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)

Interim Report 2018

Contents

Corporate Information

DIRECTORS

Executive Directors

Leung Chun Wah *(Chairman)*
Kwok Chan Cheung *(Deputy Chairman)*
Hon Kar Chun *(Managing Director)*
Leung Hon Shing

Independent Non-executive Directors

Jovenal R. Santiago
Wong Kwan Seng, Robert
Iu Po Chan, Eugene

COMPANY SECRETARY

Leung Hon Shing

AUDIT COMMITTEE

Jovenal R. Santiago *(Chairman)*
Wong Kwan Seng, Robert
Iu Po Chan, Eugene

REMUNERATION COMMITTEE

Iu Po Chan, Eugene *(Chairman)*
Jovenal R. Santiago
Wong Kwan Seng, Robert

NOMINATION COMMITTEE

Wong Kwan Seng, Robert *(Chairman)*
Jovenal R. Santiago
Iu Po Chan, Eugene

COMPLIANCE COMMITTEE

Iu Po Chan, Eugene *(Chairman)*
Jovenal R. Santiago
Wong Kwan Seng, Robert

AUTHORISED REPRESENTATIVES

Hon Kar Chun
Leung Hon Shing

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B
21/F, 148 Electric Road
North Point
Hong Kong

Corporate Information

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPANY WEBSITE

www.willas-array.com

STOCK CODE

Hong Kong: 854
Singapore: BDR

BOARD LOT

Hong Kong: 1,000 shares
Singapore: 100 shares

Financial Highlights

Willas-Array Electronics (Holdings) Limited (the "Company") was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The issued ordinary shares of the Company (the "Shares") 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 board (the "Board") of directors (the "Directors") of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group", "We" and "Our") for the six months ended September 30, 2018, together with the relevant comparative figures.

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	**Change %**
Revenue	**2,154,825**	2,354,752	**-8.5**
Gross profit	**207,210**	196,727	**+5.3**
Profit before tax	**14,155**	69,385	**-79.6**
Profit attributable to owners of the Company	**6,725**	60,153	**-88.8**
		(Restated)	
Basic earnings per share (HK cents)	**7.97**	72.01	**-88.9**

BUSINESS REVIEW

The Group recorded attributable profit of HK$6.7 million for the six months ended September 30, 2018 ("1H FY2019") compared to HK$60.2 million for the six months ended September 30, 2017 ("1H FY2018") mainly due to an exchange loss of HK$34.0 million in the current period while there was an exchange gain of HK$10.0 million in the same period last year. Excluding the exchange difference, the attributable profit of the core business would have been HK$40.7 million in 1H FY2019 as compared to HK$50.2 million in 1H FY2018. The decrease in attributable profit of the core business was mainly due to increases in staff cost, rental expenses for warehouse and finance costs in 1H FY2019.

Revenue

The Group's sales revenue had decreased by 8.5% from HK$2,354.8 million in 1H FY2018 to HK$2,154.8 million in 1H FY2019.

The sales of the Group had a good start in the beginning of the fiscal year continuing the strong demand and momentum of the market from last year. However, since June 2018, the escalating US-China trade tension has had a negative impact on the confidence of consumers and manufacturers, and the overall supply chain of electronic industry. Both consumer and business sentiments have become conservative with tightening controls in a bid to lower the inventory risks. Our customers had started to slow down placing long-term orders and push out short-term orders to trim down the buffer levels in their inventories. Moreover, the depreciation of the Chinese Renminbi ("RMB") further reduced the buying power of domestic customers in China.

In line with the bearish environment, the Group's sales declined across almost all its business segments. Some segments, in particular Industrial, Home Appliance and Electronic Manufacturing Services ("EMS"), were directly impacted by the US-China trade tensions, which had a direct effect on export orders. The remaining segments were indirectly impacted by the resulting decline in consumer confidence in the China domestic market.

Turnover by Market Segment Analysis

(in HK$'000)

	1H FY2019		1H FY2018		Increase (Decrease)	
		%		%		%
Industrial	**555,841**	**25.8%**	567,429	24.1%	(11,588)	(2.0%)
Telecommunications	**466,573**	**21.7%**	604,410	25.7%	(137,837)	(22.8%)
Home Appliance	**306,216**	**14.2%**	300,266	12.7%	5,950	2.0%
Automotive	**236,248**	**11.0%**	230,301	9.8%	5,947	2.6%
Dealer	**198,842**	**9.2%**	232,770	9.9%	(33,928)	(14.6%)
Audio and Video	**156,676**	**7.3%**	140,468	5.9%	16,208	11.5%
EMS	**118,513**	**5.5%**	140,824	6.0%	(22,311)	(15.8%)
Lighting	**59,228**	**2.7%**	61,126	2.6%	(1,898)	(3.1%)
Others	**56,688**	**2.6%**	77,158	3.3%	(20,470)	(26.5%)
	2,154,825	**100.0%**	2,354,752	100.0%	(199,927)	(8.5%)

Industrial

The Industrial segment achieved revenue of HK$555.8 million in 1H FY2019, a drop of 2.0% as compared to the same period last year. This segment covers a wide range of applications including switched mode power supply, LCD module, meter and energy saving products. The strong demand, which we enjoyed last year, had continued at the beginning of this year before being affected by the US-China trade tensions and resulting in weaker sales revenue. The Group will monitor the conditions closely and will continue to commit strong engineering and sales resources to this segment due to its long term potential.

