WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Annual Report 2013

BUILDING ON OUR STRENGTHS

CORPORATE PROFILE

ABOUT WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Established in the early 1980s and listed on the Main Board of the Singapore Exchange in 2001, Hong Kong-based Willas-Array is principally engaged in the distribution of active and passive components for use in the industrial, audio and video, telecommunications, home appliance, lighting, EMS, automotive, and dealer segments. Backed by long-standing relationships with over 20 reputable Principals, Willas-Array carries a wide product mix, distributing and marketing in excess of 10,000 product items which cater to over 2,000 active customers. Its main markets are in Mainland China and Hong Kong.

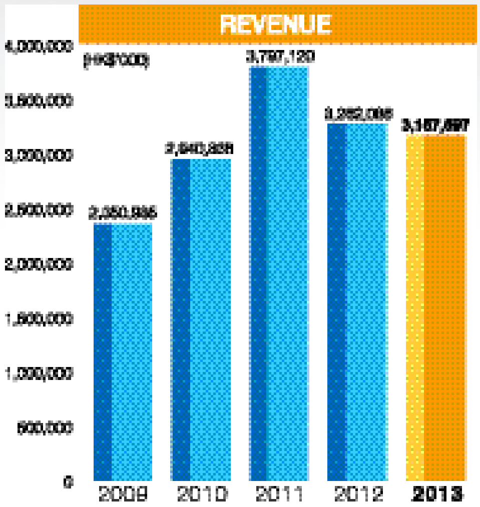
The Group's reputation is well-established among suppliers, customers and banks, many of whom are its long-term partners. Its sound management policies have ensured healthy inventory and cash flow levels and a strong profit track record throughout its 30-year history during which the Group recorded only one year of losses since it was established in 1981.

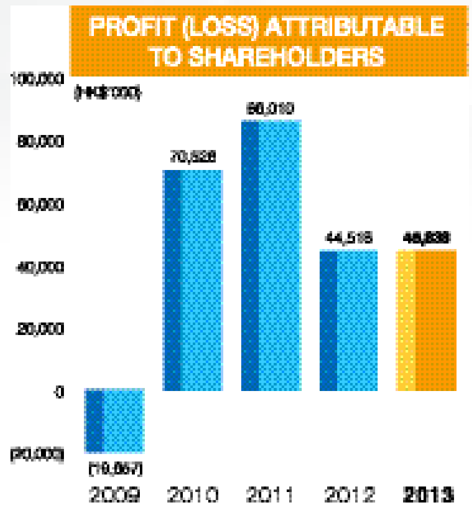
In China, Willas-Array has established a network of offices strategically located in Beijing, Chengdu, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen, and Zhongshan. It has a subsidiary in the Free Trade Zone in Shanghai which serves as a logistics centre for the Group in North China.

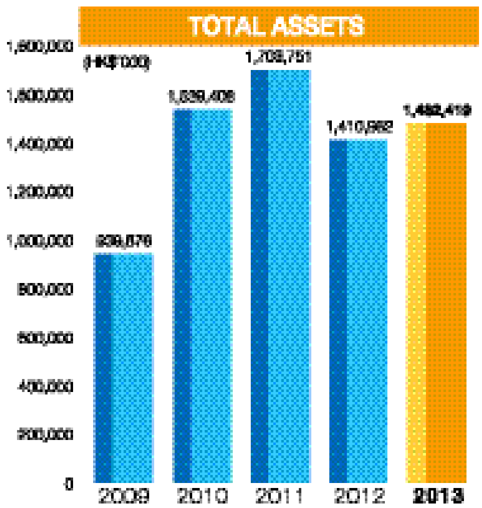
Willas-Array also has a wholly-owned subsidiary in Taipei to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.

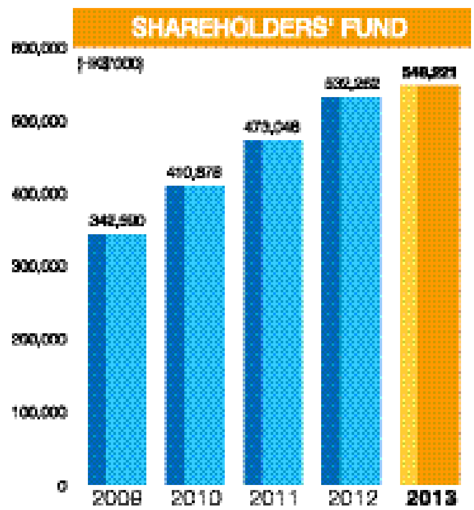
CONTENTS

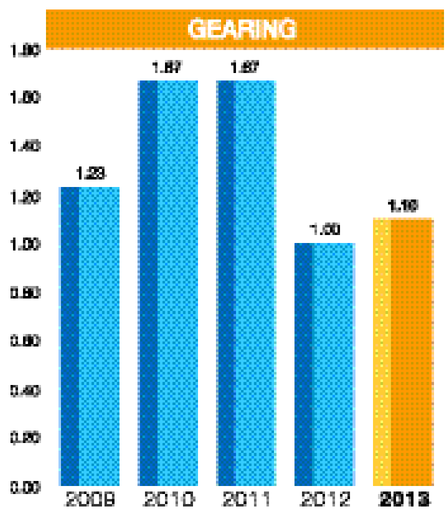
FINANCIAL HIGHLIGHTS

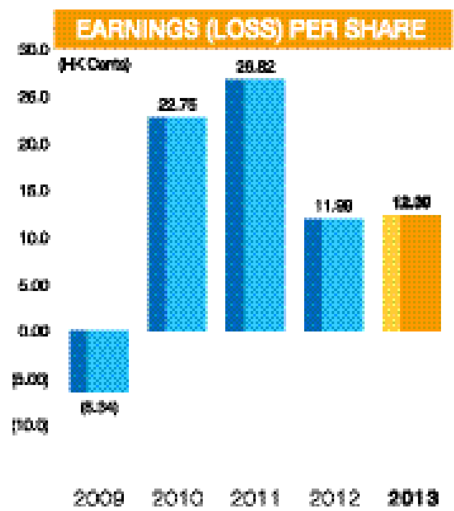




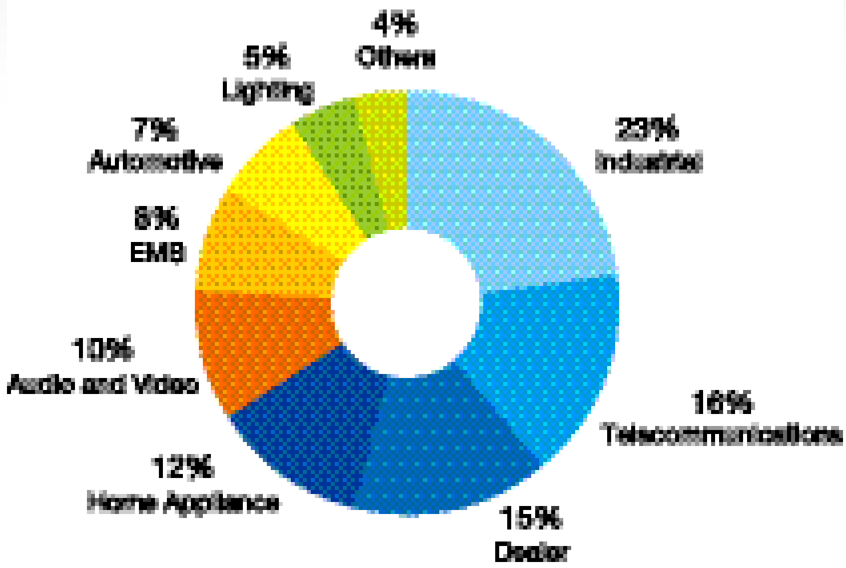




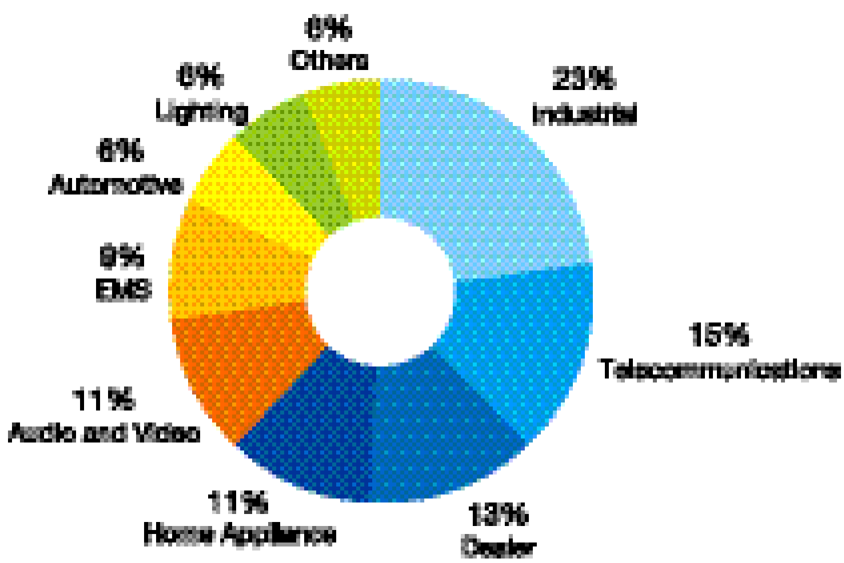




TURNOVER BY SEGMENTS FOR THE YEAR ENDED MARCH 31, 2013



TURNOVER BY SEGMENTS FOR THE YEAR ENDED MARCH 31, 2012



FINANCIAL SUMMARY

OPERATING RESULTS FOR THE GROUP

	Financial year ended March 31,				
	2009	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	2,350,985	2,940,838	3,797,120	3,262,086	**3,157,597**
Cost of sales	(2,108,487)	(2,626,616)	(3,411,444)	(2,959,401)	**(2,851,940)**
Gross profit	242,498	314,222	385,676	302,685	**305,657**
Other operating income	4,750	15,274	3,768	4,246	**4,635**
Distribution costs	(33,591)	(31,683)	(50,862)	(39,021)	**(30,112)**
Administrative expenses	(220,828)	(204,126)	(206,932)	(216,028)	**(217,936)**
Share of loss of jointly controlled entities	(972)	(198)	(22)	(21)	**—**
Share of profit of associates	—	—	—	—	**808**
Other (losses) gains	—	—	(8,053)	19,538	**7,623**
Finance costs	(18,145)	(9,968)	(13,531)	(15,514)	**(16,232)**
Profit (loss) before tax	(26,288)	83,521	110,044	55,885	**54,443**
Income tax expense	(649)	(12,045)	(22,209)	(13,132)	**(13,144)**
Profit (loss) for the year	(26,937)	71,476	87,835	42,753	**41,299**
Non-controlling interests	7,280	(950)	(1,825)	1,765	**4,539**
Profit (loss) attributable to shareholders	(19,657)	70,526	86,010	44,518	**45,838**
Earnings (loss) per share (HK cents) (Note 2)	(6.34)	22.75	26.82	11.99	**12.30**

FINANCIAL POSITION OF THE GROUP

	As at March 31,				
	2009	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	[Restated]	[Restated]			
Current assets	835,520	1,438,981	1,522,109	1,224,132	1,265,770
Property, plant and equipment	89,332	82,681	166,380	172,288	162,278
Available-for-sale investments	2,001	2,001	2,001	2,001	2,001
Interest in jointly controlled entities	9,015	8,795	8,773	8,752	—
Interests in associates	—	—	—	—	49,809
Other non-current assets	4,008	6,950	4,488	3,809	2,561
Total assets	939,876	1,539,408	1,703,751	1,410,982	1,482,419
Current liabilities	590,324	1,119,328	1,162,062	801,200	927,947
Non-current liabilities	1,236	2,526	60,142	71,733	5,000
Non-controlling interests	5,726	6,676	8,501	5,787	1,251
Shareholders' equity	342,590	410,878	473,046	532,262	548,221
Total liabilities and equities	939,876	1,539,408	1,703,751	1,410,982	1,482,419
Net tangible assets per share (HK cents) (Note 3)	110.51	132.54	152.60	142.80	147.09

Notes:

(1) The financial summary for the five financial years ended March 31, 2009 to 2013 presented above is extracted from the annual reports of the Company from 2009 to 2013.

(2) The basic earnings per share for the year ended March 31, 2009 to 2013 are calculated based on profit attributable to shareholders of the Group and weighted average number of 309,948,493, 310,000,000, 320,689,655, 371,421,413 and 372,720,000 ordinary shares of the Company in issue during the financial years of 2009 to 2013 respectively.

(3) The net tangible assets per share for the year ended March 31, 2009 to 2013 are calculated based on share capital of the Company at the end of financial year of 310,000,000, 310,000,000, 310,000,000, 372,720,000 and 372,720,000 shares respectively.

CHAIRMAN'S STATEMENT

LEUNG CHUN WAH
Chairman

Dear Shareholders,

Despite another challenging year, we are happy to report a net profit attributable to shareholders of HK$45.8 million for the year ended March 31, 2013 ("**FY2013**").

Since inception in 1981, our Group has been profitable every year, except in 2009 when we were affected by the global financial crisis, and we are pleased to continue this track record for yet another year. Our performance demonstrates the stability and resilience of the Group – a position we have worked hard to achieve over the years and will endeavor to strive for in many more years to come.

I am pleased to welcome two new directors to the Board. With effect from June 28, 2013, our Deputy Managing Director of Sales and Marketing – Mr Alvin Hon Kar Chun, and Mr Eugene Iu Po Chan will take on the positions of Executive Director and Independent Non-Executive Director respectively.

Mr Hon joined Willas-Array in August 1986 as a Marketing Executive and has held various positions in the Group over the years. Mr Iu has over 40 years of experience in commercial banking and has held senior positions in both international and local banks in Hong Kong, Shenzhen, San Francisco and Macau until his retirement in 2013. I look forward to working with them closely to steer the Group to greater heights.

The two new directors will replace two long-serving members of our Board – Mr Andy Hung and Mr Albert Tse, who are both retiring on June 28, 2013.

Andy joined us in July 2001 as Chief Financial Officer and over the next 12 years, dedicated his experience to helping the Group achieve the growth and stability it enjoys today, he has also been on our Board as Executive Director since April 2004. Albert was appointed to the Board as an Independent Non-Executive Director in April 2002 and his contributions included ensuring that Willas-Array adopted the best practices in corporate governance. We thank them both for their contributions and wish them a happy retirement!

YEAR IN REVIEW

In FY2013, the Group continued to be affected by the economic woes of Europe and the US that led to poor consumer sentiment for electronics. As a result, our revenue fell 3.2% from HK$3,262.1 million in FY2012 to HK$3,157.6 million in FY2013.

On the bright side, Willas-Array's gross margin benefitted from a more stable demand and supply situation during the year and improved from 9.28% in FY2012, to 9.68% in FY2013.

The Group continued to face rising costs such as wages and raw material prices in FY2013, which we dealt with by being prudent in our expenditure. We were able to maintain our administrative expenditure at similar levels, while our distribution costs fell 22.8% to HK$30.1 million due mainly to a reduction in sales incentives paid out to our sales staff as a result of lower sales volumes. Our finance costs rose 4.6% to HK$16.2 million because of an increase in trust receipt loans. As a result, we were able to keep overall costs at bay. The net effect was a 3.0% increase in earnings to HK$45.8 million.

Based on a weighted average number of 372,720,000 ordinary shares in issue, earnings per share was 12.30 HK cents and net asset value per share was 147.09 HK cents as at March 31, 2013. This is as compared to FY2012 when there were weighted average number of 371,421,413 ordinary shares in issue and earnings per share was 11.99 HK cents while net asset value per share was 142.80 HK cents. Cash and cash equivalents stood at a healthy HK$390.4 million.

BUILDING ON OUR STRENGTHS

During the year in review, we announced several developments aimed at building on our strengths as well as reinforcing the Group's operations and position in our two key markets of Hong Kong and Mainland China.

