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

**ANNOUNCEMENT OF UNAUDITED FINANCIAL RESULTS  
FOR THE SECOND QUARTER AND SIX MONTHS  
ENDED SEPTEMBER 30, 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the six months ended September 30,</b>		<b>Change %</b>
	<b>2020 HK\$'000 (Unaudited)</b>	<b>2019 HK\$'000 (Unaudited)</b>	
Revenue	<b>1,687,189</b>	1,672,407	<b>+0.9</b>
Gross profit	<b>137,107</b>	99,209	<b>+38.2</b>
Profit (loss) before tax	<b>25,136</b>	(55,558)	<b>NM</b>
Profit (loss) attributable to owners of the Company	<b>22,393</b>	(55,820)	<b>NM</b>
Basic earnings (loss) per share (HK cents)	<b>26.28</b>	(65.51)	<b>NM</b>

NM – Not Meaningful

## UNAUDITED FINANCIAL RESULTS

The board of directors of Willas-Array Electronics (Holdings) Limited (the “Company” and the “Board”, respectively) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the second quarter (“2Q FY2021”) and six months ended September 30, 2020 (“1H FY2021”), together with the comparative figures for the second quarter (“2Q FY2020”) and six months ended September 30, 2019 (“1H FY2020”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the second quarter and six months ended September 30, 2020*

	NOTES	For the three months ended September 30,		Change %	For the six months ended September 30,		Change %
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	
Revenue	3	<b>925,902</b>	880,182	<b>+5.2</b>	<b>1,687,189</b>	1,672,407	<b>+0.9</b>
Cost of sales		<b>(847,114)</b>	(835,584)	<b>+1.4</b>	<b>(1,550,082)</b>	(1,573,198)	<b>-1.5</b>
Gross profit		<b>78,788</b>	44,598	<b>+76.7</b>	<b>137,107</b>	99,209	<b>+38.2</b>
Other income		<b>4,053</b>	615	<b>NM</b>	<b>4,641</b>	1,619	<b>+186.7</b>
Distribution costs		<b>(8,730)</b>	(6,484)	<b>+34.6</b>	<b>(13,245)</b>	(15,388)	<b>-13.9</b>
Administrative expenses		<b>(49,213)</b>	(46,876)	<b>+5.0</b>	<b>(89,094)</b>	(98,290)	<b>-9.4</b>
Other gains and losses		<b>1,864</b>	(7,001)	<b>NM</b>	<b>1,990</b>	(16,698)	<b>NM</b>
Impairment losses, net of reversal		<b>(5,509)</b>	(6,000)	<b>-8.2</b>	<b>(5,509)</b>	(6,700)	<b>-17.8</b>
Finance costs		<b>(4,238)</b>	(9,766)	<b>-56.6</b>	<b>(10,754)</b>	(19,310)	<b>-44.3</b>
Profit (loss) before tax		<b>17,015</b>	(30,914)	<b>NM</b>	<b>25,136</b>	(55,558)	<b>NM</b>
Income tax expense	4	<b>(1,717)</b>	(334)	<b>NM</b>	<b>(2,743)</b>	(262)	<b>NM</b>
Profit (loss) for the period	5	<b>15,298</b>	(31,248)	<b>NM</b>	<b>22,393</b>	(55,820)	<b>NM</b>
Other comprehensive income (expense):							
<i>Items that will not be reclassified to profit or loss:</i>							
- Gain on revaluation of leasehold land and building transferred to investment property		-	7,355	<b>NM</b>	-	7,355	<b>NM</b>
- Income tax relating to gain recognised in other comprehensive income		-	(5,018)	<b>NM</b>	-	(5,018)	<b>NM</b>
		-	2,337	<b>NM</b>	-	2,337	<b>NM</b>

