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WILLAS-ARRAY
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
威雅利電子(集團)有限公司
(Incorporated in Bermuda with limited liability)
(Hong Kong stock code: 854)
(Singapore stock code: BDR)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		
	2016	2015	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Continuing operations			
Revenue	2,069,937	1,874,800	+10.4
Gross profit	153,765	172,005	-10.6
Profit (Loss) before tax	20,865	(30,239)	+169.0
Profit (Loss) attributable to shareholders			
– From continuing operations	16,413	(39,946)	+141.1
– From discontinued operations	(1,841)	722	NM
	<u>14,572</u>	<u>(39,224)</u>	+137.2
Basic Earnings (Loss) per share (<i>HK cents</i>)			
– From continuing and discontinued operations	19.30	(52.02)	+137.1
– From continuing operations	21.74	(52.98)	+141.0

NM: Not meaningful

UNAUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended September 30, 2016, together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2016

		For the six months ended September 30,		Change
	NOTES	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	%
Continuing operations				
Revenue	3	2,069,937	1,874,800	+10.4
Cost of sales		(1,916,172)	(1,702,795)	+12.5
Gross profit		153,765	172,005	-10.6
Other operating income		2,687	1,954	+37.5
Distribution costs		(21,686)	(23,590)	-8.1
Administrative expenses		(97,184)	(98,578)	-1.4
Share of loss of associates		–	(19,202)	NM
Impairment loss recognised in respect of interests in associates		–	(45,000)	NM
Other gains or losses		(5,094)	(9,809)	-48.1
Amortisation of financial guarantee liabilities		–	2,154	NM
Finance costs		(11,623)	(10,173)	+14.3
Profit (Loss) before tax		20,865	(30,239)	+169.0
Income tax expenses	4	(4,965)	(8,320)	-40.3
Profit (Loss) for the period from continuing operations	5	15,900	(38,559)	+141.2
Discontinued operations				
(Loss) Profit for the period from discontinued operations	6	(1,841)	722	NM
Profit (Loss) for the period		14,059	(37,837)	+137.2

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** – continued

For the six months ended September 30, 2016

	For the six months ended September 30,		
	2016	2015	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of overseas operations	(5,850)	(7,811)	–25.1
– Release of exchange differences upon dissolution of overseas operations	<u>–</u>	<u>(51)</u>	NM
Other comprehensive expense for the period, net of tax	<u>(5,850)</u>	<u>(7,862)</u>	–25.6
Total comprehensive income (expense) for the period	<u>8,209</u>	<u>(45,699)</u>	+118.0
Profit (Loss) for the period attributable to owners of the Company:			
– from continuing operations	16,413	(39,946)	+141.1
– from discontinued operations	<u>(1,841)</u>	<u>722</u>	NM
Profit (Loss) for the period attributable to owners of the Company	<u>14,572</u>	<u>(39,224)</u>	+137.2
Profit (Loss) for the period attributable to non-controlling interests:			
– from continuing operations	(513)	1,387	–137.0
– from discontinued operations	<u>–</u>	<u>–</u>	NM
Profit (Loss) for the period attributable to non-controlling interests	<u>(513)</u>	<u>1,387</u>	–137.0
	<u>14,059</u>	<u>(37,837)</u>	+137.2

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** – continued

For the six months ended September 30, 2016

		For the six months ended September 30,		
		2016	2015	Change
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
		(Unaudited)	(Unaudited)	
			(Restated)	
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company		8,722	(47,066)	+118.5
Non-controlling interests		<u>(513)</u>	<u>1,367</u>	-137.5
		<u>8,209</u>	<u>(45,699)</u>	+118.0
Earnings (Loss) per share	14			
From continuing and discontinued operations				
– Basic (HK cents)		<u>19.30</u>	<u>(52.02)</u>	+137.1
– Diluted (HK cents)		<u>19.21</u>	<u>(52.02)</u>	+136.9
From continuing operations				
– Basic (HK cents)		<u>21.74</u>	<u>(52.98)</u>	+141.0
– Diluted (HK cents)		<u>21.64</u>	<u>(52.98)</u>	+140.8

NM: Not meaningful

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2016

	<i>NOTES</i>	As at September 30, 2016 HK\$'000 (Unaudited)	As at March 31, 2016 HK\$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		390,677	482,601
Restricted bank deposits		4,651	2,395
Trade and bills receivables	7	805,323	580,895
Other receivables and prepayment – current		6,396	6,266
Prepaid lease payments – current		12	12
Derivative financial instruments		111	–
Income tax recoverable		–	2,380
Inventories		532,515	535,547
		1,739,685	1,610,096
Assets classified as held for sale	6	2,937	–
		1,742,622	1,610,096
Total current assets			
Non-current assets			
Prepaid lease payments – non-current		575	581
Property, plant and equipment	9	241,820	251,867
Long-term deposits		1,410	1,697
Available-for-sale investments		2,001	2,001
Interests in associates		–	–
Deferred tax assets		353	385
		246,159	256,531
Total non-current assets			
		1,988,781	1,866,627
Total assets			
		1,988,781	1,866,627

