nor forced labour working in the Group. To ensure that job applicants have met the legal working age, the Group verifies the identities of job applicants against their valid identity documents when they are invited to attend the interview. The Group strictly prohibits forced work using physical punishment, abuse, involuntary servitude, peonage or trafficking. Any child or forced labour discovered will be prohibited from work immediately and the Group will perform detailed investigation and rectification accordingly. If necessary, the Group will coordinate with its legal department to carry out investigation and rectification. Along the supply chain, the Group strives to screen and select suppliers taking into consideration of the suppliers' performance in fulfilling their social responsibilities and commitments.

No significant risk of child labor or hazardous work involving young workers was identified during the reporting period for both operations and suppliers. Similarly, there were no significant incidents of child labor or forced/compulsory labor reported in terms of the type of operation, suppliers, or geographic areas at risk. Furthermore, no material non-compliance with laws and regulations pertaining to the prevention of child and forced labor was recorded during the reporting period.

### Operating Practices

#### *Supply Chain Management*

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Operating Practices – *continued*

***Supply Chain Management*** – *continued*

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 and environmental standards of the Group's key suppliers are regularly reviewed by its marketing department, which includes but is not limited to the European Union ("EU") Restriction of Hazardous Substances ("RoHS") Directive, the EU Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulation, AEC-Q100/Q200, ISO 9001, ISO 14001 and TS16949.

There were 33 major suppliers involving in the Group's operation, supplying the electronic components. There were no significant changes in the location, operation and relationships with the suppliers during the reporting period.

**Distribution of Suppliers by Geographical Region**

| Geographical region | Number of suppliers | Proportion |
|---|---:|---:|
| Mainland China | 18 | 55% |
| Japan | 8 | 24% |
| Thailand | 4 | 12% |
| Taiwan | 2 | 6% |
| Italy | 1 | 3% |

***Product Responsibility***

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

### Marketing, Labelling, and Advertising

The Group's operations do not involve marketing, labeling, and advertising activities. Given the nature of the Group's business, these activities are not deemed significant, and therefore, there is no specific policy addressing them. However, the Group remains dedicated to providing exceptional service to its customers while ensuring strict adherence to relevant regulations and laws.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Product Quality and Customer Service

The Group has standardised procedures ensuring product consistency and quality. In terms of inventory management, the Group safeguards its stock by maintaining optimal temperature and humidity conditions in the warehouses. Additionally, the Group optimizes all resources through continuous improvement of its logistics operations. Trading goods are received, stored, packaged, and dispatched in separate areas, designed to ensure a smooth and efficient workflow. The Group utilizes the Enterprise Resource Planning (ERP) system to access and analyze real-time information and data. For inbound management of trading goods, barcode and batch management systems are deployed, enabling comprehensive tracking and tracing. In vendor agreements with suppliers, the Group includes warranty terms to ensure that the products it distributes meet high-quality standards. In case of reports of faulty products from customers, the Group's product managers will liaise with the suppliers for follow-up actions. During the reporting period, there were no products recalled in relation to health and safety reasons. A total of 35 complaints related to suppliers' product quality, defective goods, packing and labelling issue were received during the reporting period.

To offer 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 organised seminars to provide suppliers and customers with a platform to share technical knowledge and experience. During the seminars, suppliers introduce product features while customers learn about the innovative product designs. By delivering premium value-added services, the Group aims to create a win-win situation for its suppliers and customers. The Group has also invested in Electronic Data Interchange ("EDI") system with suppliers and made use of a secure and advanced electronic platform to send documents to customers. This not only reduces paper consumption but also enhances communication efficiency. The Group is committed to continuously leading the industry in creating a long – term sustainable environment.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Intellectual Property ("IP") Rights

The Group's technical and marketing departments gather IP information including patent information of different countries and consult suppliers regarding the IP rights of their tangible or intangible products (such as hardware circuitry, software and hardware source code) for all custom-made products or in-house developed solutions. In the previous reporting period, the Group has revised the Code of Business Conduct which stated that employees must not violate the Group's intellectual property or trade secrets policies. Upon leaving the company, employees may be required to sign confidentiality or competition restriction agreements depending on the circumstances, and they are obligated to comply with these agreements. Only legal software products and development tools are used for project developments in the Group. Patents, copyrights and other IP rights owned by the Group are not entitled to commercial development by employees that left. The IP rights owned by the Group were registered and filed systematically. The Group reviews and reinforces its management of IP rights whenever necessary.

### Customer Data Collection and Privacy

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

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

During the reporting period, no significant instances of non-compliance with laws and regulations regarding customer data protection and privacy were recorded that had a significant impact on the Group. Additionally, no substantiated complaints regarding breaches of customer privacy or losses of customer data were received during the reporting period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Information Security

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

### Anti-corruption

The Group has set up multiple mechanisms for individuals to get advice on implementing responsible business policies and report business-conduct concerns. The Group has implemented a code of business conduct and a whistleblowing policy, aimed to ensure that every employee conducts business activities in strict accordance with statutory compliance and integrity. The Board holds the responsibility for developing and implementing the Group's anti-corruption program, overseeing and monitoring its effectiveness, and facilitating communication and training on the subject.

Beyond the overarching Code of Business Conduct, the Group has implemented an anti-corruption policy. This policy clearly defines the expected standards of conduct regarding the prevention of corruption, bribery, extortion, and fraud. Employees who violate these policies will face disciplinary actions, and in some cases, may be dismissed without compensation.

The anti-corruption policy of the Group applies to all directors, officers, and employees of the Group and third-party representatives engaged to represent the Group, including but not limited to advisers, agents, consultants, introducers and finders, and political lobbyists if there is any. The policy outlined guidelines for accepting or offering advantages, prohibiting improper payments, kickbacks and other forms of bribery, and requirements for the business partners of the Group. 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Anti-corruption – *continued*

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

The departments and business units of the Group have a responsibility to ensure that employees are well-informed about and understand the Group's anti-corruption policy. Regular training sessions are conducted to educate employees on compliance with relevant laws and regulations pertaining to fraud and bribery risks. It is worth noting that the content of anti-corruption training differs between managerial grade or above and general staff.

For general staff, the training covers topics such as the current corruption landscape, areas prone to corruption, legal and administrative controls, and services provided by the Independent Commission Against Corruption (ICAC). On the other hand, the training provided to managerial grade or above also includes the topic of fostering an ethical culture within the organization.

No anti-corruption training was conducted during the reporting period. Moving forward, the Group is actively planning for the training sessions conducted by ICAC for both management and general staff in the upcoming financial year.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Anti-competitive Behaviour

To prevent competitive behavior, the Group's Code of Business Conduct includes the following measures:

- Compliance with laws and regulations;
- Prohibition of anti-competitive practices;
- Protection of confidential information;
- Management of conflicts of interest;
- Emphasis on ethical decision-making; and
- Training and communication.

In addition, employees must adhere to the Company's policies and annually complete the "Code of Business Conduct Confirmation Form and Conflict of Interest Declaration Form" in November. They are also required to disclose any conflicts of interest in writing to the Company. These measures ensure a culture of fair competition and ethical conduct within the Group.

No legal actions pending or completed by the Group during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation.

### Tax

The Group has a tax strategy in place, although it is not publicly available. The tax strategy is reviewed and approved by the Finance and Accounting Department and the HR Department, which are responsible for overseeing tax-related matters within the organization. Additionally, the Group has engaged an external tax representative who assists with tax services, ensures compliance with the Inland Revenue Ordinance (IRO), and handles interactions with the Inland Revenue Department (IRD).

In terms of regulatory compliance, the Group emphasizes adherence to tax regulations and laws, specifically the IRO. This includes fulfilling reporting requirements, maintaining accurate records, and submitting tax returns in a timely manner. The Group works closely with its external tax representative to stay updated on any changes in tax regulations and ensure compliance with them.

The approach to tax is strongly linked to the business and sustainable development strategies of the Group. By effectively managing tax obligations, the company aims to maintain financial stability, support growth initiatives, and contribute to the overall sustainability of the business. Compliance with tax regulations also aligns with the Group's commitment to ethical and responsible business practices.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. SOCIAL – *continued*

### Community Investment

The Group is committed to upholding corporate social responsibility and actively engages in public welfare activities. The management of the Group will conduct reviews and consider contributing to community engagement to better understand the needs of local communities and ensure that the Group's activities align with their interests in the upcoming years.

## 5. APPENDICES

### Appendix I – SEHK ESG Reporting Guide Index

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Environmental** | | |
| **Aspect A1: Emissions** | | |
| **General disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| **KPI A1.1** | The types of emissions and respective emissions data. | Air Emissions |
| **KPI A1.2** | Greenhouse gas emissions in total and, where appropriate, intensity. | Greenhouse gas "GHG" Emissions |
| **KPI A1.3** | Total hazardous waste produced and, where appropriate, intensity. | Hazardous Waste |
| **KPI A1.4** | Total non-hazardous waste produced and, where appropriate, intensity. | Non-hazardous Waste |
| **KPI A1.5** | Description of emission target(s) set and steps taken to achieve them. | Emissions; Emissions Mitigation and Targets |
| **KPI A1.6** | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Emissions; Waste Reduction and Targets |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

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

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Aspect A2: Use of Resources** | | |
| **General disclosure** | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| **KPI A2.1** | Direct and/or indirect energy consumption by type in total and intensity. | Energy Consumption |
| **KPI A2.2** | Water consumption in total and intensity. | Water Consumption |
| **KPI A2.3** | Description of energy use efficiency target(s) set and steps taken to achieve them. | Emissions;<br>Energy Use Efficiency Initiatives and Targets |
| **KPI A2.4** | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Emissions;<br>Water Use Efficiency Initiatives and Targets |
| **KPI A2.5** | Total packaging material used for finished products and, if applicable, with reference to per unit produced. | Packaging Materials |
| **Aspect A3: The Environment and Natural Resources** | | |
| **General Disclosure** | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| **KPI A3.1** | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources |
| **Aspect A4: Climate Change** | | |
| **General Disclosure** | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| **KPI A4.1** | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change |

## 5. APPENDICES – *continued*

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

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Social** | | |
| **Employment and Labour Practices** | | |
| **Aspect B1: Employment** | | |
| **General Disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment and Labour Practices |
| **KPI B1.1** | Total workforce by gender, employment type, age group and geographical region. | Total Workforce and Turnover |
| **KPI B1.2** | Employee turnover rate by gender, age group and geographical region. | |
| **Aspect B2: Health and Safety** | | |
| **General Disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Employee Health and Safety |
| **KPI B2.1** | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | |
| **KPI B2.2** | Lost days due to work injury. | |
| **KPI B2.3** | Description of occupational health and safety measures adopted, how they are implemented and monitored. | |
| **Aspect B3: Development and Training** | | |
| **General Disclosure** | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| **KPI B3.1** | The percentage of employees trained by gender and employee category. | |
| **KPI B3.2** | The average training hours completed per employee by gender and employee category. | |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

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

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Aspect B4: Labour Standards** | | |
| **General Disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. | Labour Standards |
| **KPI B4.1** | Description of measures to review employment practices to avoid child and forced labour. | |
| **KPI B4.2** | Description of steps taken to eliminate such practices when discovered. | |
| **Operating Practices** | | |
| **Aspect B5: Supply Chain Management** | | |
| **General Disclosure** | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| **KPI B5.1** | Number of suppliers by geographical region. | |
| **KPI B5.2** | Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored. | |
| **KPI B5.3** | Description of practices used to identify environmental and social risks along the supply chain and how they are implemented and monitored. | |
| **KPI B5.4** | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

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

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Aspect B6: Product Responsibility** | | |
| **General Disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| **KPI B6.1** | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Quality and Customer Service |
| **KPI B6.2** | Number of products and service related complaints received and how they are dealt with. | Product Quality and Customer Service |
| **KPI B6.3** | Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property ("IP") Rights |
| **KPI B6.4** | Description of quality assurance process and recall procedures. | Product Quality and Customer Service |
| **KPI B6.5** | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Customer Data Collection and Privacy; Information Security |
| **Aspect B7: Anti-corruption** | | |
| **General Disclosure** | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| **KPI B7.1** | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | |
| **KPI B7.2** | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | |
| **KPI B7.3** | Description of anti-corruption training provided to directors and staff. | |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

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

| General Disclosures and KPIs | Description | Section(s) (Page number) |
|---|---|---|
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| KPI B8.1 | Focus areas of contribution. | |
| KPI B8.2 | Resources contributed to the focus area. | |

### Appendix II – GRI Standards Content Index

| | |
|---|---|
| **Statement of use** | Willas-Array Electronics (Holdings) Limited has reported with reference to the GRI Standards for the period April 1, 2024 to December 31, 2024. |
| **GRI 1 used** | GRI 1: Foundation 2021 |
| **Application GRI Sector Standard** | Not Applicable |

| GRI Standard/other sources GRI | Disclosure | Section(s) (Page number) | Omission | | |
|---|---|---|---|---|---|
| | | | Requirement(s) Omitted | Reason | Explanation |
| General Disclosures | | | | | |
| | **The organization and its reporting practices** | | | | |
| GRI 2: General Disclosure 2021 | 2-1 Organizational details | About Willas-Array | | | |
| | 2-2 Entities included in the organization's sustainability reporting | Scope and Reporting Period | | | |
| | 2-3 Reporting period, frequency and contact point | Scope and Reporting Period<br>Stakeholders' Feedback | | | |
| | 2-4 Restatements of information | No information restatement | | | |
| | 2-5 External assurance | No external assurance has been conducted but the ESG Report was reviewed by the Group's internal auditor.<br>About this Report | | | |
| | **Activities, value chain and other business relationships** | | | | |
| | 2-6 Activities, value chain and other business relationships | About Willas-Array | | | |
| | 2-7 Employees | Employment | | | |
| | 2-8 Workers who are not employees | The Group did not involve in a significant portion of organisation's activities performed by workers who are not employees.<br>Employment | | | |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

### Appendix II – GRI Standards Content Index – *continued*

| GRI Standard/other sources GRI | Disclosure | Section(s) (Page number) | Omission | | |
|---|---|---|---|---|---|
| | | | Requirement(s) Omitted | Reason | Explanation |
| | **Governance** | | | | |
| | 2-9 Governance structure and composition | Governance Structure and Composition | | | |
| | 2-10 Nomination and selection of the highest governance body | Board Selection and Diversity | | | |
| | 2-11 Chair of the highest governance body | Governance Structure and Composition | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | Sustainability Governance<br>Due Diligence<br>The Board's Engagement | | | |
| | 2-13 Delegation of responsibility for managing impacts | Sustainability Governance | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | About this Report<br>Sustainability Governance | | | |
| | 2-15 Conflicts of interest | Governance Structure and Composition | | | |
| | 2-16 Communication of critical concerns | The Board's Engagement | | | |
| | 2-17 Collective knowledge of the highest governance body | Collective Knowledge of the Board | | | |
| | 2-18 Evaluation of the performance of the highest governance body | Sustainability Governance<br>The Board's Engagement | | | |
| | 2-19 Remuneration policies | Remuneration Policies | | | |
| | 2-20 Process to determine remuneration | Remuneration Policies | | | |
| | 2-21 Annual total compensation ratio | Omitted | GRI 2-21 | Confidentiality constraints | Compensation ratios were not disclosed due to confidentiality constraints. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

### Appendix II – GRI Standards Content Index – *continued*

| GRI Standard/other sources GRI | Disclosure | Section(s) (Page number) | Omission | | |
|---|---|---|---|---|---|
| | | | Requirement(s) Omitted | Reason | Explanation |
| | **Strategy, policies and practices** | | | | |
| | 2-22 Statement on sustainable development strategy | The Board's Statement | | | |
| | 2-23 Policy commitments | Sustainability Governance<br>The Environment and Natural Resources<br>Operating Practices | | | |
| | 2-24 Embedding policy commitments | Operating Practices | | | |
| | 2-25 Processes to remediate negative impacts | Stakeholder Engagement and Materiality Assessment<br>The Board's Engagement<br>The Environment and Natural Resources | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | Stakeholder Engagement and Materiality Assessment<br>The Board's Engagement | | | |
| | 2-27 Compliance with laws and regulations | There were no significant instances of non-compliance with laws and regulations during the reporting period. | | | |
| | 2-28 Memberships associations | The Group has not joined any memberships of associations | | | |
| | **Stakeholder engagement** | | | | |
| | 2-29 Approach to stakeholder engagement | Stakeholder Engagement and Materiality Assessment | | | |
| | 2-30 Collective bargaining agreements | There were no collective bargaining agreements in the Group during the Reporting Period. | | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | Stakeholder Engagement | | | |
| | 3-2 List of material topics | Materiality Matrix | | | |
| **GRI 205: Anti-corruption 2016** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Anti-corruption | | | |
| GRI 205-3 | Confirmed incidents of corruption and actions taken | Anti-corruption | | | |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 5. APPENDICES – *continued*

### Appendix II – GRI Standards Content Index – *continued*

| GRI Standard/other sources GRI | Disclosure | Section(s) (Page number) | Omission | | |
|---|---|---|---|---|---|
| | | | Requirement(s) Omitted | Reason | Explanation |
| **GRI 403: Occupational Health and Safety 2018** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Employee Health and Safety | | | |
| GRI 403-1 | Occupational health and safety management system | Employee Health and Safety | | | |
| GRI 403-2 | Hazard identification, risk assessment, and incident investigation | Employee Health and Safety | | | |
| **GRI 408: Child Labour 2016** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Business Strategy<br>Labour Standards | | | |
| GRI 408-1 | Operations and suppliers at significant risk for incidents of child labour | Labour Standards | | | |
| **GRI 409: Forced or Compulsory Labour 2016** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Business Strategy<br>Labour Standards | | | |
| **GRI 409-1** | Operations and suppliers at significant risk for incidents of forced or compulsory labour | Labour Standards | | | |
| **GRI 206: Anti-competitive Behaviour 2016** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Business Strategy<br>Anti-competitive Behaviour | | | |
| **GRI 206-1** | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | Anti-competitive Behaviour | | | |
| **GRI 207: Tax 2019** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Business Strategy<br>Tax | | | |
| **GRI 207-1** | Approach to tax | Tax | | | |
| **GRI 419: Socioeconomic Compliance 2016** | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | Business Strategy | | | |
| **GRI 419 – 1** | Non-compliance with laws and regulations in the social and economic area | Business Strategy<br>Labour Standards<br>Operating Practices | | | |

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

Since the listing of the Company's ordinary shares (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on December 6, 2013, the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code set out in Appendix C1 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules" and the "HK CG Code", respectively), in addition to the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code"). Throughout the nine months ended December 31, 2024 (the "Period"), the Company had complied with all the code provisions of the HK CG Code and the principles and provisions of 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.

## BOARD OF DIRECTORS

### Composition

The composition of the Board during the Period was and as of the date of this report is as follows:

***Executive Directors***
Mr. Xie Lishu *(Chairman) (re-designated with effect from October 21, 2024)*
Mr. Fan Qinsheng

***Non-Executive Director (the "NED")***
Ms. Huang Shaoli

***INEDs***
Mr. Chong Eng Wee *(Lead Independent Director)*
Mr. Lau Chin Huat
Mr. Tso Sze Wai
Dr. Jiang Maolin

Currently, the Board comprises seven members, two of whom are executive Directors, one of whom is NED and four of whom are INEDs.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – *continued*

### Composition – *continued*

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. Chong Eng Wee (email address: ac@willas-array.com) was appointed by the Board as the lead independent Director. He is available to Shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman, the executive Director are inappropriate or inadequate.