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

*For the second quarter and six months ended September 30, 2020*

	NOTE	For the three months ended September 30,		Change %	For the six months ended September 30,		Change %
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	
<i>Item that may be reclassified subsequently to profit or loss:</i>							
- Exchange differences on translation of foreign operations		<u>10,308</u>	<u>(7,029)</u>	NM	<u>10,669</u>	<u>(14,403)</u>	NM
Other comprehensive income (expense) for the period		<u>10,308</u>	<u>(4,692)</u>	NM	<u>10,669</u>	<u>(12,066)</u>	NM
Total comprehensive income (expense) for the period attributable to owners of the Company		<u><u>25,606</u></u>	<u><u>(35,940)</u></u>	NM	<u><u>33,062</u></u>	<u><u>(67,886)</u></u>	NM
Earnings (loss) per share	13						
- Basic (HK cents)		<u>17.95</u>	<u>(36.67)</u>	NM	<u>26.28</u>	<u>(65.51)</u>	NM
- Diluted (HK cents)		<u>17.95</u>	<u>(36.67)</u>	NM	<u>26.28</u>	<u>(65.51)</u>	NM

NM – Not Meaningful

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at September 30, 2020*

		As at <b>September 30,</b> <b>2020</b>	As at March 31, 2020
	<i>NOTES</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	260,003	259,787
Right-of-use assets		9,288	14,013
Investment property		8,200	8,200
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income (“FVTOCI”)		–	–
Long-term deposits		13,746	15,697
Deferred tax assets		1,975	1,982
Restricted bank deposits		2,278	2,187
		297,491	303,867
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		311,955	375,130
Trade receivables	7	834,373	660,912
Other receivables, deposits and prepayments		8,133	5,486
Income tax recoverable		12,003	12,604
Derivative financial instruments		–	993
Restricted bank deposits		–	2,219
Cash and cash equivalents		249,177	264,839
		1,415,641	1,322,183
<b>Total current assets</b>			
		1,713,132	1,626,050
<b>Total assets</b>			

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

– continued

*As at September 30, 2020*

		As at September 30, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
<b>Current liabilities</b>			
Trade payables	9	401,769	305,928
Other payables		37,404	26,164
Contract liabilities		5,189	4,851
Income tax payable		825	412
Trust receipt loans		413,289	469,131
Bank borrowings		205,851	201,765
Derivative financial instruments		1,881	61
Lease liabilities		8,204	11,906
		<b>1,074,412</b>	1,020,218
<b>Total current liabilities</b>			
		<b>341,229</b>	301,965
<b>Net current assets</b>			
		<b>638,720</b>	605,832
<b>Total assets less current liabilities</b>			
<b>Capital and reserves</b>			
Share capital	10	85,207	85,207
Reserves		518,563	485,501
		<b>603,770</b>	570,708
<b>Equity attributable to owners of the Company</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		31,944	31,086
Derivative financial instruments		2,027	2,177
Lease liabilities		979	1,861
		<b>34,950</b>	35,124
<b>Total non-current liabilities</b>			
		<b>1,713,132</b>	1,626,050
<b>Total liabilities and equity</b>		<b>1,713,132</b>	1,626,050

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the second quarter and six months ended September 30, 2020*

	Attributable to owners of the Company								
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at FVTOCI reserve	Other reserve	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i> <i>(Note ii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note iii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2Q FY2020</b>									
At July 1, 2019 (Unaudited)	85,207	193,551	19,580	121,941	(3,513)	(16,448)	(3,561)	241,917	638,674
Total comprehensive income (expense) for the period:									
Loss for the period	-	-	-	-	-	-	-	(31,248)	(31,248)
Other comprehensive income (expense) for the period	-	-	-	2,337	(7,029)	-	-	-	(4,692)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,337</b>	<b>(7,029)</b>	<b>-</b>	<b>-</b>	<b>(31,248)</b>	<b>(35,940)</b>
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(92)	-	-	-	-	-	92	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(17,041)	(17,041)
Transfer of statutory reserve	-	-	298	-	-	-	-	(298)	-
<b>Total</b>	<b>-</b>	<b>(92)</b>	<b>298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,247)</b>	<b>(17,041)</b>
At September 30, 2019 (Unaudited)	<u>85,207</u>	<u>193,459</u>	<u>19,878</u>	<u>124,278</u>	<u>(10,542)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>193,422</u>	<u>585,693</u>
<b>2Q FY2021</b>									
At July 1, 2020 (Unaudited)	85,207	193,458	20,874	122,585	(11,771)	(16,448)	(3,561)	187,820	578,164
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	15,298	15,298
Other comprehensive income for the period	-	-	-	-	10,308	-	-	-	10,308
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,308</b>	<b>-</b>	<b>-</b>	<b>15,298</b>	<b>25,606</b>
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(129)	-	-	-	-	-	129	-
<b>Total</b>	<b>-</b>	<b>(129)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>-</b>
At September 30, 2020 (Unaudited)	<u>85,207</u>	<u>193,329</u>	<u>20,874</u>	<u>122,585</u>	<u>(1,463)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>203,247</u>	<u>603,770</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