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

– continued

As at September 30, 2016

	<i>NOTES</i>	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Trust receipt loans		652,599	589,485
Trade and bills payables	10	417,863	366,062
Other payables		80,658	79,525
Income tax payable		6,269	3,608
Derivative financial instruments		3	14
Bank borrowings		245,376	250,768
		<u>1,402,768</u>	1,289,462
Liabilities associated with assets classified as held for sale	6	<u>1,800</u>	–
Total current liabilities		<u>1,404,568</u>	1,289,462
Non-current liabilities			
Deferred tax liabilities		<u>23,791</u>	24,952
Capital, reserves and non-controlling interests			
Issued capital	11	75,506	75,506
Capital reserves		194,378	194,378
Other reserves		290,538	285,377
		<u>560,422</u>	555,261
Equity attributable to owners of the Company		560,422	555,261
Non-controlling interests		–	(3,048)
Total equity		<u>560,422</u>	552,213
Total liabilities and equity		<u><u>1,988,781</u></u>	<u><u>1,866,627</u></u>
Net current assets		<u><u>338,054</u></u>	<u><u>320,634</u></u>
Total assets less current liabilities		<u><u>584,213</u></u>	<u><u>577,165</u></u>

CONDENSED STATEMENT OF FINANCIAL POSITION – COMPANY LEVEL

As at September 30, 2016

	<i>NOTE</i>	As at September 30, 2016 HK\$'000 (Unaudited)	As at March 31, 2016 HK\$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		2,934	3,063
Other receivables and prepayment – current		198,598	193,899
Income tax recoverable		–	166
Total current assets		201,532	197,128
Non-current assets			
Investments in subsidiaries		117,470	117,470
Total non-current assets		117,470	117,470
Total assets		319,002	314,598
LIABILITIES AND EQUITY			
Current liabilities			
Other payables		9,425	10,184
Income tax payable		34	–
Total current liabilities		9,459	10,184
Equity attributable to owners of the Company			
Issued capital	11	75,506	75,506
Capital reserves		194,378	194,378
Other reserves		39,659	34,530
Total equity		309,543	304,414
Total liabilities and equity		319,002	314,598
Net current assets		192,073	186,944
Total assets less current liabilities		309,543	304,414

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended September 30, 2016

	For the six months ended September 30,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(143,585)	(88,604)
Net cash used in investing activities		
Purchase of property, plant and equipment	(1,389)	(1,249)
Withdrawal of restricted bank deposits	–	2,638
Placement of restricted bank deposits	(2,256)	(5,000)
Proceeds from disposal of property, plant and equipment	62	11
Capital injection to associates	–	(24,500)
	(3,583)	(28,100)
Net cash from financing activities		
Dividend paid to shareholders	–	(23,962)
Proceeds from exercise of share options	–	295
Repayment of trust receipt loans	(1,111,354)	(1,009,303)
Proceeds from trust receipt loans	1,174,468	1,131,710
Repayment of bank borrowings	(307,087)	(171,725)
Proceeds from bank borrowings	301,480	276,682
	57,507	203,697
Net (decrease) increase in cash and cash equivalents	(89,661)	86,993
Cash and cash equivalents at beginning of the period	482,601	305,955
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,422)	5,277
Cash and cash equivalents at end of the period represented by		
– Bank balances and cash	390,677	398,225
– Bank balances and cash classified as held for sale	841	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended September 30, 2016

	Issued capital	Capital reserves	Statutory reserve	Revaluation reserve	Currency translation reserve	Other reserve	Accumulated profits	Attributable to owners of the Company	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at April 1, 2015 (Audited)	75,349	194,343	16,525	96,619	20,758	-	258,573	662,167	(4,589)	657,578
Total comprehensive (expense) income for the period:										
Loss for the period	-	-	-	-	-	-	(39,224)	(39,224)	1,387	(37,837)
Other comprehensive expense for the period, net of income tax	-	-	-	-	(7,842)	-	-	(7,842)	(20)	(7,862)
Total	-	-	-	-	(7,842)	-	(39,224)	(47,066)	1,367	(45,699)
Transactions with owners, recognised directly in equity:										
Exercise of share options	157	138	-	-	-	-	-	295	-	295
Dividend paid (Note 13)	-	-	-	-	-	-	(23,962)	(23,962)	-	(23,962)
Total	157	138	-	-	-	-	(23,962)	(23,667)	-	(23,667)
Balance at September 30, 2015 (Unaudited)	<u>75,506</u>	<u>194,481</u>	<u>16,525</u>	<u>96,619</u>	<u>12,916</u>	<u>-</u>	<u>195,387</u>	<u>591,434</u>	<u>(3,222)</u>	<u>588,212</u>
Balance at April 1, 2016 (Audited)	75,506	194,378	16,525	93,271	9,124	-	166,457	555,261	(3,048)	552,213
Total comprehensive income (expense) for the period:										
Profit for the period	-	-	-	-	-	-	14,572	14,572	(513)	14,059
Other comprehensive expense for the period, net of income tax	-	-	-	-	(5,850)	-	-	(5,850)	-	(5,850)
Total	-	-	-	-	(5,850)	-	14,572	8,722	(513)	8,209
Transactions with owners, recognised directly in equity:										
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(3,561)	-	(3,561)	3,561	-
Total	-	-	-	-	-	(3,561)	-	(3,561)	3,561	-
Balance at September 30, 2016 (Unaudited)	<u>75,506</u>	<u>194,378</u>	<u>16,525</u>	<u>93,271</u>	<u>3,274</u>	<u>(3,561)</u>	<u>181,029</u>	<u>560,422</u>	<u>-</u>	<u>560,422</u>