Telecommunications

The Telecommunications segment was the Group's second largest revenue generator in 1H FY2019 contributing sales of HK$466.6 million. There was a significant drop of 22.8% as compared to the same period last year. The weakening of smartphone market was due to the saturation of the 4G market even as consumers held back their purchases in anticipation of the launch of the 5G telecommunication products. This situation is the same as that of the previous migration from 3G to 4G.

Although the Group's customer base in this segment does not depend on the export to US market, consumer confidence has been affected by the current trade tensions and led to declining demand in this segment. The Group's strategy is to keep the efficiency in the supply chain and monitor the inventory status to avoid any unexpected risks.

Home Appliance

Revenue from the Home Appliance segment was HK$306.2 million in 1H FY2019, representing an increase of 2.0% as compared to the same period last year. The export market of this segment was affected by the trade tensions, however demand from the domestic China market for new products with new features enabled the Group to maintain sales at a similar level as last year.

Automotive

Revenue from the Automotive segment increased by 2.6% to HK$236.2 million in 1H FY2019 as compared to the same period last year. This segment is also hit by the US-China trade tensions. Recent statistics shows worsening automotive sales and production in China[1]. Despite the slowdown, the Group's rapid development of new applications and the further electrification of automotive enabled the Group to maintain revenues at a similar level as last year.

This segment remains a key area of focus for the Group in the long term. During the current slowdown, the Group plans to further strengthen its capabilities in engineering solutions and networks to capture future opportunities.

Dealer

The revenue from this segment was HK$198.8 million in 1H FY2019, a 14.6% drop as compared to the same period last year. This segment has traditionally been the fastest to react to market changes. With the current conditions, the dealers have become cautious and stopped stocking up on inventory and participating in sales programmes. The rapid depreciation in RMB had also further damaged the business in this segment.

Audio and Video

Revenue from the Audio and Video segment was HK$156.7 million in 1H FY2019, an increase of 11.5% as compared to the same period last year. This segment had became more stable after the Group had put more focus on the high-end audio and portable audio products. The Group had secured a project in 2018 with an end user in Europe that led to strong demand at the start of the year but sales has since weakened with the rising tensions between the US and China. The Group will carefully monitor each project in this segment to make sure that the credit position and inventory levels are healthy.

---

[1] MIIT – Ministry of Industry and Information Technology of the PRC
(http://www.miit.gov.cn/n1146312/n1146904/n1648362/n1648363/c6432392/content.html);
CAAM – China Association of Automobile Manufacturers
(http://www.caam.org.cn/newslist/a35-1.html)

EMS

This segment recorded a 15.8% decrease in revenue in 1H FY2019 as compared to the same period last year to HK$118.5 million. This was one of the key segments affected by the US-China trade tensions, partially because US buyers had shifted their EMS orders to other countries instead of China. The Group will monitor the change closely and put counter measures and adjust our strategy for this segment as appropriate.

Lighting

Revenue from this segment continued its decline in 1H FY2019, falling 3.1% as compared to the same period last year to HK$59.2 million. Even with no trade tensions, the revenue of this segment has been shrinking, and the Group expects the current market conditions to accelerate the downward trend because of a drop in the number of orders from the US.

Others

Because of the overall weakness in customer demand, revenue from this segment dropped 26.5% in 1H FY2019 as compared to the same period last year to HK$56.7 million particularly in the Toys and Health Care application, which was partially offset by sustained sales from the Security application. The Group will continue to seek more new opportunities in various applications to maintain a strong position in the China market.

Gross Profit Margin

The Group's gross profit margin increased from 8.4% in 1H FY2018 to 9.6% in 1H FY2019. This was attributed to the Group's investment in engineering resources and sales network to provide value-added services to customers in our key focus segments, such as Automotive, Industrial and Home Appliance, which led to better returns and improved margins.

Distribution Costs

Distribution costs decreased by HK$2.4 million, or 9.1%, from HK$26.5 million in 1H FY2018 to HK$24.1 million in 1H FY2019. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue.

Administrative Expenses

Administrative expenses increased by HK$14.4 million, or 14.3%, from HK$100.3 million in 1H FY2018 to HK$114.7 million in 1H FY2019. This was mainly due to (i) an increase in staff cost due to higher average headcount and (ii) premises and warehouse removal expenses due to extra rental expenses incurred for the new warehouse in Hong Kong for renovation and removal in the current period.

Other Gains and Losses

Other losses of HK$34.1 million in 1H FY2019 included an exchange loss of HK$34.0 million, mainly arising from the depreciation of RMB against the United States dollars ("USD"). Other gains of HK$13.1 million in 1H FY2018 included an exchange gain of HK$10.0 million, mainly arising from the appreciation of the RMB against the USD and a reversal of allowance for doubtful trade receivables of HK$3.0 million.

