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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 ANNUAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2018**

FINANCIAL HIGHLIGHTS

| | For the year ended March 31, | | Change % |
|--|---------------------------------|------------------|---------------|
| | 2018 HK\$'000 | 2017 HK\$'000 | |
| Continuing operations | | | |
| Revenue | 4,556,390 | 3,883,140 | +17.3 |
| Gross profit | 395,405 | 316,776 | +24.8 |
| Profit before tax | 131,975 | 48,231 | +173.6 |
| Profit (loss) attributable to owners of the Company | | | |
| – From continuing operations | 111,956 | 39,355 | +184.5 |
| – From discontinued operations | – | (1,841) | NM |
| | 111,956 | 37,514 | +198.4 |
| Basic earnings per share (HK dollars) | | | |
| – From continuing and discontinued operations | 1.47 | 0.50 | +194.0 |
| – From continuing operations | 1.47 | 0.52 | +182.7 |
| NM: Not meaningful | | | |

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”, “We” and “Our”) for the year ended March 31, 2018, together with the comparative figures for the year ended March 31, 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2018

| | NOTES | 2018 HK\$'000 | 2017 HK\$'000 | Change % |
|--|-------|------------------|------------------|-------------|
| Continuing operations | | | | |
| Revenue | 3 | 4,556,390 | 3,883,140 | +17.3 |
| Cost of sales | | (4,160,985) | (3,566,364) | +16.7 |
| Gross profit | | 395,405 | 316,776 | +24.8 |
| Other operating income | | 1,708 | 4,067 | -58.0 |
| Distribution costs | | (60,427) | (50,473) | +19.7 |
| Administrative expenses | | (211,549) | (190,390) | +11.1 |
| Other gains and losses | | 37,705 | (7,240) | +620.8 |
| Finance costs | | (30,867) | (24,521) | +25.9 |
| Gain on disposal of subsidiaries | | - | 12 | NM |
| Profit before tax | | 131,975 | 48,231 | +173.6 |
| Income tax expenses | 4 | (20,019) | (9,389) | +113.2 |
| Profit for the year from continuing operations | 5 | 111,956 | 38,842 | +188.2 |
| Discontinued operations | | | | |
| Loss for the year from discontinued operations | 6 | - | (1,841) | NM |
| Profit for the year | | 111,956 | 37,001 | +202.6 |
| Other comprehensive income (expense): | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | |
| - Gain on revaluation of properties | | 27,416 | - | NM |
| - Income tax relating to gain recognised in other comprehensive income | | (4,958) | - | NM |
| | | 22,458 | - | NM |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | |
| - Exchange differences on translation of foreign operations | | 23,187 | (11,342) | +304.4 |
| Other comprehensive income (expense) for the year, net of tax | | 45,645 | (11,342) | +502.4 |
| Total comprehensive income for the year | | 157,601 | 25,659 | +514.2 |

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

For the year ended March 31, 2018

| | <i>NOTE</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> | Change <i>%</i> |
|--|-------------|--------------------------------|-------------------------|---------------------------|
| Profit (loss) for the year attributable to owners of the Company: | | | | |
| – from continuing operations | | 111,956 | 39,355 | +184.5 |
| – from discontinued operations | | <u>–</u> | <u>(1,841)</u> | NM |
| Profit for the year attributable to owners of the Company | | <u>111,956</u> | <u>37,514</u> | +198.4 |
| Loss for the year attributable to non-controlling interests from continuing operations | | <u>–</u> | <u>(513)</u> | NM |
| | | <u>111,956</u> | <u>37,001</u> | +202.6 |
| Total comprehensive income (expense) for the year attributable to: | | | | |
| Owners of the Company | | 157,601 | 26,172 | +502.2 |
| Non-controlling interests | | <u>–</u> | <u>(513)</u> | NM |
| | | <u>157,601</u> | <u>25,659</u> | +514.2 |
| Earnings per share | 14 | | | |
| From continuing and discontinued operations | | | | |
| – Basic (HK dollars) | | <u>1.47</u> | <u>0.50</u> | +194.0 |
| – Diluted (HK dollars) | | <u>1.46</u> | <u>0.49</u> | +198.0 |
| From continuing operations | | | | |
| – Basic (HK dollars) | | <u>1.47</u> | <u>0.52</u> | +182.7 |
| – Diluted (HK dollars) | | <u>1.46</u> | <u>0.51</u> | +186.3 |

NM: Not meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

| | <i>NOTES</i> | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------------------------|--------------|--------------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 267,864 | 232,774 |
| Prepaid lease payments – non-current | | 556 | 569 |
| Goodwill | | – | – |
| Other intangible assets | | – | – |
| Interest in an associate | | – | – |
| Club debentures | | 2,001 | 2,001 |
| Available-for-sale investments | | – | – |
| Long-term deposits | | 3,049 | 335 |
| Deferred tax assets | | 84 | 168 |
| Restricted bank deposits | | 2,500 | 2,260 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 276,054 | 238,107 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 690,950 | 591,741 |
| Trade and bills receivables | 8 | 955,926 | 766,000 |
| Other receivables and prepayments | | 11,032 | 8,338 |
| Prepaid lease payments – current | | 12 | 12 |
| Income tax recoverable | | – | 576 |
| Derivative financial instruments | | 49 | 62 |
| Cash and cash equivalents | | 327,050 | 331,255 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,985,019 | 1,697,984 |
| | | <hr/> | <hr/> |
| Total assets | | 2,261,073 | 1,936,091 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at March 31, 2018

| | <i>NOTES</i> | 2018 HK\$'000 | 2017 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and bills payables | 10 | 397,467 | 418,615 |
| Other payables | | 60,879 | 36,513 |
| Income tax payable | | 6,031 | 1,916 |
| Trust receipt loans | | 818,378 | 668,554 |
| Bank borrowings | | 231,343 | 209,354 |
| Derivative financial instruments | | 23 | 2 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,514,121 | 1,334,954 |
| | | <hr/> | <hr/> |
| Net current assets | | 470,898 | 363,030 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 746,952 | 601,137 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Share capital | 11 | 76,341 | 75,506 |
| Reserves | | 639,717 | 502,366 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 716,058 | 577,872 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 30,894 | 23,005 |
| Derivative financial instruments | | – | 260 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 30,894 | 23,265 |
| | | <hr/> | <hr/> |
| Total liabilities and equity | | 2,261,073 | 1,936,091 |
| | | <hr/> | <hr/> |