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

CONDENSED STATEMENT OF CHANGES IN EQUITY – COMPANY LEVEL

For the period ended September 30, 2016

	Issued capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at April 1, 2015 (Audited)	75,349	194,343	55,583	325,275
Loss for the period, representing total comprehensive expense for the period	–	–	(2,216)	(2,216)
Transactions with owners, recognised directly in equity:				
Exercise of share options	157	138	–	295
Dividend paid (<i>Note 13</i>)	–	–	(23,962)	(23,962)
Total	157	138	(23,962)	(23,667)
Balance at September 30, 2015 (Unaudited)	75,506	194,481	29,405	299,392
Balance at April 1, 2016 (Audited)	75,506	194,378	34,530	304,414
Profit for the period, representing total comprehensive income for the period	–	–	5,129	5,129
Balance at September 30, 2016 (Unaudited)	75,506	194,378	39,659	309,543

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2016

1. BASIS OF PREPARATION

The Company was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is located at 24/F, Wyler Centre Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The ordinary shares of the Company are listed on the Main Board of Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The condensed consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

The principal activity of the Company is investment holding and the Company's subsidiaries are engaged in the trading of electronic components.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules").

SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The Group intended to dispose of its trading and designing integrated circuits segment and several transactions were entered into by the Group during the period as disclosed in detail in note 6.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies adopted and methods of computation used in condensed consolidated financial statements for the six months ended September 30, 2016 are consistent with those followed in the preparation of the Group's audited financial statements for the year ended March 31, 2016 and the adoption of these new and revised International Financial Reporting Standards ("IFRSs") does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

In respect of the planned disposal of NEI Group (defined in note 6), the Group has applied the following accounting policy to account for such transactions.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements

The directors of the Company consider that the application of these amendments has had no material effect on the amounts recognised in the Group's condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("the CODM") for the purposes of resource allocation and assessment of trading of electronic components segment's performance is further disaggregated by geographical locations for the CODM's review are as follows:

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

An operating segment regarding the trading and designing integrated circuits was discontinued in the current period. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 6.

3. SEGMENT INFORMATION – continued

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

For the six months ended September 30, 2016 (Unaudited)

Continuing operations

	Trading of electronic components				Elimination	Continuing
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		operations Total HK\$'000
Revenue						
Sales – external	1,050,372	984,557	35,008	2,069,937	–	2,069,937
Sales – inter-company	209,067	109,269	610	318,946	(318,946)	–
Net sales	1,259,439	1,093,826	35,618	2,388,883	(318,946)	2,069,937
Cost of sales	1,171,003	1,032,191	32,640	2,235,834	(319,662)	1,916,172
Gross profit	88,436	61,635	2,978	153,049	716	153,765
Segment results	17,758	2,971	599	21,328	716	22,044
Unallocated other revenue						430
Unallocated corporate expenses						(1,609)
Profit before tax						20,865
Income tax expenses						(4,965)
Profit for the period						15,900
Non-controlling interests						513
Profit attributable to owners of the Company						16,413

3. SEGMENT INFORMATION – continued

For the six months ended September 30, 2015 (Unaudited and restated)

Continuing operations

	Trading of electronic components				Elimination HK\$'000	Continuing operations
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		Total HK\$'000
Revenue						
Sales – external	1,008,460	826,648	39,692	1,874,800	–	1,874,800
Sales – inter-company	178,623	151,934	1,412	331,969	(331,969)	–
Net sales	1,187,083	978,582	41,104	2,206,769	(331,969)	1,874,800
Cost of sales	1,090,743	908,068	35,890	2,034,701	(331,906)	1,702,795
Gross profit	<u>96,340</u>	<u>70,514</u>	<u>5,214</u>	<u>172,068</u>	<u>(63)</u>	<u>172,005</u>
Segment results	<u>26,511</u>	<u>8,062</u>	<u>676</u>	<u>35,249</u>	<u>(63)</u>	35,186
Unallocated other revenue						447
Amortisation of financial guarantee liabilities						2,154
Unallocated corporate expenses						(3,824)
Share of loss of associates						(19,202)
Impairment loss recognised in respect of interests in associates						<u>(45,000)</u>
Loss before tax						(30,239)
Income tax expenses						<u>(8,320)</u>
Loss for the period						(38,559)
Non-controlling interests						<u>(1,387)</u>
Loss attributable to owners of the Company						<u><u>(39,946)</u></u>

Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administrative expenses, other revenue, amortisation of financial guarantee liabilities, share of loss of associates and impairment loss recognised in respect of interests in associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

4. INCOME TAX EXPENSES

	For the six months ended September 30,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
The income tax charge comprises:		
Current Tax:		
– Hong Kong	5,241	7,540
– PRC Enterprise Income Tax	378	378
– Other jurisdictions	136	511
	<u>5,755</u>	<u>8,429</u>
Underprovision in prior periods		
– PRC Enterprise Income Tax	–	330
– Other jurisdictions	5	14
	<u>5</u>	<u>344</u>
Deferred tax:		
– Current period	(795)	(453)
	<u>4,965</u>	<u>8,320</u>

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

Under the Law of the PRC 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.

5. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit (Loss) for the period from continuing operations has been arrived at or after charging (crediting):

	For the six months ended September 30,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Directors' fees	515	498
Directors' remuneration (<i>Note</i>)	5,229	5,217
Audit fees paid to auditors		
Auditors of the Company	983	1,018
Other auditors	63	66
Non-audit fees paid to auditors		
Auditors of the Company	286	278
Staff costs (excluding directors' remuneration) (<i>Note</i>)	62,033	65,381
Amortisation of prepaid lease payments	6	7
Cost of inventories recognised as expenses	1,905,194	1,695,122
Depreciation of property, plant and equipment	6,281	7,296
Gain on disposal of property, plant and equipment	(61)	(10)
Net foreign exchange loss	5,277	8,891
Net gain on fair value changes of derivative financial instruments	(122)	(72)
Allowance for doubtful trade receivables	–	1,000
Interest income from bank deposits	(447)	(458)
Allowance for inventories	5,910	2,938
	<u>5,910</u>	<u>2,938</u>

Note: During the six months ended September 30, 2016 and 2015, there were cost of defined contribution plans amounting to approximately HK\$7,747,000 and HK\$8,518,000 respectively, included in staff costs and directors' remuneration.

6. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

In July 2016, the management of the Group resolved to dispose its interests in Noblehigh Enterprises Inc. (“NEI”) and its subsidiaries (together defined as “NEI Group”) which operates trading and designing integrated circuits segment. Negotiations with interested parties had subsequently taken place and as part of the disposal plan, the Group entered into a sale and purchase agreement, pursuant to which Willas-Array Investments Limited, a wholly-owned subsidiary of the Company, agreed to acquire 40% interest in its existing 60% subsidiary, NEI, from a third party, Success Advance Limited, at a nominal cash consideration of HK\$1 on August 9, 2016. Immediately after the completion of the acquisition, NEI became a wholly-owned subsidiary of the Company and the difference between the carrying amount of non-controlling interests and the fair value of consideration paid is recognised directly in “other reserve”.

As at September 30, 2016, the assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized.

On November 4, 2016, the Group entered into a sale and purchase agreement to dispose of its entire interest in the NEI Group at a cash consideration of HK\$900,000 to a third party. Together with the consideration, inter-group payables of approximately HK\$249,000 owing to continuing operations will be repaid by the buyer.

The (loss) profit for the period from the discontinued trading and designing integrated circuits operations is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the trading and designing integrated circuits operations as a discontinued operation.

	For the six months ended September 30,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	411	3,422
Cost of sales	(1,201)	(81)
Other operating income	–	–
Distribution costs	(98)	(375)
Administrative expenses	(947)	(2,203)
Finance costs	(5)	(40)
	<hr/>	<hr/>
(Loss) profit before tax	(1,840)	723
Income tax expense	(1)	(1)
	<hr/>	<hr/>
(Loss) profit for the period from discontinued operations	(1,841)	722
	<hr/> <hr/>	<hr/> <hr/>

6. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE – continued

Profit for the period from discontinued operations include the following:

	For the six months ended September 30,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Directors' fees	3	6
Directors' remuneration	63	113
Audit fees paid to auditors		
Auditors of the Company	108	219
Other auditors	–	2
Staff costs (excluding directors' remuneration) (<i>Note</i>)	412	1,110
Cost of inventories recognised as expenses	180	1,476
Depreciation of property, plant and equipment	39	125
Net foreign exchange loss (gain)	12	(53)
Allowance for doubtful trade receivables	–	17
Allowance (reversal of allowance) for inventories	973	(1,571)
	<u> </u>	<u> </u>

Note: During the six months ended September 30, 2016 and 2015, there were cost of defined contribution plans amounting to approximately HK\$48,000 and HK\$92,000 respectively, included in staff costs.

Cash flows from discontinued operations are summarised as follows:

	For the six months ended September 30,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (outflow) inflow from:		
Operating activities	701	170
Investing activities	(18)	(80)
Financing activities	(2,000)	(3)
	<u> </u>	<u> </u>
Net cash (outflow) inflow	<u>(1,317)</u>	<u>87</u>

6. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE – continued

The major classes of assets and liabilities of the trading and designing integrated circuits operations as at September 30, 2016, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	As at September 30, 2016 HK\$'000 (Unaudited)
Property, plant and equipment	200
Inventories	1,136
Trade receivables	2
Other receivables and prepayment	722
Income tax recoverable	5
Deferred tax assets	31
Cash and cash equivalents	841
	<hr/>
Total assets classified as held for sale	2,937
	<hr/> <hr/>
Trade and other payables and other liabilities associated with assets classified as held for sale	1,800
	<hr/> <hr/>

The following is an aging analysis of trade payables presented based on the invoice date as at September 30, 2016:

	As at September 30, 2016 HK\$'000 (Unaudited)
Less than 30 days	123
31 to 60 days	–
Over 60 days	31
	<hr/>
	154
	<hr/> <hr/>

7. TRADE AND BILLS RECEIVABLES

	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
Trade receivables	795,974	577,281
Less: allowance for doubtful debts	<u>(16,039)</u>	<u>(16,387)</u>
Net trade receivables	779,935	560,894
Bills receivables	<u>25,388</u>	<u>20,001</u>
	<u>805,323</u>	<u>580,895</u>

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

The average credit period on sales of goods is 60 days (March 31, 2016: 60 days). The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period.