Finance Costs

Finance costs increased by HK$7.9 million, or 56.8%, from HK$14.0 million in 1H FY2018 to HK$21.9 million in 1H FY2019. This was mainly attributable to an increase in trust receipt loans and the higher average interest rate for the current period. As at September 30, 2018, the interest rate of trust receipt loans was ranging from 3.35% to 4.80% (September 30, 2017: 2.23% to 3.45%) per annum.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2018, trust receipt loans increased by HK$129.3 million. Trade and bills payables decreased from HK$397.5 million as at March 31, 2018 to HK$346.0 million as at September 30, 2018. The increase in trust receipt loans was mainly due to the increase in inventories during the period under review. Trade and bills receivables increased by HK$47.7 million when compared to those as at March 31, 2018, due to an increase in sales revenue towards the end of the period under review and the debtors turnover days slightly increased from 2.6 months to 2.8 months.

As at September 30, 2018, the Group's current ratio (current assets/current liabilities) was 1.26 (March 31, 2018: 1.31).

Inventories

Inventories increased from HK$691.0 million as at March 31, 2018 to HK$791.1 million as at September 30, 2018. The inventory turnover days increased from 1.7 months to 2.3 months.

Cash Flow

As at September 30, 2018, the Group had a working capital of HK$432.0 million, which included a cash balance of HK$296.2 million, compared to a working capital of HK$470.9 million, which included a cash balance of HK$327.1 million as at March 31, 2018. The decrease in cash by HK$30.9 million was primarily attributable to the net effect of cash outflows of HK$194.2 million in operating activities and HK$20.6 million in investing activities and inflow of HK$189.2 million generated from financing activities. The Group's cash balance was mainly denominated in USD, RMB and Hong Kong dollars ("HKD").

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

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

Borrowings and Banking Facilities

As at September 30, 2018, fixed-rate bank borrowings of HK$200.0 million (March 31, 2018: HK$170.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2019. The fixed-rate bank borrowings were denominated in HKD.

Unsecured fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.33% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 3.62% per annum as at September 30, 2018. The variable-rate bank borrowings were denominated in USD and HKD.

As at September 30, 2018, trust receipt loans were unsecured and repayable within one year and bore an interest rate of 3.35% to 4.80% per annum. As at September 30, 2018, the Group had unutilised banking facilities of HK$358.3 million (March 31, 2018: HK$457.6 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 September 30, 2018		As at March 31, 2018	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
73,007	**1,193,490**	61,343	988,378

Amount repayable after one year

As at September 30, 2018		As at March 31, 2018	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
–	**–**	–	–

As at September 30, 2018, the Group's trade receivables amounted to HK$91.3 million (March 31, 2018: HK$76.5 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$73.0 million (March 31, 2018: HK$61.3 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 September 30, 2018 was 144.1% (March 31, 2018: 101.9%). 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$818.4 million to HK$947.6 million to finance the increased inventories.

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, 2018, the aggregate banking facilities granted to the subsidiaries were HK$1,555.3 million (March 31, 2018: HK$1,455.8 million), of which HK$1,202.4 million (March 31, 2018: HK$1,002.1 million) was utilised and guaranteed by the Company.

As at September 30, 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$201.3 million (March 31, 2018: HK$365.5 million).

STRATEGY AND PROSPECTS

The ongoing US-China trade tensions and the resulting implementation of tariffs are a threat to China's economy, and are expected to dent US growth. Worsening trade tensions and exchange of tariffs could cause significant economic cost to the global economy. The Group believes that the influence of these trade tensions has just started with no short term resolution in sight. Nevertheless the Group remains cautiously optimistic about the key focus segments we have identified, namely Automotive, Industrial and Home Appliance, and we will continue to focus our efforts and resources in these areas.

In view of the considerable downside risks and certain headwinds in the macro-environment, the Group has taken several measures in facing this challenging situation, including tightening its cost and expenses control, mitigating the credit risk of debtors and reducing its purchase activities to keep inventory at appropriate levels.

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

No important events affecting the Group have occurred after the end of the reporting period.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2018 (2017: HK$nil).

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2018, the Group had a workforce of 476 (March 31, 2018: 454) full-time employees, of which 33.2% worked in Hong Kong, 63.0% in the PRC and the remainder in Taiwan.

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

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

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

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

As at September 30, 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")), which were required: (i) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules" and the "HK Model Code", respectively) were as follows:

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

	Number of Shares Held					
Name of Directors/ Chief Executive	Beneficial owner	Interest of spouse	Beneficiary of a trust	Interest in a controlled corporation	Total	Approximate Percentage of Total Shareholding in the Company [3] (%)
Leung Chun Wah [1] ("Mr. Leung")	1,230,130	805,134	19,909,813	–	21,945,077	25.76
Kwok Chan Cheung [2] ("Mr. Kwok")	37,400	–	–	8,685,109	8,722,509	10.24
Hon Kar Chun	322,080	–	–	–	322,080	0.38
Leung Hon Shing	274,824	–	–	–	274,824	0.32

Notes:

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

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

(3) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2018 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2018, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (i) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the SEHK pursuant to the HK Model Code.