STATEMENT OF FINANCIAL POSITION – COMPANY LEVEL

As at March 31, 2018

| | NOTE | 2018 HK\$'000 | 2017 HK\$'000 |
|---|------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments in subsidiaries | | <u>117,470</u> | <u>117,470</u> |
| Total non-current assets | | <u>117,470</u> | <u>117,470</u> |
| Current assets | | | |
| Other receivables and prepayments | | 253,518 | 228,646 |
| Cash and cash equivalents | | <u>1,997</u> | <u>2,657</u> |
| Total current assets | | <u>255,515</u> | <u>231,303</u> |
| Total assets | | <u>372,985</u> | <u>348,773</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Other payables | | 10,007 | 10,968 |
| Income tax payable | | <u>169</u> | <u>17</u> |
| Total current liabilities | | <u>10,176</u> | <u>10,985</u> |
| Net current assets | | <u>245,339</u> | <u>220,318</u> |
| Total assets less current liabilities | | <u>362,809</u> | <u>337,788</u> |
| Capital and reserves | | | |
| Share capital | 11 | 76,341 | 75,506 |
| Reserves | | <u>286,468</u> | <u>262,282</u> |
| Equity attributable to owners of the Company | | <u>362,809</u> | <u>337,788</u> |
| Total liabilities and equity | | <u>372,985</u> | <u>348,773</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2018

| | Share capital | Capital reserves | Statutory reserve | Property 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>(Note i)</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> <i>(Note ii)</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At April 1, 2016 | 75,506 | 194,378 | 16,525 | 93,271 | 9,124 | - | 166,457 | 555,261 | (3,048) | 552,213 |
| Total comprehensive income (expense) for the year: | | | | | | | | | | |
| Profit (loss) for the year | - | - | - | - | - | - | 37,514 | 37,514 | (513) | 37,001 |
| Other comprehensive expense for the year, net of income tax | - | - | - | - | (11,342) | - | - | (11,342) | - | (11,342) |
| Total | - | - | - | - | (11,342) | - | 37,514 | 26,172 | (513) | 25,659 |
| Transactions with owners, recognised directly in equity: | | | | | | | | | | |
| Acquisition of additional interest in subsidiaries (Note 6) | - | - | - | - | - | (3,561) | - | (3,561) | 3,561 | - |
| Transfer from property revaluation reserve | - | - | - | (3,349) | - | - | 3,349 | - | - | - |
| Total | - | - | - | (3,349) | - | (3,561) | 3,349 | (3,561) | 3,561 | - |
| At March 31, 2017 | 75,506 | 194,378 | 16,525 | 89,922 | (2,218) | (3,561) | 207,320 | 577,872 | - | 577,872 |
| Total comprehensive income for the year: | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 111,956 | 111,956 | - | 111,956 |
| Other comprehensive income for the year, net of income tax | - | - | - | 22,458 | 23,187 | - | - | 45,645 | - | 45,645 |
| Total | - | - | - | 22,458 | 23,187 | - | 111,956 | 157,601 | - | 157,601 |
| Transactions with owners, recognised directly in equity: | | | | | | | | | | |
| Exercise of share options | 835 | 740 | - | - | - | - | - | 1,575 | - | 1,575 |
| Recognition of equity-settled share-based payments | - | 2,676 | - | - | - | - | - | 2,676 | - | 2,676 |
| Dividend paid (Note 13) | - | - | - | - | - | - | (23,666) | (23,666) | - | (23,666) |
| Transfer from property revaluation reserve | - | - | - | (3,348) | - | - | 3,348 | - | - | - |
| Transfer of statutory reserve | - | - | 1,609 | - | - | - | (1,609) | - | - | - |
| Total | 835 | 3,416 | 1,609 | (3,348) | - | - | (21,927) | (19,415) | - | (19,415) |
| At March 31, 2018 | <u>76,341</u> | <u>197,794</u> | <u>18,134</u> | <u>109,032</u> | <u>20,969</u> | <u>(3,561)</u> | <u>297,349</u> | <u>716,058</u> | <u>-</u> | <u>716,058</u> |

Notes:

- (i) The statutory reserve is non-distributable and was appropriated from profit after tax of subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the respective laws and regulations of the PRC and Taiwan.
- (ii) Other reserve comprises a debit amount of HK\$3,561,000 and represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Noblehigh Enterprises Inc. ("NEI") and its subsidiaries (together defined as "NEI Group") acquired during the year ended March 31, 2017 (as detailed in Note 6).

STATEMENT OF CHANGES IN EQUITY – COMPANY LEVEL

For the year ended March 31, 2018

| | Share capital | Capital reserves | Accumulated profits | Total |
|---|--------------------------|-----------------------------|--------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At April 1, 2016 | 75,506 | 194,378 | 34,530 | 304,414 |
| Profit for the year, representing total comprehensive income for the year | – | – | 33,374 | 33,374 |
| At March 31, 2017 | 75,506 | 194,378 | 67,904 | 337,788 |
| Profit for the year, representing total comprehensive income for the year | – | – | 44,436 | 44,436 |
| Transactions with owners, recognised directly in equity: | | | | |
| Exercise of share options | 835 | 740 | – | 1,575 |
| Recognition of equity-settled share-based payments | – | 2,676 | – | 2,676 |
| Dividend paid (<i>Note 13</i>) | – | – | (23,666) | (23,666) |
| Total | 835 | 3,416 | (23,666) | (19,415) |
| At March 31, 2018 | 76,341 | 197,794 | 88,674 | 362,809 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Operating activities | | |
| Profit before tax | 131,975 | 46,391 |
| Adjustments for: | | |
| Depreciation | 10,772 | 11,749 |
| Amortisation of prepaid lease payments | 13 | 12 |
| Interest expense | 30,867 | 24,526 |
| Share-based payment expenses | 2,676 | – |
| Allowance for inventories | 15,375 | 14,811 |
| Reversal of allowance for doubtful trade receivables | (4,053) | (7,666) |
| Loss (gain) on disposal of property, plant and equipment | 19 | (60) |
| Gain on disposal of subsidiaries | – | (12) |
| Net (gain) loss on fair value changes of derivative financial instruments | (226) | 186 |
| Impairment loss on amount due from an associate | – | 532 |
| Unrealised exchange (gain) loss | (19,964) | 6,758 |
| Interest income | (635) | (835) |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 166,819 | 96,392 |
| | | |
| Increase in inventories | (108,423) | (73,549) |
| Increase in trade and bills receivables | (151,610) | (183,527) |
| Increase in other receivables and prepayments | (2,677) | (2,832) |
| (Decrease) increase in trade and bills payables | (38,886) | 53,816 |
| Increase in other payables | 22,160 | 1,324 |
| (Increase) decrease in long-term deposits | (2,690) | 1,358 |
| Increase in amount due from an associate | – | (532) |
| | <hr/> | <hr/> |
| Cash used in operations | (115,307) | (107,550) |
| | | |
| Income tax paid | (13,567) | (10,357) |
| Interest paid | (30,224) | (24,227) |
| Interest received | 635 | 835 |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (158,463) | (141,299) |

CONSOLIDATED STATEMENT OF CASH FLOWS – continued*For the year ended March 31, 2018*

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Investing activities | | |
| Purchase of property, plant and equipment | (2,451) | (2,386) |
| Withdrawal of restricted bank deposits | – | 2,395 |
| Placement of restricted bank deposits | – | (2,260) |
| Proceeds from disposal of property, plant and equipment | 339 | 61 |
| Net cash outflow on disposal of subsidiaries | – | (94) |
| Proceeds from disposal of subsidiaries | 300 | – |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (1,812) | (2,284) |
| | <hr/> | <hr/> |
| Financing activities | | |
| Dividend paid to shareholders | (23,666) | – |
| Proceeds from exercise of share options | 1,575 | – |
| Repayment of advance from an associate | – | (42,414) |
| Repayment of trust receipt loans | (2,855,470) | (2,361,537) |
| Proceeds from trust receipt loans | 3,005,294 | 2,440,606 |
| Repayment of bank borrowings | (752,152) | (748,787) |
| Proceeds from bank borrowings | 773,996 | 707,184 |
| | <hr/> | <hr/> |
| Net cash generated from (used in) financing activities | 149,577 | (4,948) |
| | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | (10,698) | (148,531) |
| Cash and cash equivalents at beginning of the year | 331,255 | 482,601 |
| Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | 6,493 | (2,815) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the year | 327,050 | 331,255 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2018

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 (as amended) 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 issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The consolidated financial statements 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.