Currently Mr. Xie Lishu, the Chairman and an executive Director, is the husband of Ms. Huang Shaoli, a NED. Save as disclosed above, there has been no financial, business, family or other material relationship amongst the Directors.

The Board, taking into account the nature of the operations of the Group, considers its current size and composition to be adequate for effective decision-making. Key information regarding the Directors' background, qualifications and other appointments is set out on pages 19 to 22 of this annual report.

The Board reviewed and considered that the following key features or mechanism under the Board are effective in ensuring that independent views and input are available to the Board:

– The compositions of the Board and the Board committees are periodically reviewed to ensure independency and competence of INEDs.

– Separation of the role of the Chairman and the chief executive officer ensures that there is a balance of power and authority.

– INEDs receive fixed fees for their role as members of the Board and the Board committees as appropriate and are not entitled to participate in the employee share option scheme of the Company.

– Lead independent Director is appointed to provide leadership in situations where the Chairman is conflicted.

– Independent meetings between the Chairman and the INEDs have been held annually without executive directors present.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – *continued*

### INEDs

During the Period, the Board at all times met the requirements of the HK Listing Rules relating to the appointment of not less than three INEDs representing at least one-third of the Board. Additionally, during the Period, the Board at all times met the requirements under Rule 210(5)(c) of the Listing Manual of Singapore Exchange Securities Trading Limited (the “SGX-ST” and the “SGX-ST Listing Manual”, respectively) relating to the appointment of at least two INEDs and that the independent Directors are to comprise at least one-third of the Board.

The Board also currently has complied with the requirement that at least one of such INEDs should possess the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the HK Listing Rules.

Further, the Company has received from each current INED an annual written confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules and Rule 210(5)(d) of the SGX-ST Listing Manual and Provision 2.1 of the Singapore CG Code and the Board is satisfied that all the current INEDs were independent and met the independence guidelines set out in Rule 3.13 of the HK Listing Rules, Rule 210(5)(d) of the SGX-ST Listing Manual and Provision 2.1 of the Singapore CG Code throughout the Period or from his appointment date (as the case may be) and up to the date of this annual report.

### Role and Functions

The Board has the responsibility for the overall management of the Group. Apart from its statutory duties and responsibilities, the Board approves the nomination of Directors to the Board and the appointment of key management personnel upon the recommendation of the Nomination Committee, oversees the management of the business and affairs of the Group, approves the Company’s corporate and strategic directions, determines the Company’s policies and practices on corporate governance upon the recommendation of the compliance committee of the Board (the “Compliance Committee”), reviews the financial performance of the Group, approves its interim and annual results upon the review and recommendation of the Audit Committee and approves any investment proposals.

The Board’s role is also to (a) ensure that the necessary financial and human resources are in place for the Company to meet its objectives; (b) establish a framework of prudent and effective controls, which enables risks to be assessed and managed, including safeguarding Shareholders’ interests and the Company’s assets; (c) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation; (d) set the Company’s values and standards (including ethical standards) and ensure that obligations to Shareholders and other stakeholders are understood and met; and (e) consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – *continued*

### Role and Functions – *continued*

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. In addition to information volunteered by management, the Board is entitled to request from management, and management will provide the Directors with such additional information, in a timely manner, as needed for the Board to make informed decisions. To oversee particular aspects of the Group's affairs, the Board has established five Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the employee share option scheme committee (the "ESOS Committee") and the Compliance Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All the Board Committees report to the Board on their decisions or recommendations made.

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

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The Directors and key officers of the Group are under appropriate insurance cover on Directors' and key officers' liabilities in respect of their risks arising from the business of the Group.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS – *continued*

### Role of Chairman and Chief Executive

Mr. Xie Lishu is the Chairman and Mr. Fan Qinsheng is the chief executive officer.

The roles of the Chairman and the chief executive officer 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 chief executive officer 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 chief executive officer 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 chief executive officer 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 the Senior Management Personnel are encouraged to participate, at the Company's expense, in continuous professional development to develop and refresh their skills and knowledge, particularly on relevant new laws and regulations affecting, and the changing commercial risks relating to, the Group's business and governance practices from time to time.

All the then Directors during the Period, namely Mr. Xie Lishu, Ms. Huang Shaoli, Mr. Fan Qinsheng, Mr. Chong Eng Wee, Mr. Lau Chin Huat, Mr. Tso Sze Wai and Dr. Jiang Maolin attended a seminar organised by The Hong Kong Institute of Directors on "Continuing Connected Transaction and Relevant Listing Rules" held in November 2024. The above training was arranged and funded by the Company during the Period. In addition, Mr. Fan Qinsheng have attended relevant training programmes for first-time directors conducted by The Singapore Institute of Directors ("SID" and the "First-time Director's Training", respectively) as prescribed in the SGX-ST Listing Manual in September 2024.

## 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 and NEDs has received an appointment letter from the Company for a term of two years or less.

Subject to the Companies Act 1981 of Bermuda (the “Bermuda Act”) and in according with the Bye-Laws, the HK CG Code and Rule 720(5) of the SGX-ST Listing Manual, all the Directors, including the INEDs, shall retire by rotation at least once every three years and shall be eligible for re-election at the meeting at which he retires.

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. According to the Bye-Laws, the Board shall also have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or, where a maximum number of Directors has been determined by the shareholders and the shareholders have authorised the Board to appoint additional Directors, as an additional Director. Any director so appointed either by the Company or by the Board shall hold office only until the first annual general meeting of the Company (the “AGM”) after such Director’s appointment and shall then be eligible for re-election at the meeting.

## BOARD MEETINGS

### Conduct of Board proceedings and supply of and access to information

The Board held five meetings (including the prescribed three regular meetings) during the Period with notice given to the Directors at least 14 days (or such other period as agreed) in advance pursuant to the HK CG Code. Before each Board meeting, a draft agenda is sent out to all Directors at least 14 days (or such other period as agreed) in advance in order to allow the Directors to include in the agenda any other matters that are required for discussion and resolution in the meeting. To enable the Directors (and as far as practicable in all other cases) to make informed decisions, an agenda and accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors or the Board Committee members (as the case may be) three days (or such other period as agreed) before each such meeting. Draft and final versions of minutes of all meetings would be sent to all Board and corresponding Board Committees’ members for their comment and records within a reasonable time after the meetings.

All Directors have separate and independent access to the Senior Management Personnel and the company secretary of the Company (the “Company Secretary”), Ms. Chan Lai Yee. Where any Director requires more information than has been provided by management, that Director is able to make further enquiries where necessary, in order to fulfil his duties properly.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS – *continued*

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

According to the HK Listing Rules, any Directors and their close associates (as defined in the HK Listing Rules) with a material interest in the transactions to be discussed in the Board meetings will abstain from voting on the resolutions approving such transactions and will not be counted in the quorum at the meetings. In addition, Directors' resolutions in writing are also circulated for transactions that require Directors' approval. However, if a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. All Directors facing conflicts of interest will recuse themselves from discussions and decisions involving the issues of conflict.

### Number of Board, Board Committees and general meetings during the Period

The number of Board, Board Committees and general meetings of the Company held in the Period as well as the attendance record of every Board member at those meetings are as follows:

| | Board Meeting | Audit Committee Meeting | Nomination Committee Meeting | Remuneration Committee Meeting | Compliance Committee Meeting | ESOS Committee Meeting | General Meeting |
|---|---|---|---|---|---|---|---|
| No. of Meetings Held in the Period | 5 | 2 | 2 | 2 | 2 | 0 | 1 |
| Name and Attendance of Directors: | Attended/ Eligible to Attend | Attended/ Eligible to Attend | Attended/ Eligible to Attend | Attended/ Eligible to Attend | Attended/ Eligible to Attend | Attended/ Eligible to Attend | Attended/ Eligible to Attend |
| Xie Lishu | 5/5 | x | x | x | x | 0/0 | 1/1 |
| Fan Qinsheng | 5/5 | *1/2 | *1/2 | x | x | x | 1/1 |
| Huang Shaoli | 5/5 | x | x | x | x | x | 1/1 |
| Chong Eng Wee | 5/5 | 2/2 | 2/2 | 2/2 | 2/2 | x | 1/1 |
| Lau Chin Huat | 5/5 | 2/2 | 2/2 | 2/2 | 2/2 | x | 1/1 |
| Tso Sze Wai | 4/5 | 2/2 | 1/2 | 1/2 | 2/2 | 0/0 | 1/1 |
| Jiang Maolin | 5/5 | 2/2 | 2/2 | 2/2 | 2/2 | x | 1/1 |

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS – *continued*

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

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

The Company currently has no alternate Director.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Period, 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 Period 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 made by Ernst & Young LLP ("EY"), the Company's independent auditors, regarding their reporting responsibility on the Company's consolidated financial statements for the Period is set out in the section headed "Independent Auditor's Report" on pages 124 to 130 of this annual report.

## ACCOUNTABILITY

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

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

During the Period, the Nomination Committee comprised all INEDs, namely Mr. Chong Eng Wee (as chairman), Mr. Lau Chin Huat, Mr. Tso Sze Wai and Dr. Jiang Maolin. All members of the Nomination Committee are INEDs.

The Nomination Committee performs the following major functions:

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

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

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

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

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

(f) Reviewing and making recommendations to the Board on Board succession and the appointment/replacement of key management personnel; and

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

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

During the Period, the Nomination Committee held two meetings and passed the resolution in recommending the re-designation of Mr. Xie Lishu as an executive Director with effect from October 21, 2024.

# CORPORATE GOVERNANCE REPORT

## 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 his business and industry knowledge. Executive Directors were also assessed based on qualitative and quantitative performance criteria, taking into account the profits and revenue growth of, and economic value added to, the Company. Each member of the Nomination Committee abstained from making any recommendations and/or participating in any deliberation and voting on any resolution in respect of the assessment of his own performance or re-appointment as a Director.

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

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 which sets out the framework that the Company has in place to achieve and 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. All Board appointments and re-appointments will continue to be made on a merit basis with due regard to the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE – *continued*

The Company targets to achieve diversity of the Board in skills among accounting, finance, legal, business and management, experience and knowledge among various industries, and gender with at least one female Board member. The Nomination Committee consider the current Board achieved diversity of skills, experience, knowledge and gender representations. The current Board members bring with them invaluable experience and collective core competencies such as accounting, finance, legal, business and management skills as well as industry expertise. These skills and experiences are particularly important in ensuring that the Board is effectively functioned.

As at December 31, 2024, the male to female ratio in the workforce of the Group (including the Senior Management Personnel) was approximately 1.07: 1, the Board considers that the gender diversity in its workforce has been achieved.

As at the date of this annual report, the Board consists of one female and six male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

Pursuant to the Bye-Laws, every Director shall retire from office by rotation at least once every three years and will be eligible for re-election thereat. Accordingly, Mr. Xie Lishu, as an executive Director, Mr. Chong Eng Wee and Mr. Tso Sze Wai, as the INEDs, will retire from office by rotation at the forthcoming AGM pursuant to bye-law 104 of the Bye-Laws. The Nomination Committee has recommended to the Board that the above three retiring Directors be nominated for re-appointment at the forthcoming AGM. In making this recommendation, the Nomination Committee has considered the overall contribution and performance of the said Directors that had made and would make.

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 NEDs, with the majority (including the chairman of the Remuneration Committee) to be independent Directors. During the Period, the Remuneration Committee comprised all INEDs, namely Mr. Tso Sze Wai (as chairman), Mr. Chong Eng Wee, Mr. Lau Chin Huat and Dr. Jiang Maolin. At all times, all members of the Remuneration Committee are INEDs.

The Remuneration Committee performs the following major functions:

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES

The Company advocates a performance-based remuneration system for the Executive Directors and the Senior Management Personnel that is flexible and responsive to the market, comprising a base salary as well as variable performance bonus structured so as to link rewards to the sustained performance and value creation of the Company. The remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and Senior Management Personnel to successfully manage the Company for the long term. Executive Directors and the Senior Management Personnel are entitled to a basic salary and an incentive payment by reference to the amount of the net profit after taxation of the Group and/or the business segments that the Senior Management Personnel are responsible. The Remuneration Committee has adopted a framework which consists of a base fee to remunerate the NEDs (including the INEDs) based on their appointments and roles in the respective Board Committees, taking into account the level of contribution and factors such as effort, time spent and responsibilities. Directors' fees to be paid to the NEDs will be tabled for Shareholders' approval. The Directors' fees are reviewed annually to ensure that the INEDs are not overcompensated to the extent that their independence may be compromised. The following table shows a breakdown of the remuneration of the Directors for the Period:

| | Salary | Bonus | Directors' Fees | Others | Total | Total |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | S$'000 |
| **Executive Directors** | | | | | | |
| Xie Lishu | – | – | 100 | – | 100 | 115 |
| Fan Qinsheng | 74 | 19 | – | 7 | 100 | 88 |
| **NED** | | | | | | |
| Huang Shaoli | – | – | 100 | – | 100 | 100 |
| **INEDs** | | | | | | |
| Chong Eng Wee | – | – | 100 | – | 100 | 38 |
| Lau Chin Huat | – | – | 100 | – | 100 | 38 |
| Tso Sze Wai | – | – | 100 | – | 100 | 38 |
| Jiang Maolin | – | – | 100 | – | 100 | 38 |

# CORPORATE GOVERNANCE REPORT

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

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

| Remuneration Bands | Position as at March 31, 2024 | Salary | Performance Bonus | Others | Total |
|---|---|---|---|---|---|
| | | % | % | % | % |
| **Senior Management Personnel** | | | | | |
| Below S$250,000 | | | | | |
| Chau Tsun Hung, Addy | Assistant General Manager – South China | 74 | 21 | 5 | 100 |
| Cheung Yiu Wing, Teddy | General Manager – South China | 76 | 19 | 5 | 100 |
| Kwan Wing Kin, Samuel | General Manager of Marketing | 84 | 10 | 6 | 100 |
| Lam Man Hin, Chris | Assistant General Manager of Marketing | 82 | 12 | 6 | 100 |
| Yau Muk Wai, Kenneth | Assistant General Manager of Marketing | 78 | 17 | 5 | 100 |
| **Total Remuneration of top five Senior Management Personnel (S$'000)** | | **492** | **97** | **35** | **624** |
| **%** | | **79%** | **15%** | **6%** | **100%** |

No employee was a substantial Shareholder, or is an immediate family member of a Director or a substantial Shareholder, and whose remuneration exceeded S$100,000 during the Period.

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

## EMPLOYEE SHARE OPTION SCHEME COMMITTEE

During the Period, the ESOS Committee comprised Mr. Xie Lishu (as chairman) and Mr. Tso Sze Wai. The ESOS Committee is responsible for determining the persons who may participate in the Willas-Array Electronics Employee Share Option Scheme ("ESOS") as well as the size, terms and conditions of the grants of share options.

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

Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") was established pursuant to the approval of Shareholders at a special general meeting of the Company held on July 30, 2013. ESOS III was expired on July 29, 2023. No share options have been granted during the Period under ESOS III and an aggregate of 347,000 share options were outstanding as at December 31, 2024. For more information on ESOS, please refer to the section headed "Report of the Directors" (in particular, paragraph 23 thereof) and the consolidated financial statements (in particular, Note 39 thereof) of this annual report.

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE COMMITTEE

During the Period, the Compliance Committee comprised all INEDs, namely Dr. Jiang Maolin (as chairman), Mr. Chong Eng Wee, Mr. Lau Chin Huat and Mr. Tso Sze Wai. 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 the Senior Management Personnel;

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

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

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

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

During the Period, the Compliance Committee held two meetings and discussed and reviewed the Company's compliance with the code provisions of the HK CG Code and the principles and provisions of the Singapore CG Code.

## AUDIT COMMITTEE

During the Period, the Audit Committee comprised all INEDs, namely Mr. Lau Chin Huat (as chairman), Mr. Chong Eng Wee, Mr. Tso Sze Wai and Dr. Jiang Maolin. All members of the Audit Committee are INEDs.

The Audit Committee performs the following major functions:

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

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

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

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

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

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

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

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

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

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.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE – *continued*

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

The Audit Committee meets periodically and at least twice a year with the external auditors, and once a year with the internal auditors, 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 Period, the Audit Committee met two times and reviewed the draft financial results of the Group for the year ended March 31, 2024 and the six months ended September 30, 2024 respectively, the audit plans and findings of the external auditors, the external auditors' independence, the Group's compliance with financial reporting/accounting standards, the HK Listing Rules and the SGX-ST Listing Manual and regulatory requirements, internal controls, risk management, adequacy of resources, staff qualifications and experience of the Company's finance and accounting functions.

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

## INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of the Period paid or payable to Ernest & Young LLP included audit services of approximately HK$1,617,000 and no non-audit services rendered to the Group.

## COMPANY SECRETARY

The Company Secretary attends all Board and Board Committees' meetings, ensures that minutes of the Board, the Board Committees and general meetings of the Company are prepared and kept, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively.

The Company Secretary also ensures that the Bye-Laws and relevant rules and regulations, including requirements of the Bermuda Act, the SGX-ST Listing Manual and the HK Listing Rules, are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

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

# CORPORATE GOVERNANCE REPORT

## 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 has established a shareholders' communication policy (the "Shareholders' Communication Policy") for the Shareholders to obtain information from the Company and to communicate their views on various matters affecting the Company, as well as steps taken by the Company to solicit and understand the views of the Shareholders and stakeholders, and to allow the Shareholders to actively engage with the Company and to exercise their rights as Shareholders in an informed manner.

Further, Shareholders may make any query in respect of the Company and the Company will respond such query in a timely manner with relevant information (to the extent that such information is publicly available). Shareholders are also encouraged to provide their views to the Directors of the Company on matters affecting the Company. Such query and views can be addressed to the Company Secretary whose contact particulars are as follows:

Email address: ir@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 3799
Fax No.: (852) 2484 1050

Shareholders' enquiries can also be directed 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.

The Company generally does not practise selective disclosure unless permitted under the relevant laws and regulations. Information is disseminated via SGXNET, news releases and the respective websites of the Company and the SEHK on a timely basis. Price-sensitive information is publicly released, announced within the mandatory period and available on the respective websites of the Company, SGXNET and the SEHK. All Shareholders will receive the annual reports, the circulars and the notices of AGM and special general meetings of the Company (the "SGM") (together, the "Corporate Communications"). 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.

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

# CORPORATE GOVERNANCE REPORT

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

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including but not limited to (i) the proper despatch of the Corporate Communications; (ii) the steps taken at the general meetings to ensure the opportunities for the Company to have direct interactions with Shareholders, the handling of queries received (if any) from the Shareholders, and the participation of Board members, in particular, the chairmen of the Board Committees or their delegates, and external auditor at the AGMs; and (iii) the multiple channels of communication and engagement in place, as well as the update of information on the respective websites of the Company, SGXNET and the SEHK on a timely manner. With the above measures in place, the Board considers that the Shareholders' Communication Policy has been effectively implemented during the Period.

## STAKEHOLDER ENGAGEMENT

In relation to stakeholder engagement, the key stakeholders of the Group include employees, shareholders and investors, suppliers, customers, government and regulators and local communities. The Company recognises the importance of managing relationships with the various stakeholders and engages its stakeholders regularly in the determination of its material areas of focus in respect of its environmental, social and governance performance. In addition to issuing announcements and disclosures on SGXNET and the SEHK's website, the Company also maintains an informative investor relations website, through which Shareholders and the Company's other stakeholders can receive quality, meaningful and timely information on the Company. The Company also holds annual results briefings made available via webcast on its corporate website. Further details on the Company's approach to stakeholder engagement and materiality assessment can be found on pages 29 to 31 of this annual report.