Disclosure of Interests

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at September 30, 2018, so far as the Directors are aware, the following persons (other than a Director or the chief executive of the Company) or corporations who/which had or deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long Position in the Shares

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

Notes:

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

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

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

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

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

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

(7) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2018 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2018, the Directors are not aware of any persons (other than a Director or the chief executive of the Company) or corporations who/which had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

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

ESOS II

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

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

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

Particulars of the share options outstanding under ESOS II at the beginning and at the end of the financial period for the six months ended September 30, 2018 (the "Period") and the share options granted, exercised, lapsed, cancelled and adjusted during the Period were as follows:

		Number of underlying Shares comprised in share options								
Name or category of participants	Date of grant	Balance as at April 1, 2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Adjusted during the Period(1)	Balance as at September 30, 2018	Adjusted exercise price per Share (before bonus issue)(1)	Exercise period
Employees in aggregate	October 2, 2009	1,600	–	–	–	–	160	1,760	S$0.305 (S$0.335)	October 2, 2011 to October 1, 2019

Note:

(1) The exercise price and the number of underlying Shares comprised in the outstanding ESOS II options were adjusted pursuant to the bonus issue of Shares on the basis of one (1) bonus Share for every ten (10) existing Shares held as at August 10, 2018, which became effective on August 28, 2018 (the "Bonus Issue").

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

ESOS III

During the six months ended September 30, 2018, share options holders under ESOS III exercised part of their share options and subscribed for 290,000 Shares and 830,000 Shares of HK$1.00 each at an exercise price of HK$4.30 per Share on July 19, 2018 and July 30, 2018, respectively. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK$5.99 per Share.

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

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

Particulars of the share options outstanding under ESOS III at the beginning and at the end of the Period and the share options granted, exercised, lapsed, cancelled and adjusted during the Period were as follows:

		Number of underlying Shares comprised in share options								
Name or category of participants	Date of grant	Balance as at April 1, 2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Adjusted during the Period [(1)]	Balance as at September 30, 2018	Adjusted exercise price per Share (before Bonus Issue)[(1)]	Exercise period
Employees in aggregate	July 17, 2017	3,080,000	–	(1,120,000)	–	–	196,000	2,156,000	HK$3.91 (HK$4.30)	July 18, 2018 to July 17, 2027

Note:

(1) The exercise price and the number of underlying Shares comprised in the outstanding ESOS III options were adjusted pursuant to the Bonus Issue.

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

Corporate Governance and Other Information

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

During the six months ended September 30, 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 of the Company. The Board considers that during the six months ended September 30, 2018, the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the HK Listing Rules (the "HK CG Code").

In the event of any conflict among the HK Listing Rules (including the HK CG Code), 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 HK Model Code 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 six months ended September 30, 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 unaudited interim results and this interim report for the six months ended September 30, 2018 have been reviewed by the Audit Committee.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 60, which comprises the condensed consolidated statement of financial position as of September 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

November 14, 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2018

	Notes	For the six months ended September 30, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**2,154,825**	2,354,752
Cost of sales		**(1,947,615)**	(2,158,025)
Gross profit		**207,210**	196,727
Other operating income		**1,620**	344
Distribution costs		**(24,080)**	(26,484)
Administrative expenses		**(114,661)**	(100,302)
Other gains and losses		**(34,061)**	13,053
Finance costs		**(21,873)**	(13,953)
Profit before tax		**14,155**	69,385
Income tax expense	4	**(7,430)**	(9,232)
Profit for the period	5	**6,725**	60,153
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(21,962)**	8,409
Other comprehensive (expense) income for the period		**(21,962)**	8,409
Total comprehensive (expense) income for the period attributable to owners of the Company		**(15,237)**	68,562
			(Restated)
Earnings per share	7		
– Basic (HK cents)		**7.97**	72.01
– Diluted (HK cents)		**7.89**	71.82

Condensed Consolidated Statement of Financial Position

As at September 30, 2018

	Notes	As at September 30, 2018 HK$'000 (Unaudited)	As at March 31, 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**255,452**	267,864
Prepaid lease payments – non-current		**550**	556
Club debentures		**2,001**	2,001
Interest in an associate		**–**	–
Available-for-sale investments		**–**	–
Financial assets measured at fair value through other comprehensive income		**–**	–
Long-term deposits		**14,167**	3,049
Deferred tax assets	9	**89**	84
Restricted bank deposits		**–**	2,500
Total non-current assets		**272,259**	276,054
Current assets			
Inventories		**791,145**	690,950
Trade and bills receivables	10	**1,003,611**	955,926
Other receivables and prepayments		**10,861**	11,032
Prepaid lease payments – current		**12**	12
Derivative financial instruments		**218**	49
Restricted bank deposits		**2,288**	–
Cash and cash equivalents		**296,209**	327,050
Total current assets		**2,104,344**	1,985,019
Total assets		**2,376,603**	2,261,073

Condensed Consolidated Statement of Financial Position

As at September 30, 2018

	Notes	As at September 30, 2018 HK$'000 (Unaudited)	As at March 31, 2018 HK$'000 (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Trade and bills payables	13	**345,955**	397,467
Other payables		**45,955**	60,879
Contract liabilities		**3,744**	–
Income tax payable		**9,935**	6,031
Trust receipt loans	14	**947,637**	818,378
Bank borrowings	15	**318,860**	231,343
Derivative financial instruments		**221**	23
Total current liabilities		**1,672,307**	1,514,121
Net current assets		**432,037**	470,898
Total assets less current liabilities		**704,296**	746,952
Capital and reserves			
Share capital	16	**85,207**	76,341
Reserves		**589,006**	639,717
Equity attributable to owners of the Company		**674,213**	716,058
Non-current liabilities			
Deferred tax liabilities	9	**30,083**	30,894
Total non-current liabilities		**30,083**	30,894
Total liabilities and equity		**2,376,603**	2,261,073