2. PRINCIPAL ACCOUNTING POLICIES

Application of new and revised International Financial Reporting Standards

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

| | |
|-----------------------|---|
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 | As part of the Annual Improvements to IFRSs 2014-2016 Cycle |

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. SEGMENT INFORMATION

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

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

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

During the current year, the CODM focuses on reportable segment profit which is gross profit earned by each segment. Other operating income, distribution costs, administrative expenses, other gains and losses, finance costs and gain on disposal of subsidiaries are excluded from segment results and accordingly, the comparative figures have been represented.

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

The operating segment regarding trading and designing integrated circuits was discontinued during the year ended March 31, 2017. The segment information reported below 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:

Year ended March 31, 2018

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 | 2,266,315 | 2,185,033 | 105,042 | 4,556,390 | – | 4,556,390 |
| Sales – inter-company | 574,999 | 390,477 | 672 | 966,148 | (966,148) | – |
| Net sales | 2,841,314 | 2,575,510 | 105,714 | 5,522,538 | (966,148) | 4,556,390 |
| Cost of sales | 2,629,996 | 2,402,136 | 95,064 | 5,127,196 | (966,211) | 4,160,985 |
| Gross profit/segment results | 211,318 | 173,374 | 10,650 | 395,342 | 63 | 395,405 |
| Other operating income | | | | | | 1,708 |
| Distribution costs | | | | | | (60,427) |
| Administrative expenses | | | | | | (211,549) |
| Other gains and losses | | | | | | 37,705 |
| Finance costs | | | | | | (30,867) |
| Profit before tax | | | | | | 131,975 |
| Income tax expense | | | | | | (20,019) |
| Profit attributable to owners of the Company | | | | | | 111,956 |

3. SEGMENT INFORMATION – continued

Year ended March 31, 2017 (Restated)

Continuing operations

| | Trading of electronic components | | | | Elimination | Continuing operations |
|---|--|--|---------------------------|------------------------------|-------------|-----------------------|
| | Southern China Region <i>HK\$'000</i> | Northern China Region <i>HK\$'000</i> | Taiwan <i>HK\$'000</i> | Sub-total <i>HK\$'000</i> | | |
| Revenue | | | | | | |
| Sales – external | 2,052,865 | 1,754,915 | 75,360 | 3,883,140 | – | 3,883,140 |
| Sales – inter-company | 445,392 | 264,013 | 1,012 | 710,417 | (710,417) | – |
| Net sales | 2,498,257 | 2,018,928 | 76,372 | 4,593,557 | (710,417) | 3,883,140 |
| Cost of sales | 2,329,802 | 1,878,846 | 69,122 | 4,277,770 | (711,406) | 3,566,364 |
| Gross profit/segment results | <u>168,455</u> | <u>140,082</u> | <u>7,250</u> | <u>315,787</u> | <u>989</u> | 316,776 |
| Other operating income | | | | | | 4,067 |
| Distribution costs | | | | | | (50,473) |
| Administrative expenses | | | | | | (190,390) |
| Other gains and losses | | | | | | (7,240) |
| Finance costs | | | | | | (24,521) |
| Gain on disposal of subsidiaries | | | | | | 12 |
| Profit before tax | | | | | | 48,231 |
| Income tax expense | | | | | | (9,389) |
| Profit for the year | | | | | | 38,842 |
| Loss for the year attributable to non-controlling interests | | | | | | 513 |
| Profit attributable to owners of the Company | | | | | | <u>39,355</u> |

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

4. INCOME TAX EXPENSES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Continuing operations | | |
| The income tax charge comprises: | | |
| Current Tax: | | |
| – Hong Kong | 14,040 | 9,108 |
| – PRC Enterprise Income Tax (the “EIT”) | 2,724 | 756 |
| – Taiwan | 697 | 400 |
| – Taiwan withholding tax on dividends | 580 | 295 |
| | <u>18,041</u> | <u>10,559</u> |
| Under (over) provision in prior year: | | |
| – Hong Kong | (106) | (98) |
| – PRC EIT | 280 | (35) |
| – Taiwan | (1) | 15 |
| | <u>173</u> | <u>(118)</u> |
| Deferred tax: | | |
| – Current year | 1,805 | (1,052) |
| | <u>20,019</u> | <u>9,389</u> |

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

Under the law of the PRC on EIT (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 17%.

5. PROFIT FOR THE YEAR

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-----------------------------|-----------------------------|
| Continuing operations | | |
| Directors' fees | 1,041 | 1,030 |
| Directors' remuneration (<i>Note i</i>) | 12,406 | 10,677 |
| Audit fees paid to auditors | | |
| Auditors of the Company | 2,034 | 1,965 |
| Other auditors | 250 | 162 |
| Non-audit fees paid to auditors | | |
| Auditors of the Company | 616 | 1,006 |
| Staff costs (excluding directors' remuneration) (<i>Note i</i>) | 157,100 | 129,435 |
| Amortisation of prepaid lease payments | 13 | 12 |
| Cost of inventories recognised as expenses (<i>Note ii</i>) | 4,160,985 | 3,566,364 |
| Depreciation of property, plant and equipment | 10,772 | 11,710 |
| Loss (gain) on disposal of property, plant and equipment | 19 | (60) |
| Net foreign exchange (gain) loss | (33,445) | 14,248 |
| Net (gain) loss on fair value changes of derivative financial instruments | (226) | 186 |
| Share-based payment expense | 2,676 | – |
| Reversal of allowance for doubtful trade receivables | (4,053) | (7,666) |
| Interest income from bank deposits | (635) | (835) |
| | <u> </u> | <u> </u> |

Notes:

- (i) During the years ended March 31, 2018 and 2017, there were cost of defined contribution plans amounting to approximately HK\$17,630,000 and HK\$15,920,000 respectively, included in staff costs and directors' remuneration.
- (ii) During the years ended March 31, 2018 and 2017, the amount included allowance for inventories amounting to approximately HK\$15,375,000 and HK\$13,838,000 respectively.