– continued

For the second quarter and six months ended September 30, 2020

	Attributable to owners of the Company								
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at FVTOCI reserve	Other reserve	Accumulated profits	Total
	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000
<b>1H FY2020</b>									
At April 1, 2019 (Audited)	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489	670,620
Total comprehensive income (expense) for the period:									
Loss for the period	-	-	-	-	-	-	-	(55,820)	(55,820)
Other comprehensive income (expense) for the period	-	-	-	2,337	(14,403)	-	-	-	(12,066)
Total	-	-	-	2,337	(14,403)	-	-	(55,820)	(67,886)
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(92)	-	-	-	-	-	92	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(17,041)	(17,041)
Transfer of statutory reserve	-	-	298	-	-	-	-	(298)	-
Total	-	(92)	298	-	-	-	-	(17,247)	(17,041)
At September 30, 2019 (Unaudited)	85,207	193,459	19,878	124,278	(10,542)	(16,448)	(3,561)	193,422	585,693
<b>1H FY2021</b>									
At April 1, 2020 (Audited)	85,207	193,458	20,874	122,585	(12,132)	(16,448)	(3,561)	180,725	570,708
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	22,393	22,393
Other comprehensive income for the period	-	-	-	-	10,669	-	-	-	10,669
Total	-	-	-	-	10,669	-	-	22,393	33,062
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(129)	-	-	-	-	-	129	-
Total	-	(129)	-	-	-	-	-	129	-
At September 30, 2020 (Unaudited)	85,207	193,329	20,874	122,585	(1,463)	(16,448)	(3,561)	203,247	603,770

Notes:

- (i) Capital reserves comprise share premium, contributed surplus and share options reserve. Contributed surplus represents the difference between the underlying net tangible assets of the subsidiaries which were acquired by the Company at the date of the group reorganisation in 2001 and the nominal amount of the shares issued by the Company under the reorganisation.
- (ii) 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.
- (iii) 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 second quarter and six months ended September 30, 2020*

	For the three months ended September 30,		For the six months ended September 30,	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Net cash generated from operating activities</b> <i>(Note)</i>	<b>89,482</b>	101,988	<b>32,974</b>	135,705
<b>Net cash generated from (used in) investing activities</b>				
Purchase of property, plant and equipment	(550)	(114)	(786)	(839)
Deposit paid for acquisition of property, plant and equipment	(220)	–	(220)	–
Placement of restricted bank deposits	–	–	–	(2,326)
Withdrawal of restricted bank deposits	2,231	–	2,231	–
Proceeds from disposal of property, plant and equipment	40	–	140	–
	<b>1,501</b>	(114)	<b>1,365</b>	(3,165)
<b>Net cash used in financing activities</b>				
Dividend paid to shareholders	–	(17,041)	–	(17,041)
Repayments of trust receipt loans	(575,428)	(605,040)	(1,211,538)	(1,095,675)
Proceeds from trust receipt loans	547,502	545,757	1,153,518	1,055,997
Repayments of bank borrowings	(258,609)	(236,896)	(398,530)	(510,662)
Proceeds from bank borrowings	233,183	153,462	410,871	376,940
Repayments of lease liabilities	(3,848)	(3,467)	(6,071)	(5,224)
	<b>(57,200)</b>	(163,225)	<b>(51,750)</b>	(195,665)
Net increase (decrease) in cash and cash equivalents	<b>33,783</b>	(61,351)	<b>(17,411)</b>	(63,125)
Cash and cash equivalents at beginning of the period	<b>213,754</b>	294,856	<b>264,839</b>	297,498
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<b>1,640</b>	(2,040)	<b>1,749</b>	(2,908)
Cash and cash equivalents at end of the period	<b>249,177</b>	231,465	<b>249,177</b>	231,465

*Note:* During the six months ended September 30, 2020, the Company discounted bills received from customers to banks with recourse to finance its operation and as such, the operating cash flow stated above did not include the related bills settlements of HK\$8,352,000 (1H FY2020: nil) as it represented non-cash derecognition upon maturity.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the second quarter and six months ended September 30, 2020*

### 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 Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business is located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”). The condensed consolidated financial statements of the Group are presented in Hong Kong dollars which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

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 SEHK (the “HK Listing Rules”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as appropriate at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRS Standards”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the second quarter and six months ended September 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended March 31, 2020.