	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
Less than 60 days	598,355	407,633
61 to 90 days	136,287	105,474
Over 90 days	<u>45,293</u>	<u>47,787</u>
	<u>779,935</u>	<u>560,894</u>

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

	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
Less than 60 days	17,537	16,969
61 to 180 days	<u>7,851</u>	<u>3,032</u>
	<u>25,388</u>	<u>20,001</u>

8. TRANSFER OF FINANCIAL ASSETS

As at September 30, 2016, trade receivables amounted to approximately HK\$69,983,000 (March 31, 2016: HK\$60,960,000) were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounted to approximately HK\$55,376,000 (March 31, 2016: HK\$48,768,000). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,389,000 (2015: HK\$1,249,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$1,000 (2015: HK\$1,000), resulting in a gain of approximately HK\$61,000 (2015: HK\$10,000).

10. TRADE AND BILLS PAYABLES

	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
Trade payables	408,306	356,476
Bills payables	9,557	9,586
	<u>417,863</u>	<u>366,062</u>

Bills payables of the Group are aged within 30 days (March 31, 2016: 30 days).

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

	As at September 30, 2016 <i>HK\$'000</i> (Unaudited)	As at March 31, 2016 <i>HK\$'000</i> (Audited)
Less than 30 days	329,074	266,381
31 to 60 days	77,544	88,393
Over 60 days	1,688	1,702
	<u>408,306</u>	<u>356,476</u>

11. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised		
At April 1, 2015		
– Ordinary shares of HK\$0.2 each	600,000	120,000
Share consolidation (<i>Note</i>)	(480,000)	–
	<hr/>	<hr/>
At September 30, 2015, April 1, 2016 and September 30, 2016		
– Ordinary shares of HK\$1.0 each	120,000	120,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and paid up		
At April 1, 2015		
– Ordinary shares of HK\$0.2 each	376,745	75,349
Exercise of share options	785	157
Share consolidation (<i>Note</i>)	(302,024)	–
	<hr/>	<hr/>
At September 30, 2015, April 1, 2016 and September 30, 2016		
– Ordinary shares of HK\$1.0 each	75,506	75,506
	<hr/> <hr/>	<hr/> <hr/>

The Company has no treasury shares.

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

12. SHARE-BASED PAYMENTS

The Company had adopted the Willas-Array Electronics Employee Share Option Scheme II and the Willas-Array Electronics Employee Share Option Scheme III to grant share options to eligible employees, including the executive directors of the Company and its subsidiaries.

The table below discloses movement of the Company's share options:

	Number of share options
Unexercised options for ordinary shares at April 1, 2015 (Audited)	4,968,000
Exercised during the period	(785,000)
Consolidated during the period (<i>Note</i>)	<u>(3,346,400)</u>
Unexercised options for ordinary shares at September 30, 2015 (Unaudited), April 1, 2016 (Audited) and September 30, 2016 (Unaudited)	<u><u>836,600</u></u>

Fair values of the share options were calculated using The Black-Scholes option pricing model.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

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

13. DIVIDENDS

No dividend was declared and paid during the six months ended September 30, 2016 (2015: a one-tier tax exempt final dividend of HK6.347 cents per share was distributed to shareholders in respect of the year ended March 31, 2015). During the six months ended September 30, 2015, the aggregate amount of the final dividend distributed and paid amounted to approximately HK\$23,962,000.

The Board has resolved not to declare any interim dividend for the six months ended September 30, 2016.

14. EARNINGS (LOSS) PER SHARE

From continuing and discounted operations

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

	Group Figures			
	For the six months ended September 30, 2016 (Unaudited)		For the six months ended September 30, 2015 (Unaudited)	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit (Loss) attributable to shareholders	14,572	14,572	(39,224)	(39,224)
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	75,505,960	75,505,960	75,397,862	75,397,862
Adjustment for potential dilutive ordinary shares	–	351,096	–	N/A
Weighted average number of ordinary shares used to compute earnings per share	75,505,960	75,857,056	75,397,862	75,397,862
Earnings (Loss) per share	19.30 (HK cents)	19.21 (HK cents)	(52.02) (HK cents)	(52.02) (HK cents)

The computation of diluted loss per share for the six months ended September 30, 2015 did not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

14. EARNINGS (LOSS) PER SHARE – continued

From continuing operations

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

	Group Figures			
	For the six months ended September 30, 2016		For the six months ended September 30, 2015	
	(Unaudited)		(Unaudited)	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit (Loss) attributable to shareholders	14,572	14,572	(39,224)	(39,224)
Less: (Loss) Profit from discontinued operations	(1,841)	(1,841)	722	722
Profit (Loss) attributable to shareholders from continuing operations	<u>16,413</u>	<u>16,413</u>	<u>(39,946)</u>	<u>(39,946)</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	75,505,960	75,505,960	75,397,862	75,397,862
Adjustment for potential dilutive ordinary shares	–	351,096	–	N/A
Weighted average number of ordinary shares used to compute earnings per share	<u>75,505,960</u>	<u>75,857,056</u>	<u>75,397,862</u>	<u>75,397,862</u>
Earnings (Loss) per share	<u><u>21.74 (HK cents)</u></u>	<u><u>21.64 (HK cents)</u></u>	<u><u>(52.98) (HK cents)</u></u>	<u><u>(52.98) (HK cents)</u></u>

From discontinued operations

For the six months ended September 30, 2016, basic and diluted loss per share for the discontinued operations are HK2.44 cents per share (six months ended September 30, 2015: basic and diluted earnings per share are HK0.96 cents per share), based on the loss for the period from discontinued operations attributable to owners of the Company of approximately HK\$1,841,000 (2015: profit of HK\$722,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