6. DISCONTINUED OPERATIONS

In July 2016, the management of the Group resolved to dispose of its interests in NEI Group which operated 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 a 40% interest in NEI, its existing 60%-owned subsidiary, 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 was recognised directly in “other reserve”. Subsequent to the completion of the acquisition, negotiations with interested parties had taken place. 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 (the “Disposal”). The Disposal was completed on November 4, 2016, on which date control of the NEI Group was passed to the acquirer. The reason for the Disposal was to enable the Group to focus on core segments with more potential to grow.

The loss for the year ended March 31, 2017 from the discontinued trading and designing integrated circuits operations was as follows:

| | 2017 <i>HK\$'000</i> |
|---|-------------------------|
| Loss of trading and designing integrated circuits operations for the year | (1,841) |
| Gain on disposal of trading and designing integrated circuits operations | <u>12</u> |
| | <u><u>(1,829)</u></u> |

6. DISCONTINUED OPERATIONS – continued

The results of the discontinued trading and designing integrated circuits operations for the period from April 1, 2016 to November 4, 2016, which were included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

| | From April 1 to November 4, 2016 HK\$'000 |
|--|--|
| Revenue | 411 |
| Cost of sales | (1,201) |
| Distribution costs | (98) |
| Administrative expenses | (935) |
| Other gains and losses | (12) |
| Finance costs | (5) |
| | <hr/> |
| Loss before tax | (1,840) |
| Income tax expense | (1) |
| | <hr/> |
| Loss for the year from discontinued operations | (1,841) |
| | <hr/> <hr/> |

Loss for the period from April 1, 2016 to November 4, 2016 from discontinued operations includes the following:

| | From April 1 to November 4, 2016 HK\$'000 |
|---|--|
| Directors' remuneration | 2 |
| Audit fees paid to auditors | 108 |
| Staff costs (excluding directors' remuneration) (<i>Note i</i>) | 476 |
| Cost of inventories recognised as expenses (<i>Note ii</i>) | 1,201 |
| Depreciation of property, plant and equipment | 39 |
| Net foreign exchange loss | 12 |
| | <hr/> <hr/> |

Notes:

- (i) During the year ended March 31, 2017, there was cost of defined contribution plans amounting to approximately HK\$48,000 included in staff costs.
- (ii) During the year ended March 31, 2017, the amount included allowance for inventories amounting to approximately HK\$973,000.

6. DISCONTINUED OPERATIONS – continued

Cash flows from discontinued operations are summarised as follows:

| | From April 1 to November 4, 2016 <i>HK\$'000</i> |
|---------------------------------|---|
| Net cash inflow (outflow) from: | |
| Operating activities | 257 |
| Investing activities | (17) |
| Financing activities | <u>(2,000)</u> |
| Net cash outflow | <u><u>(1,760)</u></u> |

The carrying amounts of the assets and liabilities of the NEI Group at the date of the Disposal are disclosed below.

The Group discontinued its trading and designing integrated circuits operations at the time of the Disposal. The net assets of the NEI Group at the date of the Disposal were as follows:

| | <i>HK\$'000</i> |
|---|-------------------|
| Consideration received: | |
| Cash received | 600 |
| Deferred cash consideration (<i>Note</i>) | <u>300</u> |
| Total consideration received | <u><u>900</u></u> |

Note: The deferred consideration was settled in cash by the acquirer during the year ended March 31, 2018.

6. DISCONTINUED OPERATIONS – continued

As at
November 4,
2016
HK\$'000

Analysis of assets and liabilities over which control was lost:

| | |
|-----------------------------------|----------------|
| Property, plant and equipment | 200 |
| Inventories | 1,178 |
| Trade receivables | 130 |
| Other receivables and prepayments | 966 |
| Income tax recoverable | 5 |
| Deferred tax assets | 31 |
| Cash and cash equivalents | 694 |
| Trade and other payables | <u>(2,316)</u> |

Net assets disposed of 888

Gain on disposal of subsidiaries:

| | |
|---------------------------------------|--------------|
| Consideration received and receivable | 900 |
| Net assets disposed of | <u>(888)</u> |

Gain on disposal 12

Net cash outflow arising on disposal:

| | |
|---|--------------|
| Cash consideration | 900 |
| Amount not received and included in other receivables | (300) |
| Cash and cash equivalents disposed of | <u>(694)</u> |

(94)

7. PROPERTY, PLANT AND EQUIPMENT

During the year ended March 31, 2018, the Group spent approximately HK\$2,451,000 (2017: HK\$2,386,000) 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\$358,000 (2017: HK\$1,000), resulting in a loss of approximately HK\$19,000 (2017: gain of HK\$60,000).

8. TRADE AND BILLS RECEIVABLES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Trade receivables | 883,026 | 734,890 |
| Less: allowance for doubtful debts | <u>(4,450)</u> | <u>(8,162)</u> |
| Net trade receivables | 878,576 | 726,728 |
| Bills receivables | <u>77,350</u> | <u>39,272</u> |
| | <u><u>955,926</u></u> | <u><u>766,000</u></u> |

Bills receivables represent bank drafts received from customers that are non-interest bearing and due within 180 days.

The Group allows an average credit period of 64 days (2017: 62 days) to its trade customers. 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:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 60 days | 531,520 | 514,883 |
| 61 to 90 days | 162,503 | 105,159 |
| Over 90 days | <u>184,553</u> | <u>106,686</u> |
| | <u><u>878,576</u></u> | <u><u>726,728</u></u> |

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

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 60 days | 52,002 | 25,537 |
| 61 to 180 days | <u>25,348</u> | <u>13,735</u> |
| | <u><u>77,350</u></u> | <u><u>39,272</u></u> |

9. TRANSFER OF FINANCIAL ASSETS

As at March 31, 2018, the Group's trade receivables amounted to approximately HK\$76,543,000 (2017: HK\$24,193,000), which were transferred to banks by discounting those trade 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 amounting to approximately HK\$61,343,000 (2017: HK\$19,354,000). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

10. TRADE AND BILLS PAYABLES

| | 2018 | 2017 |
|----------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Trade payables | 387,650 | 416,896 |
| Bills payables | 9,817 | 1,719 |
| | <u>397,467</u> | <u>418,615</u> |

Bills payables of the Group are aged within 30 days (2017: 30 days).

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

| | 2018 | 2017 |
|----------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Within 30 days | 270,200 | 335,965 |
| 31 to 60 days | 117,180 | 80,931 |
| Over 60 days | 270 | – |
| | <u>387,650</u> | <u>416,896</u> |

11. SHARE CAPITAL

| | Number of shares '000 | Share capital HK\$'000 |
|--|-----------------------------|------------------------------|
| Authorised | | |
| At April 1, 2016, April 1, 2017 and March 31, 2018 | | |
| – Ordinary shares of HK\$1.00 each | 120,000 | 120,000 |
| Issued and paid up | | |
| At April 1, 2016 and April 1, 2017 | | |
| – Ordinary shares of HK\$1.00 each | 75,506 | 75,506 |
| Exercise of share options | 835 | 835 |
| At March 31, 2018 | | |
| – Ordinary shares of HK\$1.00 each | 76,341 | 76,341 |

The Company has no treasury shares.