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

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

A Shareholder who wishes to nominate a person to stand for election as a Director must duly lodge the following documents at the principal place of business in Hong Kong or at the registration offices of the Company as set out below for the attention of the Company Secretary:

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

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

# CORPORATE GOVERNANCE REPORT

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

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

Particulars of the principal place of business in Hong Kong and registration offices of the Company are set out below:

***Principal Place of Business in Hong Kong:***
24/F, Wyler Centre, Phase 2
200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

***Registration Office – Singapore:***
Willas-Array Electronics (Holdings) Limited
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower
#14-03/07
Singapore 098632

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

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

# CORPORATE GOVERNANCE REPORT

## PROCEDURES FOR SHAREHOLDERS TO CONVENE SGMs

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

The requisition will be verified by the Company's branch share registrar in Hong Kong or the Company's share transfer agent in Singapore (as the case may be). If the requisition is in order, the Board will, according to the applicable rules and regulations, issue sufficient notice to all Shareholders for convening the SGM. If the requisition is improper, the Company will notify the relevant requesting Shareholders of the objection and no SGM will be convened.

## PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES AND PROPOSALS TO THE BOARD

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

For enquiries about the Company's information, Shareholders can contact Ms. Chan Lai Yee, the Company Secretary, whose contact particulars are as follows:

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

(a) for an AGM and 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

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

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

## CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Period.

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 risks 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 44 to the consolidated financial statements of this annual report.

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

# CORPORATE GOVERNANCE REPORT

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

The review of the systems of risk management and internal controls is an ongoing process and the Board recognises the importance of such systems. In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls and risk management systems, the Board has continued to outsource the internal audit function to an external consulting firm. Acclime Consulting (Hong Kong) Limited, an international consulting firm, was re-appointed on August 16, 2021 as the Company's internal auditors for services from 2021 to 2025. In 2024, they had conducted a review on the finance and accounting, revenue and accounts receivable, purchase and payment for Hong Kong operations, human resources and payroll for Shanghai operations, non-competition of the Group and the Shanghai YCT Group, and conducted a follow-up review on last year's recommendations. In carrying out their work, the internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the Audit Committee. The internal auditors reported directly to the chairman of the Audit Committee and the Audit Committee is satisfied that there has been no major shortfall in the areas of the Company's internal controls and risk management systems being evaluated and that adequate internal controls and risk management systems are in place. In view of the foregoing, the Audit Committee is satisfied that the internal audit function is independent, effective and adequately resourced with persons with relevant qualifications and experience, and has appropriate standing to discharge its responsibilities. The Company has conducted an annual review on whether there is a need to establish an internal audit department within the Company as there is presently no such department in the Company. Given the Company's relatively simple corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Audit Committee has recommended and the Board has concurred, that the Company will continue to outsource the internal audit function to an external consulting firm.

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

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

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

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

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

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

The Board has received assurance from the executive Director and the financial consultant of the Company that:

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

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

## WHISTLEBLOWING POLICY

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

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

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

No whistleblowing reports were received by the Audit Committee for the Period.

# CORPORATE GOVERNANCE REPORT

## ANTI-CORRUPTION POLICY

The Company has in place an anti-corruption policy to provide guidance on standards of conduct regarding the prevention of corruption, bribery extortion and fraud and to assist such persons in recognizing circumstance which may lead to or give the appearance of involving corruption or unethical business conduct.

## DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities in accordance with the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission of Hong Kong in June 2012 and any applicable laws and regulations, including the provisions of the Hong Kong Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, the HK Listing Rules, the Singapore Securities and Futures Act 2001 (Singapore) and the SGX-ST Listing Manual and has adopted an inside information policy. Under the policy, the procedures and internal controls for the handling and dissemination of inside information are as follows:

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

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

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

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

## DEALING IN SECURITIES/DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct on share dealings by the Directors and the 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 the Senior Management Personnel:

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

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

(c) are strictly required to observe the insider trading laws under the Securities and Futures Act 2001 (Singapore) at all times; and

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

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the HK Listing Rules (formerly Appendix 10 to the HK Listing Rules) (the "HK Model Code") as its own code of conduct for dealing in securities of the Company by the Directors.

The Company had made a specific enquiry with each of the Directors in office during the Period and such Directors have confirmed their compliance with relevant required dealing standards stipulated in the HK Model Code during the Period.

## 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;

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY – *continued*

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

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

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

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

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

Save as disclosed in the section headed "Report of the Directors – Interested Person Transactions/ Connected Transactions" in this annual report, no material contracts of the Company or its subsidiaries involving the interest of the executive Director or any Director or controlling shareholders of the Company (as defined in the SGX-ST Listing Manual) subsisted at the end of the Period or were entered into since the end of the previous financial year ended December 31, 2023.

# REPORT OF THE DIRECTORS

The directors (the "Directors") of Willas-Array Electronics (Holdings) Limited (the "Company") hereby present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group"), including the statement of financial position and the statement of changes in equity of the Company for the nine months ended December 31, 2024 (the "Period").

## 1. PRINCIPAL ACTIVITIES

During the Period, 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 9 and pages 10 to 18, respectively of this annual report. An analysis of the Group's financial risk management is provided in Note 44 to the consolidated financial statements.

An analysis of the Group's performance during the Period 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 Period, the Group had complied with all the laws and regulations applicable to the business operations of the Group, including but not limited to the Rules Governing the Listing of Securities (the "HK Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK") and the applicable laws of Bermuda in which the Company is incorporated.

# REPORT OF THE DIRECTORS

## 2. BUSINESS REVIEW – *continued*

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

Further discussion of the Group's policies on environmental, social and governance is set out in the "Environmental, Social and Governance Report" on pages 24 to 77 of this annual report.

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

## 3. RESULTS AND DIVIDEND

The results of the Group for the Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 131 of this annual report.

The board of Directors (the "Board") has resolved not to recommend the payment of a final dividend for the Period as the Group intends to retain cash for the business operations and future growth (year ended March 31, 2024: nil).

# REPORT OF THE DIRECTORS

## 4. CLOSURE OF REGISTER OF MEMBERS

**For determining the entitlement to attend and vote at the 2025 annual general meeting of the Company (the "AGM" and the "2025 AGM", respectively)**

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2025 AGM, for Hong Kong Shareholders, the Hong Kong branch Register of Members (the "Hong Kong Branch Register") will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025, both days inclusive. During this period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the 2025 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 Monday, June 23, 2025.

For Singapore Shareholders, the share transfer books and Singapore branch Register of Members (the "Singapore Branch Register") will be closed at 5:00 p.m. on Monday, June 23, 2025. Duly completed registrable transfers of Shares received by the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, Keppel Bay Tower, #14-03/07, Singapore 098632, up to and including 5:00 p.m. on Monday, June 23, 2025 will be registered to determine Singapore Shareholders' entitlements to attend and vote at the 2025 AGM.

Any transfer of the Shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Monday, June 16, 2025 for Hong Kong Shareholders and not later than 5:00 p.m. on Monday, June 16, 2025 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 Period are set out in Notes 17 and 19 respectively to the consolidated financial statements.

## 7. RESERVES

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

# REPORT OF THE DIRECTORS

## 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 December 31, 2024 were approximately HK$190,979,000 (year ended March 31, 2024: HK$184,868,000).

## 9. SUBSIDIARIES AND ASSOCIATE

Details of the principal subsidiaries and an associate of the Company as at December 31, 2024 are set out in Notes 47 and 21 respectively to the consolidated financial statements.

## 10. SHARE CAPITAL

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

## 11. DIRECTORS

The name of each Director during the Period and up to the date of this annual report is as follows:

**Executive Directors:**

Mr. Xie Lishu *(Chairman) (re-designated with effect from October 21, 2024)*
Mr. Fan Qinsheng

**Non-executive Director:**

Ms. Huang Shaoli

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

Mr. Chong Eng Wee *(Lead Independent Director)*
Mr. Lau Chin Huat
Mr. Tso Sze Wai
Dr. Jiang Maolin

# REPORT OF THE DIRECTORS

## 11. DIRECTORS – *continued*

In accordance with bye-law 104 of the Bye-Laws, (i) Mr. Xie Lishu, (ii) Mr. Chong Eng Wee and (iii) Mr. Tso Sze Wai will retire from office and, being eligible for re-election at the 2025 AGM, each of them has offered himself/herself for re-election.

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

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

## 12. DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2025 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 Period.

Mr. Xie Lishu ("Mr. Xie") was appointed as a Non-executive Director and Chairman of the Board as well as the chairman of the employee share option scheme committee of the Board with effect from May 20, 2023 and re-designated as an Executive Director and Chairman of the Board as well as the chairman of the employee share option scheme committee of the Board with effect from October 21, 2024. Ms. Huang Shaoli ("Ms. Huang"), the wife of Mr. Xie was appointed as a Non-executive Director with effect from May 20, 2023.

Mr. Xie and Ms. Huang (collectively, the "Appointed Directors") are directors and controlling shareholders of Shanghai YCT Electronics Group Co. Ltd ("Shanghai YCT"). Since the Company and Shanghai YCT (including their respective underlying entities) are in the same industry (i.e., an authorized distributor of electronic components for use in various industries as well as provision of engineering solutions), have the same or similar business model, operate in the same geographical region and have overlapping upstream suppliers and end customers, the Appointed Directors may face potential conflicts of interests.

# REPORT OF THE DIRECTORS

## 13. DIRECTORS' INTERESTS IN COMPETING BUSINESS – *continued*

In order to implement effective conflict of interests management and delineate the business of the Company from that of Shanghai YCT, the Company is prepared to adopt/has adopted the following measures:

(1) restricting the Appointed Directors from participating in the management of the Company's business where there is actual or potential competition;

(2) having a sufficient number of independent directors, who have requisite knowledge, industry experience and expertise, on the Board to advise on the conflicted transactions and business decisions, whilst the Appointed Directors would abstain from voting;

(3) the Appointed Directors having provided an enforceable non-competition undertaking in favour of the Company (the "Undertaking"); and

(4) the Appointed Directors having granted a right of first refusal to the Company on behalf of Shanghai YCT where it is aware of a new business opportunity relating to the business conducted by the Company or intends to dispose of the competing business.

The content of the Undertaking includes:

a) if each of the Appointed Directors proposes to the Board or the Company that any business lines, business segments, material end-customers or any core business strategies the Company currently and in the future focuses on shall be discontinued, reduced, and or transfer to Controlled Persons[1], close associates (as defined in the Hong Kong Listing Rules), and/or member companies of the Texin group, and/or any matters that may lead to potential conflicts of interest ("Proposals"), each of the Appointed Directors shall not be allowed to participate or if present in such meeting not be counted towards the quorum or allowed to vote in such meeting, and such Proposals shall be considered and decided solely by the other Board members who do not have an interest in the Proposal (the "Independent Board");

b) the Independent Board shall be responsible for deciding, without attendance by any of the Appointed Directors (except as invited by the Independent Board to assist them or provide any relevant information but in no circumstances shall the Appointed Directors participating in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to the Company and exercise the right of first refusal;

[1] "Controlled Persons" means in relation to each of the Appointed Directors and persons to whom each of the Appointed Directors provides financial assistance to set up and operate businesses.

# REPORT OF THE DIRECTORS

## 13. DIRECTORS' INTERESTS IN COMPETING BUSINESS – *continued*

c) the independent non-executive directors of the Company ("INEDs") may employ an independent financial/legal/industrial advisor (as the case may be) as they consider necessary to advise them on the terms of any new business opportunity and the right of first refusal (if applicable);

d) each of the Appointed Directors shall make annual declaration by providing a written confirmation to the Company confirming he/she has fully complied with the non-competition undertakings;

e) upon receiving the confirmation, the INEDs of the Company shall review, on an annual basis, the compliance of the non-competition undertakings given by each of the Appointed Directors, and any decisions in relation to new business opportunities referred to the Company, and exercise of right of first refusal (if applicable), and where required by the Hong Kong Listing Rules shall not be restricted in any way to state their basis and reasons in the Company's annual report;

f) the INEDs of the Company shall be granted full access of financial information and other information they request from the managers of the Company and the Appointed Directors in order to make an informed decision. The INEDs of the Company shall make each decision based on any factors they consider appropriate and which they consider is beneficial to the Group;

g) the Company shall not be restricted in any way in disclosing details of any potential competing interests including the business being conducted by the Texin group from time to time in the Company's annual reports to its shareholders;

h) the Company shall not be restricted in any way in disclosing any new development of any potential competing interests in the Company's annual reports to its shareholders; and

i) in the event that the Company decides not to proceed with any particular projects or business opportunities and that the Appointed Directors or their close associates (as defined in the Hong Kong Listing Rules), Controlled Persons and/or member companies of the Texin group decide to proceed with such a project or business opportunity, the Company may determine to announce such decision by way of an announcement setting out therein the basis for the Company not taking up the project or business opportunity.

Further, the Appointed Directors shall also recuse themselves from discussions and decisions of the Board involving any issues of their conflict of interests, and shall abstain from voting as directors on the relevant matters.

# REPORT OF THE DIRECTORS

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

Save as disclosed in the section headed "Report of the Directors – Interested Person Transactions/ Connected Transactions" in this annual report, 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 Period.

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

Save as disclosed in the section headed "Report of the Directors – Interested Person Transactions/ Connected Transactions" in this annual report, no controlling shareholder of the Company 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 Period.

## 16. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## 17. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors holding office at the end of the Period 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 | |
|---|---|---|---|---|
| **The Company** | **At beginning of the Period** | **At end of the Period** | **At beginning of the Period** | **At end of the Period** |
| Mr. Xie Lishu | – | – | 18,614,309 | 76,955,745 |
| Ms. Huang Shaoli | – | – | 18,614,309 | 76,955,745 |

The Directors' interests as at January 21, 2025 were the same as those at the end of the Period.

# REPORT OF THE DIRECTORS

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

As at December 31, 2024, 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:

**Long position in the shares of the Company (the "Shares")**

| | Number of Shares Held | | | | |
|---|---|---|---|---|---|
| **Name of Directors/ Chief Executive** | **Personal interests (held as beneficial owner)** | **Family interests (interest of spouse)** | **Corporate interests (interest of a controlled corporation)** | **Total** | **Approximate percentage of total shareholding in the Company** *(Note)* **(%)** |
| Xie Lishu | – | – | 76,955,745 | 76,955,745 | 87.76 |
| Huang Shaoli | – | 76,955,745 | – | 76,955,745 | 87.76 |

*Note:*

The percentage represents the total number of the Shares interested divided by the number of issued Shares as at December 31, 2024 (i.e. 87,692,049 Shares).

Save as disclosed above, as at December 31, 2024, 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 December 31, 2024, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

### Long position in the Shares

| Name of Shareholders | Number of Shares Held: Personal interests (held as beneficial owner) | Family interests (interest of spouse) | Corporate interests (interest of controlled corporations) | Total | Approximate percentage of total shareholding in the Company [2] (%) |
|---|---|---|---|---|---|
| Shanghai YCT [1] | – | – | 76,955,745 | 76,955,745 | 87.76 |
| Kunshan Archer [1] | – | – | 76,955,745 | 76,955,745 | 87.76 |
| Texin [1] | 76,955,745 | – | – | 76,955,745 | 87.76 |

*Notes:*

(1) Texin is wholly owned by Kunshan Archer Electronics Co. Ltd ("Kunshan Archer"), which is in turn wholly owned by Shanghai YCT. Kunshan Archer and Shanghai YCT are deemed to be interested in the 76,955,745 Shares held by Texin, by virtue of the SFO.

(2) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at December 31, 2024 (i.e. 87,692,049 Shares).

Save as disclosed above, as at December 31, 2024, 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 Period, none of the Directors received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the attached consolidated financial statements.

## 21. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are set out on pages 19 to 23 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 2024/25 interim report of the Company required to be disclosed in this annual report are as follows:

Mr. Xie Lishu was re-designated as an executive Director with effect from October 21, 2024.

Mr. Chong Eng Wee, an INED, was re-designated as non-executive and independent chairman of Heatec Jietong Holdings Limited (SGX-ST stock code: 5OR) and Polaris Limited (SGX-ST code: 5BI). He was re-designated as non-executive and lead independent director of Accrelist Limited (SGX-ST stock code: QZG). Mr. Chong resigned as the company secretary of China Vanadium Titano-Magnetite Mining Company Limited (SEHK stock code: 893) and was appointed as the company secretary of GS Holdings Limited (SGX-ST stock code: 43A).

Mr. Lau Chin Huat, an INED, was appointed as the lead independent director of Wilton Resources Corporation Limited (SGX-ST stock code: 5F7) since October 2024.

# REPORT OF THE DIRECTORS

## 23. SHARE OPTIONS TO TAKE UP UNISSUED SHARES

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

**ESOS III in general**

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

The total number of Shares available for issue under ESOS III was 347,000, which represented approximately 0.40% of the issued Shares as at the date of this annual report.

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

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

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

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

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

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

# REPORT OF THE DIRECTORS

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

### Particulars of ESOS III during the Period

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

| | | Number of underlying Shares comprised in share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of participants | Date of grant | Balance as at April 1, 2024 | Granted during the Period | Exercised during the Period | Lapsed during the Period | Forfeited during the Period | Balance as at December 31, 2024 | Exercise price per Share | Exercise period |
| Employees in aggregate | July 17, 2017 | 467,500 | – | – | – | (170,500) | 297,000 | HK$3.91 | July 18, 2018 to July 17, 2027 |
| Employees in aggregate | December 2, 2020 | 545,000 | – | (70,000) | – | (425,000) | 50,000 | HK$2.61 | December 3, 2021 to December 2, 2030 |
| | | 1,012, 500 | – | (70,000) | – | (595,500) | 347,000 | | |

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

No participants of the ESOS III have received share options representing 5% or more of the total number of the underlying Shares available for issue under ESOS III.

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

Each share option grants the holder the right to subscribe for one Share. The share options may be exercised in full or in part thereof. Share options granted will be forfeited when the holder is no longer a full-time employee of the Company or any member corporation in the Group subject to certain exceptions at the discretion of the Company.

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

# REPORT OF THE DIRECTORS

## 24. SHARE OPTIONS EXERCISED

During the Period, 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 Period, there were no unissued shares of the Company or any member corporations in the Group under option, except for ESOS III disclosed in paragraph 24 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 Period or subsisted at the end of the Period.

## 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. INSUFFICIENCY OF PUBLIC FLOAT

As disclosed in the announcement of the Company dated September 27, 2024, immediately following the close of the voluntary unconditional cash offers, the percentage of the public float of the Shares fell below 15%. Pursuant to Note (1) to Rule 8.08(1)(b) of the HK Listing Rules, trading in the Shares will normally be required to be suspended if the percentage of public falls below 15%.

At the request of the Company, trading in the Shares on the SEHK had been suspended with effect from 9:00 a.m. on September 30, 2024 and will continue to be suspended pending the fulfilment of the resumption guidance and the grant of approval of SEHK for the resumption of trading of the Shares on SEHK.

Further announcement(s) will be made by the Company regarding the restoration of the public float and resumption of trading in Shares on SEHK.