In November 2012, we announced a joint venture agreement with G.M.I. Technology Inc., a premier Taiwan-based electronics distributor listed on the Taiwan Stock Exchange. Under the agreement, a joint venture company by the name of GW Electronics Company Limited was formed and awarded the distributorship rights by Toshiba Semiconductor to distribute its products in mainland China and Hong Kong since early 2013. We believe the joint venture marked another important milestone in the Group's strategy to deepen our market penetration in the Greater China region.

Then in March 2013, we announced our intention to seek a dual primary listing of our ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Proposed HK Listing**") because we wanted to take advantage of the strength of the Willas-Array brand in our key markets.

Over the years, the Group's business has evolved to focus strongly on the China market where it has become a familiar and established brand name. We believe the Proposed HK Listing will give Willas-Array greater exposure to potential investors in both China and Hong Kong, in line with our operational focus. In addition, being listed in both Singapore and

Hong Kong will be beneficial to our long term growth and development as it will enable the Group to have ready access to two different equity markets in Singapore and Hong Kong respectively when the opportunity arises. This will widen our investor base, increase the liquidity of our shares and further enhance the public awareness of Willas-Array in the Greater China region where we have extensive operations.

OUTLOOK

We are optimistically confident about our performance in FY2014 due to a number of factors. The European economy appears to have become more stable and we believe the worst is over. Likewise, new data from the US show slow but positive improvements that suggest a better year ahead for its economy.

Meanwhile, over in our core China market, most economists have predicted a steady and gentle economic recovery in 2013 as investment growth quickens and retail sales stabilize. The country's current leadership is also emphasizing strongly on developing the domestic market by introducing government policies to stimulate growth.

In addition, we are encouraged by the Chinese government's push for the use of more environmentally friendly products within the home and office. We believe this bodes well particularly for the "green" applications we have developed for our various segments including Home Appliance and Industrial.

Looking ahead, we will continue to leverage on our sales network, experience and product development expertise to respond quickly to new trends emerging from our key markets. Some of the products in our R&D pipeline include better enhanced power inverter for home appliances and smart utilities meters that help to manage energy and water consumption. In addition, we will also continue to source for relevant suppliers and products from existing principals to cater to market demand.

We have worked hard to strengthen our internal as well as external resources over the years and we feel confident in our ability to take advantage of the expected recovery in China's economy to achieve a higher level of growth for the Group in the coming year.

The Group will remain vigilant in looking out for factors that may affect our operating environment and performance. We are confident that our core values and best business practices including prudent capital management through cost and credit controls, strong relationships with principals, sharp material and resource planning and exceptional customer service, will enable us to continue to deliver results to our shareholders.

APPRECIATION

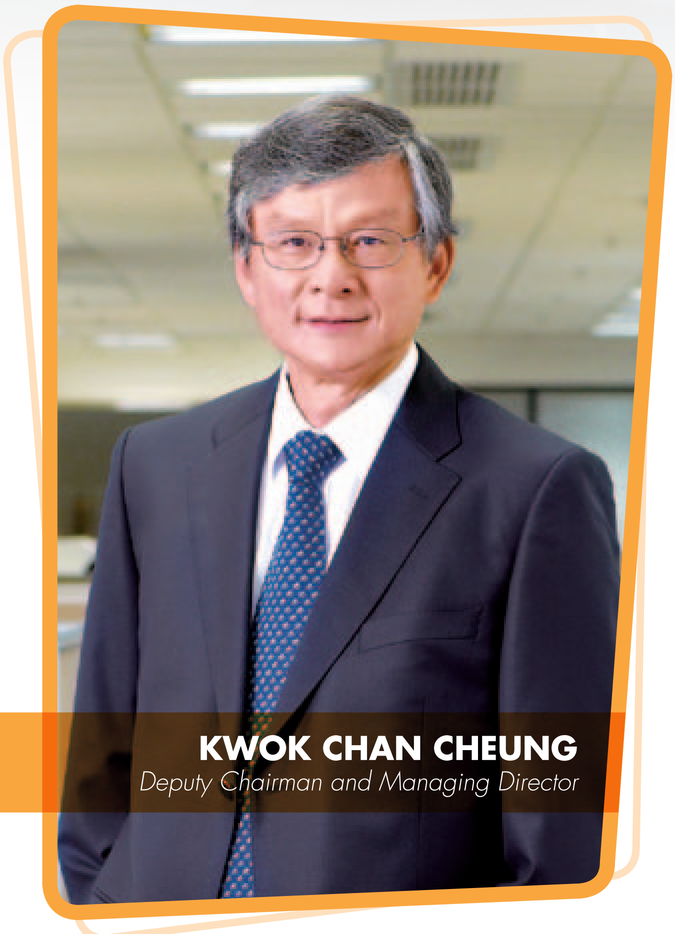
On behalf of the Board, I want to express my sincere gratitude to the management and staff of Willas-Array Group, whose hard work made it possible for us to manage the effects of the uncertain global economy and achieve profitability in FY2013.

Lastly, I want to thank our customers and business partners as well as our shareholders for your continued support.

Leung Chun Wah
Chairman

June 21,2013

OPERATIONS REVIEW



FY2013 YEAR IN REVIEW

FY2013 was a volatile and challenging year for the supply chain industry, especially for companies involved in the fast-moving electronics business.

During the financial year in review, global sentiment and demand for electronics continued to be affected by persistent economic issues in the US and Eurozone and this had an adverse impact on China's export trade. In addition, the Chinese government's economic tightening measures as well as the end of various subsidy programs created uncertainties that made conditions even more challenging for us.

Due to the lack of visibility, customers turned to placing more short-term orders to meet just their near-term needs, leading to shorter manufacturing cycles and exacerbating the imbalance between demand and supply.

As a result of weaker demand, some component manufacturers trimmed down their capacity and maintained a lower overall inventory level across the entire supply chain. To ensure that we have sufficient inventory to meet the needs of our key customers, we strengthened our inventory management and kept inventories at a reasonable level. Our experience in the field and our strong and long term relationships with our suppliers were key factors that contributed to our ability to fulfill our customers' requirements.

Under such circumstances, we registered revenue of HK$1,667.4 million in the first half of FY2013, which was 6.7% lower than the corresponding period in FY2012. In the second half of the financial year, even though the market did not show any signs of recovery, we fought hard to protect our market share, which led to a year-on-year slight increase of 1.0% in our revenue to reach HK$1,490.2 million. As a result of our combined efforts, Willas-Array recorded a full-year revenue of HK$3,157.6 million, representing a 3.2% dip from the previous year. Despite a drop in revenue, the Group managed to increase net profit from HK$44.6 million in FY2012 to HK$45.8 million.

To further strengthen our distribution business of Toshiba products in PRC and Hong Kong, we have established a joint venture company in partnership with G.M.I. Technology Inc., a premier electronics distributor based in Taiwan and listed on the Taiwan Stock Exchange. Named GW Electronics Company Limited, this joint venture company will distribute Toshiba Semiconductor products in mainland China and Hong Kong, paving the way for the Group's further expansion in our main target market in PRC and Hong Kong, and we believe this will also deepen our market and product knowledge.

PERFORMANCE REVIEW BY BUSINESS SEGMENTS

In FY2013, we aligned our engineering efforts and allocated resources to our various business segments in response to market demand. As a result of our efforts, the performance of our high growth segments was able to offset the performance of the weaker segments and result in an overall profit growth for the Group.

Industrial (23.3% of the Total Revenue)

The industrial segment continued to be our largest revenue contributor with reported revenue worth HK$735.8 million, representing 23.3% of the Group's total revenue. This segment was deeply impacted by the weakening of the export market, especially in terms of welder exports, causing revenue from this segment to drop by 5.5% in the first half of FY2013.

Hong Kong head office

OPERATIONS REVIEW

Thanks to our recovery plan, that is to focus on developing more applications and solutions relating to smart meter, energy saving and other motor control equipment for the domestic market, we managed to grow our revenue in this segment in the second half of the year, mitigating the overall revenue drop for the full year to 1.4%. This proved that we were on the right track and we will continue our efforts in penetrating this market.

This segment covers switched mode power supply, charger, liquid crystal display module, meters and motor control products.

Telecommunications (16.5% of the Total Revenue)

The telecommunications segment is our second largest business segment, accounting for 16.5% or HK$519.8 million of Group revenue. On the back of fast-growing usage of smartphones and internet devices, the telecommunications market has outperformed the overall semiconductor market. Compared to the previous year, our revenue derived from this segment grew 8.7% in FY2013, and we expect to see continued growth in line with the expected double-digit expansion in the telecommunications sector worldwide over the next few years.

With technological advancements, smartphones and internet devices are expected to have increasingly enhanced functions and features, fuelling the sustained strong consumption of electronics components in this segment. To take advantage of this strong growth, we will continue our push to expand our business in this segment.

This segment includes mobile phones, Global Positioning System, Wi-Fi/Bluetooth modules and professional walkie-talkies.

Home Appliance (11.6% of the Total Revenue)

Although the overall home appliance market in China was under-performing, we were able to maintain our revenue from this segment at HK$365.5 million, a slight dip by 1.6% as compared to the previous year.

The application solutions that we have invested in and developed for this segment include power management and inverter control, we also provide support to our customers in terms of Microcontrollers (MCU) programming.

Hong Kong head office

Automotive (7.0% of the Total Revenue)

The automotive segment was our fastest growing business segment in FY2013. Revenue contribution from this segment was HK$219.6 million, representing 7.0% of total Group revenue. The high growth in this segment demonstrated our efforts in investing in our people and our engineering capabilities in order to tap on the strong domestic demand in China, which has been crowned as the world's largest consumer and manufacturer of automotive goods. To ride on this strong growth, we will continue to invest in this segment.

This segment covers car infotainment system, car body control unit, engine control unit and other car electronics.

Dealer (14.6% of the Total Revenue)

This segment saw a rise in revenue by 5.1% as compared to the previous year, to HK$462.2 million. The increase was due to a competitive price offering in the partnership programmes that we entered into with our industrial market dealers to broaden the reach of our power devices, especially in the lower-tier cities. In addition, as a result of the trend towards shorter ordering cycles, customers had to source for required parts from various channels in order to fulfill demand, thus creating opportunities for our dealers to further support us in widening our customer base.

Audio and Video (10.0% of the Total Revenue)

Sales revenue generated from this segment was HK$316.7 million in FY2013, 11.8% less than the previous year. The main reasons for this decline were (i) the weak demand from both the US market and domestic PRC market, and (ii) the change in the smartphone docking connector, which resulted in many projects being suspended until September 2012. Currently, we are seeing projects being reactivated and demand is well-supported by the growth of the export market.

EMS (7.7% of the Total Revenue)

Revenue from this segment dropped 21.0% in FY2013 to HK$242.0 million, impacted by the weaker export demand from the US and European markets. With the US economy improving and the Eurozone seen stabilizing, we believe a pick-up in the export market will soon be in sight. We will work very closely with our customers and suppliers to ensure that our inventory is maintained at its optimal level – sufficient to capture growth opportunities with minimal inventory risk.

Lighting (4.7% of the Total Revenue)

FY2013 was a tumultuous years for our lighting segment. Weakness in the worldwide economy had put the brakes on new construction projects in both the commercial and residential segments. Although there are huge opportunities in the light-emitting diode (LED) lighting market, the market is currently still at its introductory stage whereby adoption rate is relatively slower. Oversupply in this market had resulted in price erosion, and as a consequence, our revenue from this segment dropped 17.7% to HK$149.4 million.

Besides LED lighting, this segment also covers general lighting, ballast and high-intensity discharge (HID) lamps.

Others (4.6% of the Total Revenue)

This segment which covers personal computers, toys, security equipment, and renewable energy also suffered from weaker demand in the export and domestic markets, as reflected in the 23.7% drop in revenue to HK$146.4 million.

LOOKING AHEAD

The revival of the US economy and the stabilizing of the Eurozone are stimulating the recovery of China's export market. Official data released by the Chinese Government has pointed to better export performance for China in March and April 2013. Assuming that this export growth trend continues, we can expect improved industrial performance in China, which has a direct bearing on our business.

Another key factor influencing our business is China's ongoing transition away from export and investment-led economic expansion, to one that is sustained by domestic consumption and services, which heralds healthier, more sustainable and quality growth for the country. The steady increase in China's household income, coupled with the expansion of its middle class as well as the strategic upgrade of the lower-tier cities, will continue to provide strong support for domestic demand.

Willas-Array, having established a strong foothold in China over the years, is in a good position to capture this unique growth opportunity.

Looking ahead, we are committed to investing more resources and efforts to further develop our China business. We will do so by:

1. Putting more resources in engineering in order to provide more quality solutions to our existing and prospective customers;
2. Expanding our sales coverage and market share;
3. Strengthening our value in China's small and medium enterprise (SME) market;
4. Continuous sourcing of new products to enhance our product offering; and
5. Tapping on new opportunities in the emerging markets.

Kwok Chan Cheung
Deputy Chairman and Managing Director

June 21, 2013

BOARD OF DIRECTORS

From left to right: **Mr. Hung Yuk Choy; Mr. Tse Pui Kee Albert** (resigned on June 28, 2013)**; Mr. Jovenal R. Santiago; Mr. Kwok Chan Cheung; Mr. Leung Chun Wah ; Mr. Wong Kwan Seng Robert; Mr. Phaisalakani, Vichai @ Hung, Andy** (resigned on June 28, 2013)

EXECUTIVE DIRECTORS

Leung Chun Wah is the Chairman of our Group. His responsibilities include setting our Group's overall strategies and direction. Prior to establishing Willas Company in 1981, he worked as a general manager in Multitron Electronics Company from 1975 to 1981. He has more than 40 years experience in the electronics industry, amassing his experience in a variety of electronic firms like Ecca Industrial Co Ltd and Stuart Limited, which are both electronics component manufacturers. He started work as an inspection supervisor/process controller from 1967 to 1970 for Stuart Limited and later as a research coordinator for Mobius Inc. from 1970 to 1972. He was a sales manager in Ecca Industrial Co from 1972 to 1974 and a general manager of Rio-Pack Hong Kong Limited from 1974 to 1975.

BOARD OF DIRECTORS

Kwok Chan Cheung is the Deputy Chairman and Managing Director of our Group. His responsibilities include overseeing our Group's sales and marketing activities and setting our Group's sales and marketing strategy. Prior to establishing Array Electronics in 1982, he worked for 14 years with Micro Electronics Ltd. From an engineering trainee in 1968, he rose to the rank of vice president in 1981. He holds a certificate in Radio-Television Engineering from the South East Radio College which he obtained in 1969.

Hung Yuk Choy is the Deputy Managing Director of our Group. He is responsible for the information technology department and the logistics department of our Group. Prior to joining Willas Company in 1981, he worked in various electronics and manufacturing firms. He has over 40 years of experience in the electronics field. He started work as a warehouse supervisor from 1968 to 1970 in Electronic Industry Limited, a buyer in Amcol Electronics Limited for the next three years and an assistant sales manager for Multitron Electronics Company from 1977 to 1981. In between he worked as a sales representative in 1972 and a sales manager in 1976 with Chi Lik Metal Manufacturing.

Hon Kar Chun was appointed as an Executive Director on June 28, 2013 and is responsible for developing and managing our sales and marketing operations. Prior to his appointment as an Executive Director, Mr. Hon was our deputy managing director of sales and marketing. Mr. Hon obtained a bachelor of science degree in physics from The University of Hong Kong in 1986 and a master's degree in business administration from The Hong Kong University of Science and Technology in 2000. Mr. Hon joined Array Electronics Limited on August 26, 1986 as a marketing executive and he was the general manager of Willas-Array Singapore (Private) Limited between 2000 and 2001. Mr. Hon became the general manager of a business group of Array Electronics Limited in September 2001. He was subsequently promoted to be the general manager of the central product marketing department of Willas-Array Electronics Management Limited in 2003, which was responsible for most of the semiconductor product lines of Willas-Array Electronics Management Limited. Mr. Hon became our sales director in 2006 and in 2010 he was appointed as our marketing director. He was subsequently promoted to deputy managing director of sales and marketing in 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jovenal R. Santiago was appointed as an Independent Director of our Company on June 14, 2001. Mr. Santiago, a Certified Public Accountant, has more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore where he was in charge of audit engagements of a wide portfolio of clients including several public listed companies. He holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and a Master of Business Administration degree from New York University, USA. Mr. Santiago is also an independent director of another company listed in Singapore.