15. NET ASSET VALUE

The net asset value per ordinary share of the Group and Company is shown below:

	Group Figures		Company Figures	
	As at	As at	As at	As at
	September 30,	March 31,	September 30,	March 31,
	2016	2016	2016	2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value per ordinary share based on issued share capital of the Company at the end of the period/year	<u>742.22 (HK cents)</u>	<u>735.39 (HK cents)</u>	<u>409.96 (HK cents)</u>	<u>403.17 (HK cents)</u>

The net asset backing per ordinary share as at September 30, 2016 was based on the issued share capital of 75,505,960 ordinary shares (March 31, 2016: 75,505,960).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue – Continuing operations

The Group's sales revenue from continuing operations had increased by 10.4% from HK\$1,874.8 million for the six months ended September 30, 2015 ("1H FY2016") to HK\$2,069.9 million for the six months ended September 30, 2016 ("1H FY2017").

The improved topline was driven mainly by double digit revenue growth from the Automotive, Industrial and Telecommunication segments in 1H FY2017, whose performance was buoyed by the Group's dedicated engineering capability and value added services in the supply chain.

Turnover by Market Segment Analysis

(in HK\$'000)

Continuing operations	1H FY2017		1H FY2016		Increase (Decrease)	
		%		%		%
Telecommunications	586,061	28.3%	516,741	27.6%	69,320	13.4%
Industrial	426,648	20.6%	384,181	20.5%	42,467	11.1%
Dealer	269,925	13.0%	227,121	12.1%	42,804	18.8%
Home Appliance	258,848	12.5%	235,463	12.5%	23,385	9.9%
Automotive	185,143	9.0%	121,127	6.5%	64,016	52.9%
Audio and Video	130,786	6.3%	147,674	7.9%	(16,888)	-11.4%
EMS	92,216	4.5%	107,429	5.7%	(15,213)	-14.2%
Lighting	61,905	3.0%	62,641	3.3%	(736)	-1.2%
Others	58,405	2.8%	72,423	3.9%	(14,018)	-19.4%
	<u>2,069,937</u>	<u>100.0%</u>	<u>1,874,800</u>	<u>100.0%</u>	<u>195,137</u>	10.4%

Telecommunications

This segment was our largest revenue generator in 1H FY2017 at HK\$586.1 million. Although the revenue generated was 13.4% higher year-on-year, the rate of revenue growth had slowed as compared to 1H FY2016 mainly because China's 4G market had reached maturity and price competition for 4G handsets had intensified. This meant that despite an increase in the production volume of smartphones in China, there was huge downward price pressure on component supplies. In order to maintain and even increase our market share, we cooperated with our suppliers to offer competitive prices and provide better cost effective solutions to handset makers. We will continue to improve our efficiency in our supply chain and upgrade the skills of our field application engineers to keep a competitive position in this market.

Industrial

Revenue from this segment was HK\$426.6 million, which was an increase of 11.1% compared with the same period last year. The Group believes that the prospects for this segment is positive and will continue to make it one of its key focuses. We spent a lot of efforts and resources to improve our services and differentiate ourselves through our engineering capabilities by developing new solutions for various applications in this segment. The stable returns from this segment make it a key pillar of growth for the Group.

Dealer

This segment achieved revenue of HK\$269.9 million in 1H FY2017, an 18.8% increase as compared to the same period last year. After the careful analysis of the market situation and healthy inventory management, we decided that this was a good time to devote resources into increasing our market share by teaming up with our key suppliers to offer aggressive package deals. This segment's improved performance is the successful outcome of our efforts. We will continue to monitor market conditions and adjust our strategy accordingly.

Home Appliance

Revenue from this segment was HK\$258.8 million, an increase of 9.9% as compared to the same period last year. During the period under review, both export and domestic consumption showed positive growth as demand for energy saving home appliances continue to gain momentum. We believe that the potential and future prospect of this segment is good for us as environmental consciousness grows among households. We will source more new suppliers to complement our existing products and develop more new solutions for our customers in China.

Automotive

Revenue from this segment leapt 52.9% to HK\$185.1 million as compared with the same period last year. The strong growth shows that our strategy to incorporate network building and solutions development into our automotive business is paying off. China is projected to be the largest market for automotive in the long run. As consumers expect better quality, more comfort and higher safety standard, we have more opportunities to provide advanced systems from our European and Japanese suppliers, e.g. Applications for Telematics and Advanced driver assistance systems (ADAS). We are confident of our investment in this segment and will allocate more resources to support the growth.

Audio and Video

Revenue from this segment was HK\$130.8 million, a decrease of 11.4% compared with the same period last year. Our business in this segment continued to shrink. Although we put more focus on the portable audio and bluetooth speakers, the new business could not cover the drop in traditional audio and video products. However, we believe that audio and video enjoyment is a growing lifestyle trend and we will still keep adequate resources to cooperate with existing and new suppliers to locate new opportunities.

EMS

Revenue from this segment fell 14.2% as compared to the same period last year to HK\$92.2 million. Market conditions had become difficult for pure EMS services and many of our customers have transformed part of their operations to ODM and provide engineering support to stay more competitive. Although we had offered our capabilities to support them, we expect the business in this segment to remain challenging. We will consciously monitor order trends and rolling forecasts to minimize our risk in purchase and the possibility of carrying obsolete stock.