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Capital reserves HK$'000	Statutory reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Currency translation reserve HK$'000	Other reserve HK$'000 *(Note ii)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2017 (Audited)	75,506	194,378	16,525	89,922	(2,218)	(3,561)	207,320	577,872
Total comprehensive income for the period:								
Profit for the period	–	–	–	–	–	–	60,153	60,153
Other comprehensive income for the period	–	–	–	–	8,409	–	–	8,409
Total	–	–	–	–	8,409	–	60,153	68,562
Transactions with owners, recognised directly in equity:								
Exercise of share options	835	740	–	–	–	–	–	1,575
Recognition of equity-settled share-based payments	–	774	–	–	–	–	–	774
Dividend paid *(Note 6)*	–	–	–	–	–	–	(23,666)	(23,666)
Transfer of statutory reserve	–	–	519	–	–	–	(519)	–
Total	835	1,514	519	–	–	–	(24,185)	(21,317)
At September 30, 2017 (Unaudited)	76,341	195,892	17,044	89,922	6,191	(3,561)	243,288	625,117
At April 1, 2018 (Audited)	**76,341**	**197,794**	**18,134**	**109,032**	**20,969**	**(3,561)**	**297,349**	**716,058**
Total comprehensive income (expense) for the period:								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**6,725**	**6,725**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(21,962)**	**–**	**–**	**(21,962)**
Total	**–**	**–**	**–**	**–**	**(21,962)**	**–**	**6,725**	**(15,237)**
Transactions with owners, recognised directly in equity:								
Exercise of share options	**1,120**	**3,696**	**–**	**–**	**–**	**–**	**–**	**4,816**
Recognition of equity-settled share-based payments	**–**	**1,110**	**–**	**–**	**–**	**–**	**–**	**1,110**
Issuance of new shares under the bonus issue	**7,746**	**(7,746)**	**–**	**–**	**–**	**–**	**–**	**–**
Dividend paid *(Note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**(32,534)**	**(32,534)**
Transfer of statutory reserve	**–**	**–**	**312**	**–**	**–**	**–**	**(312)**	**–**
Total	**8,866**	**(2,940)**	**312**	**–**	**–**	**–**	**(32,846)**	**(26,608)**
At September 30, 2018 (Unaudited)	**85,207**	**194,854**	**18,446**	**109,032**	**(993)**	**(3,561)**	**271,228**	**674,213**

Notes:

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2018

	For the six months ended September 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(194,209)**	(100,595)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(8,661)**	(1,295)
Deposit paid for acquisition of property, plant and equipment	**(11,985)**	–
Proceeds from disposal of property, plant and equipment	**5**	320
	(20,641)	(975)
Net cash generated from financing activities		
Dividend paid to shareholders	**(32,534)**	(23,666)
Proceeds from exercise of share options	**4,816**	1,575
Repayment of trust receipt loans	**(1,557,765)**	(1,296,191)
Proceeds from trust receipt loans	**1,687,024**	1,397,260
Repayment of bank borrowings	**(296,748)**	(353,207)
Proceeds from bank borrowings	**384,440**	430,437
	189,233	156,208
Net (decrease) increase in cash and cash equivalents	**(25,617)**	54,638
Cash and cash equivalents at beginning of the period	**327,050**	331,255
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**(5,224)**	2,149
Cash and cash equivalents at end of the period	**296,209**	388,042

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 issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited. 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 principally 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 Stock Exchange of Hong Kong Limited.

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, as appropriate.

Other than changes in accounting policies resulting from the application of new and amendments to International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRSs") issued by the IASB, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IAS and IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after April 1, 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies on application of IFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the trading of electronic components.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, April 1, 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at April 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 Revenue from Contracts with Customers and the related amendments (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 Revenue from Contracts with Customers and the related amendments (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Under IFRS 15, revenue from the trading of electronic components is recognised at a point in time when the customer obtains control of distinct goods.

2.1.2 Summary of effects arising from initial application of IFRS 15

As at April 1, 2018, receipts in advance from customers included in other payables of HK$6,013,000 were reclassified to contract liabilities.

As at September 30, 2018, receipts in advance from customers of HK$3,744,000 were classified as contract liabilities and the amount shall remain as it is and included in other payables without application of IFRS 15.

Except as described above, the application of IFRS 15 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at April 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at April 1, 2018. The difference between carrying amounts as at March 31, 2018 and the carrying amounts as at April 1, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

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

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through OCI ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL

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

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

The directors of the Company reviewed and assessed the Group's financial assets as at April 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and bill receivables, other receivables, restricted bank deposits and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

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

Significant increase in credit risk

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs (continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 Financial Instruments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

As at April 1 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against accumulated profits as the amounts involved are insignificant.

2.2.2 Summary of effects arising from initial application of IFRS 9

Available-for-sale investments

For the unquoted equity investments previously measured at cost less impairment and classified as available-for-sale investments under IAS 39, the Group elected to present the fair value changes in OCI, these investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, unquoted equity investments with fair value of HK$ nil were reclassified from available-for-sale investments to financial assets at FVTOCI.

Except as described above, the application of IFRS 9 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

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.

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 and finance costs are excluded from segment results.