Wong Kwan Seng Robert was appointed as an Independent Director of our Company on June 14, 2001. He is a lawyer by profession. He graduated from the National University of Singapore in 1983 and was called to the Singapore bar in 1984. He has been practicing law ever since with various law firms. Mr. Wong practises mainly corporate law with particular emphasis in corporate finance. He has acted as solicitor in numerous initial public offers, rights issues, issues of debentures, takeovers, mergers and acquisitions and joint ventures. He is also an independent director of 3 other public companies listed on the SGX-ST.

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

KEY EXECUTIVES

Chan Fan Cheong, Patrick
Assistant General Manager – Risk Management

Chan Fan Cheong, Patrick is our assistant general manager of risk management and is responsible for establishing our policy and collection procedures, and strengthening our internal control system and risk management. He obtained a master's degree in professional accounting from the Open University of Hong Kong in 2001. He has been elected as an associate of the Hong Kong Institute of Bankers in 1998. Mr. Chan joined us on May 6, 2002 as an assistant credit control manager and was promoted to credit control manager in 2003, senior credit manager in 2007 and assistant general manager of risk management on January 1, 2012. Prior to joining us, he worked as a credit control officer for Circle International Limited from 1993 to 1999 and a credit manager for Future Electronics (HK) Limited from 2000 to 2001.

Chan Sik Kong, Ringo
Sales Director

Chan Sik Kong, Ringo is our sales director and is responsible for overseeing all of our sales activities. He obtained a certificate in electrical engineering from The Morrison Hill Technical Institute in 1986. Mr. Chan first joined us on September 30, 1991 as a sales engineer for two years. Mr. Chan rejoined us on June 23, 1997 as a marketing manager and he was seconded to work in our Shanghai office from May 2002 to March 2003, where he oversaw our overall operations in the Northern China Region. He was appointed as the general manager of Willas-Array Electronics (Hong Kong) Limited in 2006 and our sales director in 2012.

Cheung Yiu Wing, Teddy
Assistant General Manager – Sales, South China

Cheung Yiu Wing, Teddy is our assistant general manager of sales in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He graduated from Hong Kong Technical College with a higher diploma in communications engineering in 1996 and holds an executive certificate in supply chain strategy from The University of Hong Kong. Mr. Cheung joined Willas Company Limited as a sales engineer on July 31, 1996 and he was promoted to assistant product manager and senior sales manager of Willas-Array Electronics (Hong Kong) Limited in 2000 and 2007, respectively. He was appointed as our assistant general manager of sales in the Southern China Region in 2012.

Choi Pik Sing, Derek
General Manager – North China

Choi Pik Sing, Derek is our general manager for the Northern China Region and is responsible for all of our business operations in the Northern China Region. He obtained a bachelor's degree in electrical engineering from the University of Ottawa, Canada in 1991. Mr. Choi joined Array Electronics Limited on May 11, 1992 as a product engineer and was promoted to marketing manager in 1999. In October 2003, Mr. Choi was transferred to northern China and he became our assistant general manager for the Northern China Region. Prior to joining Array Electronics Limited, Mr. Choi worked as a sales engineer for Instrument Agency Hong Kong Ltd. from 1991 to 1992.

Chu Ki Pun, Joseph
Marketing Director – Business Unit 1

Chu Ki Pun, Joseph is our marketing director and is responsible for overseeing our marketing activities. He obtained a higher certificate in electronic engineering from The Hong Kong Polytechnic University in 1985. Mr. Chu has over 25 years of experience in the electronics industry. He joined us on August 27, 1985 as a sales engineer for two years. He rejoined us on January 9, 1989 as a senior sales engineer and was promoted to general manager overseeing both the sales and product marketing activities of Willas Company Limited in 2003. He was our marketing director from 2006 to 2010 and our sales director from 2010 to 2011. He was appointed as our marketing director in 2012.

Chu Man Choi, Tony
Assistant General Manager – Sales, South China

Chu Man Choi, Tony is our assistant general manager of sales in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He obtained a higher diploma in engineer management from the Hong Kong Institute of Vocational Education in 2001 and holds an executive certificate in supply chain strategy from The University of Hong Kong. Mr. Chu joined Array Electronics Limited as a sales engineer on April 2, 1990 and was promoted to assistant sales manager and to senior sales manager of Willas-Array Electronics (Hong Kong) Limited in 1995 and 2008, respectively. He was appointed as our assistant general manager of sales in the Southern China Region in 2012.

Ho Hung Kai, James
Assistant General Manager – Human Resources

Ho Hung Kai, James is our assistant general manager of human resources and is responsible for all of our human resources operations, issues and administration affairs. He obtained a bachelor's degree in computer science from the University of Toronto, Canada in 1984. Mr. Ho has over 15 years of experience in administration and information technology. He joined Willas Company Limited as an assistant administration manager on February 3, 1987 and stayed in this position until 1991. Mr. Ho rejoined us as a business analyst on March 8, 2005 and became human resources manager in November 2005. He was made as our assistant general manager of human resources in 2012. Prior to rejoining us, he was the vice president of U-Drive Company Limited from 2001 to 2004.

KEY EXECUTIVES

Hon Wai Keung, Ken
Assistant General Manager – Technical Marketing/Field Application

Hon Wai Keung, Ken is our assistant general manager of technical marketing and field application and is responsible for supervising our technical marketing and field application department. He obtained a bachelor's degree in engineering from The Chinese University of Hong Kong in 1995. Mr. Hon has over 15 years of experience in the electronics and semiconductor industry. He joined us as a field application manager on September 1, 2008 and was promoted to senior technical manager in 2010 and to assistant general manager of technical marketing and field application in 2012. Prior to joining us, he worked as an application engineer for Protech Components Ltd. from 1995 and was subsequently promoted to assistant general manager of the engineering department in 2006.

Kwan Wing Kin, Samuel
Assistant General Manager – Marketing

Kwan Wing Kin, Samuel is our general manager of central product marketing and is responsible for all of our product lines for consumer products. He obtained a bachelor's degree in electronics engineering from the City College of New York, United States in 1992. Mr. Kwan joined Array Electronics Limited as a product engineer on July 1, 1993 and was promoted to product manager in 2001, to senior product manager in 2006, to assistant general manager of central product marketing in 2008 and to general manager of central product marketing in 2013.

Lam Chi Cheung, Ken
General Manager – Branch Offices, South China

Lam Chi Cheung, Ken is our general manager in the Southern China Region and is responsible for all of our business operations in the Southern China Region. He obtained a higher certificate in electronic engineering from The Hong Kong Polytechnic University in 1985. Mr. Lam first joined us on June 1, 1986 as a sales engineer and was promoted to various positions with responsibilities in various areas ranging from sales to product marketing until 1999. He rejoined us on April 9, 2003 as a general manager of sales and marketing for the Southern China Region and was promoted to general manager of branch offices in the Southern China Region in 2012 and to general manager of the Southern China Region in 2013. He has had extensive exposure to the mainland China market by developing sales and marketing channels in various cities, including Beijing, Shanghai, Guangzhou and Zhuhai.

Leung Chi Hang, Daniel
General Manager – Information Technology/Logistics

Leung Chi Hang, Daniel is our general manager for information technology and logistics and is responsible for overseeing the daily operations of our information technology and logistics department. Mr. Leung obtained a bachelor's degree from Fisher College of Business at The Ohio State University, United States in 1998 and a master's degree in business administration ("MBA") from The Ohio State University, United States in 2004. Upon his graduation from his bachelor's degree and prior to obtaining his MBA, Mr. Leung worked at a trading company in Los Angeles, USA, for four years, overseeing its daily operations. Prior to joining Willas-Array Group, Mr. Leung served as a consultant at Accenture, a global management consulting, technology services and outsourcing firm. Mr. Leung joined us as the general manager for information technology and logistics on September 1, 2008.

KEY EXECUTIVES

Leung Hon Shing, Raymond
Financial Controller and Company Secretary

Leung Hon Shing, Raymond is our financial controller and company secretary and is responsible for our financial management. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He also holds a professional diploma in company secretaryship and administration from The Hong Kong Polytechnic University that he obtained in 1988. Mr. Leung joined us on January 2, 2002 as a financial controller and was appointed as our company secretary on March 28, 2006. Prior to joining us, he worked in a subsidiary of a public listed company in Hong Kong from 1996 to 2001 and an international accounting firm from 1993 to 1996, where he gained extensive auditing, accounting and financial management experience.

Leung Man Kwong, Alfred
Marketing Director – Business Unit 2

Leung Man Kwong, Alfred is our marketing director and is responsible for all of our marketing activities. He obtained a bachelor's degree in management from the Management Centre of Buckingham (UK) in 1990. Mr. Leung joined Smartcard Technology Limited (previously a subsidiary of Willas-Array (Holdings) Limited) on January 5, 1998 and was responsible for its operations in Hong Kong and the Southern China Region. In April 2003, he was appointed as the general manager of the central product marketing department until his promotion as marketing director in 2012. Prior to joining us, he worked in the electronic components department of Inchcape Industrial Holdings Limited for ten years.

Li Rong Qi
General Manager – Beijing Office

Li Rong Qi is the general manager of our Beijing office and is responsible for all of our business operations in the Northern China Region. Mr. Li was employed by us from December 11, 1992, as an engineer, but during the period from 1991 to 1994, he worked as an engineer in China Electronics Engineering Design Institute. He was promoted to assistant operations manager in 2001, manager in 2003 and senior manager in 2006. He was appointed as the general manager of our Beijing office in 2013. Mr. Li obtained a bachelor's degree in chemistry physics from Tsinghua University in 1984.

KEY EXECUTIVES

Or To Ching, Chris
Assistant General Manager – Information Technology

Or To Ching, Chris is our assistant general manager of information technology and is responsible for overseeing the daily operations of our information technology department. He obtained a bachelor of science degree from the University of Auckland, New Zealand in 1983 and a master's degree in information systems from the City University of Hong Kong in 1998. Mr. Or joined us on May 24, 1993 as a systems analyst and was promoted to a managerial position in 1995 and to assistant general manager of information technology in 2012. Prior to this, he worked as a systems engineer in Bank of America Trust Company (HK) Limited from 1988 to 1990 and as a systems analyst programmer for Colonial Mutual Life from 1991 to 1993.

Zhao Hou Min, Wilson
Assistant General Manager – Qingdao Office

Zhao Hou Min, Wilson is the assistant general manager of our Qingdao office and is responsible for all of our business operations in Qingdao. Prior to joining us on April 1, 2001 as a field application engineer, he worked in the technical department of Qingdao Mitsumi Electric Co., Ltd. for six years from 1995 to 2001. He became our assistant manager in 2003 and was subsequently promoted to senior manager in 2010. He rose to the position of assistant general manager of our Qingdao office in 2013. Mr. Zhao obtained a graduation certificate in electrical engineering from Qingdao University in 1995. Mr. Zhao attended a long distance course in computers and application at the University of Petroleum and graduated in 2001.

Zhu Yi, Roy
Assistant General Manager – Northern China

Zhu Yi, Roy is our assistant general manager for the Northern China Region. He is responsible for all of our business operations in the Northern China Region, including our product marketing department for the Northern China Region and the sales offices for the middle and western parts of China. Prior to joining us on June 1, 2002 as a sales manager, he worked for Guangdong Shunde Songben Electrician Industries Limited from July 1995 to September 1998, for Shanghai Anpu Connector Co., Ltd. from November 1998 to July 2000 and for Tyco Electronics (Shanghai) Co., Ltd. as a senior sales engineer from July 2000 to May 2002. Mr. Zhu was promoted to be our product manager in 2006 and our assistant general manager for the Northern China Region in 2013. Mr. Zhu has more than 15 years of experience working in the PRC and has extensive knowledge of the PRC market. Mr. Zhu studied the manufacture of electrical machinery and equipment at the Shanghai College of Electricity and Machinery Technology from September 1990 to July 1995.

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Leung Chun Wah (Chairman) Kwok Chan Cheung (Deputy Chairman and Managing Director) Hung Yuk Choy (Deputy Managing Director) Hon Kar Chun (Executive Director) appointed, to be effective June 28,2013 Phaisalakani, Vichai @ Hung, Andy (Executive Director and Chief Financial Officer) resigned, to be effective June 28,2013 Jovenal R. Santiago (Independent Non-executive Director) Wong Kwan Seng, Robert (Independent Non-executive Director) Iu Po Chan (Independent Non-executive Director) appointed, to be effective June 28, 2013 Tse Pui Kee, Albert (Independent Non-executive Director) resigned, to be effective June 28,2013
AUDIT COMMITTEE	:	Jovenal R. Santiago (Chairman) Wong Kwan Seng, Robert Iu Po Chan, appointed, to be effective June 28, 2013 Tse Pui Kee, Albert, resigned, to be effective June 28, 2013
COMPANY SECRETARY	:	Leung Hon Shing, ACIS
REGISTERED OFFICE	:	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda Telephone: (441) 295 1443 Fax: (441) 295 9216
PRINCIPAL PLACE OF BUSINESS	:	24/F Wyler Centre Phase 2 200 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE	:	Appleby Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda

CORPORATE INFORMATION

SINGAPORE SHARE TRANSFER AGENT	:	Intertrust Singapore Corporate Services Pte. Ltd. 3 Anson Road #27-01 Springleaf Tower Singapore 079909
AUDITORS	:	Deloitte & Touche LLP Public Accountants and Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809 Audit Partner : Patrick Tan Hak Pheng Date of appointment : June 1, 2008
SOLICITORS	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
PRINCIPAL BANKER	:	Standard Chartered Bank 4-4A Des Voeux Road Central Hong Kong

CORPORATE GOVERNANCE REPORT

Willas-Array Electronics (Holdings) Limited (the "Company") is committed to achieving high standards of corporate governance and has generally complied with the principles of the Code of Corporate Governance (the "Code"), which is recommended by the Corporate Governance Committee. The Board is pleased to report compliance by the Company with the Code except where otherwise stated.

BOARD OF DIRECTORS - PRINCIPLES 1, 2, 3, & 6

The Board comprises seven directors, four of whom are executive directors and three of whom are independent non-executive directors. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision-making. Key information regarding the directors' background, qualifications, and other appointments is set out on pages 15 to 17 of the Annual Report. The Chairman of the Company gives guidance on the corporate direction of the Group and is also involved in the scheduling and chairing of Board meetings and the controlling of the quality, quantity and timeliness of information supplied to the Board. The Managing Director of the Company 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 Managing Director performs separate functions to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised. In addition, the Chairman and Managing Director are not related to each other. In order to enhance the directors' competency, the directors will receive relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The directors will also be updated on the business of the Company through regular presentations and meetings. Apart from its statutory duties and responsibilities, the Board approves nomination of directors to the Board and appointment of key managerial personnel, oversees the management of the business and affairs of the Company, approves the Company's corporate and strategic directions, reviews the financial performance of the Company and approves any investment proposals. The Board is accountable to the shareholders while the management is accountable to the Board. To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process.