## 2. PRINCIPAL ACCOUNTING POLICIES – continued

### Application of amendments to IFRS Standards

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after April 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRS standards in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

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

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

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

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other income, distribution costs, administrative expenses, other gains and losses, impairment losses, net of reversal 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, 2020 (Unaudited)

	Trading of electronic components					Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	Elimination HK\$'000	
<b>Revenue</b>						
Sales – external	893,103	754,065	40,021	1,687,189	–	1,687,189
Sales – inter-company	242,945	216,642	20	459,607	(459,607)	–
	1,136,048	970,707	40,041	2,146,796	(459,607)	1,687,189
Cost of sales	(1,065,458)	(908,382)	(35,849)	(2,009,689)	459,607	(1,550,082)
<b>Gross profit/segment results</b>	<b>70,590</b>	<b>62,325</b>	<b>4,192</b>	<b>137,107</b>	<b>–</b>	<b>137,107</b>
Other income						4,641
Distribution costs						(13,245)
Administrative expenses						(89,094)
Other gains and losses						1,990
Impairment losses, net of reversal						(5,509)
Finance costs						(10,754)
Profit before tax						25,136
Income tax expense						(2,743)
Profit attributable to owners of the Company						<u>22,393</u>

### 3. SEGMENT INFORMATION – continued

Six months ended September 30, 2019 (Unaudited)

	Trading of electronic components					Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	Elimination HK\$'000	
<b>Revenue</b>						
Sales – external	860,441	763,706	48,260	1,672,407	–	1,672,407
Sales – inter-company	251,700	197,103	665	449,468	(449,468)	–
	1,112,141	960,809	48,925	2,121,875	(449,468)	1,672,407
Cost of sales	(1,065,039)	(914,306)	(43,380)	(2,022,725)	449,527	(1,573,198)
<b>Gross profit/segment results</b>	<u>47,102</u>	<u>46,503</u>	<u>5,545</u>	<u>99,150</u>	<u>59</u>	99,209
Other income						1,619
Distribution costs						(15,388)
Administrative expenses						(98,290)
Other gains and losses						(16,698)
Impairment losses, net of reversal						(6,700)
Finance costs						(19,310)
Loss before tax						(55,558)
Income tax expense						(262)
Loss attributable to owners of the Company						<u>(55,820)</u>

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

#### 4. INCOME TAX EXPENSE

	<b>For the six months ended September 30,</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The income tax charge comprises:		
Current tax:		
– Hong Kong	141	115
– PRC Enterprise Income Tax (the “EIT”)	1,855	1,031
– Taiwan	487	292
	<u>2,483</u>	<u>1,438</u>
Over provision in respect of prior period:		
– PRC EIT	(21)	–
– Taiwan	(5)	(28)
	<u>(26)</u>	<u>(28)</u>
Deferred tax:		
– Current period	286	(1,148)
	<u>2,743</u>	<u>262</u>

Under the two-tiered profits tax rates regime, the Company was subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2,000,000 of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong were subject to Hong Kong Profits Tax at the rate of 16.5% for the six months ended September 30, 2020 and 2019.

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 20%.