12. SHARE-BASED PAYMENTS

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

ESOS II

During the year ended March 31, 2018, share options holders under ESOS II exercised part of their share options and subscribed for 204,000 shares, 483,000 shares and 148,000 shares of HK\$1.00 each of the Company at an exercise price of Singapore dollar 0.335 per share on June 19, 2017, June 28, 2017 and July 11, 2017, respectively. The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised was Singapore dollar 0.758 per share.

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

The table below discloses movement of the Company’s share options under ESOS II:

| | Number of share options |
|--|----------------------------|
| Unexercised share options for ordinary shares at April 1, 2016 and April 1, 2017 | 836,600 |
| Exercised during the year | (835,000) |
| Unexercised share options for ordinary shares at March 31, 2018 | 1,600 |

12. SHARE-BASED PAYMENTS – continued

ESOS III

On July 17, 2017, the Company granted share options exercisable for 3,165,000 ordinary shares of HK\$1.00 each of the Company to certain eligible employees under ESOS III with an exercise price of HK\$4.30 per share. The period for the exercise of the share options will commence after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was approximately HK\$3,891,000. Fair values of the share options under ESOS III were calculated using the Binomial option pricing model. The inputs into the model were as follows:

| | |
|-------------------------------|---------------|
| | ESOS III |
| Grant date | July 17, 2017 |
| Share price at valuation date | HK\$4.07 |
| Exercise price | HK\$4.30 |
| Expected volatility | 48.41% |
| Risk-free rate | 1.49% |
| Expected dividend yield | 7.62% |
| Exercisable period | 9 years |
| Vesting period | 1 year |
| Fair value per share option | HK\$1.23 |

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

| | |
|--|------------------------------------|
| | Number of share options |
| Unexercised share options for ordinary shares at April 1, 2017 | – |
| Granted during the year | 3,165,000 |
| Cancelled during the year | (85,000) |
| | <hr/> |
| Unexercised share options for ordinary shares at March 31, 2018 | 3,080,000 |
| | <hr/> <hr/> |

During the current year, share-based payment expenses of approximately HK\$2,676,000 (2017: HK\$nil) have been recognised in profit or loss.

13. DIVIDEND

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Dividend recognised as distribution during the year: | | |
| 2016 – Nil | – | – |
| 2017 – Final HK\$0.31 per share | <u>23,666</u> | – |
| | <u>23,666</u> | <u>–</u> |

On August 25, 2017, a one-tier tax exempt final dividend of HK\$0.31 per share (total dividend of approximately HK\$23,666,000) was declared and distributed to the shareholders in respect of the financial year ended March 31, 2017.

In respect of the year ended March 31, 2018, the Board has proposed that a one-tier tax exempt final dividend of HK\$0.42 per share will be paid to shareholders on August 28, 2018. This dividend is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company and has not been included as a liability in these financial statements. The proposed dividend is payable to those shareholders whose names appear on the register of members of the Company at the close of business on August 10, 2018. The estimated total dividend to be paid is approximately HK\$32,063,000.

14. EARNINGS PER SHARE

From continuing and discontinued operations

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

| | Group Figures | | | |
|---|--------------------------|----------------------------|--------------------------|----------------------------|
| | 2018 | | 2017 | |
| | Basic <i>HK\$'000</i> | Diluted <i>HK\$'000</i> | Basic <i>HK\$'000</i> | Diluted <i>HK\$'000</i> |
| Profit attributable to owners of the Company | <u>111,956</u> | <u>111,956</u> | <u>37,514</u> | <u>37,514</u> |
| | No. of shares | No. of shares | No. of shares | No. of shares |
| Weighted average number of ordinary shares | 76,139,404 | 76,139,404 | 75,505,960 | 75,505,960 |
| Adjustment for dilutive potential ordinary shares | – | <u>483,627</u> | – | <u>353,143</u> |
| Weighted average number of ordinary shares used to compute earnings per share | <u>76,139,404</u> | <u>76,623,031</u> | <u>75,505,960</u> | <u>75,859,103</u> |
| Earnings per share | <u>1.47 (HK dollars)</u> | <u>1.46 (HK dollars)</u> | <u>0.50 (HK dollar)</u> | <u>0.49 (HK dollar)</u> |

14. EARNINGS PER SHARE – continued

From continuing operations

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

| | Group Figures | | | |
|--|--------------------------|----------------------------|--------------------------|----------------------------|
| | 2018 | | 2017 | |
| | Basic <i>HK\$'000</i> | Diluted <i>HK\$'000</i> | Basic <i>HK\$'000</i> | Diluted <i>HK\$'000</i> |
| Profit attributable to owners of the Company | 111,956 | 111,956 | 37,514 | 37,514 |
| Less: loss from discontinued operations | – | – | 1,841 | 1,841 |
| Profit attributable to owners of the Company from continuing operations | <u>111,956</u> | <u>111,956</u> | <u>39,355</u> | <u>39,355</u> |
| | No. of shares | No. of shares | No. of shares | No. of shares |
| Weighted average number of ordinary shares | 76,139,404 | 76,139,404 | 75,505,960 | 75,505,960 |
| Adjustment for dilutive potential ordinary shares | – | 483,627 | – | 353,143 |
| Weighted average number of ordinary shares used to compute earnings per share | <u>76,139,404</u> | <u>76,623,031</u> | <u>75,505,960</u> | <u>75,859,103</u> |
| Earnings per share | <u>1.47 (HK dollars)</u> | <u>1.46 (HK dollars)</u> | <u>0.52 (HK dollar)</u> | <u>0.51 (HK dollar)</u> |

From discontinued operations

There is no basic earnings (loss) per share or diluted earnings (loss) per share from the discontinued operations for the current year. For the year ended March 31, 2017, basic and diluted loss per share from the discontinued operations were HK\$0.02 per share, based on the loss for that year from discontinued operations attributable to owners of the Company of approximately HK\$1,841,000 and the denominators detailed above for both basic and diluted loss per share.

15. NET ASSET VALUE

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

| | Group Figures | | Company Figures | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net asset value per ordinary share based on the number of issued share capital of the Company at the end of the year | <u>9.38 (HK dollars)</u> | <u>7.65 (HK dollars)</u> | <u>4.75 (HK dollars)</u> | <u>4.47 (HK dollars)</u> |

The net asset backing per ordinary share as at March 31, 2018 was based on the issued share capital of 76,340,960 ordinary shares (March 31, 2017: 75,505,960).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue – Continuing operations

The Group's sales revenue from continuing operations increased by 17.3% from HK\$3,883.1 million for the year ended March 31, 2017 (“FY2017”) to HK\$4,556.4 million for the year ended March 31, 2018 (“FY2018”).