BOARD OF DIRECTORS - PRINCIPLES 1, 2, 3, & 6 - *continued*

All directors have separate and independent access to senior management and to the company secretary. The company secretary ensure that minutes of Board meetings are prepared, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively. The company secretary also ensure that the Company's Bye-Laws and relevant rules and regulations, including requirements of the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), are complied with. Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The Board met twice during the past financial year. However, the executive directors met more regularly to review and discuss management and operational matters. In addition, directors' resolutions in writing were also circulated for transactions that require directors' approval. The number of Board, Audit Committee, Nomination Committee, and Remuneration Committee meetings held in the year, as well as the attendance of every Board member at those meetings is as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
No. of Meetings held in Financial Year	2	2	1	2
Name & Attendance of Director:				
Leung Chun Wah	2	2*	1*	2*
Kwok Chan Cheung	2	x	x	x
Hung Yuk Choy	2	x	x	x
Phaisalakani, Vichai @ Hung, Andy	2	2*	1*	2*
Jovenal R. Santiago	2	2	1	2
Wong Kwan Seng, Robert	2	2	1	2
Tse Pui Kee, Albert	2	2	1	2

x indicates not applicable

* not a member but attended by invitation

NOMINATION COMMITTEE - PRINCIPLES 4 & 5

The Nomination Committee comprises Mr. Wong Kwan Seng, Robert (as Chairman), Mr. Jovenal R. Santiago, Mr. Tse Pui Kee, Albert (resigned, to be effective June 28, 2013) and Mr. Iu Po Chan (appointed, to be effective June 28, 2013). All members of the Nomination Committee are independent directors.

The Nomination Committee performs the following functions:

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

b) Reviewing all candidates nominated for appointment as senior management staff;

c) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent directors and having regard at all times to the principles of corporate governance under the Code;

d) Identifying and making recommendations to the Board as to the directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting of the Company, having regard to the directors' contribution and performance, including independent directors;

e) Determining whether a director is independent (taking into account the circumstances set out in the Code and other salient factors); and

f) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

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. Pursuant to the Company's Bye-laws, one third of the directors for the time being are required to retire by rotation in each Annual General Meeting and a newly appointed director must retire and be eligible for re-election at the next Annual General Meeting following his appointment. The Nomination Committee recommended to the Board that Mr. Hon Kar Chun, Mr. Iu Po Chan and Mr. Wong Kwan Seng, Robert be nominated for reappointment at the forthcoming Annual General Meeting. In making the recommendation, the Nomination Committee had considered the directors' overall contribution and performance.

REMUNERATION COMMITTEE - PRINCIPLE 7

In compliance with the Code of Corporate Governance 2005, which requires all Committee members to be non-executive directors, the Remuneration Committee comprises Mr. Tse Pui Kee, Albert (resigned, to be effective June 28, 2013) and Mr. Iu Po Chan (appointed, to be effective June 28, 2013) (as Chairman), Mr. Wong Kwan Seng, Robert and Mr. Jovenal R. Santiago. Currently, all members of the Remuneration Committee are independent directors.

The functions of the Remuneration Committee are as follows:

a) Recommending to the Board a framework of remuneration for the Board and the key executives of the Company covering all aspects of remuneration such as director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

b) Proposing to the Board, appropriate and meaningful measures for assessing the executive directors' performance; and

c) Determining the specific remuneration package for each executive director.

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

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

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES - PRINCIPLES 8 & 9

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate directors and senior management of the required experience and expertise to run the Company successfully. The following table shows a breakdown of the remuneration of the directors for financial year 2013:

Remuneration Bands	Salary	Bonus	Directors' fees	Others	Total
	%	%	%	%	%
Directors					
S$750,000 - S$999,999					
NIL	–	–	–	–	–
S$500,000 - S$749,999					
Leung Chun Wah	62	38	–	–	100
Kwok Chan Cheung	62	38	*	–	100
Hung Yuk Choy	62	38	–	–	100
S$250,000 - S$499,999					
Phaisalakani, Vichai @ Hung, Andy	47	20	4*	29	100

* During the past financial year, the director received a notional amount of director's fee from one of the subsidiaries of the Company. The amount of fee is insignificant and constitutes less than half a percentage point of the total remuneration of the director.

Remuneration Bands	Salary	Bonus	Directors' fees	Others	Total
Below S$250,000					
Jovenal R. Santiago	–	–	100	–	100
Wong Kwan Seng, Robert	–	–	100	–	100
Tse Pui Kee, Albert	–	–	100	–	100

Independent non-executive directors are paid directors' fees.

REMUNERATION AND BENEFITS OF DIRECTORS AND TOP FIVE KEY EXECUTIVES - PRINCIPLES 8 & 9 - *continued*

The annual remuneration of our top five key executives is as follows:

Remuneration Bands	Salary %	Performance Bonus %	Others %	Total %
Key Executives				
S$250,000 - S$499,999				
Hon Kar Chun, Alvin	59	26	15	100
Chan Sik Kong, Ringo	62	27	11	100
Chu Ki Pun, Joseph	52	28	20	100
Choi Pik Sing, Derek	58	31	11	100
Below S$250,000				
Lam Chi Cheung, Ken	65	25	10	100

On September 1, 2008, Mr. Leung Chi Hang, Daniel, the eldest son of the Chairman of the Company, was employed as the General Manager for Information Technology and Logistics. His remuneration for the past financial year does not constitute any of the top five key executives of the Company.

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

The Employee Share Option Scheme Committee comprises Mr. Leung Chun Wah (as Chairman), Mr. Kwok Chan Cheung, Mr. Hung Yuk Choy and Mr. Iu Po Chan (appointed, to be effective June 28, 2013). In pursuance of the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II"), an aggregate of 22,138,800 share options were outstanding as at March 31, 2013. Of these outstanding share options, 3,240,000 were granted to Mr. Phaisalakani, Vichai @ Hung, Andy, while the remaining share options were granted to the employees of the Company. The ESOS II, approved by the written resolutions in lieu of a Special General Meeting held on June 11, 2001, had expired on June 10, 2011. For more information on ESOS II, please refer to the Report of the Directors and Financial Statements.

ACCOUNTABILITY - PRINCIPLE 10

The Board of Directors 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 half-year and full-year financial statements and the Audit Committee reports on the results for review and approval. The Board approved the results and authorised the release of the results to the SGX-ST and the public via SGXNET.

AUDIT COMMITTEE - PRINCIPLE 11

The Audit Committee comprises Mr. Jovenal R. Santiago, Mr. Tse Pui Kee, Albert (resigned, to be effective June 28, 2013), Mr. Iu Po Chan (appointed, to be effective June 28, 2013) and Mr. Wong Kwan Seng, Robert. Mr. Jovenal R. Santiago is the Chairman of the Audit Committee. All the directors in the Audit Committee are independent.

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

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

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

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

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

e) Reviewing significant findings of internal investigations;

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

g) Reviewing interested person transactions.

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

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

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

The Audit Committee has reviewed the value of non-audit services to the Company by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The Audit Committee has established a channel for staff of the company to raise concerns about possible improprieties in matters of financial reporting or other matters.

INTERNAL CONTROLS AND INTERNAL AUDIT - PRINCIPLES 12 & 13

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

The review of the system of internal controls is an ongoing process and the Board recognises the importance of such system. In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has continued to outsource the internal audit function to an external accounting firm. RSM Nelson Wheeler Consulting Limited, an international accounting firm, was re-appointed on April 1, 2012 as the Company's internal auditors. RSM Nelson Wheeler had reviewed the effectiveness of the Company's material internal controls and had visited the Company in August during the past financial year, with a duration of three weeks for the visit. The internal auditors reported directly to the Chairman of the Audit Committee and the Committee is satisfied that there have been no major shortfall in the system of internal controls of the Company in the areas evaluated and adequate internal controls are in place.

In additions to this outsourcing of the internal audit function to an external accounting firm, the Board, with the concurrence of the Audit Committee, after carrying out a review, is of the opinion that the internal controls of the Group are adequate to address operational, financial and compliance risks. In arriving at the opinion, the Board is of the view that the internal controls of the Group have reasonable assurance about achieving the objectives set out below.

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

a) effectiveness and efficiency of operations;

b) reliability of financial reporting; and

c) compliance with applicable laws and regulations.

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

DEALING IN SECURITIES

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

1. Directors and key officers are prohibited from trading in the Company's shares for a period of one month prior to the announcement of the Company's results;

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

3. Directors and key officers are required to report to the Company which in turn will report to the public through SGXNET announcements whenever they deal in the Company's shares.

COMMUNICATIONS WITH SHAREHOLDERS - PRINCIPLES 14 & 15

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the Company's website on a timely basis. Price-sensitive information is publicly released, and is announced within the mandatory period and is available on the Company's website. All shareholders will receive the Annual Report and the notice of the Annual General Meeting. At the Annual General Meeting, all shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to directors, including the chairpersons of each of the Board committees. The external auditors are also normally present to assist the directors in addressing any relevant queries by shareholders.

MATERIAL CONTRACTS (LISTING MANUAL RULE 1207(8))

Save as disclosed in the Report of the Directors and Financial Statements, there are no material contracts of the Company or its subsidiaries involving the interest of the chief executive officer or any director or controlling shareholders subsisting at the end of the financial year.

INTERESTED PERSON TRANSACTIONS (LISTING MANUAL RULE 907)

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. For financial year 2013, there were no interested person transactions.

RISK MANAGEMENT (LISTING MANUAL RULE 1207(4)(B)(iv))

The Company regularly reviews and improves its business and operational activities by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee. For more information on the Company's risk management policies and processes, please refer to the Financial Statements.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2013.

1. DIRECTORS

The directors of the Company in office at the date of this report are:

Mr. Leung Chun Wah
Mr. Kwok Chan Cheung
Mr. Hung Yuk Choy
Mr. Hon Kar Chun, appointed, to be effective June 28,2013
Mr. Phaisalakani, Vichai @ Hung, Andy, resigned, to be effective June 28, 2013
Mr. Jovenal R. Santiago
Mr. Wong Kwan Seng, Robert
Mr. Iu Po Chan, appointed, to be effective June 28, 2013
Mr. Tse Pui Kee, Albert, resigned, to be effective June 28, 2013

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraphs 3 and 5 of the Report of the Directors.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the name of director		Shareholdings in which director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company				
	(Ordinary shares of HK$0.20 each)			
Mr. Leung Chun Wah	-	-	94,158,854	94,158,854
Mr. Kwok Chan Cheung	-	-	39,477,771	39,477,771
Mr. Hung Yuk Choy	25,801,194	25,801,194	-	-

The directors' interests as at April 21, 2013 were the same as those at the end of the financial year.

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5. OPTIONS TO TAKE UP UNISSUED SHARES

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

The options under ESOS I grant the right to the holder to subscribe for new ordinary shares of the Company at a price equal to that offered to the public at the initial public offering of the new ordinary shares of the Company, which is set at S$0.28 per ordinary share and the maximum number of shares in respect of which options might be granted under ESOS I was 25,000,000.

Under ESOS I, the period for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

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

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

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

ESOS I was terminated on July 2, 2001 upon admission of the Company to the Official List of the SGX-ST pursuant to the rules of the scheme and no further options would be granted by the Company under the scheme. The unissued ordinary shares of the Company under option pursuant to ESOS I lapsed on June 13, 2011.

5. OPTIONS TO TAKE UP UNISSUED SHARES - *continued*

The options granted under ESOS II during the financial year and the unissued ordinary shares of the Company under option pursuant to ESOS II were as follows:

	Number of share options						
Date of grant	Balance at beginning of the year	Lapsed during the year	Cancelled during the year (Note)	Balance at end of the year	Exercise price per share	Discount	Exercise period
April 11, 2002	6,888,000	(6,888,000)	-	-	S$0.15	20%	April 11, 2004 to April 10, 2012
May 6, 2003	600,000	-	-	600,000	S$0.092	20%	May 6, 2005 to May 5, 2013
April 17, 2004	11,040,000	-	(840,000)	10,200,000	S$0.15	20%	April 17, 2006 to April 16, 2014
November 18, 2004	420,000	-	-	420,000	S$0.121	20%	November 18, 2006 to November 17, 2014
October 2, 2009	10,918,800	-	-	10,918,800	S$0.067	20%	October 2, 2011 to October 1, 2019

Note: These options were cancelled upon resignation of the holders.

5. OPTIONS TO TAKE UP UNISSUED SHARES - *continued*

There are no outstanding share options granted under ESOS I to the directors.

The details of the outstanding share options granted under ESOS II to Mr. Phaisalakani, Vichai @ Hung, Andy, a director, were as follows:

	Number of share options			
	Aggregate options granted since commencement up to March 31, 2013	Aggregate options exercised since commencement up to March 31, 2013	Aggregate options lapsed since commencement up to March 31, 2013	Aggregate options outstanding as at March 31, 2013
ESOS II	3,240,000	-	(1,440,000)	1,800,000

Each option grants the holder the right to subscribe for one ordinary share of HK$0.20 each in the Company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other companies in the Group. Options granted are cancelled when the holder is no longer a full-time employee of the Company or any corporation in the Group subject to certain exceptions at the discretion of the Company.

There were no participants to the above share option schemes who are controlling shareholders of the Company and their associates. Except for the director mentioned above, no participants to the above share options schemes received options representing 5% or more of the total number of share options available under the above schemes.

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

6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option, except for the share option schemes disclosed in paragraph 5 above.

8. AUDIT COMMITTEE

The Audit Committee ("AC") performed the functions as detailed in the Group's Corporate Governance Report.

The AC has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

9. AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Mr. Leung Chun Wah	Mr. Kwok Chan Cheung
Chairman	*Deputy Chairman and Managing Director*

June 21, 2013

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 134 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at March 31, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, 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 of Directors

Mr. Leung Chun Wah
Chairman

Mr. Kwok Chan Cheung
Deputy Chairman and Managing Director

June 21, 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at March 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 134.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with IFRSs so as to give a true and fair view of the state of affairs of the Group and of the Company as at March 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Patrick Tan Hak Pheng
Partner
Appointed on June 1, 2008

June 21, 2013

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2013

	NOTES	GROUP		COMPANY	
		2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	390,395	333,258	1,816	2,422
Restricted bank deposits	7	7,161	27,256	-	-
Trade and bills receivables	8	503,125	509,047	-	-
Other receivables and prepayments	9	10,982	6,861	215,627	225,646
Amount due from an associate	6	336	-	-	-
Prepaid lease payments - current	10	12	12	-	-
Income tax recoverable		62	800	-	392
Derivative financial instruments	11	136	237	-	-
Inventories	12	353,561	346,661	-	-
Total current assets		1,265,770	1,224,132	217,443	228,460
Non-current assets					
Prepaid lease payments - non-current	10	619	631	-	-
Property, plant and equipment	13	162,278	172,288	-	-
Long-term deposits	14	1,683	1,762	-	-
Goodwill	15	-	-	-	-
Available-for-sale investments	16	2,001	2,001	-	-
Other intangible assets	17	-	-	-	-
Interest in a jointly controlled entity	19	-	8,752	-	-
Interests in associates	20	49,809	-	-	-
Deferred tax assets	25	259	1,416	-	-
Investments in subsidiaries	18	-	-	117,470	117,470
Total non-current assets		216,649	186,850	117,470	117,470
Total assets		1,482,419	1,410,982	334,913	345,930

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2013

	NOTES	GROUP		COMPANY	
		2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trust receipt loans	21	421,473	306,001	-	-
Trade and bills payables	22	284,584	307,093	-	-
Other payables	23	38,226	48,398	9,944	8,690
Income tax payable		4,548	1,794	189	-
Derivative financial instruments	11	-	292	-	-
Trade payables due to associates	6	10,816	-	-	-
Amount due to a jointly controlled entity	6	-	8,752	-	-
Bank borrowings	24	168,300	128,870	-	-
Total current liabilities		927,947	801,200	10,133	8,690
Non-current liabilities					
Bank borrowings	24	-	65,500	-	-
Derivative financial instruments	11	2,389	3,805	-	-
Deferred tax liabilities	25	2,611	2,428	-	-
Total non-current liabilities		5,000	71,733	-	-
Capital, reserves and non-controlling interests					
Issued capital	26	74,544	74,544	74,544	74,544
Capital reserves	27	196,500	196,722	196,500	196,722
Other reserves		277,177	260,996	53,736	65,974
Equity attributable to owners of the Company		548,221	532,262	324,780	337,240
Non-controlling interests		1,251	5,787	-	-
Total equity		549,472	538,049	324,780	337,240
Total liabilities and equity		1,482,419	1,410,982	334,913	345,930