## 28. MAJOR CUSTOMERS AND SUPPLIERS

During the Period,

(1) sales to the Group's five largest customers accounted for approximately 22.7% of the total sales for the Period and the single largest customer accounted for approximately 9.9%; and

(2) purchases from the Group's five largest suppliers accounted for approximately 85.8% of the total purchases for the Period and the single largest supplier accounted for approximately 37.4%.

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

# REPORT OF THE DIRECTORS

## 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 Period are set out in Notes 13 and 14, respectively to the consolidated financial statements.

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

## 30. RETIREMENT BENEFIT SCHEMES/PENSION SCHEMES

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

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

## 31. TAX RELIEF

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

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

## 32. MANAGEMENT CONTRACT

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

# REPORT OF THE DIRECTORS

## 33. PERMITTED INDEMNITIES

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

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 Period and remains in force as at the date of this report.

## 34. CHARITABLE DONATION

During the Period, no charitable donations made by the Group (year ended March 31, 2024: nil).

## 35. REVIEW OF FINAL RESULTS BY AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference in compliance with the HK CG Code and the SGX-ST Listing Manual and the Audit Committee has performed the functions as detailed in the Corporate Governance Report contained in this annual report. Currently, the Audit Committee comprises all the four INEDs, namely Mr. Lau Chin Huat (committee chairman), Mr. Chong Eng Wee, Mr. Tso Sze Wai and Dr. Jiang Maolin. The Group's audited consolidated results for the Period and the relevant consolidated financial statements as well as this annual report have been reviewed by the Audit Committee.

## 36. CORPORATE GOVERNANCE

Details of the key corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 78 to 104 of this annual report.

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

During the Period, 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.

# REPORT OF THE DIRECTORS

## 38. 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 the Shareholders as a whole.

On September 27, 2024, Shanghai YCT, the ultimate controlling shareholder of the Company, entered into a loan agreement (the "Loan") with the Company together with the Company's PRC subsidiaries to replenish the Group's working capital and for repayment of the Group's higher-interest-rate trust receipt loans. According to the Loan, Shanghai YCT would grant loans at the aggregating amount not more than Renminbi 150,000,000 with effective interest rate at 6.8% per annum to the Company and the Company's PRC subsidiaries. These loans are unsecured and repayable in one year. The provision of the Loan from Shanghai YCT to the Company constitutes a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, as the Loan is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the Loan is fully exempted from the announcement, circular, independent financial advice and Shareholders' approval requirements under pursuant to Rule 14A.90 of the HK Listing Rules.

During the Period, we have not entered into any connected transactions or continuing connected transactions which should be disclosed pursuant to the requirements under Chapter 14A of the HK Listing Rules.

After the Period, on February 10, 2025, the Company had entered into a master supply framework agreement and a master purchase framework agreement with Shanghai YCT Electronics Group Company Limited, a substantial shareholder of the Company, in relation to the supply and purchase of semi-conductor electronic component products. The master supply framework agreement and master purchase framework agreement and the transactions contemplated thereunder is conditional upon obtaining the necessary approval and consent under the HK Listing Rules and the SGX-ST Listing Manual, which includes approval by the independent Shareholders at a special general meeting of the Company.

For details of the above, please refer to the announcement dated February 10, 2025.

# REPORT OF THE DIRECTORS

## 39. RELATED COMPANY TRANSACTIONS

Related company transactions of the Group during the Period are disclosed in Note 41 to the consolidated financial statements. These related company transactions include transactions that constitute 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 such Chapter.

## 40. INDEPENDENT AUDITOR

Ernst & Young LLP ("EY Singapore") was appointed as the new Independent Auditor following the resignation of Deloitte & Touche LLP at the special general meeting held on April 8, 2025.

The Board, which concurs with the Audit Committee's recommendation, has proposed the nomination of EY Singapore for re-appointment as the Independent Auditor at the 2025 AGM.

EY Singapore has expressed their willingness to accept the re-appointment.

On behalf of the Board

**Mr. Xie Lishu**
*Chairman*

**Mr. Fan Qinsheng**
*Executive Director*

May 21, 2025

# STATEMENT OF DIRECTORS

In the opinion of the board of directors of Willas-Array Electronics (Holdings) Limited (the "Company" and the "Board", respectively), the consolidated financial statements of the Company and its subsidiaries (collectively the "Group"), including the statement of financial position and the statement of changes in equity of the Company, as set out on pages 131 to 237 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 December 31, 2024, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period 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. Xie Lishu**
*Chairman*

**Mr. Fan Qinsheng**
*Executive Director*

May 21, 2025

# INDEPENDENT AUDITOR'S REPORT

**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 (the "Group") set out on pages 131 to 237, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the nine months ended December 31, 2024 in accordance with IFRS accounting 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 (the "ISAs") as issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the* consolidated *financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA Code") in Singapore, and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## OTHER MATTER

The consolidated financial statements of the Group for the year ended March 31, 2024 were audited by another firm of auditors who expressed an unmodified opinion on those statements on June 21, 2024.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| 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.<br><br>As at December 31,2024, the Group's net trade receivables amounting to HK$708,448,000, which represented approximately 50% of total assets of the Group and trade receivables amounting to HK$192,874,000 were past due as disclosed in Note 25 to the consolidated financial statements. | Our audit procedures in relation to impairment assessment of trade receivables included but not limited to:<br><br>• Understanding processes and key controls in relation to monitoring of trade receivables, including the process in determining whether a debtor is credit-impaired;<br><br>• Reviewing trade receivables aging analysis and past due status to identify potential collectible issues and testing, on a sample basis, the data and inputs used to develop the aging analysis to the underlying supporting documents; |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTER – *continued*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of trade receivables**– continued* | |
| As disclosed in Note 44 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 loss rate approach through grouping of various debtors after considering internal credit ratings of trade debtors, aging and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses as at December 31, 2024.<br><br>As disclosed in Note 44 to the consolidated financial statements, the Group's lifetime ECL on trade receivables as at December 31, 2024 amounted to HK$11,486,000. | • Assessing the appropriateness of management's basis and judgement used in identification and grouping of trade receivables into different categories of credit ratings and segregation of trade receivables into those that are credit-impaired and those that are not. This includes testing, on a sample basis, the data used by management to determine the debtor's credit rating to the relevant supporting documents;<br><br>• Testing the reasonableness of the estimated loss rates by evaluating management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments such as economic data and external information;<br><br>• Assessing management's assumptions used to determine impairment loss for credit impaired trade receivables through consideration of debtor's specific profiles and risk;<br><br>• Testing on a sample basis, subsequent receipts of settlement after the end of the reporting period; and<br><br>• Assessing the appropriateness of disclosures regarding the impairment assessment of trade receivables in Note 25 and 44 to the consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTER – *continued*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Determination of net realisable value for inventories*** | |
| We identified the determination of net realisable value 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 net realisable value for inventories.<br><br>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.<br><br>The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are slow-moving or obsolete and estimated the net realisable value for those items based on latest selling price.<br><br>As disclosed in Note 24 to the consolidated financial statements, as at December 31, 2024, the carrying amount of the Group's inventories was HK$417,928,000, net of allowance for inventories of HK$114,353,000. | Our audit procedures in relation to the determination of net realisable value for inventories included but not limited to:<br><br>• Understanding and evaluating management's basis for the identification of slow-moving or obsolete inventories, and their assessment of net realisable value and allowance for inventories after taking into account latest sales made, including those sales made after the end of the reporting period, if any;<br><br>• Testing the accuracy of the inventories aging report to the underlying supporting documents;<br><br>• Testing the net realisable values of inventories, on a sample basis to the latest sales margin report. This includes identification of inventories that are selling at loss and assessing whether the allowance was properly provided for such inventories; and<br><br>• Assessing the appropriateness of disclosures regarding the determination of net realisable value for inventories in Note 24 to the consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS 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 accounting 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by audit committee (the "Audit Committee") in discharging the directors' responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Mr. Low Bek Teng.

**Ernst & Young *LLP***
*Public Accountants and Chartered accountants*
Singapore
21 May 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

| | NOTES | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **1,828,900** | 2,664,883 |
| Cost of sales | | **(1,760,564)** | (2,564,486) |
| Gross profit | | **68,336** | 100,397 |
| Other income | 7 | **2,965** | 2,168 |
| Distribution costs | | **(14,137)** | (22,591) |
| Administrative expenses | | **(106,485)** | (171,586) |
| Other gains and losses | 8 | **125** | (17,254) |
| Impairment losses reversed (recognised) under ECL model, net | 9 | **7,813** | (7,820) |
| Loss on fair value change of investment property | 19 | **(188)** | (715) |
| Finance costs | 10 | **(26,924)** | (52,603) |
| Loss before tax | | **(68,495)** | (170,004) |
| Income tax credit | 11 | **6,893** | 707 |
| Loss for the period/year | 12 | **(61,602)** | (169,297) |
| Other comprehensive expense | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| – Loss on revaluation of owned properties | | **(22,392)** | (7,030) |
| – Income tax relating to loss recognised in other comprehensive income | 11 | **4,258** | 1,648 |
| | | **(18,134)** | (5,382) |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| – Exchange differences arising from translation of foreign operations | | **(4,750)** | (13,464) |
| Other comprehensive expense for the period/year | | **(22,884)** | (18,846) |
| Total comprehensive expense for the period/year | | **(84,486)** | (188,143) |
| Loss attributable to: | | | |
| Owners of the Company | | **(61,601)** | (169,223) |
| Non-controlling interests | | **(1)** | (74) |
| | | **(61,602)** | (169,297) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(84,489)** | (188,064) |
| Non-controlling interests | | **3** | (79) |
| | | **(84,486)** | (188,143) |
| Loss per share | | | |
| – Basic (HK cents) | 16 | **(70.25)** | (193.13) |
| – Diluted (HK cents) | | **(70.25)** | (193.13) |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

| | NOTES | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **205,783** | 240,789 |
| Right-of-use assets | 18 | **2,941** | 3,953 |
| Investment property | 19 | **10,043** | 10,231 |
| Club debentures | 20 | **2,001** | 2,001 |
| Interest in an associate | 21 | **–** | – |
| Financial assets measured at fair value through other comprehensive income ("FVTOCI") | 22 | **8,639** | – |
| Long-term deposits | 23 | **1,363** | 2,622 |
| Deferred tax assets | 37 | **2,281** | 485 |
| Total non-current assets | | **233,051** | 260,081 |
| **Current assets** | | | |
| Inventories | 24 | **417,928** | 707,663 |
| Trade receivables | 25 | **708,448** | 816,508 |
| Other receivables, deposits and prepayments | 27 | **8,367** | 7,845 |
| Amount due from related companies | 28 | **948** | 167 |
| Income tax recoverable | | **4,321** | 8,708 |
| Cash and cash equivalents | 30 | **41,412** | 68,851 |
| Total current assets | | **1,181,424** | 1,609,742 |
| **Total assets** | | **1,414,475** | 1,869,823 |
| **Current liabilities** | | | |
| Trade payables | 31 | **322,998** | 735,772 |
| Other payables | 32 | **31,861** | 33,356 |
| Contract liabilities | 33 | **3,256** | 3,551 |
| Income tax payable | | **550** | 784 |
| Trust receipt loans | 35 | **140,044** | 268,246 |
| Bank borrowings | 36 | **316,905** | 297,210 |
| Lease liabilities | 34 | **2,054** | 2,354 |
| Loans from the ultimate holding company | 29 | **163,180** | – |
| Total current liabilities | | **980,848** | 1,341,273 |
| **Net current assets** | | **200,576** | 268,469 |
| **Total assets less current liabilities** | | **433,627** | 528,550 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

| | NOTES | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|---|
| **Capital, reserves and non-controlling interests** | | | |
| Share capital | 38 | 87,692 | 87,622 |
| Reserves | | 330,580 | 414,864 |
| Equity attributable to owners of the Company | | 418,272 | 502,486 |
| Non-controlling interests | | – | 89 |
| Total equity | | 418,272 | 502,575 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 37 | 14,517 | 24,335 |
| Lease liabilities | 34 | 838 | 1,640 |
| Total non-current liabilities | | 15,355 | 25,975 |
| **Total liabilities and equity** | | 1,414,475 | 1,869,823 |

The consolidated financial statements on pages 131 to 237 were approved and authorised for issue by the board of directors on May 21, 2025 and are signed on its behalf by:

**Mr. Xie Lishu**
*DIRECTOR*

**Mr. Fan Qinsheng**
*DIRECTOR*

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

| | 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 | Subtotal HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At April 1, 2023 | 87,622 | 199,780 | 28,771 | 125,090 | (5,355) | (16,448) | (3,561) | 274,651 | 690,550 | 66 | 690,616 |
| Total comprehensive expense for the year: | | | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (169,223) | (169,223) | (74) | (169,297) |
| Other comprehensive expense for the year | – | – | – | (5,382) | (13,459) | – | – | – | (18,841) | (5) | (18,846) |
| Total | – | – | – | (5,382) | (13,459) | – | – | (169,223) | (188,064) | (79) | (188,143) |
| Transactions with owners, recognised directly in equity: | | | | | | | | | | | |
| Capital contribution from non-controlling interests of a subsidiary | – | – | – | – | – | – | – | – | – | 102 | 102 |
| Share options forfeited | – | (752) | – | – | – | – | – | 752 | – | – | – |
| Transfer from property revaluation reserve | – | – | – | (6,127) | – | – | – | 6,127 | – | – | – |
| Transfer of statutory reserve | – | – | (2,596) | – | – | – | – | 2,596 | – | – | – |
| Total | – | (752) | (2,596) | (6,127) | – | – | – | 9,475 | – | 102 | 102 |
| At March 31, 2024 | 87,622 | 199,028 | 26,175 | 113,581 | (18,814) | (16,448) | (3,561) | 114,903 | 502,486 | 89 | 502,575 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital<br>HK$'000 | Capital reserves<br>HK$'000<br>*(Note 39)* | Statutory reserve<br>HK$'000<br>*(Note i)* | Property revaluation reserve<br>HK$'000 | Currency translation reserve<br>HK$'000 | Financial assets measured at FVTOCI reserve<br>HK$'000 | Other reserve<br>HK$'000<br>*(Note ii)* | Accumulated profits<br>HK$'000 | Subtotal<br>HK$'000 | Non-controlling interests<br>HK$'000 | Total<br>HK$'000 |
| At April 1, 2024 | 87,622 | 199,028 | 26,175 | 113,581 | (18,814) | (16,448) | (3,561) | 114,903 | 502,486 | 89 | 502,575 |
| Total comprehensive expense for the period: | | | | | | | | | | | |
| Loss for the period | – | – | – | – | – | – | – | (61,601) | (61,601) | (1) | (61,602) |
| Other comprehensive (expense) income for the period | – | – | – | (18,134) | (4,754) | – | – | – | (22,888) | 4 | (22,884) |
| Total | – | – | – | (18,134) | (4,754) | – | – | (61,601) | (84,489) | 3 | (84,486) |
| Transactions with owners, recognised directly in equity: | | | | | | | | | | | |
| Dissolution of a subsidiary | – | – | – | – | 6 | – | 86 | – | 92 | (92) | – |
| Exercise of share options | 70 | 113 | – | – | – | – | – | – | 183 | – | 183 |
| Share options forfeited | – | (503) | – | – | – | – | – | 503 | – | – | – |
| Transfer from property revaluation reserve | – | – | – | (4,429) | – | – | – | 4,429 | – | – | – |
| Transfer of statutory reserve | – | – | (4,130) | – | – | – | – | 4,130 | – | – | – |
| Total | 70 | (390) | (4,130) | (4,429) | 6 | – | 86 | 9,062 | 275 | (92) | 183 |
| **At December 31, 2024** | **87,692** | **198,638** | **22,045** | **91,018** | **(23,562)** | **(16,448)** | **(3,475)** | **62,364** | **418,272** | **-** | **418,272** |

*Notes:*

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

(ii) Other reserve comprises a debit amount of HK$3,475,000 (March 31, 2024, 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 and the dissolution of a subsidiary, namely WinStar Smart Technology (Suzhou) Company Limited which principal activities was provision of IoT application services and suffered significant losses in recent years, during the nine months ended December 31, 2024. Provision of IoT application services was not principal business of the Group.

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

| | Notes | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | (68,495) | (170,004) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | 10,098 | 14,657 |
| Depreciation of right-of-use assets | 12 | 1,847 | 7,928 |
| Interest expense on bank borrowings and trust receipt loans | 10 | 24,349 | 52,248 |
| Interest expense on loans from the ultimate holding company | 10 | 2,449 | – |
| Interest expense on lease liabilities | 10 | 126 | 355 |
| Allowance for inventories | 24 | 26,111 | 83,389 |
| Impairment (reversed) loss recognised under ECL model, net | 9 | (7,813) | 7,820 |
| (Gain) loss on disposal of property, plant and equipment | 8 | (66) | 1,740 |
| Loss on fair value change of investment property | 19 | 188 | 715 |
| Net loss on fair value changes of derivative financial instruments | | – | 682 |
| Loss on termination of leases, net | | – | 252 |
| Unrealised exchange (gain) loss | | (1,089) | 5,542 |
| Interest income | 7 | (414) | (1,223) |
| Operating cash flows before movements in working capital | | (12,709) | 4,101 |
| Decrease (increase) in inventories | | 262,629 | (206,440) |
| Decrease (increase) in trade receivables | | 25,797 | (36,705) |
| Increase in other receivables, deposits and prepayments | | (601) | (326) |
| Decrease in long-term deposits | | 1,228 | 1,328 |
| Increase in amounts due from related companies | | (781) | (167) |
| (Decrease) increase in trade payables | | (405,600) | 355,752 |
| (Decrease) increase in other payables | | (10,532) | 1,158 |
| (Decrease) increase in contract liabilities | | (273) | 642 |
| Cash (used in) generated from operations | | (140,842) | 119,343 |
| Income tax refund (paid) | | 3,874 | (5,466) |
| Interest paid | | (26,537) | (55,708) |
| Interest received | | 414 | 1,223 |
| Net cash (used in) generated from operating activities | | (163,091) | 59,392 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

| | Note | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(405)** | (5,123) |
| Investments in unlisted equity securities | | **(2,160)** | – |
| Proceeds from disposal of property, plant and equipment | | **444** | 738 |
| Net cash used in investing activities | | **(2,121)** | (4,385) |
| **Financing activities** | | | |
| Capital contribution from non-controlling interests of a subsidiary | | **–** | 102 |
| Proceeds from exercise of share options | | **183** | – |
| Repayments of trust receipt loans | | **(847,633)** | (1,909,213) |
| Proceeds from trust receipt loans | | **719,917** | 1,521,523 |
| Repayments of bank borrowings | | **(794,914)** | (885,213) |
| Proceeds from bank borrowings | | **898,474** | 982,567 |
| Repayments of Loans from the ultimate holding company | | **(34,935)** | – |
| Proceeds from Loans from the ultimate holding company | | **200,370** | – |
| Repayments of lease liabilities | | **(2,065)** | (8,850) |
| Net cash generated from (used in) financing activities | | **139,397** | (299,084) |
| Net decrease in cash and cash equivalents | | **(25,815)** | (244,077) |
| Cash and cash equivalents at beginning of the period/year | 30 | **68,851** | 317,230 |
| Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | | **(1,624)** | (4,302) |
| Cash and cash equivalents at end of the period/year | 30 | **41,412** | 68,851 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 1. CORPORATE AND GROUP INFORMATION

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

The immediate holding company of the Company is Texin (HongKong) Electronics Co. Limited, which is in turn wholly owned by Shanghai YCT Electronics Group Co., Ltd. ("Shanghai YCT"), a company incorporated in the People's Republic of China (the "PRC") with its shares listed on the Shenzhen Stock Exchange.