Lighting

Revenue from this segment declined 1.2% as compared to the same period last year to HK\$61.9 million. As a big portion had shifted to the LED lighting market, which continued to struggle with oversupply, it resulted in persistent price erosion. The market remained very competitive and tough for end product makers. We expect market conditions to remain challenging in the short term. In order to mitigate our risks, we will monitor the credit position of our customers carefully and maintain a healthy inventory level.

Others

Revenue from this segment decreased 19.4% as compared to the same period last year to HK\$58.4 million. The business in the sub-segments is unstable. While the renewable energy segment achieved a better performance, this was offset by poorer results from the toys and security device segment.

Profit Margin – Continuing operations

China's GDP growth rate slowed down in 2015 and has continued in 2016 and this led to downward pressure on prices and a squeeze on our gross profit margin to 7.43% in 1H FY2017 from 9.17% in 1H FY2016.

Distribution costs – Continuing operations

Distribution costs decreased by HK\$1.9 million, or 8.1%, from HK\$23.6 million in 1H FY2016 to HK\$21.7 million in 1H FY2017. The decline was mainly due to less sales incentive expense as a result of the fall in gross profit.

Administrative expenses – Continuing operations

Administrative expenses slightly decreased by HK\$1.4 million, or 1.4%, from HK\$98.6 million in 1H FY2016 to HK\$97.2 million in 1H FY2017.

Other gains and losses – Continuing operations

Other losses of HK\$5.1 million in 1H FY2017 included an exchange loss of HK\$5.3 million mainly arising from the depreciation of Chinese renminbi ("RMB"). Other losses of HK\$9.8 million in 1H FY2016 included an exchange loss of HK\$8.9 million mainly arising from the depreciation of RMB and an allowance for doubtful trade receivables of HK\$1.0 million.

Finance costs – Continuing operations

Finance costs increased by HK\$1.4 million, or 14.3%, from HK\$10.2 million in 1H FY2016 to HK\$11.6 million in 1H FY2017. This was mainly attributable to an increase in trust receipt loan.

Share of loss of associates/Impairment loss on interests in associates – Continuing operations

Share of loss of Group's associated company, GW Electronics Company Limited ("GW Electronics") in 1H FY2016 was mainly due to doubtful debts provision for debtors of memory products.

Following the termination of its authorised distributorship agreement with an electronic components manufacturer in September 2015, GW Electronics downsized its operation to an optimum level to serve its remaining product lines and customers. As a result, an impairment loss of HK\$45.0 million was made in 1H FY2016.

(Loss) Profit from discontinued operations

The discontinued operations turned from a profit of HK\$0.7 million in 1H FY2016 to a loss of HK\$1.8 million in 1H FY2017, which was mainly due to the drop in sales of NEI Group.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Compared to the previous financial year ended March 31, 2016, trust receipt loans increased by HK\$63.1 million. Trade and bills payables increased from HK\$366.1 million as at March 31, 2016 to HK\$418.0 million as at September 30, 2016 (of which HK\$0.1 million was from discontinued operations). Both increases were due to the increase in purchasing activity during the current financial period. Trade and bills receivables increased by HK\$224.4 million when compared to the financial year ended March 31, 2016 due to an increase in sales revenue towards the end of this period. The debtors turnover days increased from 1.9 months to 2.4 months.

As at September 30, 2016, the Group's current ratio (current assets/current liabilities) was 1.24 (March 31, 2016: 1.25).

Inventories

Inventories decreased from HK\$535.5 million as at March 31, 2016 to HK\$533.7 million as at September 30, 2016 (of which HK\$1.1 million was from discontinued operations). The inventory turnover days decreased from 2.0 months to 1.7 months.

Cash Flow

As at September 30, 2016, the Group had a working capital of HK\$337.8 million, which included a cash balance of HK\$391.5 million (of which HK\$0.8 million was from discontinued operations), compared to a working capital of HK\$320.6 million, which included a cash balance of HK\$482.6 million at March 31, 2016. The decrease in cash by HK\$91.1 million was attributable to the net effect of cash inflow of HK\$57.5 million from financing activities and cash outflows of HK\$143.6 million in operating activities and HK\$3.6 million in investing activities.

Cash inflow from financing activities was attributable to an increase in trust receipt loans due to increased purchasing activity.

Cash outflow in operating activities was mainly attributable to an increase in trade receivables due to increased sales revenue.

Borrowing and Banking Facilities

As at September 30, 2016, bank borrowings of HK\$190.0 million (March 31, 2016: HK\$202.0 million), of which HK\$ nil (March 31, 2016: HK\$2.0 million) was from the discontinued operations, were unsecured and repayable in quarterly or monthly installments ending in FY2018.

Bank borrowings bore interest at a weighted average effective rate of 3.18% per annum for fixed rate borrowings and 2.47% per annum for variable rate borrowings as at September 30, 2016.

As at September 30, 2016, trust receipt loans were unsecured, repayable within one year and bore an effective interest rate of 2.06% to 2.83% per annum. As at September 30, 2016, the Group had unutilised banking facilities of HK\$429.7 million (March 31, 2016: HK\$488.8 million).