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	29	3,157,597	3,262,086
Cost of sales		(2,851,940)	(2,959,401)
Gross profit		305,657	302,685
Other operating income	30	4,635	4,246
Distribution costs		(30,112)	(39,021)
Administrative expenses		(217,936)	(216,028)
Share of loss of a jointly controlled entity	19	-	(21)
Share of profit of associates	20	808	-
Other gains and losses	31	7,623	19,538
Finance costs	32	(16,232)	(15,514)
Profit before tax		54,443	55,885
Income tax expense	33	(13,144)	(13,132)
Profit for the year	34	41,299	42,753
Other comprehensive income:	35		
Exchange differences on translation of overseas operations		(377)	6,463
Release of exchange difference upon dissolution of overseas operations		-	(209)
Other comprehensive income for the year, net of tax		(377)	6,254
Total comprehensive income for the year		40,922	49,007
Profit attributable to:			
Owners of the Company		45,838	44,518
Non-controlling interests		(4,539)	(1,765)
		41,299	42,753

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		45,458	50,761
Non-controlling interests		(4,536)	(1,754)
		40,922	49,007
Earnings per share	36		
– Basic (HK cents)		12.30	11.99
– Diluted (HK cents)		12.11	11.77
Dividends	37		
Proposed final and special per ordinary share (HK cents)		6.132	7.914

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

GROUP	Issued capital HK$'000	Capital reserves HK$'000 (Note 27)	Statutory reserve HK$'000 (note)	Currency translation reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at April 1, 2011	62,000	162,373	12,033	11,647	224,993	473,046	8,501	481,547
Profit for the year	-	-	-	-	44,518	44,518	(1,765)	42,753
Other comprehensive income for the year, net of income tax	-	-	-	6,243	-	6,243	11	6,254
Total comprehensive income for the year	-	-	-	6,243	44,518	50,761	(1,754)	49,007
Proceeds from rights issue	12,400	33,728	-	-	-	46,128	-	46,128
Shares issued from exercise of share options	144	276	-	-	-	420	-	420
Recognition of share-based payments	-	423	-	-	-	423	-	423
Share options cancelled	-	(78)	-	-	78	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(960)	(960)
Dividend paid (Note 37)	-	-	-	-	(38,516)	(38,516)	-	(38,516)
Transfer to statutory reserve	-	-	1,347	-	(1,347)	-	-	-
Balance at March 31, 2012	74,544	196,722	13,380	17,890	229,726	532,262	5,787	538,049
Profit for the year	-	-	-	-	45,838	45,838	(4,539)	41,299
Other comprehensive income for the year, net of income tax	-	-	-	(380)	-	(380)	3	(377)
Total comprehensive income for the year	-	-	-	(380)	45,838	45,458	(4,536)	40,922
Share options cancelled	-	(222)	-	-	222	-	-	-
Dividend paid (Note 37)	-	-	-	-	(29,499)	(29,499)	-	(29,499)
Transfer to statutory reserve	-	-	755	-	(755)	-	-	-
Balance at March 31, 2013	74,544	196,500	14,135	17,510	245,532	548,221	1,251	549,472

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

COMPANY	Issued capital HK$'000	Capital reserves HK$'000 (Note 27)	Accumulated profits HK$'000	Total HK$'000
Balance at April 1, 2011	62,000	162,373	67,589	291,962
Profit and total comprehensive income for the year	-	-	36,823	36,823
Proceeds from rights issue	12,400	33,728	-	46,128
Shares issued from exercise of share options	144	276	-	420
Recognition of share-based payments	-	423	-	423
Share options cancelled	-	(78)	78	-
Dividend paid (Note 37)	-	-	(38,516)	(38,516)
Balance at March 31, 2012	74,544	196,722	65,974	337,240
Profit and total comprehensive income for the year	-	-	17,039	17,039
Share options cancelled	-	(222)	222	-
Dividend paid (Note 37)	-	-	(29,499)	(29,499)
Balance at March 31, 2013	74,544	196,500	53,736	324,780

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

	2013 HK$'000	2012 HK$'000
Operating activities:		
Profit before tax	54,443	55,885
Adjustments for:		
Depreciation expense	12,250	11,723
Amortisation of prepaid lease payments	12	13
Interest expense	16,232	15,514
Share-based payment expense	-	423
Allowance for inventories	6,048	18,517
Reversal of allowance for doubtful trade receivables	(5,537)	(15,240)
(Gain) loss on disposal of property, plant and equipment	(98)	3
Net (gain) loss on fair value changes of derivative financial instruments	(1,607)	736
Share of loss of jointly controlled entities	-	21
Share of profits of associates	(808)	-
Release of exchange difference upon dissolution of overseas operations	-	(209)
Interest income	(2,314)	(1,662)
Operating cash flows before movements in working capital	78,621	85,724
Decrease in trade and bills receivables	10,357	123,477
(Increase) decrease in other receivables and prepayments	(4,127)	7,283
(Increase) decrease in inventories	(13,429)	113,709
Decrease in trade and bills payables	(11,617)	(68,666)
Decrease in other payables	(10,879)	(4,177)
Decrease (increase) in long-term deposits	78	(1,430)
Increase in amounts due to jointly controlled entities	-	82
Increase in amount due from an associate	(336)	-
Cash generated from operations	48,668	256,002
Income tax paid	(8,261)	(15,757)
Interest paid	(15,484)	(15,514)
Interest received	2,314	1,662
Net cash from operating activities	27,237	226,393

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

	2013 HK$'000	2012 HK$'000
Investing activities:		
Purchase of property, plant and equipment	(2,330)	(12,332)
Decrease in short-term bank deposit	-	2,905
Placement of restricted bank deposits	-	(27,256)
Withdrawal of restricted bank deposits	20,095	-
Proceeds from disposal of property, plant and equipment	143	3
Acquisition of investment in associates	(49,000)	-
Net cash used in investing activities	(31,092)	(36,680)
Financing activities:		
Dividend paid to shareholders	(29,499)	(38,516)
Dividend paid to non-controlling interests	-	(960)
Proceeds from rights issue	-	46,128
Proceeds from exercise of share options	-	420
Repayment of trust receipt loans	(1,489,893)	(2,163,958)
Proceeds from trust receipt loans	1,605,365	1,830,331
Repayment of bank borrowings	(102,299)	(35,257)
Proceeds from bank borrowings	76,416	92,000
Net cash from (used in) financing activities	60,090	(269,812)
Net increase (decrease) in cash and cash equivalents	56,235	(80,099)
Cash and cash equivalents at beginning of year	333,258	417,068
Effects of exchange rate changes on the balance of cash held in foreign currencies	902	(3,711)
Cash and cash equivalents at end of year	390,395	333,258

See accompanying notes to financial statements.

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is at 24/F, Wyler Centre Phase 2,200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended March 31, 2013 were authorised for issue by the Board of Directors on June 21, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the historical cost basis, except for certain financial instruments that are measured at fair value, as disclosed in the accounting policies below, and are drawn up in accordance with the IFRSs issued by the International Accounting Standards Board ("IASB").

ADOPTION OF NEW AND REVISED STANDARDS

On April 1, 2012, the Group adopted all the new and revised International Accounting Standards ("IAS"), IFRSs issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective from that date and are relevant to its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

ADOPTION OF NEW AND REVISED STANDARDS - *continued*

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Disclosure[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]
IFRIC 21	Levies[2]

1 Effective for annual periods beginning on or after January 1, 2013
2 Effective for annual periods beginning on or after January 1, 2014
3 Effective for annual periods beginning on or after January 1, 2015
4 Effective for annual periods beginning on or after July 1, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

ADOPTION OF NEW AND REVISED STANDARDS - *continued*

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending March 31, 2016 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation - Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

ADOPTION OF NEW AND REVISED STANDARDS - *continued*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning April 1, 2013. However, the management has not yet performed a detailed analysis of the impact of the application of these Standards and hence has not yet quantified the extent of the impact.

The management anticipates that the application of the other new and revised standards and interpretations will have no material impact on the profit or loss and the financial position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration of each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree.

Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

BUSINESS COMBINATIONS - *continued*

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the IFRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

INVESTMENTS IN ASSOCIATES - *continued*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

INVESTMENTS IN JOINT VENTURES

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting.

Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The financial information of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

INVESTMENTS IN JOINT VENTURES - *continued*

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

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

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

REVENUE RECOGNITION - *continued*

Rendering of services

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

Interest income

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

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives on the following bases:

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset.

Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

LEASING

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

Operating lease payments are recognised as expenses on a straight-line basis over the term of the lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Leasehold land and building

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

BORROWING COSTS

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

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

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

RETIREMENT BENEFIT COSTS

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

EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because it excludes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

TAXATION - *continued*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

INTANGIBLE ASSETS

Internally-generated intangible assets - research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS, EXCLUDING GOODWILL

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are determined on the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS

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

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

Financial assets

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

Effective interest method

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

***Financial assets** - continued*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial assets - *continued*

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Available-for-sale financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial assets **-** *continued*

Impairment of financial assets

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial assets - *continued*

Impairment of financial assets - *continued*

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial liabilities and equity instruments - *continued*

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other gains and losses line item in profit or loss and excludes any interest paid on the financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Financial liabilities and equity instruments - *continued*

Other financial liabilities

Other financial liabilities including trust receipt loans, trade and bills payables, others payables, trade payables to associates, amounts due to jointly controlled entities 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 a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

FINANCIAL INSTRUMENTS - *continued*

Derecognition

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share 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.

The policy described above is applied to all equity-settled share-based payments that were granted after November 7, 2002 that vested after January 1, 2005. For share options granted to employees on or before November 7, 2002, or granted after November 7, 2002 and vested before January 1, 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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.

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Allowance for doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables and allowance for doubtful debts are disclosed in Note 8.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - *continued*

Key sources of estimation uncertainty - *continued*

Allowance for inventories obsolescence

The Group operates in the electronics industry which is subject to rapid technological changes and product obsolescence. The Group's policy for allowance for inventories obsolescence is based on the aging analysis of inventories and on management's judgement on the saleability of the inventories. At the end of each reporting period, management is of the opinion that the allowance for inventories obsolescence is adequate but not excessive. The carrying amount of inventories and allowance for inventories obsolescence are disclosed in Note 12.

Fair value of derivative financial instruments

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

Management has evaluated the assumptions used and judgement applied and is of the opinion that the assumptions used and judgement applied are reasonable and appropriate. The carrying amount of derivative financial instruments is disclosed in Note 11.

Impairment of other intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of other intangible assets is HK$nil as at the reporting period end.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of asset. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amounts and the amount of the write-down is charged to profit or loss. The carrying amount of property, plant and equipment at the end of the reporting period was HK$162,278,000 (2012 : HK$172,288,000).

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Financial assets				
Derivative financial instruments (fair value through profit or loss)	136	237	-	-
Loan and receivables (including cash and cash equivalents)	906,930	873,977	214,229	227,977
Available-for-sale financial assets	2,001	2,001	-	-
Financial liabilities				
Liabilities at amortised cost	886,625	816,703	9,135	7,894
Derivative financial instruments (fair value through profit or loss)	2,389	4,097	-	-

(b) Financial risk management policies and objectives

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

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

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(i) Foreign exchange risk management

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than its functional currencies and therefore is exposed to foreign exchange risk.

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

GROUP

	Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars	761,517	734,080	(471,097)	(478,729)
Hong Kong dollars	1,278	2,464	(59,471)	(50,442)
Japanese yen	1,965	4,557	(14,407)	(26,507)
Chinese renminbi	4,825	2,655	(1,211)	(1,211)
Euro	641	172	(403)	(304)
Singapore dollars	1,561	2,376	(24)	-
Other currencies	4	34	-	-

COMPANY

	Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars	39	39	-	-
Singapore dollars	1,522	2,233	(24)	-

Certain companies in the Group use forward contracts to reduce the currency risk exposure. Further details on the forward exchange derivative instruments are found in Note 11.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(i) Foreign exchange risk management - *continued*

Foreign currency sensitivity

The Group is mainly exposed to the fluctuations in United States dollars, Hong Kong dollars, Japanese yen against the functional currencies of each of the Group entities. However, as the United Stated dollars is pegged to Hong Kong dollars, management of the Company are of the opinion that the exposure of entities having Hong Kong dollar as functional currency to United States dollar is minimal and accordingly, no foreign currency sensitivity analysis on United States dollars against Hong Kong dollars is presented.

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each of the Group entities. 5% 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 end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

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

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars (i)	4,249	3,575	-	-
Hong Kong dollars (i)	2,183	1,835	-	-
Japanese yen (ii)	467	823	-	-
Chinese renminbi (iii)	(136)	(54)	-	-
Euro	(9)	5	-	-
Singapore dollars	(58)	(89)	(75)	(112)

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(b) Financial risk management policies and objectives - *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 year end. Since the Hong Kong dollar remains closely pegged to United States dollar, the sensitivity analysis excludes the group entities with functional currencies denominated in Hong Kong dollar or United States dollar.

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

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

(ii) Interest rate risk management

Interest rate risk arises from the potential changes in interest rates that may have adverse effects on the Group's results. The interest rates and terms of repayment of the trust receipt loans and long-term borrowings of the Group are disclosed in Notes 21 and 24 respectively.

Companies in the Group entered into interest swap contracts to hedge against their exposures to interest rate risk. Further details on the interest rate swap derivative instruments are found in Note 11.

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. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended March 31, 2013 would decrease or increase by HK$2,254,000 (2012 : decrease or increase by HK$2,089,000).

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iii) Credit risk management

As at March 31, 2013 and 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the amount of corporate guarantee in relation to financial guarantee issued by the Group as disclosed in Note 39 .

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

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

Other than concentration of credit risk on liquid funds which are deposited with several reputable banks, the Group had concentration of credit risk on trade receivable as 5% of the total trade receivables were due from the Group's largest customer as at March 31, 2013 and 2012.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of committed credit facilities. The committed unutilised banking facilities made available to the Group are approximately HK$873 million (2012: HK$959 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.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities for the Company and the Group. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and the Group can be required to pay. Specifically, bank loans and trust receipt loans with a repayable on demand clause and a bank loan that breaching the loan covenant 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. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
THE GROUP							
At March 31, 2013							
Trade and bills payables							
- non-interest bearing	-	284,584	-	-	-	284,584	284,584
Trade payables due to associates							
- non-interest bearing	-	10,816	-	-	-	10,816	10,816
Other payables							
- non-interest bearing	-	1,452	-	-	-	1,452	1,452
Trust receipt loans							
- variable interest rate	2.23	421,473	-	-	-	421,473	421,473
Bank borrowings							
- variable interest rates	2.88	145,222	6,108	18,159	-	169,489	168,300
		863,547	6,108	18,159	-	887,814	886,625

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - continued

	Weighted average effective interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying Amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
At March 31, 2012							
Trade and bills payables							
- non-interest bearing	-	307,093	-	-	-	307,093	307,093
Other payables							
- non-interest bearing	-	487	-	-	-	487	487
Amounts due to jointly controlled entities							
- non-interest bearing	-	8,752	-	-	-	8,752	8,752
Trust receipt loans							
- variable interest rate	2.24	306,001	-	-	-	306,001	306,001
Bank borrowings							
- variable interest rates	3.75	95,230	10,341	26,415	67,757	199,743	194,370
		717,563	10,341	26,415	67,757	822,076	816,703

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - continued

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE COMPANY							
At March 31, 2013							
Other payables							
- non-interest bearing	-	224	-	-	-	224	224
Amount due to a subsidiary							
- non-interest bearing	-	8,911	-	-	-	8,911	8,911
Financial guarantee contract	-	752,880	6,000	18,000	-	776,880	-
		762,015	6,000	18,000	-	786,015	9,135
At March 31, 2012							
Amounts due to subsidiaries							
- non-interest bearing	-	7,894	-	-	-	7,894	7,894
Financial guarantee contract	-	539,362	29,596	25,000	65,500	659,458	-
		547,256	29,596	25,000	65,500	667,352	7,894

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Non-derivative financial liabilities - continued

Bank borrowings with a repayable on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that the long-term portion of such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement.