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 nine months ended December 31, 2024 were authorised for issue by the board of directors on May 21, 2025.

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

**New and amendments to IFRS Accounting Standards that are mandatorily effective for the current period**

In the current period, the Group has applied the following revised IFRS Accounting Standards for the first time, which are mandatorily effective for the Group's current period beginning on April 1, 2024 for the preparation of the Group's consolidated financial statements:

The Group has adopted the following revised IFRS accounting standards for the first time for the current period's financial statements.

| | |
|---|---|
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current (the "2020 Amendments") |
| Amendments to IAS 1 | Non-current Liabilities with Covenants (the "2022 Amendments") |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |

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

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

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

The nature and the impact of the revised IFRS accounting standards are described below:

***Impact on application of Amendments to IFRS 16 Lease Liability in a Sale and Leaseback***

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

***Impact on application of Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Non-current Liabilities with Covenants (the "2022 Amendments")***

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The Group has reassessed the terms and conditions of its liabilities as at April 1 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

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

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

***Impact on application of Amendments to Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements***

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As a result of the implementation of the amendments, the Group has provided additional disclosures about its supplier finance arrangements on the Group's trust receipt loans in notes 35 and 44(b) and to the financial statements.

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

The Group has not applied the following new and revised IFRS accounting standards, that have been issued but are not yet effective

| | |
|---|---|
| IFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| IFRS 19 | *Subsidiaries without Public Accountability: Disclosures*[3] |
| Amendments to IFRS 9 and IFRS 7 | *Amendments to the Classification and Measurement of Financial Instruments*[2] |
| Amendments to IFRS 9 and IFRS 7 | *Contracts Referencing Nature-dependent Electricity*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to IAS 21 | *Lack of Exchangeability*[1] |
| *Annual Improvements to IFRS Accounting Standards – Volume 11* | *Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

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

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

***IFRS 18 Presentation and Disclosure in Financial Statements***

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the group considers that the new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

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

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

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 material accounting policies below.

### 3.2 Material accounting policies

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases ("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 ("IAS 36").

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

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.

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.

***Basis of consolidation***

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Basis of consolidation*** – *continued*

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

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

***Revenue from contracts with customers***

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

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

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

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

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Leases***

***Definition of a lease***

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

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

***The Group as a lessee***

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand– alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

*Short-term leases*

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Leases*** – *continued*

***The Group as a lessee*** – *continued*

*Right-of-use assets*

The cost of right-of-use asset includes:

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

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

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

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

*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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Leases*** – *continued*

***The Group as a lessee*** – *continued*

*Lease liabilities*

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

The lease payments include fixed payments.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

***The Group as a lessor***

*Classification and measurement of leases*

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

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

*Refundable rental deposits*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material 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.

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

***Borrowing costs***

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Employee benefits***

***Retirement benefit costs***

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

***Short-term and other long-term employee benefits***

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

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

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

***Share-based payment***

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Share-based payment*** – *continued*

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

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

***Taxation***

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Taxation*** – *continued*

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Property, plant and equipment***

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

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

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous property revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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 classified as right-of-use assets) 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 or valuation of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Property, plant and equipment*** – *continued*

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

***Investment property***

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

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

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

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

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

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.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

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

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

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

***Financial instruments***

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 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.

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

*Classification and subsequent measurement of financial assets – continued*

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.

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

(i) Amortised cost and interest income

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

*Classification and subsequent measurement of financial assets – continued*

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, refundable deposits, amount due from an associate, amounts due from related companies and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors which are credit-impaired and collectively with appropriate groupings for debtors which are not credit-impaired.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

(i) Significant increase in credit risk

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

(i) Significant increase in credit risk – continued

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

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

(ii) Definition of default

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using simplified approach taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables which are not credit-impaired, are assessed in different group, while credit-impaired trade receivables, other receivables, refundable deposits, amount due from an associate, amounts due from related companies and bank balances are assessed individually);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***Financial assets*** – *continued*

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

(v) Measurement and recognition of ECL – continued

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

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

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

***Derecognition of financial assets***

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material accounting policies – *continued*

***Financial instruments*** – *continued*

***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*

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

*Financial liabilities at FVTPL*

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

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in a manner described in Note 44.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

### 3.2 Material 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.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

**Provision of ECL for trade receivables**

Credit-impaired trade receivables are assessed for ECL individually.

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 44 and 25, respectively.

**Allowance for inventories**

The Group operates in the electronics industry which is subject to rapid technological changes and price changes. The Group's policy for allowance for inventories is based on management's judgement on the realisability of the inventories which takes into account the aging, latest selling prices, cost necessary to make the sales 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 December 31, 2024 was HK$417,928,000 (March 31, 2024: HK$707,663,000), net of allowance for inventories of HK$114,353,000 (March 31 2024: HK$90,566,000).

**Valuation of owned properties and investment property**

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

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

As at December 31, 2024, the carrying amounts of the Group's owned properties and investment property are HK$199,006,000 (March 31, 2024: HK$232,019,000) and HK$10,043,000 (March 31, 2024: HK$10,231,000), respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 5. REVENUE, OTHER INCOME AND GAINS

**Disaggregation of revenue from contracts with customers**

| | **Nine months ended December 31, 2024 HK$'000** | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| **Types of goods or services** | | |
| Sales of electronic components | **1,827,994** | 2,664,883 |
| Provision of agency services | **906** | – |
| | **1,828,900** | 2,664,883 |
| **Market segments of the customers** | | |
| Industrial | **493,298** | 595,831 |
| Automotive | **490,870** | 797,361 |
| Home appliance | **318,176** | 444,031 |
| Electronic manufacturing services | **151,664** | 236,024 |
| Dealer | **136,178** | 182,734 |
| Audio and video | **112,758** | 157,594 |
| Telecommunications | **79,187** | 170,395 |
| Lighting | **30,174** | 55,171 |
| Others | **16,595** | 25,742 |
| **Total** | **1,828,900** | 2,664,883 |

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

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

Advance payments may be received based on terms of sales contract and any transaction price received by the Group is recognised as a contract liability until the control of the goods has been transferred to the customer. The normal credit term is 30 to 120 days (March 31, 2024: 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 December 31, 2024 and March 31, 2024, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

## 6. OPERATING SEGMENT INFORMATION

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

– Southern China Region;

– Northern China Region; and

– Taiwan

In addition, the CODM also reviews revenue by customers' market industries as disclosed in Note 5.

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other income, distribution costs, administrative expenses, other gains and losses, impairment losses reversed (recognised) under ECL model, net, loss on fair value change of investment property and finance costs are excluded from segment results. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 6. OPERATING SEGMENT INFORMATION – *continued*

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

**Nine months ended December 31, 2024**

| | 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 | 791,291 | 841,665 | 195,944 | 1,828,900 | – | 1,828,900 |
| Sales – inter-company | 444,808 | 439,898 | 879 | 885,585 | (885,585) | – |
| | 1,236,099 | 1,281,563 | 196,823 | 2,714,485 | (885,585) | 1,828,900 |
| Cost of sales | (1,209,020) | (1,248,556) | (188,573) | (2,646,149) | 885,585 | (1,760,564) |
| **Gross profit/segment results** | 27,079 | 33,007 | 8,250 | 68,336 | – | 68,336 |
| Other income | | | | | | 2,965 |
| Distribution costs | | | | | | (14,137) |
| Administrative expenses | | | | | | (106,485) |
| Other gains and losses | | | | | | 125 |
| Impairment losses reversed under ECL model, net | | | | | | 7,813 |
| Loss on fair value change of investment property | | | | | | (188) |
| Finance costs | | | | | | (26,924) |
| Loss before tax | | | | | | (68,495) |
| Income tax credit | | | | | | 6,893 |
| Loss for the period | | | | | | (61,602) |
| Loss attributable to non-controlling interests | | | | | | (1) |
| Loss attributable to owners of the Company | | | | | | (61,601) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 6. OPERATING SEGMENT INFORMATION – *continued*

### Year ended March 31, 2024

| | 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 | 1,165,985 | 1,421,428 | 77,470 | 2,664,883 | – | 2,664,883 |
| Sales – inter-company | 672,208 | 681,090 | 16 | 1,353,314 | (1,353,314) | – |
| | 1,838,193 | 2,102,518 | 77,486 | 4,018,197 | (1,353,314) | 2,664,883 |
| Cost of sales | (1,787,448) | (2,062,137) | (68,215) | (3,917,800) | 1,353,314 | (2,564,486) |
| **Gross profit/segment results** | 50,745 | 40,381 | 9,271 | 100,397 | – | 100,397 |
| Other income | | | | | | 2,168 |
| Distribution costs | | | | | | (22,591) |
| Administrative expenses | | | | | | (171,586) |
| Other gains and losses | | | | | | (17,254) |
| Impairment losses recognised under ECL model, net | | | | | | (7,820) |
| Loss on fair value change of investment property | | | | | | (715) |
| Finance costs | | | | | | (52,603) |
| Loss before tax | | | | | | (170,004) |
| Income tax credit | | | | | | 707 |
| Loss for the year | | | | | | (169,297) |
| Loss attributable to non-controlling interests | | | | | | (74) |
| Loss attributable to owners of the Company | | | | | | (169,223) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 6. OPERATING 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

| | **Nine months ended December 31, 2024 HK$'000** | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Interest income from bank deposits | **414** | 1,223 |
| Government grant *(Note)* | **1,314** | 68 |
| Technical support fee income from a supplier | **–** | 305 |
| Rental income | **769** | 294 |
| Sales of scrapped stock | **–** | 19 |
| Others | **468** | 259 |
| | **2,965** | 2,168 |

*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 period/year in which they become receivable. For the nine months ended December 31, 2024, the Group recognised government grants of HK$1,314,000 (Year ended March 31, 2024: HK$68,000) represents incentive subsidies from the PRC government to encourage development in the region for the nine months ended December 31, 2024 and the year ended March 31, 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 8. OTHER GAINS AND LOSSES

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Net foreign exchange gain (loss) *(Note)* | **59** | (14,580) |
| Net loss on fair value changes of derivative financial instruments | **–** | (682) |
| Gain (loss) on disposal of property, plant and equipment | **66** | (1,740) |
| Loss on early termination of leases, net | **–** | (252) |
| | **125** | (17,254) |

*Note:* During the nine months ended December 31, 2024, there was net foreign exchange gain amounting to HK$59,000 due to the appreciation of Renminbi. While during the year ended March 31, 2024, there was net foreign exchange loss amounting to HK$14,580,000 due to the depreciation of Renminbi.

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

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Impairment (reversed) losses recognised on: | | |
| Trade receivables | **(7,813)** | 9,000 |
| Amount due from an associate | **–** | (1,180) |
| | **(7,813)** | 7,820 |

Details of impairment assessment for the nine months ended December 31, 2024 and the year ended March 31, 2024 are set out in Note 44.

## 10. FINANCE COSTS

An analysis of finance costs is as follows:

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank borrowings and trust receipt loans | 24,349 | 52,248 |
| Interest on loans from the ultimate holding company | 2,449 | – |
| Lease liabilities | 126 | 355 |
| | 26,924 | 52,603 |

## 11. INCOME TAX CREDIT

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| The income tax credit comprises: | | |
| Current tax: | | |
| Hong Kong | 410 | 387 |
| PRC Enterprise Income Tax ("EIT") | 92 | 1,248 |
| Taiwan | 392 | 1,081 |
| Taiwan withholding tax on dividends | 861 | 234 |
| | 1,755 | 2,950 |
| (Over) under provision in respect of prior year: | | |
| Hong Kong | – | 1 |
| PRC EIT | (1,444) | 11 |
| Taiwan | (44) | 10 |
| | (1,488) | 22 |
| Deferred tax: | | |
| Credit to the period/year *(Note 37)* | (7,160) | (3,679) |
| | (6,893) | (707) |

## 11. INCOME TAX CREDIT – *continued*

For the nine months ended December 31, 2024, the Company was subject to Hong Kong Profits Tax at the rate of 16.5%. For the year ended March 31, 2024, 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 nine months ended December 31, 2024 and the year ended March 31, 2024

Under the Law of the PRC on EIT (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% which the tax rate of the Taiwan subsidiary is 20% for the nine months ended December 31, 2024 and the year ended March 31, 2024.

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

The income tax credit for the period/year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **Nine months ended December 31, 2024 HK$'000** | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Loss before tax | **(68,495)** | (170,004) |
| Tax at Hong Kong Profits Tax rate of 16.5% (year ended March 31, 2024: 16.5%) *(Note)* | **(11,302)** | (28,051) |
| Tax effect of expenses not deductible for tax purpose | **8,989** | 18,957 |
| Tax effect of income not taxable for tax purpose | **(268)** | (3,974) |
| (Over) under provision in respect of prior year | **(1,488)** | 22 |
| Utilisation of tax losses from previous years | **(3,130)** | – |
| Tax effect of land appreciation tax and other associated tax arising on fair value change of investment property | **(5,465)** | (490) |
| Tax effect of tax losses not recognised | **7,094** | 13,472 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(1,233)** | 565 |
| Tax effect of deferred tax liabilities arising on undistributed earnings | **(906)** | (1,486) |
| Taiwan withholding tax on dividends | **861** | 234 |
| Others | **(45)** | 44 |
| Income tax credit for the period/year | **(6,893)** | (707) |

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

## 11. INCOME TAX CREDIT – *continued*

**Income tax recognised in other comprehensive income**

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Deferred tax *(Note 37)*: | | |
| Arising on loss recognised in other comprehensive income: | | |
| – Loss on revaluation of owned properties | **(4,258)** | (1,648) |

## 12. LOSS FOR THE PERIOD/YEAR

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

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Cost of inventories recognised as expenses *(Note i)* | **1,760,564** | 2,564,486 |
| Depreciation of property, plant and equipment | **10,098** | 14,657 |
| Depreciation of right-of-use assets | **1,847** | 7,928 |
| Directors' emoluments *(Note 13)* | **2,660** | 5,067 |
| Audit fees | | |
| – Paid to auditor of the Company | **602** | 761 |
| – Paid to other auditors | **1,142** | 2,056 |
| Non-audit fees | | |
| – Paid to auditor of the Company | **–** | 230 |
| – Paid to other auditors | **343** | 739 |
| Staff costs (excluding directors' emoluments) *(Note ii)* | **69,077** | 102,512 |

*Notes:*

(i) During the nine months ended December 31, 2024, the amount included allowance for inventories amounting to HK$26,111,000 (year ended March 31, 2024: allowance for inventories amounting to HK$83,389,000).

(ii) During the nine months ended December 31, 2024, cost of defined contribution plans amounting to HK$11,103,000 (year ended March 31, 2024: HK$16,618,000) was included in staff costs and directors' emoluments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 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:

**Nine months ended December 31, 2024**

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Contributions to retirement benefit scheme HK$'000 | Performance related incentive payments[14] HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|
| Chairman and Executive Director: | | | | | |
| Xie Lishu[1] | 675 | – | – | – | 675 |
| Executive Directors: | | | | | |
| Fan Qinsheng[2] | – | 361 | 36 | 119 | 516 |
| Non-executive Director: | | | | | |
| Huang Shaoli[3] | 585 | – | – | – | 585 |
| Independent Non-executive Directors: | | | | | |
| Chong Eng Wee[4] | 221 | – | – | – | 221 |
| Lau Chin Huat[5] | 221 | – | – | – | 221 |
| Tso Sze Wai[6] | 221 | – | – | – | 221 |
| Jiang Maolin[7] | 221 | – | – | – | 221 |
| Total | 2,144 | 361 | 36 | 119 | 2,660 |

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

Year ended March 31, 2024

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Contributions to retirement benefit scheme HK$'000 | Performance related incentive payments[14] HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|
| Chairman and Non-executive Director: | | | | | |
| Xie Lishu[1] | 779 | – | – | – | 779 |
| Chairman and Executive Director: | | | | | |
| Leung Chi Hang Daniel[8] | – | 130 | 13 | – | 143 |
| Executive Directors: | | | | | |
| Hon Kar Chun[9] | – | 1,044 | 96 | – | 1,140 |
| Leung Hon Shing[10] | – | 935 | 93 | – | 1,028 |
| Fan Qinsheng[2] | – | 182 | 20 | – | 202 |
| Non-executive Director: | | | | | |
| Huang Shaoli[3] | 675 | – | – | – | 675 |
| Independent Non-executive Directors: | | | | | |
| Lim Lee Meng[11] | 95 | – | – | – | 95 |
| Tang Wai Loong Kenneth[12] | 121 | – | – | – | 121 |
| Tong Kai Cheong[13] | 167 | – | – | – | 167 |
| Chong Eng Wee[4] | 186 | – | – | – | 186 |
| Lau Chin Huat[5] | 176 | – | – | – | 176 |
| Tso Sze Wai[6] | 177 | – | – | – | 177 |
| Jiang Maolin[7] | 178 | – | – | – | 178 |
| Total | 2,554 | 2,291 | 222 | – | 5,067 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

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

*Notes:*

(1) Mr. Xie Lishu appointed as Chairman and Non-executive Director with effect from May 20, 2023 and appointed as Chairman and Executive Director with effect from October 21, 2024.

(2) Mr. Fan Qinsheng appointed with effect from November 14, 2023.

(3) Ms. Huang Shaoli appointed with effect from May 20, 2023.

(4) Mr. Chong Eng Wee appointed with effect from August 11, 2023.

(5) Mr. Lau Chin Huat appointed with effect from August 23, 2023.

(6) Mr. Tso Sze Wai appointed with effect from August 23, 2023.

(7) Mr. Jiang Maolin appointed with effect from August 23, 2023.

(8) Mr. Leung Chi Hang Daniel appointed as Chairman with effect from January 1, 2023 and resigned with effect from April 27, 2023.

(9) Mr. Hon Kar Chun resigned with effect from November 28, 2023.

(10) Mr. Leung Hon Shing resigned with effect from November 2, 2023.

(11) Mr. Lim Lee Meng retired with effect from July 29, 2023.

(12) Mr. Tang Wai Loong Kenneth resigned with effect from August 30, 2023.

(13) Mr. Tong Kai Cheong resigned with effect from November 1, 2023.

(14) 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 non-executive directors' (including the independent non-executive directors') fees shown above were for their services as directors of the Company.

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

No directors of the Company waived any emoluments during the nine months ended December 31, 2024 and the year ended March 31, 2024.

## 14. FIVE HIGHEST PAID EMPLOYEES

For the nine months ended December 31, 2024, the five highest paid individuals of the Group included one director (Year ended March 31, 2024: two directors), details of which are included in Note 13.

The emolument of the remaining four individuals (Year ended March 31, 2024: three individuals) were as follows:

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Salaries and other benefits | **2,411** | 3,001 |
| Contributions to retirement benefits scheme | **171** | 258 |
| Performance related incentive payments | **465** | – |
| | **3,047** | 3,259 |

The total emoluments of the remaining four individuals (Year ended March 31, 2024: three individuals) were within the following bands:

| | Number of individuals | |
|---|---|---|
| | Nine months ended December 31, 2024 | Year ended March 31, 2024 |
| HK$500,001 to HK$1,000,000 | **4** | 1 |
| HK$1,000,001 to HK$1,500,000 | **–** | 2 |
| | **4** | 3 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 15. DIVIDEND

No dividend was declared and paid during the nine months ended December 31, 2024 and the year ended March 31, 2024.

The board of directors does not recommend the payment of a final dividend for the nine months ended December 31, 2024.