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

3. SEGMENT INFORMATION (continued)

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

Six months ended September 30, 2018 (Unaudited)

	Trading of electronic components					
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
Sales – external	1,097,168	1,005,278	52,379	2,154,825	–	2,154,825
Sales – inter-company	289,557	191,557	395	481,509	(481,509)	–
Net sales	1,386,725	1,196,835	52,774	2,636,334	(481,509)	2,154,825
Cost of sales	1,273,807	1,111,362	43,998	2,429,167	(481,552)	1,947,615
Gross profit/segment results	112,918	85,473	8,776	207,167	43	207,210
Other operating income						1,620
Distribution costs						(24,080)
Administrative expenses						(114,661)
Other gains and losses						(34,061)
Finance costs						(21,873)
Profit before tax						14,155
Income tax expense						(7,430)
Profit attributable to owners of the Company						6,725

3. SEGMENT INFORMATION (CONTINUED)

Six months ended September 30, 2017 (Unaudited)

	Trading of electronic components					
	Southern China Region HK$'000	Northern China Region HK$'000	Taiwan HK$'000	Sub-total HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
Sales – external	1,178,035	1,116,359	60,358	2,354,752	–	2,354,752
Sales – inter-company	294,440	170,057	537	465,034	(465,034)	–
Net sales	1,472,475	1,286,416	60,895	2,819,786	(465,034)	2,354,752
Cost of sales	1,366,792	1,200,716	55,551	2,623,059	(465,034)	2,158,025
Gross profit/segment results	105,683	85,700	5,344	196,727	–	196,727
Other operating income						344
Distribution costs						(26,484)
Administrative expenses						(100,302)
Other gains and losses						13,053
Finance costs						(13,953)
Profit before tax						69,385
Income tax expense						(9,232)
Profit attributable to owners of the Company						60,153

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 EXPENSE

	For the six months ended September 30, 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
The income tax charge comprises:		
Current tax:		
– Hong Kong	**2,453**	7,934
– PRC Enterprise Income Tax (the "EIT")	**3,462**	378
– Taiwan	**1,157**	802
	7,072	9,114
Under (over) provision in prior period:		
– PRC EIT	**44**	3
– Taiwan	**(23)**	(1)
	21	2
Deferred tax:		
– Current period *(Note 9)*	**337**	116
	7,430	9,232

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company in Hong Kong is subject to Hong Kong profits tax at the rate of 8.25% for the first HK$2 million of assessable profits, and the remaining profits at 16.5%. Other subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% for the six months ended September 30, 2018. The tax rate of the Hong Kong subsidiaries was 16.5% for the six months ended September 30, 2017.

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 PERIOD

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

	For the six months ended September 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**6**	6
Cost of inventories recognised as expenses *(Note i)*	**1,947,615**	2,158,025
Depreciation	**6,430**	5,357
Directors' fees	**516**	521
Directors' remuneration *(Note ii)*	**5,562**	6,202
Loss (gain) on disposal of property, plant and equipment	**46**	(120)
Audit fees paid to auditors		
Auditor of the Company	**1,067**	1,049
Other auditors	**92**	121
Non-audit fees paid to auditors		
Auditor of the Company	**331**	292
Staff costs (excluding directors' remuneration) *(Note ii)*	**74,961**	71,628
Net foreign exchange loss (gain)	**33,987**	(10,026)
Net loss on fair value changes of derivative financial instruments	**29**	93
Share-based payment expenses	**1,110**	774
Reversal of allowance for doubtful trade receivables	**–**	(3,000)
Interest income from bank deposits	**(816)**	(304)

Notes:

(i) During the six months ended September 30, 2018 and 2017, the amount included allowance for inventories amounting to approximately HK$1,685,000 and HK$8,808,000, respectively.

(ii) During the six months ended September 30, 2018 and 2017, there were cost of defined contribution plans amounting to approximately HK$9,629,000 and HK$8,515,000, respectively, included in staff costs and directors' remuneration.

6. DIVIDENDS

During the six months ended September 30, 2018, a final dividend of HK42.0 cents per share was declared and distributed to the shareholders in respect of the year ended March 31, 2018 (2017: final dividend of HK31.0 cents per share). The aggregate amount of the final dividend distributed and paid in current period amounted to approximately of HK$32,534,000 (2017: HK$23,666,000).

The Board has resolved not to declare any interim dividend for the six months ended September 30, 2018 (2017: HK$nil).

7. EARNINGS PER SHARE

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

	For the six months ended September 30,	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**6,725**	60,153

7. EARNINGS PER SHARE (continued)

	For the six months ended September 30,	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**84,419**	83,533
Effect of dilutive potential ordinary shares: Share options	**803**	228
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**85,222**	83,761

Diluted earnings per share for the six months ended September 30, 2017 did not assume the exercise of certain share options since the adjusted exercise price was higher than the average share price for the six months ended September 30, 2017.

The weighted average number of ordinary shares, dilutive potential ordinary shares, basis and diluted earnings per share have been adjusted for the effect of the Bonus Issue (as defined in Note 16) on August 28, 2018. Comparative figures have also been restated on the assumption that the Bonus Issue had been effective in prior period.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately HK$8,661,000 (2017: HK$1,295,000) 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$51,000 (2017: HK$200,000), resulting in a loss of approximately HK$46,000 (2017: gain of HK$120,000).