The revenue growth was driven by the double-digit increase in sales from the Group's Industrial, Home Appliance and Automotive segments. Although the Telecommunication segment was impacted by the slowdown in demand for smartphones, this was mitigated by the Group's well-balanced business portfolio and strategic investments in growth segments, which together yielded a positive overall outcome and a stellar performance in FY2018.

Turnover by Market Segment Analysis

(in HK\$'000)

| | FY2018 | | FY2017 | | Increase (Decrease) | |
|------------------------------|------------------|---------------|------------------|---------------|---------------------|--------------|
| | | % | | % | | % |
| Continuing operations | | | | | | |
| Telecommunications | 1,124,965 | 24.7% | 1,041,889 | 26.8% | 83,076 | 8.0% |
| Industrial | 1,089,557 | 23.9% | 859,543 | 22.1% | 230,014 | 26.8% |
| Home Appliance | 619,743 | 13.6% | 506,182 | 13.0% | 113,561 | 22.4% |
| Automotive | 507,134 | 11.1% | 433,383 | 11.2% | 73,751 | 17.0% |
| Dealer | 437,191 | 9.6% | 376,447 | 9.7% | 60,744 | 16.1% |
| Electronic Manufacturing | | | | | | |
| Services (“EMS”) | 271,777 | 6.0% | 201,326 | 5.2% | 70,451 | 35.0% |
| Audio and Video | 256,528 | 5.6% | 236,765 | 6.1% | 19,763 | 8.3% |
| Lighting | 122,444 | 2.7% | 122,732 | 3.2% | (288) | -0.2% |
| Others | 127,051 | 2.8% | 104,873 | 2.7% | 22,178 | 21.1% |
| | <u>4,556,390</u> | <u>100.0%</u> | <u>3,883,140</u> | <u>100.0%</u> | <u>673,250</u> | <u>17.3%</u> |

Telecommunications

This segment contributed sales of HK\$1,125.0 million in FY2018, which was an 8.0% increase over FY2017. The global smartphone market has plateaued with longer replacement cycles and 4G handsets coming into maturity. Chinese manufacturers are fighting for market share in the mid to high-ended segment by leveraging their manufacturing capability and increasing the efficiency of their operations.

In order to maintain our market share in this segment, we have introduced competitive new products that can enhance both features and functions to improve the performance of the smartphone. In view of the segment's volatility, we are closely monitoring the supply chain and keeping healthy inventory levels to avoid over-supply.

Industrial

The Group has invested heavily in developing its capabilities in this segment and the investment has started to pay off. This segment has continued on its strong growth trajectory for the past few years and is now very close to becoming the Group's largest revenue generator with year-on-year ("YOY") revenue growth of 26.8% to HK\$1,089.6 million in FY2018.

Further industrialization in China has led to a higher demand for power electronics components, to be used for motion control, power management and power saving applications. Our well-developed network and engineering resources enable us to partner with our suppliers to provide the most relevant products to support the development of new designs. This has enabled us to capture new business opportunities to expand our coverage and market share and we will continue to strengthen our position in this area.

Home Appliance

Revenue from this segment increased by 22.4% YOY to HK\$619.7 million in FY2018 mainly driven by a rising demand for premium home appliances and higher standard for power saving features.

In recent years, the inverter function has become a quintessential feature of quality home appliances and created huge potential for power devices and advanced electronic components. Our strategy is to establish a strong sales and marketing network in China, and provide engineering support and services for the new application design. In addition, we will source for more new suppliers to enrich our portfolio for the benefit of our customers. We are confident that this will enable us to sustain our strong position in the market and capture this growing segment.

Automotive

Revenue from this segment continued the double-digit growth that it has achieved in recent years, increasing by 17.0% YOY to HK\$507.1 million in FY2018 and affirming our confidence to invest in it in the long term.

Today's cars are more efficient and smarter than ever with increasing computerization that requires a lot more electronic content than before especially in New Energy Cars. Two major technology shifts, electrification and digitalization, are redefining the automotive industry and its supply chain. We expect this trend to continue and more new applications to emerge, which presents tremendous opportunities for electronic components.

We are committed to growing and investing in this segment and to provide engineering services by teaming up with our strong suppliers to offer innovative products to capture the growth opportunities in this business segment.

Dealer

This segment recorded a 16.1% YOY increase to HK\$437.2 million in FY2018 driven by a strong demand in power and discrete components, which is our Group's focus in the market. We will continue to strengthen our partnerships with dedicated dealers to expand our market coverage in order to get good support from our suppliers to secure market share.

EMS

This segment registered a 35.0% YOY increase in revenue to HK\$271.8 million in FY2018. During the year under review, our major customers were able to secure major projects in the export market and we supported them with an efficiently managed supply chain. Despite its stellar performance, we believe that this segment will remain challenging because of the keen global competition in this market. Our strategy is to provide customers with engineering support and closely monitor the industry's demand projections in order to maintain an optimum level of inventory.

Audio and Video

Revenue from this segment increased by 8.3% YOY to HK\$256.5 million in FY2018 driven by higher demand for portable devices and users' demand for better performance of audio appliances. In anticipation of the coming wide deployment of the Internet of Things ("IOT") and Artificial Intelligence market, we are looking for more new applications in this segment. We are carefully monitoring the trend and potential in this business segment.

Lighting

Revenue from this segment remained flat YOY with a marginal decrease of 0.2% to HK\$122.4 million in FY2018. Looking ahead, we see potential in the commercial lighting market as well as the IOT lighting application. Our existing suppliers carry good products for these applications and we will also source new suppliers to strengthen our product offerings. We intend to allocate adequate engineering resources to support our key customers professional solutions in order to capture the opportunities in the market.

Others

Revenue from this segment rose by 21.1% YOY to HK\$127.1 million in FY2018. The increase was mainly attributable to the Group securing a tablet project during the year. We remain bullish about the potential of health care, security and renewable energy applications and will continue to keep a close watch on these areas.

Profit Margin – Continuing operations

The Group's gross profit margin increased from 8.2% in FY2017 to 8.7% in FY2018. This was attributed to the Group's investment in engineering resources and sales network to support higher value segments, like Automotive, Industrial and Home Appliance, which led to better returns and improved margins.

Distribution Costs – Continuing operations

Distribution costs increased by HK\$9.9 million, or 19.7%, from HK\$50.5 million in FY2017 to HK\$60.4 million in FY2018. The increase was mainly due to higher sales incentive expense, which was in line with the increase in sales and gross profit.

Administrative Expenses – Continuing operations

Administrative expenses increased by HK\$21.1 million, or 11.1%, from HK\$190.4 million in FY2017 to HK\$211.5 million in FY2018. This was mainly due to an increase in staff cost as a result of a higher average headcount as compared to last year.

Other Gains and Losses – Continuing operations

Other gains of HK\$37.7 million in FY2018 included an exchange gain of HK\$33.4 million, mainly arising from the appreciation of the Chinese renminbi (“RMB”) against the United States dollar (“USD”) and a reversal of allowance for doubtful trade receivables of HK\$4.0 million. Other losses of HK\$7.2 million in FY2017 included an exchange loss of HK\$14.2 million, mainly arising from the depreciation of RMB against USD and partially offset by a reversal of allowance for doubtful trade receivables of HK\$7.7 million.