## 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**

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Loss for the purposes of basic and diluted loss per share attributable to owners of the Company | (61,601) | (169,223) |

**Number of shares**

| | Nine months ended December 31, 2024 '000 | Year ended March 31, 2024 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic loss per share | 87,686 | 87,622 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 45 | 23 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 87,731 | 87,645 |

The computation of diluted loss per share for the nine months ended December 31, 2024 and the year ended March 31, 2024 did not assume the exercise of certain of share options granted by the Company since the exercise price of those share options was higher than the average market price of the shares for the period/year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 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, 2023 | 255,649 | 6,245 | 3,476 | 71,178 | 336,548 |
| Exchange difference | (5,409) | (30) | (21) | (937) | (6,397) |
| Additions | – | – | 22 | 5,101 | 5,123 |
| Disposals | – | (1,350) | (1,356) | (9,817) | (12,523) |
| Loss on revaluation | (18,221) | – | – | – | (18,221) |
| At March 31, 2024 | 232,019 | 4,865 | 2,121 | 65,525 | 304,530 |
| Exchange difference | (2,516) | (18) | (4) | (438) | (2,976) |
| Additions | – | 224 | 14 | 167 | 405 |
| Disposals | – | (3,255) | (4) | (7,584) | (10,843) |
| Loss on revaluation | (30,497) | – | – | – | (30,497) |
| **At December 31, 2024** | **199,006** | **1,816** | **2,127** | **57,670** | **260,619** |
| At December 31, 2024 | | | | | |
| Comprising: | | | | | |
| Cost | – | 1,816 | 2,127 | 57,670 | 61,613 |
| Valuation | 199,006 | – | – | – | 199,006 |
| | 199,006 | 1,816 | 2,127 | 57,670 | 260,619 |
| **ACCUMULATED DEPRECIATION** | | | | | |
| At April 1, 2023 | – | 4,536 | 3,011 | 63,583 | 71,130 |
| Exchange difference | 6 | (30) | (12) | (774) | (810) |
| Depreciation for the year | 11,185 | 424 | 126 | 2,922 | 14,657 |
| Disposals | – | (811) | (1,222) | (8,012) | (10,045) |
| Eliminated on revaluation | (11,191) | – | – | – | (11,191) |
| At March 31, 2024 | – | 4,119 | 1,903 | 57,719 | 63,741 |
| Exchange difference | (47) | (15) | (3) | (368) | (433) |
| Depreciation for the period | 8,152 | 122 | 41 | 1,783 | 10,098 |
| Disposals | – | (2,891) | (4) | (7,570) | (10,465) |
| Eliminated on revaluation | (8,105) | – | – | – | (8,105) |
| **At December 31, 2024** | **–** | **1,335** | **1,937** | **51,564** | **54,836** |
| **CARRYING AMOUNT** | | | | | |
| **At December 31, 2024** | **199,006** | **481** | **190** | **6,106** | **205,783** |
| At March 31, 2024 | 232,019 | 746 | 218 | 7,806 | 240,789 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 17. PROPERTY, PLANT AND EQUIPMENT – *continued*

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

| | |
|---|---|
| Owned properties | Over the shorter of lease term or 50 years |
| Motor vehicles | 20% |
| Plant and equipment | 20% |
| Computer equipment, furniture and fixtures | 10% to 33.33% |

As at December 31, 2024 and March 31, 2024, the Group had obtained the land use right certificates for all owned properties.

As at December 31, 2024, property, plant and equipment with an aggregate cost of HK$48,328,000 (March 31, 2024: HK$55,825,000) were fully depreciated but in use.

Details of the owned properties held by the Group as at December 31, 2024 are set out below:

| **Description and location** | **Gross area** (sq.ft.) | **Tenure** | **Use** |
|---|---|---|---|
| 24/F and parking space Nos. P16 and P23 on 2/F of Wyler Centre Phase 2 200 Tai Lin Pai Road, Kwai Chung New Territories, Hong Kong(1) | 25,618 | 99 years commencing from July 1, 1898(2) | Storage, office and car park |
| Parking space No. 42 on 2/F of Wyler Centre Phase 2, 200 Tai Lin Pai Road Kwai Chung, New Territories, Hong Kong(1) | N/A | 99 years commencing from July 1, 1898(2) | Car park |
| 14/F Jinyun Century Buildings, 6033 Shennan Main Road, Futian District, Shenzhen, the PRC(1) | 19,944 | 50 years commencing from February 28, 1997 | Office |
| 33/F International Corporate City, 3000 North Zhongshan Road, Putuo District, Shanghai, the PRC(1) | 19,108 | 50 years commencing from July 30, 2004 | Office |
| Room 3311-3312 and parking space No. 147 on B2/F, China Resources Building (Tower A), No. 6-D Shandong Road, Shinan District, Qingdao the PRC(1) | 3,819 | 30 years expiring on June 21, 2051 | Office and car park |

*Notes:*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 17. PROPERTY, PLANT AND EQUIPMENT – *continued*

### Fair value measurement of the Group's owned properties

The Group's owned properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Group's leasehold land and buildings as at December 31, 2024 were performed by Assets Appraisal Limited ("AAL") (March 31, 2024: AAL), independent valuers not connected with the Group.

The fair value of the owned properties as at December 31, 2024 and March 31, 2024 were determined based on the direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in the location, view, floor area, lot size and age and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The following tables give information about how the fair values of these properties are determined (in particular, the valuation techniques and inputs used).

| Category of property, plant and equipment | Fair value at Level 3 hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Owned properties in Hong Kong – buildings and car park | HK$75,000,000 (March 31, 2024: HK$95,000,000) | Direct comparison method – The key input is the market price. | Direct comparison method – based on price per square foot ("sq. ft.") for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$2,400 to HK$3,393 (March 31, 2024: HK$3,214 to HK$3,646) per sq. ft., while for car parks, is ranging from HK$1.35 million to HK$2.30 million (March 31, 2024: HK$1.30 million to HK$2.51 million) per unit and adjusted for differences in location, view, floor area, lot size and age and condition of the properties ("Adjusted market price"). | A significant increase in the adjusted market price used would result in a significant increase in fair value and vice versa. |
| Owned properties in PRC – buildings and car park | HK$124,006,000 (March 31, 2024: HK$137,019,000) | Direct comparison method – The key input is the market price. | Direct comparison method – based on price per sq. ft. for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$2,204 to HK$3,819 (March 31, 2024: HK$2,351 to HK$4,088) per sq. ft., while for car parks, is ranging from HK$215,983 to HK$289,417 (March 31, 2024: HK$184,818 to HK$363,036) per unit and adjusted for differences in location, view, floor area, lot size and age and condition of the properties ("Adjusted market price"). | A significant increase in the adjusted market price used would result in a significant increase in fair value and vice versa. |

## 17. PROPERTY, PLANT AND EQUIPMENT – *continued*

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

There were no transfers into or out of Level 3 during the period/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$95,702,000 (March 31, 2024: HK$100,273,000).

## 18. RIGHT-OF-USE ASSETS

| | **Leased properties** HK$'000 |
|---|---|
| **CARRYING AMOUNT** | |
| As at April 1, 2023 | 11,859 |
| Additions to right-of-use assets from new leases | 1,257 |
| Modification of leases | 763 |
| Early termination of leases | (1,797) |
| Depreciation charge | (7,928) |
| Exchange difference | (201) |
| As at March 31, 2024 | 3,953 |
| Additions to right-of-use assets from new leases | 596 |
| Modification of leases | 271 |
| Depreciation charge | (1,847) |
| Exchange difference | (32) |
| **As at December 31, 2024** | **2,941** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 18. RIGHT-OF-USE ASSETS – *continued*

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Expenses relating to short-term leases | (2,377) | (2,947) |
| Total cash outflow for leases *(Note)* | (4,442) | (11,797) |

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

For both periods, the Group leases various offices and warehouse premises for its operations. Lease contracts are entered into for fixed term of 1 year to 4 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.

### Restrictions on leases

In addition, lease liabilities of HK$2,892,000 (March 31, 2024: HK$3,994,000) are recognised with related right-of-use assets of HK$2,941,000 (March 31, 2024: HK$3,953,000) as at December 31, 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 19. INVESTMENT PROPERTY

| | HK$'000 |
|---|---|
| At April 1, 2023 | 10,946 |
| Loss on fair value change recognised in profit or loss | (715) |
| At March 31, 2024 | 10,231 |
| Loss on fair value change recognised in profit or loss | (188) |
| **At December 31, 2024** | 10,043 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 19. INVESTMENT PROPERTY – *continued*

Details of the residential apartment held by the Group as at December 31, 2024 and March 31, 2024 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 | 1,409 | 62 years commencing from July 19, 2002 | Residential and car park |

The investment property was measured at fair value on December 31, 2024 and March 31, 2024 as determined by the directors of the Company based on a valuation performed by AAL, an independent valuer not connected with the Group who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. A fair value loss of HK$188,000 (year ended March 31, 2024: fair value loss of HK$715,000) was recognised in profit or loss for the nine months ended December 31, 2024.

In determining the fair value of the investment property, the management of the Group engages and works closely with AAL to establish the appropriate valuation techniques and inputs to the model for fair value measurement as prepared by the valuer. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 19. INVESTMENT PROPERTY – *continued*

In estimating the fair value of the investment property, the highest and best use of the properties is their current use. The fair value of the investment property as at December 31, 2024 is HK$10,043,000 (March 31, 2024: HK$10,231,000).

| Category | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Residential apartment and car park | Level 3 | Direct comparison method – The key input is the market price. | Direct comparison method – based on price per sq. ft. for buildings or per unit for car parks, using market observable comparable prices. For buildings, similar prices ranging from HK$7,046 to HK$7,282 (March 31, 2024: HK$6,986 to HK$7,809) per sq. ft., while for car park, is ranging from HK$345,572 to HK$604,752 (March 31, 2024: HK$326,733 to HK$654,565) per unit and adjusted for differences in location, view, floor area, lot size and age and condition of the properties ("Adjusted market price"). | A significant increase in the adjusted market price used would result in a significant increase in fair value and vice versa. |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 20. CLUB DEBENTURES

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Balance at beginning and end of the period/year | **2,001** | 2,001 |

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

On December 31, 2024, 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 as at December 31, 2024 and March 31, 2024.

## 21. INTEREST IN AN ASSOCIATE

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Cost of interest in an associate | **98,000** | 98,000 |
| Deemed capital contribution | **9,016** | 9,016 |
| Share of post-acquisition reserves: | | |
| Post-acquisition losses | **(36,823)** | (36,823) |
| Translation reserve | **(113)** | (113) |
| | **70,080** | 70,080 |
| Impairment loss | **(70,080)** | (70,080) |
| | **–** | – |

Deemed capital contribution represents the fair value of financial guarantee contracts granted to the associate at initial recognition in prior years. The financial guarantee contracts had expired in prior years and were not in effect as at December 31, 2024 and March 31, 2024.

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 December 31, 2024 | Proportion of ownership interest held by the Group March 31, 2024 | Proportion of voting power held by the Group December 31, 2024 | Proportion of voting power held by the Group March 31, 2024 | Principal activity |
|---|---|---|---|---|---|---|---|---|---|
| GW Electronics Company Limited ("GWE") | Incorporated | Hong Kong | Hong Kong | Ordinary | **49%** | 49% | **49%** | 49% | Inactive |

During the year ended March 31, 2016, a winding-up petition was issued by a major supplier to GWE as a result of the termination of an authorised distributorship agreement. GWE ceased its operation in 2016. The directors of the Company reviewed and assessed this circumstance to be an indication for non-recoverability of the investment in GWE and a full impairment loss of HK$70,080,000 was made on the investment in this associate as at March 31, 2016. For the year ended March 31, 2021, the court ruled that all proceedings in the winding-up order against GWE would be stayed altogether permanently. There is no reversal of impairment loss since the directors of the Company estimated the recoverable amount of it to be minimal based on value in use calculation.

No summarised financial information in respect of the Group's associate is presented as the associate has been fully impaired as at December 31, 2024 and March 31, 2024 and the Group has discontinued recognising its share of further losses.

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

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Financial assets measured at FVTOCI | **8,639** | – |

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

As at December 31, 2024, the directors of the Company consider that the fair values of the PRC investee approximates the acquisition cost considering that the Group acquired the financial asset close to the end of the reporting period.

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| *At fair value through other comprehensive income* | | |
| – Equity securities (unquoted) | | |
| Shenzhen Suijing Automotive Electronics Co., LTD | **8,639** | – |
| Others | **–** | – |
| Financial assets measured at FVTOCI | **8,639** | – |

There was no dividend recognised during the period from the investments in unlisted equity securities (March 31, 2024: nil). There was no transfer of the cumulative gain or loss within equity during the period (March 31, 2024: nil).

## 23. LONG-TERM DEPOSITS

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Refundable deposits *(Note)* | **1,363** | 2,622 |

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

## 24. INVENTORIES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Trading goods held for sale | 532,281 | 798,229 |
| Allowance for inventories | (114,353) | (90,566) |
| Trading goods held for sale | 417,928 | 707,663 |
| Inventories recognised as an expense in cost of sales | 1,723,475 | 2,462,542 |
| Allowance for inventories recognised in cost of sales | 26,111 | 83,389 |

## 25. TRADE RECEIVABLES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Trade receivables | 719,934 | 836,007 |
| Less: allowance for credit losses | (11,486) | (19,499) |
| | 708,448 | 816,508 |

The Group allows a credit period of 30 to 120 days (March 31, 2024: 30 to 120 days) to its trade customers generally.

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

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Within 60 days | 397,901 | 470,443 |
| 61 to 90 days | 119,801 | 115,617 |
| Over 90 days | 190,746 | 230,448 |
| | 708,448 | 816,508 |

## 25. TRADE RECEIVABLES – *continued*

As at December 31, 2024, total bills received amounting to HK$71,607,000 (March 31, 2024: HK$95,878,000) are held by the Group for future settlement of trade receivables. The Group does not hold any collateral over the balance. All bills received by the Group are with a maturity period of less than one year.

As at December 31, 2024, included in the Group's net trade receivables balance are debtors with aggregate carrying amount of HK$192,874,000 (March 31, 2024: HK$229,202,000) which are past due as at the reporting date. No past due balances in both periods has been past due 90 days or more and is not considered as in default.

Details of impairment assessment of trade receivables for the nine months ended December 31, 2024 and the year ended March 31, 2024 are set out in Note 44.

## 26. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at December 31, 2024 and March 31, 2024 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$72,561,000 (March 31, 2024: HK$142,481,000) (Note 36).

**At December 31, 2024**

| | 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 | 21,375 | 55,493 | 76,868 |
| Carrying amount of associated liabilities *(Note 36)* | (17,068) | (55,493) | (72,561) |
| Net position | 4,307 | – | 4,307 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 26. TRANSFER OF FINANCIAL ASSETS – *continued*

At March 31, 2024

| | 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 | 102,391 | 60,443 | 162,834 |
| Carrying amount of associated liabilities *(Note 36)* | (82,038) | (60,443) | (142,481) |
| Net position | 20,353 | – | 20,353 |

Finance costs recognised for trade receivables and bills received discounted to banks for the nine months ended December 31, 2024 are HK$2,629,000 and HK$1,733,000 (year ended March 31, 2024: HK$4,442,000 and HK$559,000), respectively, which are included in interest on bank borrowings and trust receipt loans (Note 10).

## 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Prepayments | **4,986** | 3,287 |
| Deposits | **890** | 2,792 |
| Other tax recoverable | **370** | 104 |
| Others | **2,121** | 1,662 |
| | **8,367** | 7,845 |

The ECL of the financial assets included in other receivables, deposits and prepayments is disclosed in note 44.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 28. AMOUNTS DUE FROM RELATED COMPANIES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Trade balance | 948 | 167 |

Amounts due from related companies are trade-related, unsecured, interest-free and with a credit period of 30 days.

The relationship and transactions with the above related companies are disclosed in Note 41(b).

*Note:* Shanghai YCT Electronics Group Co., Ltd. ("Shanghai YCT") (listed on ChiNext Board of the Shenzhen Stock Exchange) and its subsidiaries are defined as related companies.

## 29. LOANS FROM THE ULTIMATE HOLDING COMPANY

On September 27, 2024, Shanghai YCT, the ultimate controlling shareholder of the Company, entered into a loan agreement (the "Loan") with the Company together with the Company's PRC subsidiaries to replenish the Group's working capital and for repayment of the Group's higher-interest-rate trust receipt loans. According to the loan, Shanghai YCT would grant loans at the aggregating amount not more than RMB150,000,000 with effective interest rate at 6.8% per annum to the Company and the Company's PRC subsidiaries. These loans are unsecured and repayable in one year. The provision of the Loan from Shanghai YCT to the Company constitutes a connected transaction of the Company under Chapter 14A of the HK Listing Rules. However, as the Loan is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the Loan is fully exempted from the announcement, circular, independent financial advice and Shareholders' approval requirements under pursuant to Rule 14A.90 of the HK Listing Rules.

As at December 31, 2024, the carrying amount of the loan from Shanghai YCT was HK$163,180,000 (March 31, 2024: nil), including loan interest of HK$1,193,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 30. CASH AND CASH EQUIVALENTS

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Cash at banks | **41,356** | 68,600 |
| Cash on hand | **56** | 251 |
| | **41,412** | 68,851 |
| Analysis by: | | |
| Cash and cash equivalents *(Note)* | **41,412** | 68,851 |

*Note:* As at December 31, 2024, cash and cash equivalents comprise cash held by the Group of HK$41,412,000 (March 31, 2024: HK$68,851,000). As at December 31, 2024, bank balances carry interest at market interest rates, ranging from 0.0001% to 1.50% (March 31, 2024: 0.0001% to 1.50%) per annum.

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

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| USD | **19,283** | 18,287 |
| YEN | **753** | 406 |
| RMB | **73** | 1,032 |
| Singapore dollars ("S$") | **484** | 155 |
| EUR | **5** | 6 |
| HK$ | **6** | 2 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 31. TRADE PAYABLES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Trade payables | 322,998 | 735,772 |

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

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Within 30 days | 274,729 | 546,609 |
| 31 to 60 days | 48,267 | 189,163 |
| 61 to 90 days | 2 | – |
| | 322,998 | 735,772 |

The average credit period on purchases of goods is 30 days (March 31, 2024: 30 days).

As at December 31, 2024, HK$258,697,000 (March 31, 2024: HK$411,567,000) of trade payables are eligible for the Group to obtain the trust receipt loans from the banks for settlement of trade payables to the vendors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 32. OTHER PAYABLES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Accrual for staff costs | 6,502 | 6,559 |
| Other payable for the purchase of financial assets measured at FVTOCI | 6,479 | – |
| Deposit | 4,823 | – |
| Accrued expenses | 4,784 | 10,609 |
| Other tax payables | 6,308 | 11,706 |
| Interest payables | 932 | 1,879 |
| Others | 2,033 | 2,603 |
| | 31,861 | 33,356 |

## 33. CONTRACT LIABILITIES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Receipts in advances from customers | 3,256 | 3,551 |

As at April 1, 2023, contract liabilities amounted to HK$2,971,000.