9. DEFERRED TAX

The following are major deferred tax assets (liabilities) recognised and movements thereon during the current and preceding interim periods:

	Revaluation of leasehold land and buildings HK$'000	Accelerated tax depreciation HK$'000	Allowance HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
THE GROUP					
At March 31, 2017 (Audited)	(21,724)	(877)	365	(601)	(22,837)
Credit (charge) to profit or loss	395	48	–	(559)	(116)
Currency realignment	(474)	–	–	–	(474)
At September 30, 2017 (Unaudited)	(21,803)	(829)	365	(1,160)	(23,427)
At March 31, 2018 (Audited)	(27,095)	(785)	200	(3,130)	(30,810)
Credit (charge) to profit or loss	511	(535)	(3)	(310)	(337)
Currency realignment	1,153	–	–	–	1,153
At September 30, 2018 (Unaudited)	**(25,431)**	**(1,320)**	**197**	**(3,440)**	**(29,994)**

Under the new enterprise income tax law in the PRC and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards.

Under the Income Tax Act prescribed by the Ministry of Finance of Taiwan, dividends paid to non-resident shareholders shall be subject to withholding tax at a rate of 21% from January 1, 2018 (2017: 20%). Also, a 10% surtax is imposed on any current year earnings that remain undistributed by the end of the following year. The surtax paid limited to 5% (2017: 5%) can be used as a tax credit to offset against the future withholding tax payable upon dividend distribution under calculations prescribed under Article 61-1 of Enforcement Rules of Income Tax Act. During the period, the Group has accrued 10% (2017: 10%) surtax on undistributed earnings from its Taiwan subsidiaries.

9. DEFERRED TAX (continued)

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC and Taiwan subsidiaries amounting to approximately HK$31,357,000 (March 31, 2018: HK$29,935,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	As at September 30, 2018 HK$'000 (Unaudited)	As at March 31, 2018 HK$'000 (Audited)
Deferred tax assets	**89**	84
Deferred tax liabilities	**(30,083)**	(30,894)
	(29,994)	(30,810)

Subject to the agreement by the tax authorities, at September 30, 2018, the Group has unutilised tax losses of approximately HK$16,927,000 (March 31, 2018: HK$9,031,000) available for offset against future profits. None of such losses as at September 30, 2018 (March 31, 2018: HK$nil) has been recognised as a deferred tax asset due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$9,370,000 (March 31, 2018: HK$8,838,000) that may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined. Other tax losses will be expired within 5 years since the year they incurred.

10. TRADE AND BILLS RECEIVABLES

	As at September 30, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Trade receivables	**933,483**	883,026
Less: allowance for doubtful debts	**(4,167)**	(4,450)
Net trade receivables	**929,316**	878,576
Bills receivables	**74,295**	77,350
	1,003,611	955,926

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 65 days (March 31, 2018: 64 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:

	As at September 30, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Within 60 days	**550,214**	531,520
61 to 90 days	**202,458**	162,503
Over 90 days	**176,644**	184,553
	929,316	878,576

10. TRADE AND BILLS RECEIVABLES (continued)

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

	As at September 30, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Within 60 days	**36,239**	52,002
61 to 180 days	**38,056**	25,348
	74,295	77,350

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

The Group applies the simplified approach to providing for ECL prescribed by IFRS 9 for trade receivables, which permits the use of the lifetime expected loss provision for these trade receivables.

The Group determines the ECL on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. As at April 1, 2018, the additional loss allowance for trade receivables was insignificant.

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

For the purpose of impairment assessment for other receivables, loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for other receivables, the directors of the Company have taken into account the historical default experience and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the ECL allowance is insignificant at April 1, 2018 and September 30, 2018.

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the current interim period is as follows:

	HK$'000
At April 1, 2018 (Audited)	4,450
Amounts written off as uncollectible	(20)
Currency realignment	(263)
At September 30, 2018 (Unaudited)	**4,167**

12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2018 that 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$73,007,000 (March 31, 2018: HK$61,343,000). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

Trade receivables discounted to banks with full recourse

	As at September 30, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Carrying amount of transferred assets	**91,259**	76,543
Carrying amount of associated liabilities	**(73,007)**	(61,343)
Net position	**18,252**	15,200

The directors of the Company consider that the carrying amounts of the receivable approximate their fair values.

Finance costs recognised for trade receivable discounted to banks for the period ended September 30, 2018 is approximately HK$1,394,000 (2017: HK$868,000) which are included in finance costs.

13. TRADE AND BILLS PAYABLES

	As at September 30, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Trade payables	**342,466**	387,650
Bills payables	**3,489**	9,817
	345,955	397,467

Bills payables of the Group are aged within 30 days (March 31, 2018: 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, 2018 HK$'000 (unaudited)	As at March 31, 2018 HK$'000 (audited)
Within 30 days	**232,974**	270,200
31 to 60 days	**109,438**	117,180
Over 60 days	**54**	270
	342,466	387,650

14. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear interest ranging from 3.35% to 4.80% (March 31, 2018: 2.11% to 3.75%) per annum and are repayable within one year.

At September 30, 2018, the Group's trust receipt loans with carrying amount of approximately HK$265,909,000 (March 31, 2018: HK$324,629,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods.