The aggregate amount of the group's borrowings and debt securities are as follows:

Amount repayable in one year or less, or on demand

As at September 30, 2016		As at March 31, 2016	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
55,376	842,599	48,768	791,485

Amount repayable after one year

As at September 30, 2016		As at March 31, 2016	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
–	–	–	–

As at September 30, 2016, trade receivables amounted to HK\$67.0 million (March 31, 2016: HK\$61.0 million) were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounted to HK\$55.4 million (March 31, 2016: HK\$48.8 million).

Foreign Exchange Risk Management

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

Gearing Ratio

The gearing ratio as at September 30, 2016 was 161.9% (March 31, 2016: 153.1%). The gearing ratio was derived by dividing total debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables) by shareholders’ equity at the end of a given period. The increase was mainly due to an increase in trust receipt loans from HK\$589.5 million to HK\$652.6 million to finance the increased purchasing activities.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at September 30, 2016, the aggregate banking facilities granted to the subsidiaries were HK\$1,281.9 million (March 31, 2016: HK\$1,289.9 million), of which HK\$855.7 million (March 31, 2016: HK\$804.2 million) was utilised and guaranteed by the Company.

As at September 30, 2016, the Company had also given guarantees to certain suppliers in relation to the subsidiaries’ settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were HK\$268.5 million (March 31, 2016: HK\$274.6 million).

During 2015, the Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its associates. All of the financial guarantee contracts had been cancelled as at March 31, 2016 and no outstanding guarantees were given thereafter.

STRATEGY AND PROSPECTS *(A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months)*

According to the forecast of the International Monetary Fund (the “IMF”), China’s economy will expand 6.6 percent this year and 6.2 percent in 2017, down from growth of 6.9 percent in 2015. IMF expects policymakers to continue to shift the economy away from its reliance on investment and industry towards consumption and services.¹ As China is our main market, the Group will monitor conditions closely and shift our resources to growth sectors accordingly.

In line with the slower growth expected, we anticipate the next 12 months to be challenging with poorer consumer sentiment which in turn will affect the electronics industry.

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2016 (2015: HK\$ nil).

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2016, the Group had a workforce of 434 full-time employees (March 31, 2016: 477 of which 14 was from the discontinued operations), of which 35.9% worked in Hong Kong, 60.1% in the PRC and the remainder in Taiwan.

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

¹ Source – IMF Sees Subdued Global Growth, Warns Economic Stagnation Could Fuel Protectionist Calls, October 4, 2016: <http://www.imf.org/en/News/Articles/2016/10/03/AM2016-NA100416-WEO>

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended September 30, 2016, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH HONG KONG CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the shareholders of the Company (the "Shareholders"). The Board considers that during the six months ended September 30, 2016, the Company has complied with all the code provisions of the Corporate Governance Code (the "HK CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules").

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

COMPLIANCE WITH HONG KONG MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "HK Model Code") as set out in Appendix 10 to the HK Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standards as set out in the HK Model Code throughout the six months ended September 30, 2016.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the HK CG Code and the Main Board rules of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Audit Committee comprises all of the three INEDs, namely Jovenal R. Santiago (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group’s unaudited interim results and the Company’s draft interim report for the six months ended September 30, 2016 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for the six months ended September 30, 2016 have been reviewed by Deloitte Touch Tohmatsu, Hong Kong, the Company’s independent auditors, whose review report will be included in the interim report to be sent to the Shareholders.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED, THE COMPANY AND THE SGX-ST

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEx”) at www.hkex.com.hk, the website of the Company at www.willas-array.com and the website of the SGX-ST at www.sgx.com. The interim report of the Company for the six months ended September 30, 2016 will be dispatched to the Shareholders and published on the respective websites of the HKEx, the SGX-ST and the Company in due course.

SUPPLEMENTARY INFORMATION

1. Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results

Not applicable. No prospect statement was previously disclosed in the full year results announcement for the financial year ended March 31, 2016.

2. If the Group has obtained a general mandate from Shareholders for interest person transactions (the “IPTs”), the aggregate value of such transactions as required under Rule 920 (1)(a)(ii) of the Listing Manual of the SGX-ST. If no IPT mandate has been obtained, a statement to that effect

No general mandate has been obtained from its Shareholders for IPTs.

3. *Negative assurance confirmation on interim financial results under Rule 705(5) of the Listing Manual of the SGX-ST*

On behalf of the Board, we confirm that to the best of our knowledge, nothing has come to the attention of the Board which may render the Group's unaudited interim financial results for the six months ended September 30, 2016 to be false or misleading in any material aspect.

On behalf of the Board,

Leung Chun Wah, Chairman
Kwok Chan Cheung, Deputy Chairman

4. *Undertakings from the Directors and Executive Officers pursuant to Rule 720(1) of the Listing Manual of the SGX-ST*

On behalf of the Board, we confirm that we have procured all the required undertakings to comply with the SGX-ST's listing rules from all the Directors and executive officers of the Company.

By Order of the Board
Willas-Array Electronics (Holdings) Limited
Leung Chun Wah
Chairman and Executive Director

Hong Kong / Singapore, November 11, 2016

As at the date of this announcement, the Board comprises four Executive Directors, namely Leung Chun Wah (Chairman), Kwok Chan Cheung (Deputy Chairman), Hon Kar Chun (Managing Director) and Leung Hon Shing; and three Independent Non-executive Directors, namely Jovenal R. Santiago, Wong Kwan Seng, Robert and Iu Po Chan, Eugene.