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

Non-derivative financial assets

The Group and Company's financial liabilities are to be met by the maturity of financial assets that more than sufficiently cover all arising liabilities. The non-derivative financial assets are all due and receivable within one year and are all non-interest bearing except for cash at bank and restricted bank deposits which bear interest as disclosed in Note 7.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(iv) Liquidity risk management - *continued*

Liquidity and interest risk analyses - *continued*

Derivative financial instruments – net settlement

	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE GROUP				
At March 31, 2013				
Foreign exchange forward contract				
- inflow	136	-	136	136
Interest rate swaps				
- outflow	-	(2,389)	(2,389)	(2,389)
	136	(2,389)	(2,253)	(2,253)
THE GROUP				
At March 31, 2012				
Foreign exchange forward contract				
- inflow	87	-	87	87
- outflow	(292)	-	(292)	(292)
Interest rate swaps				
- inflow	150	-	150	150
- outflow	-	(3,805)	(3,805)	(3,805)
	(55)	(3,805)	(3,860)	(3,860)

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

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

(v) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

The carrying amounts of cash and cash equivalents, short-term bank deposit, restricted bank deposits, trade and other current receivables and payables, trust receipt loans and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

- the fair value of financial assets and financial liabilities (excluding derivative instruments and unquoted investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Derivative financial instruments are grouped into Level 2. They comprise interest rate swap contracts and forward foreign currency contracts (Note 11). During both years, there had been no transfer among different levels.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT - *continued*

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 21 and 24, offset by cash and cash equivalents, restricted bank deposits and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits as disclosed in the notes to financial statements. The Group is required to comply with bank covenants in loan agreements with banks.

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

5. RELATED COMPANY TRANSACTIONS

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

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

6. OTHER RELATED PARTY TRANSACTIONS

During the years ended March 31, 2013 and 2012, the Group entered into the following transactions with associates:

	2013 HK$'000	2012 HK$'000
Sales of electronics components	9,521	-
Other income	413	-
Management fee income	320	-
Purchases of electronics components	36,499	-

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

	2013 HK$'000	2012 HK$'000
I. Associates		
– trade payables aged less than 30 days	(10,816)	-
– other receivables (note i)	336	-
II. Jointly controlled entities		
– other payables (note ii)	-	(8,752)

Notes:

(i) Amounts are unsecured, interest-free and repayable on demand.

(ii) Amounts are unsecured, interest-free, repayable on demand and settled in cash. No guarantees have been given or received.

At March 31, 2013, the Company had given corporate guarantees (unsecured) of approximately HK$78,645,000 to its banks in respect of banking facilities granted to the associates. The associates did not utilise any of the banking facilities at the end of the reporting period.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

6. OTHER RELATED PARTY TRANSACTIONS - *continued*

Compensation of directors and key management personnel

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

	GROUP	
	2013 HK$'000	2012 HK$'000
Short-term benefits	19,948	20,107
Post-employment benefits	976	947
Other long-term benefits	2,306	2,320
Share-based payments	-	239
	23,230	23,613

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

7. CASH AND CASH EQUIVALENTS, SHORT-TERM AND RESTRICTED BANK DEPOSITS

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash at bank	330,226	310,380	1,816	2,422
Term deposits	67,036	49,791	-	-
Cash on hand	294	343	-	-
	397,556	360,514	1,816	2,422
Analysed as:				
Cash and cash equivalents [(a)]	390,395	333,258	1,816	2,422
Restricted bank deposits [(b)]	7,161	27,256	-	-
	397,556	360,514	1,816	2,422

7. CASH AND CASH EQUIVALENTS, SHORT-TERM AND RESTRICTED BANK DEPOSITS - *continued*

Notes:

(a) Cash and cash equivalents comprise cash held by the Group of HK$330,520,000 (2012: HK$310,723,000) and short-term bank deposits with an original maturity of three months or less of HK$59,875,000 (2012: HK$22,535,000). The carrying amounts of these assets approximate their fair values. The short-term deposits bear average effective interest of 0.19% (2012: 0.14%) per annum and for tenure from 7 days to 14 days (2012: 7 days to 8 days).

(b) The restricted bank deposits represent deposits pledged to banks to secure short-term bills payable and facilitate the customs clearing process and settlement. Restricted bank deposits of approximately HK$20,095,000 in 2012 had been released upon the settlement of relevant bills payable. The restricted bank deposits bear average effective interest of 3.09% (2012: 3.5%) per annum and for tenure of 365 days (2012: 365 days).

The Group's and the Company's cash and cash equivalents, short-term and restricted bank deposits that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars	284,059	229,298	38	39
Hong Kong dollars	5	209	-	-
Japanese yen	582	1,669	-	-
Chinese renminbi	1,401	788	-	-
Singapore dollars	1,561	2,369	1,522	2,233
Other currencies	164	203	-	-

8. TRADE AND BILLS RECEIVABLES

	GROUP	
	2013	2012
	HK$'000	HK$'000
Trade receivables	497,483	500,076
Less: allowance for doubtful debts	(23,727)	(29,932)
Net	473,756	470,144
Bills receivables	29,369	38,903
	503,125	509,047

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

The average credit period on sales of goods is 60 days (2012: 60 days).

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. 78% (2012: 76%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$81,400,000 (2012: HK$90,748,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	GROUP	
	2013	2012
	HK$'000	HK$'000
Less than 90 days	81,400	90,748

8. TRADE AND BILLS RECEIVABLES - *continued*

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

Movement in the allowance for doubtful debts

	GROUP	
	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	29,932	45,252
Reversal of allowance recognised in profit or loss	(5,537)	(15,240)
Amounts written off as uncollectible	(632)	(571)
Currency realignment	(36)	491
Balance at end of the year	23,727	29,932

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$182,000 (2012: HK$716,000) as at the reporting period end.

The Group's trade and bills receivables that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	2013 HK$'000	2012 HK$'000
United States dollars	285,055	285,482
Japanese yen	1,246	2,801
Euro	482	4
Other currencies	10	93

9. OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Due from subsidiaries	-	-	212,412	225,555
Deposits	6,067	2,123	3,143	-
Prepayments	1,927	3,406	72	91
Others	2,988	1,332	-	-
	10,982	6,861	215,627	225,646

The amounts due from subsidiaries are unsecured, interest-free, repayable on demand and expected to be settled in cash.

The Group's and Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars	2,163	1,023	93	23
Chinese renminbi	2,581	997	-	-
Singapore dollars	-	75	-	68

10. PREPAID LEASE PAYMENTS

	GROUP	
	2013 HK$'000	2012 HK$'000
Cost:		
At beginning and end of year	764	764
Amortisation:		
At beginning of year	121	108
Charge to profit or loss during the year	12	13
At end of year	133	121
Carrying amount:		
At end of year	631	643
At beginning of year	643	656
Represented by:		
Current portion	12	12
Non-current portion	619	631
Total	631	643

This represents land use rights for 1 plot of land with lease term of 62 years in the PRC.

11. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2013		2012	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Forward foreign exchange contracts	136	-	87	(292)
Interest rate swaps	-	(2,389)	150	(3,805)
	136	(2,389)	237	(4,097)
Analysed as:				
Current	136	-	237	(292)
Non-current	-	(2,389)	-	(3,805)
	136	(2,389)	237	(4,097)

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

Outstanding contracts	Exchange rates		Amount in foreign currency		Total notional amount		Fair value	
	2013	2012	2013 '000	2012 '000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Buy YEN and sell HKD Less than 3 months	YEN 1/ HK$0.081	YEN 1/ HK$0.09338 to 0.09632	90,000	422,000	7,290	40,109	136	(205)
Buy CNY and sell USD Less than 3 months	-	US$1/ CNY 6.68 to 6.88	-	600	-	4,662	-	-
					7,290	44,771	136	(205)

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

11. DERIVATIVE FINANCIAL INSTRUMENTS - *continued*

Interest rate swaps

The Group had entered into a 5-year periodic knock out interest rate swap on July 24, 2009. According to this swap, the Group receives a fixed subsidy of 0.1% interest income on a notional amount of HK$50,000,000 for the first 2 years on a quarterly basis. While for the third year to fifth year, the Group has to pay an interest expense at 3.62% on the HK$50,000,000 notional amount on a quarterly basis if the 3-month HIBOR rate is equal to or below 7% at the settlement date while receiving an interest income of 3-month HIBOR rate. As at March 31, 2013, this swap has remaining 6 (2012: 10) quarterly settlements with final maturity on July 28, 2014.

Moreover, the Group had also entered into a USD/HKD performance swap on March 1, 2010. According to this swap, the Group receives an interest income of 3-month HIBOR plus 1% for a notional amount of HK$15,000,000 for 3 years on a quarterly basis while it has the obligation to pay an interest expense of 3-month HIBOR cap at 2.5%. As at March 31, 2012, this swap had remaining 4 quarterly settlements with final maturity on March 4, 2013.

The above derivatives are measured at fair value at the end of each reporting period. Their fair values are determined as follows:

- foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted exchange rates matching maturities of the contracts; and

- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

12. INVENTORIES

	GROUP	
	2013 HK$'000	2012 HK$'000
Finished goods held for resale	385,308	380,377
Less: Allowance for inventories	(31,747)	(33,716)
	353,561	346,661

Movement in the allowance for inventories

	GROUP	
	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	33,716	20,761
Increase in allowance recognised in profit or loss	6,048	18,517
Amounts written off during the year	(7,952)	(5,760)
Currency realignment	(65)	198
Balance at end of the year	31,747	33,716

Cost of inventories recognised as an expense includes the above allowances recognised in profit or loss in respect of write-downs of inventories to net realisable value.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Motor vehicles HK$'000	Plant and equipment HK$'000	Computer equipment, furniture and fixtures HK$'000	Total HK$'000
GROUP					
Cost:					
At April 1, 2011	157,420	4,687	2,425	60,766	225,298
Exchange difference	5,084	35	-	694	5,813
Additions	-	-	460	11,872	12,332
Disposals	-	-	(661)	(4,876)	(5,537)
At March 31, 2012	162,504	4,722	2,224	68,456	237,906
Exchange difference	-	(1)	(3)	(13)	(17)
Additions	-	-	124	2,206	2,330
Disposals	-	(246)	-	(353)	(599)
At March 31, 2013	162,504	4,475	2,345	70,296	239,620
Accumulated depreciation:					
At April 1, 2011	10,542	3,833	1,720	42,823	58,918
Exchange difference	153	14	-	341	508
Depreciation for the year	3,865	266	226	7,366	11,723
Disposals	-	-	(657)	(4,874)	(5,531)
At March 31, 2012	14,560	4,113	1,289	45,656	65,618
Exchange difference	22	-	(2)	8	28
Depreciation for the year	3,886	254	254	7,856	12,250
Disposals	-	(246)	-	(308)	(554)
At March 31, 2013	18,468	4,121	1,541	53,212	77,342
Carrying amount:					
At March 31, 2013	144,036	354	804	17,084	162,278
At March 31, 2012	147,944	609	935	22,800	172,288

13. PROPERTY, PLANT AND EQUIPMENT - *continued*

Details of the leasehold properties held by the Group as at March 31, 2013 are set out below:

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

Notes:

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

(b) In 2012, this property of carrying amount of HK$79,878,000 has been pledged to secure bank borrowings granted to the Group. This pledge of assets had been released during the year ended March 31, 2013.

14. LONG-TERM DEPOSITS

	GROUP	
	2013 HK$'000	2012 HK$'000
Refundable security deposits	1,683	1,762

Refundable security deposits are mainly deposits placed with the landlords.

The Group's long-term deposits that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	2013 HK$'000	2012 HK$'000
Chinese renminbi	92	100

15. GOODWILL

	GROUP	
	2013 HK$'000	2012 HK$'000
Cost:		
At beginning and end of year	8,142	8,142
Impairment:		
At beginning and end of year	8,142	8,142
Carrying amount:		
At beginning and end of year	-	-

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

16. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2013 HK$'000	2012 HK$'000
Unquoted equity shares, at cost	16,448	16,448
Less: Impairment on investment	(16,448)	(16,448)
	-	-
Club debentures, at cost	2,001	2,001
	2,001	2,001

Movement for impairment provision

	GROUP	
	2013 HK$'000	2012 HK$'000
Balance at beginning and end of the year	16,448	16,448

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

The Group's available-for-sale investments that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	2013 HK$'000	2012 HK$'000
Chinese renminbi	1,191	1,191

17. OTHER INTANGIBLE ASSETS

	Contract-based workforce HK$'000	Customer relationship and network HK$'000	Proprietary technology HK$'000	Capitalised development cost HK$'000	Total HK$'000
GROUP					
Cost:					
April 1, 2011, March 31, 2012 and March 31, 2013	2,769	5,002	7,594	2,016	17,381
Accumulated amortisation and impairment:					
April 1, 2011, March 31, 2012 and March 31, 2013	2,769	5,002	7,594	2,016	17,381
Carrying amount:					
At April 1, 2011, At March 31, 2012 and At March 31, 2013	-	-	-	-	-

The intangible assets included above have finite useful lives, over which the assets were amortised, using the straight-line method, on the following basis:

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

18. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2013 HK$'000	COMPANY 2012 HK$'000
Unquoted equity shares, at cost	117,470	117,470

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and voting power held by the Company: Directly 2013 %	Directly 2012 %	Indirectly 2013 %	Indirectly 2012 %	Principal activities	Cost of investment 2013 HK$'000	Cost of investment 2012 HK$'000
Cleverway Profits Limited [a]	British Virgin Islands ("BVI")/ Hong Kong	100	100	-	-	Investment holding	117,470	117,470
Aries Tech Hong Kong Limited [a], [b]	Hong Kong	-	-	90	90	Investment holding	-	-
Array Electronics (China) Limited [a], [b]	Hong Kong/PRC	-	-	100	100	Trading of electronic components	-	-
Array Electronics Limited [a], [b]	Hong Kong	-	-	100	100	Inactive	-	-
ASP Microelectronics Limited [a], [h]	Hong Kong	-	-	60	60	Inactive	-	-
Bestime Corporation Limited [a], [b]	Hong Kong	-	-	100	100	Investment holding	-	-
Brightway Transportation Limited [a], [b]	Hong Kong	-	-	100	100	Provision of transportation services	-	-
Elite Vantage Limited [a], [b]	Hong Kong	-	-	100	100	Trading of electronic components	-	-
Full Link Investment Limited [a], [b]	Hong Kong	-	-	100	100	Investment holding	-	-
Joy Port Limited [a], [d]	Hong Kong	-	-	100	100	Property holding	-	-

18. INVESTMENTS IN SUBSIDIARIES - *continued*

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and voting power held by the Company				Principal activities	Cost of investment	
		Directly		Indirectly				
		2013 %	2012 %	2013 %	2012 %		2013 HK$'000	2012 HK$'000
Kind Faith Limited [(a), (b)]	Hong Kong	-	-	100	100	Investment holding	-	-
Leader First Limited [(a), (b), (j)]	BVI/Hong Kong	-	-	100	-	Investment holding	-	-
LEC Electronic Components Limited [(a), (h)]	Hong Kong	-	-	60	60	Inactive	-	-
Noblehigh Enterprises Inc. [(a), (e)]	BVI/Hong Kong	-	-	60	60	Investment holding	-	-
Pinerise Limited [(a), (b)]	BVI/PRC	-	-	100	100	Investment holding	-	-
Starling Pacific Limited [(a), (b)]	BVI/Hong Kong	-	-	100	100	Investment holding	-	-
Valence Semiconductor Design Limited [(a), (h)]	Hong Kong	-	-	60	60	Design and trading of electronic components	-	-
Valence Technology Limited [(a), (g)]	Hong Kong	-	-	60	60	Provision of corporate management services	-	-
ValenceTech Limited [(a), (f)]	Bermuda/Hong Kong	-	-	60	60	Investment holding	-	-
Willas Company Limited [(a), (b)]	Hong Kong	-	-	100	100	Inactive	-	-
Willas-Array (Korea) Hong Kong Limited [(a), (b)]	Hong Kong	-	-	100	100	Investment holding	-	-
Willas-Array Electronics (Hong Kong) Limited [(a), (b)]	Hong Kong	-	-	100	100	Trading of electronic components	-	-
Willas-Array Electronics (Shanghai) Limited [(a), (d)]	PRC	-	-	100	100	Trading of electronic components	-	-

18. INVESTMENTS IN SUBSIDIARIES - *continued*

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and voting power held by the Company Directly 2013 %	Directly 2012 %	Indirectly 2013 %	Indirectly 2012 %	Principal activities	Cost of investment 2013 HK$'000	Cost of investment 2012 HK$'000
Willas-Array Electronics (Shenzhen) Limited [a, c]	PRC	-	-	100	100	Trading of electronic components	-	-
Willas-Array Electronics (Taiwan) Inc. [a, b]	Taiwan/PRC	-	-	100	100	Trading of electronic components	-	-
Willas-Array Electronics Management Limited [a, b]	Hong Kong	-	-	100	100	Provision of management and consultancy services	-	-
Willas-Array Investments Limited [a, b]	Hong Kong	-	-	100	100	Investment holding	-	-
Willas-Array Singapore (Private) Limited [b, i]	Republic of Singapore	-	-	100	100	Trading of electronic components	-	-
慧能思達科技(成都)有限公司 [a, h]	PRC	-	-	60	60	Provision of technical development services for electronics products	-	-
							117,470	117,470

Notes:

(a) Audited by overseas practices of Deloitte Touche Tohmatsu Limited

(b) Subsidiaries directly held by Cleverway Profits Limited

(c) Subsidiary of Full Link Investment Limited

(d) Subsidiaries directly held by Kind Faith Limited

(e) Subsidiary of Willas-Array Investments Limited

(f) Subsidiary of Noblehigh Enterprises Inc.