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK$384,440,000 (2017: HK$430,437,000).

In addition, the Group repaid bank loans of approximately HK$296,748,000 (2017: HK$353,207,000) during the current interim period.

The weighted average effective interest rates (which are also equal to contracted interest rate) on the Group's borrowings are as follows:

	As at September 30, 2018 (Unaudited)	As at March 31, 2018 (Audited)
Weighted average effective interest rate:		
– fixed rate borrowings	**4.33%**	3.50%
– variable rate borrowings	**3.62%**	3.26%

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

At the end of the reporting period, the carrying amounts of the Group's bank borrowings denominated in currencies other than the respective group entities' functional currencies are as follows:

	As at September 30, 2018 HK$'000 (Unaudited)	As at March 31, 2018 HK$'000 (Audited)
United States dollars	**111,751**	55,255

16. SHARE CAPITAL

	Number of Share '000	shares capital HK$'000
Ordinary shares of HK$1.0 each		
Authorised:		
At April 1, 2017 (Audited), September 30, 2017 (Unaudited), April 1, 2018 (Audited) and September 30, 2018 (Unaudited)	120,000	120,000
Issued and paid up:		
At April 1, 2017 (Audited)	75,506	75,506
Exercise of share options	835	835
At September 30, 2017 (Unaudited) and April 1, 2018 (Audited)	76,341	76,341
Exercise of share options	1,120	1,120
Issue of bonus shares *(Note)*	7,746	7,746
At September 30, 2018 (Unaudited)	**85,207**	**85,207**

Note: Pursuant to the bonus issue which was completed on August 28, 2018, a total of 7,746,089 bonus shares were issued on the basis of one (1) bonus share for every ten (10) existing shares (the "Bonus Issue") held on August 10, 2018.

17. 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. Details of the share options schemes were disclosed in the Group's annual financial statements for the year ended March 31, 2018.

ESOS II

During the six months ended September 30, 2017, 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.

17. SHARE-BASED PAYMENTS (continued)

ESOS II (continued)

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

	Number of share options
Outstanding at April 1, 2017 (Audited)	836,600
Exercised during the period	(835,000)
Outstanding at September 30, 2017 (Unaudited) and April 1, 2018 (Audited)	1,600
Bonus Issue during the period *(Note)*	160
Outstanding at September 30, 2018 (Unaudited)	**1,760**

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 participants under the ESOS III with an exercise price of HK$4.30 per share. The period for the exercise of an option will commence after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was approximately HK$3,891,000.

During the six months ended September 30, 2018, share options holders under ESOS III exercised part of their share options and subscribed for 290,000 shares and 830,000 shares of HK$1.00 each of the Company at an exercise price of HK$4.30 per share on July 19, 2018 and July 30, 2018, respectively. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$5.99 per share.

17. SHARE-BASED PAYMENTS (continued)

ESOS III (continued)

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

	Number of share options
Outstanding at April 1, 2017 (Audited)	–
Granted during the period	3,165,000
Outstanding at September 30, 2017 (Unaudited)	3,165,000
Cancelled during the period	(85,000)
Outstanding at April 1, 2018 (Audited)	3,080,000
Exercised during the period	(1,120,000)
Bonus Issue during the period *(Note)*	196,000
Outstanding at September 30, 2018 (Unaudited)	**2,156,000**

Note: Upon the Bonus Issue becoming effective on August 28, 2018, the exercise price of the outstanding options granted under ESOS II and ESOS III was adjusted to Singapore dollar 0.305 per share and HK$3.91 per share respectively. The respective numbers of underlying shares comprised in the outstanding options granted under ESOS II and ESOS III of the Company have been adjusted accordingly.

17. SHARE-BASED PAYMENTS (continued)

ESOS III (continued)

Pursuant to the approval of the Board on November 14, 2018 and the consent from each of the relevant share options holders, 1,166,000 share options granted to the share options holders under ESOS III would be cancelled in accordance with the terms of the ESOS III and 990,000 share options will then remain outstanding and not exercised.

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 option	HK$1.23

During the current interim period, share-based payment expenses of approximately HK$1,110,000 (2017: HK$774,000) have been recognised in profit or loss.

18. RELATED COMPANY TRANSACTIONS

At the end of the reporting period, the Group has the following balances with an associate:

	As at September 30, 2018 HK$'000 (Unaudited)	As at March 31, 2018 HK$'000 (Audited)
Other receivables from an associate *(Note)*	**532**	532
Less: impairment	**(532)**	(532)
	–	–

Note: Amounts are unsecured, interest-free and repayable on demand.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the six months ended September 30, 2018 and 2017 were as follows:

	For the six months ended September 30,	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Short-term benefits	**10,033**	10,075
Post-employment benefits	**693**	661
Other long-term benefits	**623**	623
Share-based payments	**54**	37
	11,403	11,396

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

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)		
Unquoted equity investment	**HK$nil**	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from the underlying assets.
Foreign currency forward contracts	**Assets – HK$218,000 Liabilities – HK$221,000**	Assets – HK$49,000 Liabilities – HK$23,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 for the Group during the six months ended September 30, 2018.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated financial statements at amortised costs approximate their fair values.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates and yield curves derived from quoted exchange rates or interest rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

WILLAS-ARRAY

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

威雅利電子(集團)有限公司

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