Finance Costs – Continuing operations

Finance costs increased by HK\$6.4 million, or 25.9%, from HK\$24.5 million in FY2017 to HK\$30.9 million in FY2018. This was mainly attributable to an increase in trust receipt loans to cope with the increased purchasing activities and the higher interest rate during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2017, trust receipt loans increased by HK\$149.8 million. Trade and bills payables decreased from HK\$418.6 million as at March 31, 2017 to HK\$397.5 million as at March 31, 2018. The increase in trust receipt loans was due to the increase in purchasing activities during the year. Trade and bills receivables increased by HK\$189.9 million when compared to those as at March 31, 2017, due to an increase in sales revenue towards the end of the year under review. The debtors turnover days slightly increased from 2.4 months to 2.6 months.

As at March 31, 2018, the Group's current ratio (current assets/current liabilities) was 1.31 (March 31, 2017: 1.27).

Inventories

Inventories increased from HK\$591.7 million as at March 31, 2017 to HK\$691.0 million as at March 31, 2018. The inventory turnover days decreased from 2.0 months to 1.7 months.

Cash Flow

As at March 31, 2018, the Group had a working capital of HK\$470.9 million, which included a cash balance of HK\$327.1 million, compared to a working capital of HK\$363.0 million, which included a cash balance of HK\$331.3 million as at March 31, 2017. The decrease in cash by HK\$4.2 million was attributable to the net effect of cash outflows of HK\$158.5 million in operating activities and HK\$1.8 million in investing activities and inflow of HK\$149.6 million from financing activities. About 72.1% of the Group's cash balance was denominated in USD, 14.0% in RMB, 10.9% in Hong Kong dollars ("HKD") and the remaining in other currencies.

Cash outflow in operating activities was mainly attributable to an increase in trade receivables due to increased sales revenue towards the end of the year and an increase in inventories.

Cash inflow from financing activities was attributable to the net effect of increases in trust receipt loans and bank borrowings as a result of increased purchasing activities and the dividend payment to shareholders.

Borrowings and Banking Facilities

As at March 31, 2018, bank borrowings of HK\$170.0 million (March 31, 2017: HK\$190.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2019. The bank borrowings were denominated in HKD.

Unsecured fixed rate bank borrowings bore interest at a weighted average effective rate of 3.50% per annum while secured variable rate bank borrowings bore interest at a weighted average effective rate of 3.26% per annum as at March 31, 2018.

As at March 31, 2018, trust receipt loans were unsecured and repayable within one year and bore an effective interest rate of 2.11% to 3.75% per annum. As at March 31, 2018, the Group had unutilised banking facilities of HK\$457.6 million (March 31, 2017: HK\$330.0 million).

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

Amount repayable in one year or less, or on demand

| As at March 31, 2018 | | As at March 31, 2017 | |
|----------------------|-----------------|----------------------|-----------------|
| Secured | Unsecured | Secured | Unsecured |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 61,343 | 988,378 | 19,354 | 858,554 |

Amount repayable after one year

| As at March 31, 2018 | | As at March 31, 2017 | |
|----------------------|-----------------|----------------------|-----------------|
| Secured | Unsecured | Secured | Unsecured |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| – | – | – | – |

As at March 31, 2018, the Group's trade receivables amounted to HK\$76.5 million (March 31, 2017: HK\$24.2 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounting to HK\$61.3 million (March 31, 2017: HK\$19.4 million).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at March 31, 2018 was 101.9% (March 31, 2017: 94.5%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders’ equity at the end of a given period. The increase was mainly due to an increase in trust receipt loans from HK\$668.6 million to HK\$818.4 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 March 31, 2018, the aggregate banking facilities granted to the subsidiaries were HK\$1,455.8 million (March 31, 2017: HK\$1,190.3 million), of which HK\$1,002.1 million (March 31, 2017: HK\$863.7 million) was utilised and guaranteed by the Company.

As at March 31, 2018, the Company had also given guarantees to a supplier in relation to the subsidiaries’ settlement of the respective payables. The aggregate amount payable to this supplier under guarantee was HK\$365.5 million (March 31, 2017: HK\$327.1 million).

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*)

China's economy grew by 6.9% in 2017, topping both the official target of 6.5% and 2016's growth of 6.7%, on the back of an improving domestic demand, a strong export market and ongoing state infrastructure spending. The Group will focus on growth industries such as the automotive and home appliances segments, which are both expected to have increasing electronic content in tandem with the rising trend for automation, power saving and smart features.

In view of the considerable downside risks and certain headwinds in the macro-environment led by the United States and China trade tensions, 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.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE THE END OF THE FINANCIAL YEAR

No important events affecting the Group have occurred since the end of the financial year.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.42 (the "Final Dividend") (2017: HK\$0.31) per ordinary share for the year ended March 31, 2018 to those shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") at the close of business on August 10, 2018. The Final Dividend will be payable on August 28, 2018 subject to the approval of the Shareholders at the forthcoming 2018 annual general meeting of the Company (the "2018 AGM").

BONUS ISSUE OF SHARES

The Board has proposed to make a bonus issue of one new share (collectively, the "Bonus Shares") for every ten existing shares to the qualifying Shareholders. The necessary resolution will be proposed at the 2018 AGM.

The Bonus Shares will be credited as fully paid-up at par by way of capitalisation of an amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company. Upon issue, the Bonus Shares will rank *pari passu* in all respects with the then existing shares of the Company, including the entitlement of any dividends, rights, allotments or other distributions the record date for which falls on or after the date of allotment and issue of the Bonus Shares. For the avoidance of doubt, the Bonus Shares shall not be entitled to the Final Dividend.

An announcement setting out further information of the issue of the Bonus Shares will be published by the Company and such information will also be set out in a circular for despatch by the Company to the Shareholders in due course.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Friday, July 27, 2018 and the notice of the 2018 AGM will be published on the respective websites of the SGX-ST, the SEHK and the Company and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the 2018 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2018 AGM, for Hong Kong Shareholders, the Hong Kong branch register of members (the “Hong Kong Branch Register”) will be closed from Tuesday, July 24, 2018 to Friday, July 27, 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 AGM, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company’s Hong Kong branch share registrar and transfer office (the “Hong Kong Branch Registrar”), Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, July 23, 2018.

For Singapore Shareholders, the share transfer books and Singapore branch register of members (the “Singapore Branch Register”) will be closed at 5:00 p.m. on Monday, July 23, 2018. Duly completed registrable transfers of shares received by the Company’s share transfer agent in Singapore (the “Singapore Share Transfer Agent”), Intertrust Singapore Corporate Services Pte. Ltd. at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 up to 5:00 p.m. on Monday, July 23, 2018 will be registered to determine Singapore Shareholders’ entitlements to attend and vote at the 2018 AGM.

Any transfer of the shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, July 13, 2018 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, July 13, 2018 for Singapore Shareholders.