(g) Subsidiaries directly held by ValenceTech Limited

(h) Subsidiaries directly held by Valence Technology Limited

(i) Audited by a local practice in Singapore

(j) Subsidiary newly incorporated on July 23, 2012

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2013 HK$'000	2012 HK$'000
Cost of interest in a jointly controlled entity	-	10,000
Share of post-acquisition reserves:		
Post acquisition losses	-	(1,248)
	-	8,752

As at March 31, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
					2013 %	2012 %	2013 %	2012 %	
SAWA Electronics (Holdings) Limited (Note)	Incorporated	Hong Kong	Hong Kong	Ordinary	-	50	-	50	Investment holdings

Note: Audited by overseas practices of Deloitte Touche Tohmatsu Limited. The jointly controlled entity was dissolved on November 30, 2012.

The summarised financial information in respect of the Group's share of its interests in jointly controlled entity is set out below:

	GROUP	
	2013 HK$'000	2012 HK$'000
Current assets	-	8,752
Current liabilities	-	-
Net assets	-	8,752
Expenses recognised in profit or loss	-	(21)

20. INTERESTS IN ASSOCIATES

	GROUP	
	2013 HK$'000	2012 HK$'000
Cost of interests in associates	49,000	-
Share of post-acquisition reserves:		
Post-acquisition profits	808	-
Translation reserve	1	
	49,809	-

As at March 31, 2013, the Group had interests in the following significant newly-incorporated associates:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
					2013 %	2012 %	2013 %	2012 %	
GW Electronics Company Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	49	-	49	-	Investment holding and trading of electronic components
茲雅電子(深圳)有限公司	Incorporated	PRC	PRC	Registered capital	49	-	49	-	Trading of electronic components
茲雅電子(上海)有限公司	Incorporated	PRC	PRC	Registered capital	49	-	49	-	Trading of electronic components

20. INTERESTS IN ASSOCIATES - *continued*

The summarised financial information in respect of the Group's share of its interests in associates is set out below:

	GROUP	
	2013 HK$'000	2012 HK$'000
Total assets	214,710	-
Total liabilities	(113,059)	-
Net assets	101,651	-
Group's share of associates' net assets	49,809	-
Total revenue	196,862	-
Total profit for the year	1,649	-
Other comprehensive income	2	-
Group's share of associates' profit and other comprehensive income for the year	809	-

21. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear effective interest ranging from 1.82% to 2.98% (2012: 1.4% to 3.86%) per annum and are repayable within one year from the end of the reporting period.

The Group's trust receipt loans that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	2013 HK$'000	2012 HK$'000
United States dollars	468	-

22. TRADE AND BILLS PAYABLES

	GROUP	
	2013 HK$'000	2012 HK$'000
Trade payables	272,250	273,849
Bills payables	12,334	33,244
	284,584	307,093

The average credit period on purchases of goods is 30 days (2012: 30 days). At the end of each reporting period, interest is charged at 2% (2012: 2%) per month by certain suppliers on any overdue trade payables.

Trade and bills payables principally comprise amounts outstanding for trade purchases. The Group's trade and bills payables that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	2013 HK$'000	2012 HK$'000
United States dollars	266,659	258,347
Japanese yen	14,381	26,206
Euro	403	305

23. OTHER PAYABLES

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Accrual for staff costs	19,206	27,902	-	-
Accrued expenses	8,863	9,176	809	796
Deposits from customers	2,828	6,669	-	-
Due to subsidiaries	-	-	8,911	7,894
Other tax payables	3,345	2,833	-	-
Interest payables	2,531	1,783	-	-
Others	1,453	35	224	-
	38,226	48,398	9,944	8,690

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

The Group's and Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States dollars	2,665	5,473	-	6
Chinese renminbi	-	2	-	-
Other currencies	50	122	24	-

24. BANK BORROWINGS

	GROUP	
	2013 HK$'000	2012 HK$'000
Carrying amount of bank borrowing repayable (note):		
Within one year	145,000	51,461
More than one year but not exceeding two years	-	47,000
More than two years but not exceeding five years	-	18,500
	145,000	116,961
Carrying amount of bank loan that is not repayable within one year which is shown under current liability due to breach of a loan covenant	18,500	-
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	4,800	77,409
	168,300	194,370
Less: Amounts due within one year shown under current liabilities	(168,300)	(128,870)
Non-current portion	-	65,500
Analysed as:		
Secured	-	30,570
Unsecured	168,300	163,800
	168,300	194,370

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

24. BANK BORROWINGS - *continued*

The Group's unsecured bank loans are repayable in quarterly or monthly instalments ending in 2015 (2012: ending in 2015) while the Group's secured bank loans in 2012 are originally repayable in quarterly instalments ending in 2019. The secured bank loans have been early repaid in full during the year ended March 31, 2013.

Bank loans bear interest at weighted annual effective rates of 2.88% (2012: 3.75%) per annum.

At March 31, 2013 and 2012, the interest rates reprice at 1.40% to 2.75% (2012: 1.40% to 2.75%) per annum over respective bank's cost of fund or Hong Kong Interbank Offer Rate (HIBOR) for the floating rate unsecured loans and 110% (2012: 110%) of base rate issued by People's Bank of China for the floating rate secured loans.

At the end of the reporting period, the Group's unsecured bank loans with carrying amount of HK$65,500,000 (2012: HK$105,000,000) are required to comply with certain loan covenants.

During the year ended March 31, 2013, in respect of a bank loan with a carrying amount of HK$36,500,000 as at March 31, 2013, the Group breached one of the financial covenants of the bank loan, which is primarily related to the consolidated debt service coverage ratio of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at March 31, 2013, those negotiations had not been concluded, therefore, the loan has been classified as a current liability as at March 31, 2013. The Group has obtained a waiver letter from the bank subsequent to year end.

The secured bank borrowing in 2012 was secured by a pledge of the Group's property located in Shanghai, PRC and detailed disclosed in Note 13.

Except for borrowing of approximately HK$50,000,000 at March 31, 2013 which carries at fixed rate of 3.12% per annum, the remaining borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

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

All of the Group's bank borrowings are denominated in the functional currencies of the respective entities.

25. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Allowance and provision HK$'000	Tax losses HK$'000	Undistributable profits of subsidiaries HK$'000	Total HK$'000
GROUP					
Balance at April 1, 2011	(2,703)	6,056	140	(2,114)	1,379
Credit (charge) to profit or loss	879	(2,942)	(14)	(314)	(2,391)
Balance at March 31, 2012	(1,824)	3,114	126	(2,428)	(1,012)
Credit (charge) to profit or loss	431	(1,494)	(126)	(151)	(1,340)
Balance at March 31, 2013	(1,393)	1,620	-	(2,579)	(2,352)

Under the new enterprise income tax law in the PRC and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards. The Group recorded a deferred tax liability of HK$2,579,000 in respect of these undistributed earnings as at March 31, 2013 (2012: HK$2,428,000).

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

	2013 HK$'000	2012 HK$'000
Deferred tax assets	259	1,416
Deferred tax liabilities	(2,611)	(2,428)
	(2,352)	(1,012)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of HK$32,397,000 (2012: HK$22,147,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$NIL (2012: HK$764,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$32,397,000 (2012: HK$21,383,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

At March 31, 2013 and 2012, the Group has other deductible temporary difference of approximately HK$14,528,000 (2012: HK$10,654,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the deductible temporary differences can be utilised.

26. ISSUED CAPITAL

	GROUP AND COMPANY			
	2013	2012	2013	2012
	'000	'000	HK$'000	HK$'000
	Number of ordinary shares of HK$0.20 each			
Authorised				
At beginning and end of year	600,000	600,000	120,000	120,000
Issued and paid up:				
At beginning of year	372,720	310,000	74,544	62,000
Shares issued in respect of rights issue	-	62,000	-	12,400
Shares issued under employee share option plan	-	720	-	144
At end of year	372,720	372,720	74,544	74,544

In April 2011, the Company allotted and issued 62,000,000 ordinary shares for cash as a result of a renounceable non-underwritten rights issue on the basis of one rights share for every five shares held by entitled shareholders. The Company raised gross proceeds of approximately HK$46,128,000.

As at March 31, 2013, employees held options over 22,138,800 ordinary shares. The number of options and their expiry dates are as follows:

Number of options	Expiry on
600,000	May 5, 2013
10,200,000	April 16, 2014
420,000	November 17, 2014
10,918,800	October 1, 2019
22,138,800	

26. ISSUED CAPITAL - *continued*

As at March 31, 2012, employees held options over 29,866,800 ordinary shares. The number of options and their expiry dates are as follows:

Number of options	Expiry on
6,888,000	April 10, 2012
600,000	May 5, 2013
11,040,000	April 16, 2014
420,000	November 17, 2014
10,918,800	October 1, 2019
29,866,800	

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 28.

27. CAPITAL RESERVES

	GROUP AND COMPANY			
	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Total HK$'000
Balance at April 1, 2011	82,906	75,070	4,397	162,373
Arising from rights issue	33,728	-	-	33,728
Exercise of share options	393	-	(117)	276
Recognition of share-based payment	-	-	423	423
Share options cancelled	-	-	(78)	(78)
Balance at March 31, 2012	117,027	75,070	4,625	196,722
Share options cancelled	-	-	(222)	(222)
Balance at March 31, 2013	117,027	75,070	4,403	196,500

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

The share option reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set in Note 28.

28. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

The options under ESOS I grant the right to the holder to subscribe for new ordinary shares of the Company at a price equal to that offered to the public at the initial public offering of the new ordinary shares of the Company, which is set at S$0.28 per ordinary share and the maximum number of shares in respect of which options might be granted under ESOS I was 25,000,000.

Under ESOS I, the period for the exercise of an option will commence, except in certain special circumstances, after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

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

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

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

ESOS I was terminated on July 2, 2001 upon admission of the Company to the Official List of the SGX-ST pursuant to the rules of the scheme and no further options would be granted by the Company under the scheme.

28. SHARE-BASED PAYMENTS - *continued*

Equity-settled share option scheme - *continued*

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

	GROUP AND COMPANY			
	2013		2012	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
At the beginning of the year	29,866,800	0.118	31,771,000	0.17
Adjusted for the rights issue during the year (note)	-	-	6,354,200	0.14
Exercised during the year	-	-	(720,000)	0.092
Lapsed during the year	(6,888,000)	0.15	(7,238,400)	0.233
Cancelled during the year	(840,000)	0.15	(300,000)	0.15
At the end of the year	22,138,800	0.107	29,866,800	0.118
Exercisable at the end of the year	22,138,800		29,866,800	

Note: In April 2011, the Company completed a renounceable non-underwritten rights issue on the basis one rights for every five shares and the share options number shall be appropriately increased in proportion to such increase of ordinary shares.

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.72 years (2012: 3.57 years).

28. SHARE-BASED PAYMENTS - *continued*

Equity-settled share option scheme - *continued*

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

Grant date	ESOS II May 6, 2003	ESOS II April 17, 2004	ESOS II November 18, 2004	ESOS II October 2, 2009
Average share price at valuation date	S$0.14	S$0.22	S$0.18	S$0.09
Average exercise price	S$0.11	S$0.18	S$0.145	S$0.08
Expected life	2	2	2	2
Expected volatility	62%	59%	55%	91%
Expected dividend yield	7.14%	5.42%	5.62%	8.67%
Discount rate	0.71%	1.08%	1.53%	0.436%
Fair values	S$0.05	S$0.07	S$0.06	S$0.04

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

The Group recognised total expenses of HK$NIL (2012: HK$423,000) related to equity-settled share-based payment transaction during the year.

29. REVENUE

	GROUP	
	2013 HK$'000	2012 HK$'000
Sales of electronic components	3,157,597	3,262,086

30. OTHER OPERATING INCOME

	GROUP	
	2013 HK$'000	2012 HK$'000
Interest income from bank deposits	2,314	1,662
Management fee income	762	649
PRC tax rebate	822	1,398
Others	737	537
	4,635	4,246

31. OTHER GAINS AND LOSSES

	GROUP	
	2013 HK$'000	2012 HK$'000
Net foreign exchange gain	382	4,828
Net gain (loss) on fair value changes of derivative financial instruments	1,607	(736)
Reversal of doubtful trade receivables	5,537	15,240
Others	97	206
	7,623	19,538

32. FINANCE COSTS

	GROUP	
	2013 HK$'000	2012 HK$'000
Interest on:		
Bank borrowings and trust receipt loans		
– wholly repayable within five years	15,708	13,060
– not wholly repayable within five years	524	2,454
	16,232	15,514

33. INCOME TAX EXPENSE

	GROUP	
	2013 HK$'000	2012 HK$'000
The income tax charge comprises:		
Current tax		
Hong Kong	6,714	4,897
PRC Enterprise Income Tax	989	4,274
Other jurisdictions	3,604	1,661
	11,307	10,832
(Over) under provision in prior year:		
Hong Kong	(92)	236
PRC Enterprise Income Tax	26	351
Other jurisdictions	563	(678)
	497	(91)
Deferred tax:		
Current year (Note 25)	1,340	2,391
	13,144	13,132

33. INCOME TAX EXPENSE - *continued*

The income tax expense varies from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%) to profit before tax as a result of the following differences:

	GROUP	
	2013 HK$'000	2012 HK$'000
Profit before tax	54,443	55,885
Income tax expense at statutory rate	8,983	9,221
Tax effect of expenses not deductible for tax purpose	2,873	5,516
Tax effect of income not taxable for tax purpose	(2,528)	(2,998)
Under (over) provision in respect of prior year	497	(91)
Tax effect of tax losses not recognised	2,313	733
Utilisation of deferred tax benefits previously not recognised	(1,047)	(3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	950	1,354
Withholding income tax on dividend	151	314
Others	952	(914)
	13,144	13,132

The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 17%. Income taxes for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdictions.