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

| | Receipts in advance from customers | |
|---|---|---|
| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year | 3,551 | 2,971 |

When the Group receives an amount from customers before products are delivered, this will give rise to contract liabilities at the beginning of a contract, until the customers obtain the control of the products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 34. LEASE LIABILITIES

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | 2,054 | 2,354 |
| Within a period of more than one year but not more than two years | 714 | 1,529 |
| Within a period of more than two years but not more than five years | 124 | 111 |
| | 2,892 | 3,994 |
| Less: Amounts due for settlement within 12 months shown under current liabilities | (2,054) | (2,354) |
| Amounts due for settlement after 12 months shown under non-current liabilities | 838 | 1,640 |

The weighted average incremental borrowing rates applied to lease liabilities range from 2.98% to 6.5% (March 31, 2024: 2.98% to 6.5%).

## 35. TRUST RECEIPT LOANS

The Group has entered into certain trust receipt loan agreements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers of materials. Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates, which are normally 30 days after the invoice date. The Group then settles with the banks within 150 days after the original due dates with the suppliers, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "trust receipt loans", in view of the nature and function of such liabilities when compared with the Group's trade payables to suppliers.

As at December 31, 2024, the carrying amount of financial liabilities under these arrangements amounted to HK$140,044,000 (March 31, 2024: HK$268,246,000), of which suppliers have received payments from the banks.

The trust receipt loans are unsecured, bear fixed-rates with weighted average effective interest rate of 6.95% (March 31, 2024: 7.89%) per annum, and are repayable within one year.

The trust receipts loans were drawn down by the Group from the banks for settlement of its trade payables. During the nine months ended December 31, 2024, gross amount of HK$719,917,000 (year ended March 31, 2024: HK$1,521,523,000) trade payables have been settled through the trust receipt loans provided by the banks. During the nine months ended December 31, 2024, gross amount of HK$847,633,000 (year ended March 31, 2024: HK$1,909,213,000) trust receipt loans have been repaid to banks.

At December 31, 2024, the Group's trust receipt loans with carrying amount of nil (March 31, 2024: nil) are required to comply with loan covenants to maintain certain amount of the Group's net tangible assets. The Group has complied with the loan covenants for both periods.

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:

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| USD | **140,044** | 268,246 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 36. BANK BORROWINGS

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Trade receivables and bills received discounted to banks with full recourse *(Note 26)* | **72,561** | 142,481 |
| Other bank borrowings | **244,344** | 154,729 |
| | **316,905** | 297,210 |
| The carrying amount of the above bank borrowings are repayable: | | |
| Within one year *(Note i)* | **316,905** | 297,210 |
| Analysis by: | | |
| Secured *(Note ii)* | **139,873** | 221,303 |
| Unsecured | **177,032** | 75,907 |
| | **316,905** | 297,210 |

*Notes:*

(i) The amounts due within one year are based on scheduled repayment dates set out in the loan agreements and included in the balances are borrowings of HK$299,102,000 (March 31, 2024: HK$274,365,000) under loan agreements which contain a repayment on demand clause.

(ii) During the nine months ended December 31, 2024, the Group discounted trade receivables and bills received with recourse for bank borrowings in an aggregated amount of HK$65,713,000 and HK$75,265,000 (year ended March 31, 2024: HK$459,871,000 and HK$60,377,000), respectively.

As at December 31, 2024, the Group's bank borrowings amounted to HK$67,312,000 (March 31, 2024: HK$78,821,000) had been secured by the pledged of office premise and the certain bills receivables held by the Group amounted to HK$10,712,000 (March 31, 2024: HK$13,074,000).

As at December 31, 2024, the Group's fixed-rate borrowings with carrying amount of HK$316,250,000 (March 31, 2024: HK$239,260,000) are repayable within one year.

In addition, the Group has variable-rate borrowings at December 31, 2024 with interest rate 1.25% (March 31, 2024: 1.25% to 1.51%) per annum over respective bank's cost of fund, which are HIBOR (March 31, 2024: HIBOR or Term Secured Overnight Financing Rate) for the floating rate loans, where appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 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:

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Weighted average effective interest rate: | | |
| – fixed-rate borrowings | 3.78% | 3.73% |
| – variable-rate borrowings | 5.62% | 6.72% |

As at December 31, 2024 and March 31, 2024, the Group's bank borrowings, both of which had a carrying amount of nil on their respective dates, 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 periods.

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:

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| USD | 49,509 | 73,573 |

## 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:

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Deferred tax assets | 2,281 | 485 |
| Deferred tax liabilities | (14,517) | (24,335) |
| | (12,236) | (23,850) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 37. DEFERRED TAX – *continued*

The following are major deferred tax liabilities recognised and movements thereon during the period/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, 2023 | (29,025) | (6,845) | (1,109) | 804 | (7,275) | 13,802 | (29,648) |
| Credit to profit or loss | 1,378 | 490 | 309 | 16 | 1,486 | – | 3,679 |
| Credit to other comprehensive income | 1,648 | – | – | – | – | – | 1,648 |
| Exchange differences | 471 | – | – | – | – | – | 471 |
| At March 31, 2024 | (25,528) | (6,355) | (800) | 820 | (5,789) | 13,802 | (23,850) |
| Credit to profit or loss | 1,055 | 5,465 | 111 | (377) | 906 | – | 7,160 |
| Credit to other comprehensive income | 4,258 | – | – | – | – | – | 4,258 |
| Exchange difference | 196 | – | – | – | – | – | 196 |
| **At December 31, 2024** | **(20,019)** | **(890)** | **(689)** | **443** | **(4,883)** | **13,802** | **(12,236)** |

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% (March 31, 2024: 21%).

At December 31, 2024, the total temporary differences attributable to the accumulated profits amounting to HK$95,859,000 (March 31, 2024: HK$111,311,000). Based on the Group's expectation of the dividend payout ratio, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the PRC and Taiwan subsidiaries amounting to HK$47,930,000 (March 31, 2024: HK$55,656,000) 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.

## 37. DEFERRED TAX – *continued*

Subject to the agreement by the tax authorities, at December 31, 2024, the Group has unutilised tax losses of HK$275,983,000 (March 31, 2024: HK$176,298,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$83,646,000 (March 31, 2024: HK$83,646,000) of such losses for the Group as at December 31, 2024. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$192,337,000 (March 31, 2024: HK$92,652,000) due to the unpredictable profit stream. Tax losses of HK$222,916,000 (March 31, 2024: HK$176,298,000) in current period/year that may be carried forward indefinitely.

At December 31, 2024, the Group has other deductible temporary differences on allowance for credit losses and inventories of HK$42,907,000 (March 31, 2024: HK$27,469,000). 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.

## 38. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **December 31, 2024 ’000** | March 31, 2024 ’000 | **December 31, 2024 HK$’000** | March 31, 2024 HK$’000 |
| Ordinary shares of HK$1.0 each | | | | |
| Authorised: | | | | |
| At beginning and at end of the period/year | **120,000** | 120,000 | **120,000** | 120,000 |
| Issued and paid up: | | | | |
| At beginning of the period/year | **87,622** | 87,622 | **87,622** | 87,622 |
| Exercise of share options | **70** | – | **70** | – |
| At end of the period/year | **87,692** | 87,622 | **87,692** | 87,622 |

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.

## 39. CAPITAL RESERVES

| | Share premium HK$'000 | Contributed surplus HK$'000 | Share options reserve HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At April 1, 2023 | 123,035 | 75,070 | 1,675 | 199,780 |
| Share options forfeited | – | – | (752) | (752) |
| At March 31, 2024 | 123,035 | 75,070 | 923 | 199,028 |
| Exercised of share options | 164 | – | (51) | 113 |
| Share options forfeited | – | – | (503) | (503) |
| **At December 31, 2024** | **123,199** | **75,070** | **369** | **198,638** |

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 III ("ESOS III") by an ordinary resolution of the shareholders in a special general meeting of the Company held on July 30, 2013.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 40. SHARE-BASED PAYMENTS – *continued*

**Equity-settled share option scheme** – *continued*

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

3,835,000 share options under ESOS III were granted on December 2, 2020 with an exercise price of HK$2.61 per share. The total estimated fair value as at the date of grant was approximately HK$2,817,000.

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

| | December 31, 2024 | | March 31, 2024 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price HK$ | Number of share options | Weighted average exercise price HK$ |
| At the beginning of the period/year | 1,012,500 | 3.21 | 1,867,000 | 3.16 |
| Forfeited during the period/year *(Note i)* | (595,500) | 2.98 | (854,500) | 3.10 |
| Exercised during the period/year *(Note ii)* | (70,000) | 2.61 | – | – |
| At the end of the period/year | 347,000 | 3.72 | 1,012,500 | 3.21 |
| Exercisable at the end of the period/year | 347,000 | | 1,012,500 | |

The share options outstanding under ESOS III (Grant date: July 17, 2017) at the end of the reporting period have a weighted average remaining contractual life of 2.3 years (March 31, 2024: 3.3 years) with an expiry date on July 17, 2027.

The share options outstanding under ESOS III (Grant date: December 2, 2020) at the end of the reporting period have a weighted average remaining contractual life of 5.7 years (March 31, 2024: 6.7 years) with an expiry date on December 2, 2030.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 40. SHARE-BASED PAYMENTS – *continued*

### Equity-settled share option scheme – *continued*

*Notes:*

(i) For the nine months ended December 31, 2024 and the year ended March 31, 2024, 595,500 and 854,500, respectively, share options under ESOS III were forfeited.

(ii) For the nine months ended December 31, 2024, certain share options holders under ESOS III exercised part of their share options and subscribed for 70,000 shares (year ended March 31, 2024: nil) of HK$1.00 each of the Company at an exercise price of HK$2.61 per share. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$3.18 per share. For the year ended March 31, 2024, share options holders under ESOS III did not exercise any of their share options nor subscribe for shares.

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' and valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows, which are applicable for the nine months ended December 31, 2024 and year ended March 31, 2024:

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

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

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

During the nine months ended December 31, 2024 and the year ended March 31, 2024, no share-based payment expense was recognised in profit or loss.

## 41. RELATED COMPANY DISCLOSURES

### (a) Transactions and balances with an associate

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

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| Associate | | |
| – other receivables *(Note)* | **532** | 532 |
| Impairment loss | **(532)** | (532) |
| | **–** | – |

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

*Note:* As at the end of the reporting period, management has recognised lifetime ECL of HK$532,000 (March 31, 2024: HK$532,000) on the amount due from its associate (Note 44).

### (b) Transactions and balances with related companies

Saved as those disclosed elsewhere in these consolidated financial statements, the Group has the following transactions with its related companies during the period/year:

| | **Nine months ended December 31, 2024 HK$'000** | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Received from Shanghai YCT and entities controlled by Shanghai YCT | | |
| – Sales of electronic components | **2,725** | 265 |
| – Provision of agency services | **906** | – |
| – Rental income | **680** | 52 |
| Paid to Shanghai YCT and entities controlled by Shanghai YCT | | |
| – Purchases of electronic components | **214** | 102 |
| – Interest expense | **2,449** | – |

The related party transactions with Shanghai YCT above also constitute continuing connected transactions as defined in Chapter I4A of the Listing Rules.

## 41. RELATED COMPANY DISCLOSURES – *continued*

### (c) Compensation of directors and key management personnel

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

| | Nine months ended December 31, 2024 HK$'000 | Year ended March 31, 2024 HK$'000 |
|---|---|---|
| Short-term benefits | 6,009 | 9,504 |
| Post-employment benefits | 248 | 603 |
| | 6,257 | 10,107 |

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

## 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 Labour Pension Act of Taiwan.

As at December 31, 2024 and March 31, 2024, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 43. OPERATING LEASE ARRANGEMENTS

**The Group as lessor**

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

Undiscounted lease payments receivable on leases are as follows:

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| Within 1 year | 125 | 95 |

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | 749,169 | 892,266 |
| Financial asset at fair value | 14,509 | – |
| Total | 763,678 | 892,266 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | 962,585 | 1,309,704 |

### (b) Financial risk management policies and objectives

The Group's major financial instruments include trade receivables, other receivables and refundable deposits, cash and cash equivalents, financial assets measured at FVTOCI, amounts due from an associate, amounts due from related companies, trade payables, other payables, trust receipt loans, bank borrowings, lease liabilities and loans from the ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Market risk***

The risks arising from the Group's financial instruments are mainly foreign exchange risk, interest rate risk, credit risk and liquidity risk. The directors of the Company review policies for managing each of these risks, details of which are summarised below.

*(i) Foreign exchange risk management*

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

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

| | **December 31, 2024** | | March 31, 2024 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| USD | **300,820** | **(464,719)** | 355,524 | (836,693) |
| HK$ | **6** | **–** | 2 | – |
| YEN | **3,257** | **(2,133)** | 1,810 | (1,640) |
| RMB | **204** | **(50)** | 1,200 | (90) |
| Euro | **38** | **–** | 35 | – |
| S$ | **484** | **(174)** | 155 | (34) |

## 44. 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 period/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 (March 31, 2024: post-tax loss) for the period/year will increase (decrease) (March 31, 2024: increase (decrease)) by:

| | **December 31, 2024 HK$'000** | March 31, 2024 HK$'000 |
|---|---|---|
| USD[(i)] | **(6,640)** | (13,269) |
| HK$ | **–** | – |
| YEN[(ii)] | **43** | (7) |
| RMB[(iii)] | **6** | (46) |
| Euro | **1** | (1) |
| S$ | **13** | (5) |

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

## 44. 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:*

(i) This is mainly attributable to the exposure on bank balances, trade receivables and payables as at period/year end.

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

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

*(ii) Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (Note 36), lease liabilities (Note 34) and long-term deposits (refundable deposits) (Note 23). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 30) and variable-rate bank borrowings (Note 36). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR or SOFR arising from the Group's Hong Kong and US dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Market risk*** – *continued*

*(ii) Interest rate risk management – continued*

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period/year. A 50 basis points (March 31, 2024: 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 (March 31, 2024: 50 basis points) higher or lower and all other variables were held constant, the Group's post-tax loss (March 31, 2024: post-tax loss) for the nine months ended December 31, 2024 would increase or decrease by HK$3,000 (Year ended March 31, 2024: decrease or increase by HK$242,000).

***Credit risk and impairment management***

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

*Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group also insured certain trade debtors with credit insurance agencies with the insurance coverage which was negotiable between the Group and the agencies based on the credit quality of respective debtors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Trade receivables arising from contracts with customers – continued*

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

In addition, the Group performs impairment assessment under ECL model on trade receivables with credit-impaired individually. Except for trade receivables with credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Impairment losses of HK$7,813,000 were reversed (year ended March 31, 2024: Impairment losses of HK$9,000,000 were recognised) during the nine months ended December 31, 2024. Details of the quantitative disclosures are set out below in this note.

*Bank balances*

The credit risks on bank balances are limited because the counterparties are mainly reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC and Hong Kong.

The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and average loss rates of the respective credit rating grades published by external credit rating agencies.

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

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

*Amount due from an associate*

The management of the Group determined that there was loss credit rating for amount due from an associate since the associate was remained inactive. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$532,000 was provided by the Group as at December 31, 2024 (March 31, 2024: HK$532,000).

*Amounts due from related companies*

The management of the Group makes periodic individual assessment on the recoverability of amounts due from related companies based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. The management of the Group believes that there are no significant increase in credit risk of these amounts and the credit loss amount is insignificant, no loss allowance is recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Amounts due from related companies – continued*

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets/other items |
|---|---|---|---|
| Low risk | Low risk types customers represent the counterparty with good reputation and repayment history in general | Lifetime ECL – not credit-impaired | 12m ECL |
| Normal risk | Normal risk types customers represent debtors occasionally repays after due dates but settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| High risk | High risk types customers represent debtors frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 44. 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 December 31, 2024 and March 31, 2024 which are subject to ECL assessment:

*Financial assets at amortised costs*

| December 31, 2024 | *Notes* | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount HK$'000 |
|---|---|---|---|---|---|
| Bank balances | 30 | Aa1 to Baa3 | N/A | 12m ECL | 41,412 |
| Long-term deposits (refundable deposits) | 23 | N/A | Note 1 | 12m ECL | 1,363 |
| Other receivables and deposits | 27 | N/A | Note 1 | 12m ECL | 2,868 |
| Amount due from an associate | 41 | N/A | Loss *(Note 3)* | Lifetime ECL (Credit-impaired) | 532 |
| Amounts due from related companies | 28 | N/A | Note 1 | 12m ECL | 948 |
| Trade receivables | 25 | N/A | Note 2 | Lifetime ECL (Collective assessment) | 709,220 |
| | | | Loss | Lifetime ECL (Credit-impaired) | 4,844 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Financial assets at amortised costs – continued*

| **March 31, 2024** | *Notes* | External credit rating | Internal credit rating | 12m or lifetime ECL | Gross carrying amount HK$'000 |
|---|---|---|---|---|---|
| Bank balances | 30 | Aa1 to Baa3 | N/A | 12m ECL | 68,851 |
| Long-term deposits (refundable deposits) | 23 | N/A | Note 1 | 12m ECL | 2,622 |
| Other receivables and deposits | 27 | N/A | Note 1 | 12m ECL | 4,284 |
| Amount due from an associate | 41 | N/A | Loss *(Note 3)* | Lifetime ECL (Credit-impaired) | 532 |
| Amounts due from related companies | 28 | N/A | Note 1 | 12m ECL | 167 |
| Trade receivables | 25 | N/A | Note 2 | Lifetime ECL (Collective assessment) | 827,765 |
| | | | Loss | Lifetime ECL (Credit-impaired) | 8,242 |

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Financial assets at amortised costs – continued*

*Notes:*

(1) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly since initial recognition. As at December 31, 2024 and March 31, 2024, the balances of other receivables and refundable deposits are not past due and based on the historical default rates of these balances are considered as low risk.

(2) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items on a collective basis grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales of electronic components.

Trade receivables that are credit-impaired with an aggregate gross carrying amount of HK$4,844,000 as at December 31, 2024 (March 31, 2024: HK$8,242,000) are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of HK$4,844,000 was provided by the Group as at December 31, 2024 (March 31, 2024: HK$8,242,000).

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

The remaining trade receivables with gross carrying amount of HK$709,220,000 (March 31, 2024: HK$827,765,000) are assessed based on the internal credit rating of the Group for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which is assessed on a collective basis as at December 31, 2024 and March 31, 2024 within lifetime ECL (not credit-impaired).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Financial assets at amortised costs – continued*

*Notes: – continued*

(2) *– continued*

**Gross carrying amount**

| | December 31, 2024 | | | March 31, 2024 | | |
|---|---|---|---|---|---|---|
| | 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 | 0.01% | 67,869 | 7 | 0.01% | 103,953 | 10 |
| Normal risk | 0.99% | 624,560 | 6,187 | 1.28% | 582,973 | 7,487 |
| High risk | 2.67% | 16,791 | 448 | 2.67% | 140,839 | 3,760 |
| | | 709,220 | 6,642 | | 827,765 | 11,257 |

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, 2023 | 10,709 | – | 10,709 |
| Impairment losses recognised | 11,257 | 8,242 | 19,499 |
| Impairment losses reversed | (10,499) | – | (10,499) |
| Transfer | (8) | 8 | – |
| Write off | – | (8) | (8) |
| Exchange difference | (202) | – | (202) |
| As at March 31, 2024 | 11,257 | 8,242 | 19,499 |
| Impairment losses recognised | 6,687 | 4,823 | 11,510 |
| Impairment losses reversed | (11,135) | (8,188) | (19,323) |
| Transfer | (78) | 78 | – |
| Exchange difference | (89) | (111) | (200) |
| **As at December 31, 2024** | **6,642** | **4,844** | **11,486** |

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Financial assets at amortised costs – continued*

*Notes: – continued*

(2) *– continued*

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

| | December 31, 2024 Increase (decrease) in lifetime ECL | | March 31, 2024 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$709,220,000 (March 31, 2024: HK$827,765,000) | 6,642 | 4,844 | 11,257 | 8,242 |
| Settlement in full of trade debtors with a gross carrying amount of HK$827,735,000 (March 31, 2024: HK$816,744,000) | (11,027) | (8,242) | (10,499) | – |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Credit risk and impairment management*** – *continued*

*Financial assets at amortised costs – continued*

*Notes: – continued*

(3) The Group assessed the loss allowance for amount due from an associate on lifetime ECL for internal credit rating of loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the associate, its settlement status and other contractual conditions to ensure it is financially viable to settle the amount balance. The Group has applied 100% (March 31, 2024: 100%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

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

| | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at April 1, 2023 | – | 1,712 | 1,712 |
| Impairment losses reversed | – | (1,180) | (1,180) |
| **As at March 31, 2024 and December 31, 2024** | **–** | **532** | **532** |

(4) 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 December 31, 2024, the balances of amounts due from related companies are not past due and based on the historical default rates of these balances are considered as low risk.