(2) For determining the entitlement to the Final Dividend

For the purpose of determining the entitlement of the Shareholders to the Final Dividend, for Hong Kong Shareholders, the Hong Kong Branch Register will be closed from Monday, August 13, 2018 to Wednesday, August 15, 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the Final Dividend, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Hong Kong Branch Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, August 10, 2018.

For Singapore Shareholders, the share transfer books and the Singapore Branch Register will be closed at 5:00 p.m. on Friday, August 10, 2018. Duly completed registrable transfers of shares received by the Singapore Share Transfer Agent, Intertrust Singapore Corporate Services Pte. Ltd. at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896, up to 5:00 p.m. on Friday, August 10, 2018 will be registered to determine Singapore Shareholders' entitlements to the proposed Final Dividend. Singapore Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. on Friday, August 10, 2018 will be entitled to the proposed Final Dividend.

Any transfer of the shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Thursday, August 2, 2018 for Hong Kong Shareholders and not later than 5:00 p.m. on Thursday, August 2, 2018 for Singapore Shareholders.

Shareholders who hold their shares on the Hong Kong Branch Register will receive their Final Dividend payment in Hong Kong dollars; while Shareholders who hold their shares on the Singapore Branch Register or whose securities accounts are with The Central Depository (Pte) Limited will receive their Final Dividend payment in Singapore dollars.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2018, the Group had a workforce of 454 full-time employees (March 31, 2017: 444), of which 33.0% worked in Hong Kong, 63.2% in the PRC and the remainder in Taiwan.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended March 31, 2018, the Company did not redeem any of its securities listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such 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. The Board considers that during the year ended March 31, 2018, the Company has complied with all the code provisions set out in 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 among the HK Listing Rules, the Code of Corporate Governance 2012 of Singapore 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 adequateness of 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 each of the Directors, all of them confirmed that they had complied with the required standards as set out in the HK Model Code throughout the year ended March 31, 2018.

REVIEW BY AUDIT COMMITTEE

The Board 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 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 audited annual results and the Company's draft annual report for the year ended March 31, 2018 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as of and for the year ended March 31, 2018 have been audited by the Company's independent auditors, Deloitte Touche Tohmatsu, Hong Kong and the independent auditors' report is attached as Appendix 1 to this announcement.

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 annual report of the Company for the year ended March 31, 2018 will be despatched to Hong Kong Shareholders whose names appear on the Register of Members of Hong Kong branch share registrar and transfer office. Singapore Shareholders may submit their requests to the Company for a printed copy of the annual report. The annual report shall be published on the respective websites of the HKEx, the Company and the SGX-ST 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 half year results announcement for the financial period ended September 30, 2017.

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 the Shareholders for IPTs.

3. A breakdown of sales

| | | Group | | |
|-----------------------|---|------------------|------------------|------------------------------|
| Continuing operations | | 2018 HK\$'000 | 2017 HK\$'000 | Increase/ (Decrease) % |
| (a) | Sales reported for first half year | 2,354,752 | 2,069,937 | 13.8% |
| (b) | Operating profit after tax before deducting non-controlling interests reported for first half year | 60,153 | 15,900 | 278.3% |
| (c) | Sales reported for second half year | 2,201,638 | 1,813,203 | 21.4% |
| (d) | Operating profit after tax before deducting non-controlling interests reported for second half year | 51,803 | 22,942 | 125.8% |

4. *A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year*

| | Total Annual Dividend | |
|------------|------------------------------|--------------------|
| | Latest Full Year | Previous Full Year |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Ordinary | 32,063 | 23,666 |
| Preference | 0 | 0 |
| Total: | 32,063 | 23,666 |

5. *Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) of the Listing Manual of the SGX-ST in the format below. If there are no such persons, the issuer must make an appropriate negative statement*

| Name | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year the position was first held | Details of changes in duties and position held, if any, during the year |
|------------------------|------------|---|---|--|
| Leung Chi Hang, Daniel | 42 | Eldest son of Leung Chun Wah, the Chairman, an Executive Director and a Substantial Shareholder of the Company. | Deputy Managing Director for Information Technology and Logistics with effect from April 1, 2015. He is responsible for overseeing the Information Technology and Logistics functions of the Group. He has been overseeing the Marketing Communication function of the Group since May 1, 2016. | He has also been responsible for overseeing the Human Resources function of the Group with effect from January 1, 2018 |

6. *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, May 30, 2018

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.

Appendix 1

The independent auditors' report on the full financial statements of Willas-Array Electronics (Holdings) Limited for the financial year ended March 31, 2018 is as follows:

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
For the financial year ended March 31, 2018**

Opinion

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages ● to ●, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <i>Allowance for inventories obsolescence</i> | |
| <p>We identified the allowance for inventories obsolescence as a key audit matter as the Group operates in a fast evolving industry where inventories comprise of electronic components and are subject to obsolescence due to rapid technological changes and product obsolescence. As such, significant management estimates and judgements are involved in determining the allowance for inventories.</p> | <p>Our audit procedures in relation to the allowance for inventories included:</p> |
| <p>The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price.</p> | <ul style="list-style-type: none">• Understanding and evaluating the basis of how slow-moving or obsolete inventories are identified by the management, and their assessment of net realisable value and allowance for inventories;• Engaging our internal information technology (“IT”) specialists to perform a computer assisted audit techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales;• Testing the net realisable values of inventories by reference to latest sales margin report to identify inventories that are obsolete or selling at loss and assessing whether the allowance was properly provided for the relevant inventories; and• Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year. |
| <p>As disclosed in note 24 to the consolidated financial statements, as at March 31, 2018, the carrying amount of the Group’s inventories is approximately HK\$690,950,000, net of allowance for inventories of HK\$34,690,000.</p> | |

Key audit matter**How our audit addressed the key audit matter*****Recoverability of trade receivables***

We identified the recoverability of the Group's trade receivables as a key audit matter due to its significant balance and the estimation uncertainty involved in determining the recoverability of trade receivables.

Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be recoverable. The Group takes into consideration the aging categories, subsequent settlements of the receivables, repayment history and credit worthiness of debtors in determining the recoverability of trade receivables and the amount of allowance for doubtful debts.

As described in note 25 to the consolidated financial statements, as at March 31, 2018, the carrying amount of the Group's trade receivables were approximately HK\$878,576,000, net of allowance for doubtful debts of HK\$4,450,000.

Our audit procedures in relation to the recoverability of trade receivables included:

- Understanding and evaluating the basis of how allowance for doubtful debts is estimated by the management;
- Engaging our internal IT specialists to perform a computer assisted audit techniques exercise to test the accuracy of the trade receivables aging listed in the system generated report, and assessing whether allowance for doubtful debts was properly provided for after taking into account subsequent settlements;
- Testing settlements received in respect of the trade receivables subsequent to the year end, on a sample basis, against the source documents; and
- Assessing the historical accuracy of allowance for doubtful debts to evaluate the appropriateness of the basis made by the management in the current year.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditors' report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 30, 2018