34. PROFIT FOR THE YEAR

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

	GROUP	
	2013 HK$'000	2012 HK$'000
Directors' fees:		
Directors of the Company	1,060	1,061
Directors of the subsidiaries	13	16
Directors' remuneration:		
Directors of the Company	12,107	12,266
Directors of the subsidiaries	1,661	3,432
Audit fees paid to auditors	2,378	2,309
Non-audit fees paid to auditors:		
Auditors of the Company	-	-
Other auditors	238	263
Staff costs (excluding directors' remuneration):		
Salaries and employees benefits	115,310	124,892
Cost of defined contribution plans	14,109	13,021
Amortisation of prepaid lease payment	12	13
Cost of inventories recognised as expenses	2,851,940	2,959,401
Depreciation of property, plant and equipment	12,250	11,723
Release of exchange gain upon dissolution of overseas operations	-	(209)
(Gain) loss on disposal of property, plant and equipment	(98)	3
Allowance for inventories	6,048	18,517

35. OTHER COMPREHENSIVE INCOME

	2013 HK$'000	2012 HK$'000
Other comprehensive income includes		
Exchange differences arising on translating foreign operations:		
Exchange gain arising during the year	(377)	6,463
Release of exchange difference upon dissolution of overseas operations	-	(209)
Other comprehensive income	(377)	6,254
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income, net of income tax	(377)	6,254

36. EARNINGS PER SHARE

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

Earnings

	2013 HK$'000	2012 HK$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	45,838	44,518

Number of shares

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	372,720	371,421
Effect of dilutive potential ordinary shares:		
Options	5,761	6,717
Weighted average number of ordinary shares for the purposes of diluted earnings per share	378,481	378,138

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the rights issue on April 11, 2011.

37. DIVIDENDS

On August 21, 2012, a total dividend of HK7.914 cents per share including a first and final dividend of HK6.088 cents and a special dividend of HK1.826 cents per share (total dividend of HK$29,499,000) was paid to shareholders. On August 19, 2011, a dividend of HK10.354 cents per share (total dividend of HK$38,516,000) was paid to shareholders.

In respect of the year ended March 31, 2013, the directors propose that a dividend of HK6.132 cents per share will be paid to shareholders on August 23, 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on August 12, 2013. The total estimated dividend to be paid is approximately HK$22,855,000.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended March 31, 2013, the jointly controlled entities are dissolved. The interests in jointly controlled entities amounted to approximately HK$8,752,000 has been offset against the amount due to jointly controlled entities.

39. CORPORATE GUARANTEE

At March 31, 2013 and 2012, the Company had given unlimited corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. The aggregate banking facilities granted to the subsidiaries were approximately HK$1,475,278,000 (2012: HK$1,492,698,000) of which HK$602,107,000 (2012: HK$533,616,000) was utilised and guaranteed by the Company.

At March 31, 2013, the Company had given corporate guarantees (unsecured) of approximately HK$78,645,000 to its banks in respect of banking facilities granted to its associates. The aggregate banking facilities granted to the associates were approximately HK$185,500,000 and no banking facilities have been utilised by its associates.

At March 31, 2013 and 2012, the Company had also given unlimited guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were approximately HK$174,773,000 (2012: HK$125,842,000).

40. COMMITMENTS

At the end of the reporting period, the commitments of the Group are as follows:

(a) Operating lease commitments:

	GROUP	
	2013 HK$'000	2012 HK$'000
Minimum lease payments under operating leases included in the profit or loss	12,756	12,535

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	8,771	9,212
In the second to fifth year inclusive	5,481	11,380
	14,252	20,592

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

(b) Estimated capital expenditure commitments:

	GROUP	
	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	-	172

41. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance are principally categorised into two key operating segments, 1) trading of electronic components and 2) trading and design of integrated circuit, in which for trading of electronic components segment, it will further be disaggregated by geographical locations for CODM review.

The Group's reportable segments under IFRS 8 Segment are therefore as follows:

(a) Trading of electronic components

- Southern China;
- Northern China;
- Taiwan

(b) Trading and design of integrated circuit

41. SEGMENT INFORMATION - *continued*

2013

	Trading of electronic components						
	Southern China HK$'000	Northern China HK$'000	Taiwan HK$'000	Sub-total HK$'000	Trading and design of integrated circuit HK$'000	Elimination HK$'000	Total HK$'000
Revenue							
Sales - external	1,951,577	1,079,915	104,696	3,136,188	21,409	-	3,157,597
Sales - inter-company	421,403	205,897	27,530	654,830	32,544	(687,374)	-
Net sales	2,372,980	1,285,812	132,226	3,791,018	53,953	(687,374)	3,157,597
Cost of sales	2,192,319	1,195,670	118,780	3,506,769	29,777	(684,606)	2,851,940
Gross profit	180,661	90,142	13,446	284,249	24,176	(2,768)	305,657
Segment result	47,455	17,378	4,914	69,747	(8,510)	(2,768)	58,469
Unallocated other revenue							527
Unallocated corporate expenses							(5,361)
Share of profit of associates							808
Profit before tax							54,443
Income tax expense							(13,144)
Profit for the year							41,299
Non-controlling interests							4,539
Profit attributable to owners of the Company							45,838

41. SEGMENT INFORMATION - *continued*

2012

	Trading of electronic components						
	Southern China HK$'000	Northern China HK$'000	Taiwan HK$'000	Sub-total HK$'000	Trading and design of integrated circuit HK$'000	Elimination HK$'000	Total HK$'000
Revenue							
Sales - external	2,159,340	994,488	84,049	3,237,877	24,209	-	3,262,086
Sales - inter-company	391,929	271,114	23,668	686,711	33,762	(720,473)	-
Net sales	2,551,269	1,265,602	107,717	3,924,588	57,971	(720,473)	3,262,086
Cost of sales	2,363,283	1,188,347	98,525	3,650,155	28,824	(719,578)	2,959,401
Gross profit	187,986	77,255	9,192	274,433	29,147	(895)	302,685
Segment result	54,070	10,807	117	64,994	(4,324)	(895)	59,775
Release of exchange difference upon dissolution of overseas operations							209
Unallocated other revenue							129
Unallocated corporate expenses							(4,207)
Share of loss of a jointly controlled entity							(21)
Profit before tax							55,885
Income tax expense							(13,132)
Profit for the year							42,753
Non-controlling interests							1,765
Profit attributable to owners of the Company							44,518

41. SEGMENT INFORMATION - *continued*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration cost, other revenue, share of loss of jointly controlled entities, share of profit of associates and release of exchange difference upon dissolution of overseas operations. This is the measure reported to the chief operating decision makers for the purpose of resources allocation and performance assessment.

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

Information about major customers

No single external customer amounts to more than 10% of the Group's revenue for the financial year ended March 31, 2013 and March 31, 2012.

Geographical information

The Group's operations are located in the PRC (countries of domicile) and Taiwan.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers Year ended		Non-current assets At March 31,	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
The PRC	3,052,901	3,178,037	164,046	173,940
Taiwan	104,696	84,049	534	741
	3,157,597	3,262,086	164,580	174,681

Note: Non-current assets excluded available-for-sale investments, derivative financial instruments, interest in a jointly controlled entity and associates and deferred tax assets.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. For financial year ended March 31, 2013, there were no interested person transactions.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT JUNE 12, 2013

Authorised share capital	:	HK$120,000,000
Issued share capital	:	HK$74,544,000
Number of shares	:	372,720,000
Class of shares	:	ordinary shares of HK$0.20
Voting rights	:	one vote per share

Based on information available to the Company as at 12 June 2013, approximately 57.22% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDERS' DISTRIBUTION SCHEDULE

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 999	15	0.88%	135	0.00%
1,000 – 10,000	544	31.92%	2,934,454	0.79%
10,001 – 1,000,000	1,121	65.79%	88,482,992	23.74%
1,000,001 and above	24	1.41%	281,302,419	75.47%
	1,704	100%	372,720,000	100%

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

		No. of Shares	
	Name of Shareholders	Direct Interest	Deemed Interest
1	Global Success International Limited	39,477,771	–
2	Max Power Assets Limited (i)	29,354,100	61,145,054
3	Cheng Wai Yin, Susana (ii)	3,659,700	90,499,154
4	Leung Chun Wah (iii)	–	94,158,854
5	Kwok Chan Cheung (iv)	–	39,477,771
6	Hung Yuk Choy	25,801,194	–
7	Lee Woon Nin (v)	–	90,499,154
8	HSBC International Trustee Limited (vi)	–	90,499,154
9	HSBC Private Banking Holdings (Suisse) SA (vii)	–	90,499,154
10	HSBC Finance (Netherlands)(vii)	–	90,499,154
11	HSBC Holdings Plc (vii)	–	90,499,154

(i) ***Max Power Assets Limited***

Deemed interests in the shares held through HSBC Private Bank (Suisse) SA Nassau Client Account.

(ii) ***Ms Cheng Wai Yin, Susana***

Deemed interest held through her husband, Mr Leung Chun Wah (Mr Leung has deemed interests in the shares held through Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account).

(iii) ***Mr Leung Chun Wah***

Deemed interest in the shares held through Max Power Assets Limited, HSBC Private Bank (Suisse) SA Nassau Client Account and shares held by his wife, Cheng Wai Yin, Susana.

(iv) ***Mr Kwok Chan Cheung***

Deemed interests in the shares held through Global Success International Limited.

(v) ***Ms Lee Woon Nin***

Deemed interests in the direct and deemed interests of Max Power Assets Limited.

(vi) ***HSBC International Trustee Limited***

Deemed interests in the shares held by Max Power Assets Limited and HSBC Private Bank (Suisse) SA Nassau Client Account.

(vii) ***HSBC Private Banking Holdings (Suisse) SA, HSBC Finance (Netherlands), HSBC Holdings Plc***

Deemed interests held through HSBC International Trustee Limited which is a wholly-owned subsidiary of HSBC Private Banking Holdings (Suisse) SA, which is a wholly-owned subsidiary of HSBC Finance (Netherlands), which is a wholly-owned subsidiary of HSBC Holdings Plc.

TOP TWENTY SHAREHOLDERS AS AT JUNE 12, 2013

S/No.	Name	No. of Shares	Percentage
1	HSBC (SINGAPORE) NOMINEES PTE LTD	92,201,154	24.74%
2	GLOBAL SUCCESS INTERNATIONAL LIMITED	39,477,771	10.59%
3	RAFFLES NOMINEES (PTE) LTD	26,391,194	7.08%
4	UOB KAY HIAN PTE LTD	23,094,271	6.20%
5	DBS VICKERS SECURITIES (S) PTE LTD	19,618,480	5.26%
6	DB NOMINEES (S) PTE LTD	15,825,420	4.25%
7	LAM YEN YONG	9,700,000	2.60%
8	DBS NOMINEES PTE LTD	9,426,025	2.53%
9	SEE BENG LIAN JANICE	7,399,000	1.98%
10	LI WAI-CHI	5,505,000	1.48%
11	PHILLIP SECURITIES PTE LTD	4,531,000	1.22%
12	OCBC SECURITIES PRIVATE LTD	4,496,919	1.21%
13	CIMB SECURITIES (S'PORE) PTE LTD	4,239,585	1.14%
14	CHENG WAI YIN, SUSANA	3,659,700	0.98%
15	NOMURA SINGAPORE LIMITED	3,398,100	0.91%
16	MCCALLUM JOHN CHARLES	2,500,000	0.67%
17	MAYBANK KIM ENG SECURITIES PTE LTD	1,478,000	0.40%
18	YEO SENG CHONG	1,300,000	0.35%
19	LAM LAI CHENG	1,250,000	0.33%
20	KOH KEE BOON	1,238,000	0.33%
		276,729,619	74.25%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Willas-Array Electronics (Holdings) Limited ("the Company") will be held on July 30, 2013 at 9.30 a.m. at Mandarin Orchard Singapore, Grange Ballroom, Level 5, Main Tower, 333 Orchard Road, Singapore 238867, to transact the following business:-

AS ORDINARY BUSINESS

1. To read, consider and adopt the Directors' Report and Audited Accounts of the Company for the financial year ended March 31, 2013 together with the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final dividend of HK$0.06132 per ordinary share for the financial year ended March 31, 2013. [Resolution 2]

3. To approve the proposed Directors' fees of S$180,000/- for the financial year ending March 31, 2014. [2013: S$165,000/-] [Resolution 3]

4. To re-elect the following Directors retiring pursuant to the Company's Bye-Law:

   (a) Mr Wong Kwan Seng, Robert {retiring pursuant to Bye-Law 104} [Resolution 4]

   (b) Mr Hon Kar Chun, Alvin {retiring pursuant to Bye-Law 107(B)} [Resolution 5]

   (c) Mr Iu Po Chan, Eugene {retiring pursuant to Bye-Law 107(B)} [Resolution 6]

5. To re-appoint Messrs Deloitte & Touche LLP, Singapore as the Company's Auditors and to authorise the Directors to fix their remuneration. [Resolution 7]

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution with or without any modifications:-

7. Authority to allot and issue shares up to 50% of the total issued share capital

   "THAT pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to issue and allot new shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 10% of the total issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the Company's next Annual General Meeting is required by law or by the Bye-Laws of the Company to be held, whichever is the earlier." [Resolution 8]

   [See Explanatory Note (i)]

BY ORDER OF THE BOARD

Leung Hon Shing (Mr)
Company Secretary

Singapore,
July 5, 2013

Notes:

1. With the exception of the Central Depository (Pte) Ltd. (the "Depository") who may appoint more than two (2) proxies, a member of the Company entitled to attend and vote at the above Meeting is entitled to appoint no more than two (2) proxies to attend and vote on its behalf. A proxy need not be a member of the Company.

2. Where a form of proxy appoints more than one (1) proxy (including the case where such appointment results from a nomination by the Depository), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

3. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at the Meeting.

4. To be valid, the instrument appointing a proxy or proxies, or nominating a proxy or proxies on behalf of the Depository together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's Singapore Share Transfer Agent, Intertrust Singapore Corporate Services Pte. Ltd., at 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909, not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.

Notes to item no.4:

(a) Mr Wong Kwan Seng, Robert is an independent Director and Chairman of the Nomination Committee as well as a member of the Audit and Remuneration Committees. He will continue in the said capacities upon re-election as a Director of the Company.

(b) Mr Iu Po Chan, Eugene is an independent Director and Chairman of the Remuneration Committee as well as a member of the Audit, ESOS and Nomination Committees. He will continue in the said capacities upon re-election as a Director of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

(i) In the proposed Resolution 8 above, the percentage of issued share capital is calculated based on the issued share capital at the time of the passing of the resolution approving the mandate after adjusting for:- (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed Resolution 8, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the total issued share capital of the Company. For issue of shares other than on a pro-rata basis to all existing shareholders of the Company, the aggregate number of shares and convertible securities to be issued shall not exceed 10% of the total issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

IMPORTANT NOTICE

The Company is incorporated in Bermuda and is subject to the Bermuda Act and Bermuda law. Under the Bermuda Act, only those persons who agree to become shareholders of a Bermuda company and whose names are entered on the register of members of such company may be shareholders, with rights to attend and vote at general meetings. Accordingly, depositors would not be recognised as Shareholders and would not have a right to attend and to vote at general meetings of the Company.

However, the Bye-Laws of the Company provide that CDP shall be deemed to have appointed as CDP's proxies, each of the depositors who are individuals and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the relevant general meeting, supplied by CDP to the Company. Therefore, depositors who are individuals can attend and vote at the Annual General Meeting ("AGM") without the lodgement of any proxy form. Depositors who are individuals and who cannot attend the AGM personally may enable their nominees to attend as CDP's proxies by completing, signing and returning the appropriate proxy form accompanying this Annual Report in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the office of the Company's Singapore share transfer agent, Intertrust Singapore Corporate Services Pte. Ltd. at 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909, not less than 48 hours before the time appointed for holding the AGM or at any adjournment thereof.

In the case of depositors who are not individuals, they can only be represented at the AGM if their nominees are appointed as CDP's proxies. Such depositors would still need to complete and lodge proxy forms to appoint their nominees as proxies of CDP. The proxy forms must be executed and deposited at the office of the Company's Singapore share transfer agent, Intertrust Singapore Corporate Services Pte. Ltd. at 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909, not less than 48 hours before the time appointed for holding the AGM or at any adjournment thereof, to enable the nominees to attend and vote at the AGM.

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road
Kwai Chung, New Territories
HONG KONG
Phone (852) 2418 3700
Fax (852) 2484 1050
Website: www.willas-array.com