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Liquidity risk management***

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. As at December 31, 2024, the committed unutilised banking facilities made available to the Group are approximately HK$315 million (March 31, 2024: HK$490 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.

As disclosed in note 35, the Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain materials. This results in the Group being required to settle a larger amount with a single counterparty, rather than smaller amounts with several counterparties. However, the amounts of payables subject to the arrangements are limited.

*Non-derivative financial liabilities*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Liquidity risk management*** – *continued*

*Non-derivative financial liabilities – continued*

The table includes both interest and principal cash flows.

| | Weighted average effective interest rate % | On demand or less than 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **At December 31, 2024** | | | | | | |
| Trade payables | – | 322,998 | – | – | 322,998 | 322,998 |
| Other payables | – | 16,566 | – | – | 16,566 | 16,566 |
| Trust receipt loans | | | | | | |
| – fixed interest rates | 6.95 | 129,855 | 10,189 | – | 140,044 | 140,044 |
| Bank borrowings | | | | | | |
| – variable interest rates | 5.62 | 655 | – | – | 655 | 655 |
| – fixed interest rate | 3.78 | 164,869 | 151,381 | – | 316,250 | 316,250 |
| Lease liabilities | 2.98 – 6.5 | 502 | 1,659 | 871 | 3,032 | 2,892 |
| Loans from the ultimate holding company | 6.8 | – | 163,180 | – | 163,180 | 163,180 |
| | | 635,445 | 326,409 | 871 | 962,725 | 962,585 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Liquidity risk management*** – *continued*

*Non-derivative financial liabilities – continued*

| | Weighted average effective interest rate<br>% | On demand or less than 3 months<br>HK$'000 | 3 months to 1 year<br>HK$'000 | 1 to 5 years<br>HK$'000 | Total undiscounted cash flows<br>HK$'000 | Carrying amount<br>HK$'000 |
|---|---|---|---|---|---|---|
| At March 31, 2024 | | | | | | |
| Trade payables | – | 735,772 | – | – | 735,772 | 735,772 |
| Other payables | – | 4,482 | – | – | 4,482 | 4,482 |
| Trust receipt loans | | | | | | |
| – fixed interest rates | 7.89 | 268,246 | – | – | 268,246 | 268,246 |
| Bank borrowings | | | | | | |
| – variable interest rates | 6.72 | 57,950 | – | – | 57,950 | 57,950 |
| – fixed interest rate | 3.73 | 174,557 | 64,703 | – | 239,260 | 239,260 |
| Lease liabilities | 2.98 – 6.5 | 1,040 | 1,467 | 1,688 | 4,195 | 3,994 |
| | | 1,242,047 | 66,170 | 1,688 | 1,309,905 | 1,309,704 |

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

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

***Liquidity risk management*** – *continued*

*Non-derivative financial liabilities – continued*

As at December 31, 2024, the Group has bank borrowings and trust receipt loans with a repayable on demand clause of HK$439,146,000 (March 31, 2024: HK$542,611,000). 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$449,014,000 (March 31, 2024: HK$548,673,000).

| | Maturity analysis – Bank borrowings and trust receipt loans with a repayable on demand clause based on scheduled repayment | | | |
|---|---|---|---|---|
| | **Less than 3 months** | **3 months to 1 year** | **Total undiscounted cash flow** | **Carrying amount** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **December 31, 2024** | **288,020** | **156,221** | **444,241** | **439,146** |
| March 31, 2024 | 494,768 | 53,905 | 548,673 | 542,611 |

***Interest rate benchmark reform***

The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

*LIBOR*

As at December 31, 2024 and March 31, 2024, the Group does not have any borrowings linked to the LIBOR.

*HIBOR*

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank borrowings linked to HIBOR will continue till maturity and hence, not subject to transition.

## 44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT – *continued*

### (c) Fair value measurements of financial instruments

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

***Fair value measurements and valuation process***

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company determines the fair value by reference to the valuation carried out as of the end of reporting period by banks and financial institutions for foreign currency forward contracts.

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

| Financial assets/financial liabilities | Fair value as at December 31, 2024 | Fair value as at March 31, 2024 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Financial assets measured at FVTOCI (see Note 22) | **Assets – HK$8,639,000 Liabilities – nil** | Assets – nil Liabilities – nil | Level 3 | Recent transaction | N/A | N/A |

There were no transfers between the different levels of the fair value hierarchy for the period/year.

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

## 44. 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 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 period/year.

### (e) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

During the year ended March 31, 2024, 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.

All derivatives are settled as at March 31, 2024. The Group has not entered into any derivative transactions during the nine months ended December 31, 2024.

## 45. 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.

| | **Loans from the ultimate holding company** | **Interest payables** | **Lease liabilities** | **Trust receipt loans** | **Bank borrowings** | **Total** |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | *(Note 29)* | *(Note 32)* | *(Note 34)* | *(Note 35)* | *(Note 36)* | |
| At April 1, 2023 | – | 5,339 | 12,200 | 658,108 | 200,469 | 876,116 |
| Financing cash flows | – | – | (8,850) | (387,690) | 97,354 | (299,186) |
| Interest expense | – | 52,248 | 355 | – | – | 52,603 |
| Exchange difference | – | – | (186) | (2,172) | (613) | (2,971) |
| New leases entered | – | – | 1,257 | – | – | 1,257 |
| Modification of leases | – | – | 763 | – | – | 763 |
| Early termination of leases | – | – | (1,545) | – | – | (1,545) |
| Interest paid | – | (55,708) | – | – | – | (55,708) |
| At March 31, 2024 | – | 1,879 | 3,994 | 268,246 | 297,210 | 571,329 |
| Financing cash flows | 165,435 | – | (2,065) | (127,716) | 103,560 | 139,214 |
| Interest expense | 2,449 | 24,349 | 126 | – | – | 26,924 |
| Exchange difference | (3,463) | – | (30) | (486) | (4,714) | (8,693) |
| New leases entered | – | – | 596 | – | – | 596 |
| Modification of leases | – | – | 271 | – | – | 271 |
| Non-cash items | – | – | – | – | (79,151) | (79,151) |
| Interest paid | (1,241) | (25,296) | – | – | – | (26,537) |
| **At December 31, 2024** | **163,180** | **932** | **2,892** | **140,044** | **316,905** | **623,953** |

## 46. MAJOR NON-CASH TRANSACTIONS

During the nine months ended December 31, 2024, the Group entered into new lease agreements for the use of various offices for 1 year to 2 years, modified lease agreements for the use of various offices for 4 years.

On the lease commencement, the Group recognised right-of-use assets amounting to HK$596,000 (year ended March 31, 2024: HK$1,257,000) and lease liabilities amounting to HK$596,000 (year ended March 31, 2024: HK$1,257,000).

On the effective date of modification, the Group recognised additions to right-of-use assets amounting to HK$271,000 (year ended March 31, 2024: HK$763,000) and additions to lease liabilities amounting to HK$271,000 (year ended March 31, 2024: HK$763,000). No gain or loss was recognised in profit or loss on the modification of the lease agreements during the both reporting periods.

During the nine months ended December 31, 2024, the Group did not terminate any lease agreements. During the year ended March 31, 2024, on the effective date of termination, the Group derecognised right-of-use assets amounting to HK$1,797,000 and lease liabilities amounting to HK$1,545,000. A resulting loss on lease termination amounting to HK$252,000 was recognised in profit or loss for the year.

## 47. LIST OF SUBSIDIARIES

Details of the Group's subsidiaries at December 31, 2024 and March 31, 2024 are as follows:

| Name of subsidiaries | 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 | | |
| | | | December 31, 2024 % | March 31, 2024 % | December 31, 2024 % | March 31, 2024 % | |
| 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 | Investment holding |
| Auto Be Cool Automotive Electronics Technology (Suzhou) Company Limited [(f), (g), (i)] | PRC | RMB5,000,000 | - | – | - | 100 | Auto parts and modules design |
| Bestime Corporation Limited [(b), (c)] | Hong Kong | HK$2 | - | – | 100 | 100 | Investment holding |
| Brightway Transportation Limited [(b), (c)] | Hong Kong | HK$2 | - | – | 100 | 100 | Provision of transportation services |
| Elite Vantage Limited [(b), (c)] | Hong Kong | HK$2 | - | – | 100 | 100 | Trading of electronic components |
| Full Link Investment Limited [(b), (c)] | Hong Kong | HK$2 | - | – | 100 | 100 | Investment holding |
| Joy Port Limited [(b), (e)] | Hong Kong | HK$2 | - | – | 100 | 100 | Property holding |
| Kind Faith Limited [(b), (c)] | Hong Kong | HK$2 | - | – | 100 | 100 | Investment holding |
| Leader First Limited [(c)] | BVI/Hong Kong | US$1 | - | – | 100 | 100 | Investment holding |
| Pinerise Limited [(c)] | BVI/PRC | US$1 | - | – | 100 | 100 | Investment holding |
| Starling Pacific limited [(c)] | BVI/Hong Kong | US$1 | - | – | 100 | 100 | Investment holding |
| Willas Company Limited [(b), (c)] | Hong Kong | HK$35,001,002 | - | – | 100 | 100 | Inactive |
| Willas-Array Electronics (Hong Kong) Limited [(b), (c)] | Hong Kong | HK$1,001,002 | - | – | 100 | 100 | Trading of electronic components |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 47. LIST OF SUBSIDIARIES – *continued*

| Name of subsidiaries | 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 | | |
| | | | December 31, 2024 % | March 31, 2024 % | December 31, 2024 % | March 31, 2024 % | |
| Willas-Array Electronics (Shanghai) Limited [a], [e], [f] | PRC | US$7,000,000 | - | – | 100 | 100 | Trading of electronic components |
| Willas-Array Electronics (Shenzhen) Limited [b], [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 |
| WinStar Smart Technology (Suzhou) Company Limited [f], [h], [i] | PRC | RMB14,160,000 | - | – | - | 98.9 | Provision of IoT application services |

*Notes:*

(a) Audit work performed by Shanghai Hddy Certified Public Accountants Co., Ltd. and Whole Time & Co., CPAs in the PRC/Taiwan for statutory financial report purpose

(b) Audit work will be performed by YuWang International Group Limited and Shenzhen Decheng Certified Public Accountants Co., Ltd. for statutory financial report purpose

(c) Subsidiaries directly held by Cleverway Profits Limited

(d) Subsidiary of Full Link Investment Limited

(e) Subsidiaries directly held by Kind Faith Limited

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

(g) Subsidiary directly held by Array Electronics Limited

(h) Subsidiary directly held by Willas-Array Electronics Management Limited

(i) The subsidiaries have been dissolved/disposed of during the nine months ended December 31, 2024

None of the subsidiaries had issued any debt securities at the end of the period/year or at any time during the period/year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 47. LIST OF SUBSIDIARIES – *continued*

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

| Principal activities | Place of incorporation/ establishment and operation | Number of wholly-owned subsidiaries | | Number of non-wholly owned subsidiaries | |
|---|---|---|---|---|---|
| | | **December 31, 2024** | March 31, 2024 | **December 31, 2024** | March 31, 2024 |
| Investment holding | BVI/Hong Kong | **3** | 3 | **–** | – |
| | BVI/PRC | **1** | 1 | **–** | – |
| | Hong Kong | **5** | 5 | **–** | – |
| Trading | Hong Kong/PRC | **1** | 1 | **–** | – |
| | Hong Kong | **2** | 2 | **–** | – |
| | PRC | **2** | 2 | **–** | – |
| | Taiwan/PRC | **1** | 1 | **–** | – |
| Inactive | Hong Kong | **1** | 1 | **–** | – |
| Other | PRC | **–** | 1 | **–** | 1 |
| | Hong Kong | **3** | 3 | **–** | – |
| | | **19** | 20 | **–** | 1 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

## 48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

### Statement of financial position of the Company

| | December 31, 2024 HK$'000 | March 31, 2024 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Amount due from a subsidiary *(Note)* | 33,814 | 33,814 |
| Interests in subsidiaries | 179,478 | 177,255 |
| **Total non-current assets** | 213,292 | 211,069 |
| **Current assets** | | |
| Amounts due from subsidiaries *(Note)* | 197,917 | 197,391 |
| Deposits and prepayments | 145 | 167 |
| Income tax recoverable | – | 247 |
| Cash and cash equivalents *(Note)* | 672 | 261 |
| **Total current assets** | 198,734 | 198,066 |
| **Total assets** | 412,026 | 409,135 |
| **Current liabilities** | | |
| Amount due to a subsidiary *(Note)* | 4,738 | 5,013 |
| Other payables | 1,992 | 951 |
| Income tax payable | 550 | – |
| Financial guarantee liabilities | 2,223 | 6,723 |
| **Total current liabilities** | 9,503 | 12,687 |
| **Net current assets** | 189,231 | 185,379 |
| **Total assets less current liabilities** | 402,523 | 396,448 |
| **Capital and reserves** | | |
| Share capital | 87,692 | 87,622 |
| Reserves | 314,831 | 308,826 |
| **Equity attributable to owners of the Company** | 402,523 | 396,448 |
| **Total liabilities and equity** | 412,026 | 409,135 |

*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 nine months ended December 31, 2024 and the year ended March 31, 2024.

## 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, 2023 | 87,622 | 199,780 | 100,722 | 388,124 |
| Profit for the year, representing total comprehensive income for the year | – | – | 8,324 | 8,324 |
| Transactions with owners, recognised directly in equity: | | | | |
| Share options forfeited | – | (752) | 752 | – |
| Total | – | (752) | 752 | – |
| At March 31, 2024 | 87,622 | 199,028 | 109,798 | 396,448 |
| Profit for the period, representing total comprehensive income for the period | – | – | 5,892 | 5,892 |
| Transactions with owners, recognised directly in equity: | | | | |
| Exercise of share options | 70 | 113 | – | 183 |
| Share options forfeited | – | (503) | 503 | – |
| Total | 70 | (390) | 503 | 183 |
| **At December 31, 2024** | **87,692** | **198,638** | **116,193** | **402,523** |

## 49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on May 21, 2025.

# SHAREHOLDERS' INFORMATION

## SHAREHOLDERS' INFORMATION AS AT MAY 14, 2025

| | |
|---|---|
| Authorised share capital | : HK$120,000,000 |
| Issued share capital | : HK$87,692,049 |
| Number of shares | : 87,692,049 |
| 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 May 14, 2025, approximately 87.76% 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 Shareholdings | Shareholders | | Shares Held | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| 1 – 99 | 33 | 6.01% | 1,134 | 0.00% |
| 100 – 1,000 | 103 | 18.76% | 47,370 | 0.06% |
| 1,001 – 10,000 | 258 | 46.99% | 1,114,725 | 1.27% |
| 10,001 – 1,000,000 | 151 | 27.51% | 5,962,868 | 6.80% |
| 1,000,001 and above | 4 | 0.73% | 80,565,952 | 91.87% |
| | 549 | 100% | 87,692,049 | 100% |

# SHAREHOLDERS' INFORMATION

## SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

| | Name of Shareholders | Number of Shares Held<br>Direct Interest | Deemed Interest |
|---|---|---|---|
| 1 | Xie Lishu (i) | – | 76,955,745 |
| 2 | Huang Shaoli (ii) | – | 76,955,745 |
| 3 | Texin (HongKong) Electronics Co. Limited | 76,955,745 | – |
| 4 | Kunshan Archer Electronics Co., Ltd (iii) | – | 76,955,745 |
| 5 | Shanghai YCT Electronics Group Co., Ltd (iii) | – | 76,955,745 |

**(i) Mr. Xie Lishu**

Deemed interest in the shares held by Texin (HongKong) Electronics Co. Limited which is wholly owned by Kunshan Archer Electronics Co., Ltd, which is in turn wholly owned by Shanghai YCT Electronics Group Co., Ltd, which he is the controlling shareholder.

**(ii) Ms. Huang Shaoli**

Deemed interest in the shares held by Texin (HongKong) Electronics Co. Limited which is wholly owned by Kunshan Archer Electronics Co., Ltd, which is in turn wholly owned by Shanghai YCT Electronics Group Co., Ltd, which her husband, Mr. Xie Lishu is the controlling shareholder.

**(iii) Kunshan Archer Electronics Co., Ltd, Shanghai YCT Electronics Group Co., Ltd**

Deemed interest in the shares held by Texin (HongKong) Electronics Co. Limited which is wholly owned by Kunshan Archer Electronics Co., Ltd, which is in turn wholly owned by Shanghai YCT Electronics Group Co., Ltd.

# SHAREHOLDERS' INFORMATION

## TOP TWENTY SHAREHOLDERS AS AT MAY 14, 2025

| S/No. | Name | Shares Number | Shares Percentage |
|---|---|---|---|
| 1 | TEXIN (HONGKONG) ELECTRONICS CO. LIMITED | 35,530,978 | 40.52% |
| 2 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 26,424,767 | 30.13% |
| 3 | HKSCC NOMINEES LIMITED | 16,182,187 | 18.45% |
| 4 | LAM YEN YONG | 2,428,020 | 2.77% |
| 5 | FSK INVESTMENT HOLDING PTE. LTD. | 330,000 | 0.38% |
| 6 | ONG LAI SOON | 270,920 | 0.31% |
| 7 | HO SHEEN LING SERENE | 268,400 | 0.31% |
| 8 | DBS NOMINEES (PRIVATE) LIMITED | 266,359 | 0.30% |
| 9 | CHIN KHIN SIONG | 257,796 | 0.29% |
| 10 | YAM KOK CHIN | 191,400 | 0.22% |
| 11 | CHEW KWAI YOKE | 188,800 | 0.22% |
| 12 | OCBC SECURITIES PRIVATE LIMITED | 151,058 | 0.17% |
| 13 | ERH HUAT POH | 132,000 | 0.15% |
| 14 | CITIBANK NOMINEES SINGAPORE PTE LTD | 132,000 | 0.15% |
| 15 | CHUA TECK BOON | 125,400 | 0.14% |
| 16 | TRACY H. WANG | 107,085 | 0.12% |
| 17 | YEO SOO KAY@ YEO SONG NIAN | 99,880 | 0.11% |
| 18 | CHEE SIEW MING | 94,300 | 0.11% |
| 19 | UOB KAY HIAN PRIVATE LIMITED | 88,000 | 0.10% |
| 20 | LIM HAN XUAN JET | 80,960 | 0.09% |
| | | 83,350,310 | 95.04% |

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
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