## 5. PROFIT (LOSS) FOR THE PERIOD

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

	For the three months ended September 30,		For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses (Note i)	<b>847,114</b>	835,584	<b>1,550,082</b>	1,573,198
Depreciation of property, plant and equipment	<b>3,462</b>	3,547	<b>6,901</b>	7,136
Depreciation of right-of-use assets	<b>3,064</b>	2,534	<b>6,052</b>	4,856
Directors' emoluments (Note ii)	<b>3,110</b>	2,706	<b>5,043</b>	5,496
(Gain) loss on disposal of property, plant and equipment	<b>(40)</b>	68	<b>(140)</b>	68
Audit fees paid to auditors				
Auditor of the Company	<b>538</b>	551	<b>1,075</b>	1,102
Other auditors	<b>32</b>	30	<b>77</b>	75
Non-audit fees paid to auditor				
Auditor of the Company	<b>172</b>	222	<b>399</b>	444
Staff costs (excluding directors' emoluments) (Note ii)	<b>32,522</b>	26,774	<b>54,931</b>	59,263
Net foreign exchange (gain) loss	<b>(3,025)</b>	8,032	<b>(4,512)</b>	18,378
Net loss (gain) on fair value changes of derivative financial instruments	<b>1,201</b>	(1,099)	<b>2,662</b>	(1,748)
Interest income from bank deposits	<b>(107)</b>	(466)	<b>(314)</b>	(1,293)
Interest expense on borrowings	<b>4,142</b>	9,615	<b>10,567</b>	19,019
Impairment losses recognised on trade receivables	<b>5,509</b>	6,000	<b>5,509</b>	6,700
Government subsidies	<b>(3,760)</b>	–	<b>(3,861)</b>	–

Notes:

- (i) During the six months ended September 30, 2020 and 2019, the amount included reversal of allowance for inventories amounting to HK\$8,933,000 and an allowance for inventories amounting to HK\$18,824,000, respectively.
- (ii) During the six months ended September 30, 2020 and 2019, there were cost of defined contribution plans amounting to HK\$3,600,000 and HK\$9,291,000, respectively, included in staff costs and directors' emoluments.

## 6. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid HK\$786,000 (1H FY2020: HK\$839,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of nil (1H FY2020: HK\$68,000), resulting in a gain of HK\$140,000 (1H FY2020: a loss of HK\$68,000).

## 7. TRADE RECEIVABLES

	As at <b>September 30,</b> <b>2020</b> <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
Trade receivables	<b>876,802</b>	697,697
Less: allowance for credit losses	<b>(42,429)</b>	(36,785)
	<b>834,373</b>	660,912

The Group allows a credit period of 30 to 120 days (March 31, 2020: 30 to 120 days) to its trade customers. The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which is the same as revenue recognition date or based on bills issuance date, at the end of the reporting periods:

	As at <b>September 30,</b> <b>2020</b> <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
Within 60 days	<b>563,872</b>	440,454
61 to 90 days	<b>154,949</b>	89,299
Over 90 days	<b>115,552</b>	131,159
	<b>834,373</b>	660,912

## 8. TRANSFER OF FINANCIAL ASSETS

As at September 30, 2020, the Group's trade receivables amounted to HK\$85,187,000 (March 31, 2020: HK\$69,862,000), which were transferred to banks by discounting those trade receivables and bills received 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\$73,459,000 (March 31, 2020: HK\$63,712,000).

## 9. TRADE PAYABLES

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

	As at September 30, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
Within 30 days	309,632	247,694
31 to 60 days	92,137	58,234
	<u>401,769</u>	<u>305,928</u>

## 10. SHARE CAPITAL

	Number of shares '000	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each		
<b>Authorised</b>		
At April 1, 2019 (Audited), September 30, 2019 (Unaudited), April 1, 2020 (Audited) and September 30, 2020 (Unaudited)	120,000	120,000
<b>Issued and paid up</b>		
At April 1, 2019 (Audited), September 30, 2019 (Unaudited), April 1, 2020 (Audited) and September 30, 2020 (Unaudited)	85,207	85,207

The Company has no treasury shares.



## 11. SHARE-BASED PAYMENTS

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

### ESOS II

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

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

	<b>Number of share options</b>
Unexercised share options for ordinary shares at April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	1,760
Lapsed during the period ( <i>Note</i> )	<u>(1,760)</u>
<b>Unexercised share options for ordinary shares at April 1, 2020 (Audited) and September 30, 2020 (Unaudited)</b>	<b><u><u>–</u></u></b>

*Note:* The outstanding share options under ESOS II lapsed after October 1, 2019.

### ESOS III

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

	<b>Number of share options</b>
Unexercised share options for ordinary shares at April 1, 2019 (Audited)	990,000
Cancelled during the period	<u>(82,500)</u>
Unexercised share options for ordinary shares at September 30, 2019 (Unaudited) and April 1, 2020 (Audited)	907,500
Cancelled during the period	<u>(115,500)</u>
<b>Unexercised share options for ordinary shares at September 30, 2020 (Unaudited)</b>	<b><u><u>792,000</u></u></b>

**11. SHARE-BASED PAYMENTS – continued**

**ESOS III – continued**

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The inputs into the model were as follows:

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

**12. DIVIDEND**

No dividend was declared and paid during the six months ended September 30, 2020 (1H FY2020: a one-tier tax exempt final dividend of HK20.0 cents per share was declared and paid to the shareholders in respect of the year ended March 31, 2019, the aggregate amount of the final dividend paid amounted to HK\$17,041,000).

The Board has resolved not to declare any interim dividend for the six months ended September 30, 2020 (1H FY2020: nil).

### 13. EARNINGS (LOSS) PER SHARE

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

	Group Figures							
	For the three months ended September 30, 2020 (Unaudited)		For the three months ended September 30, 2019 (Unaudited)		For the six months ended September 30, 2020 (Unaudited)		For the six months ended September 30, 2019 (Unaudited)	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit (loss) attributable to owners of the Company	<u>15,298</u>	<u>15,298</u>	<u>(31,248)</u>	<u>(31,248)</u>	<u>22,393</u>	<u>22,393</u>	<u>(55,820)</u>	<u>(55,820)</u>
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049
Adjustment for dilutive potential ordinary shares	-	N/A	-	N/A	-	N/A	-	N/A
Weighted average number of ordinary shares used to compute earnings (loss) per share	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>
Earnings (loss) per share (HK cents)	<u>17.95</u>	<u>17.95</u>	<u>(36.67)</u>	<u>(36.67)</u>	<u>26.28</u>	<u>26.28</u>	<u>(65.51)</u>	<u>(65.51)</u>

The computation of diluted earnings per share for the second quarter and six months ended September 30, 2020 did not assume the exercise of share options granted by the Company since the exercise price of those share options was higher than the average market price of the shares for the periods.

The computation of diluted loss per share for the second quarter and six months ended September 30, 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the periods.

### 14. NET ASSET VALUE

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

	Group Figures		Company Figures	
	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
Net asset value per ordinary share based on the number of issued shares of the Company at the end of the period/year (HK cents)	<u>708.59</u>	<u>669.79</u>	<u>432.43</u>	<u>426.51</u>

The net asset backing per ordinary share as at September 30, 2020 was based on a total of 85,207,049 (March 31, 2020: 85,207,049) issued ordinary shares.

## 15. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at September 30, 2020

	As at September 30, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>		
Amount due from a subsidiary	33,814	33,814
Investments in subsidiaries	<u>155,043</u>	<u>155,043</u>
Total non-current assets	<u>188,857</u>	<u>188,857</u>
<b>Current assets</b>		
Amounts due from subsidiaries	183,436	185,036
Deposits and prepayments	436	11
Income tax recoverable	–	109
Cash and cash equivalents	<u>1,619</u>	<u>1,181</u>
Total current assets	<u>185,491</u>	<u>186,337</u>
<b>Total assets</b>	<u><u>374,348</u></u>	<u><u>375,194</u></u>
<b>Current liabilities</b>		
Other payables	670	1,407
Income tax payable	32	–
Financial guarantee liabilities	<u>5,187</u>	<u>10,375</u>
Total current liabilities	<u>5,889</u>	<u>11,782</u>
<b>Net current assets</b>	<u>179,602</u>	<u>174,555</u>
<b>Total assets less current liabilities</b>	<u>368,459</u>	<u>363,412</u>
<b>Capital and reserves</b>		
Share capital	85,207	85,207
Reserves	<u>283,252</u>	<u>278,205</u>
<b>Equity attributable to owners of the Company</b>	<u>368,459</u>	<u>363,412</u>
<b>Total liabilities and equity</b>	<u><u>374,348</u></u>	<u><u>375,194</u></u>

## 16. INFORMATION ABOUT THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

For the second quarter and six months ended September 30, 2020

	<b>Share capital</b>	<b>Capital reserves</b>	<b>Accumulated profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2Q FY2020</b>				
At July 1, 2019 (Unaudited)	85,207	193,551	90,840	369,598
Profit for the period, representing total comprehensive income for the period	–	–	3,605	3,605
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Dividend paid ( <i>Note 12</i> )	–	–	(17,041)	(17,041)
Total	–	(92)	(16,949)	(17,041)
At September 30, 2019 (Unaudited)	85,207	193,459	77,496	356,162
<b>2Q FY2021</b>				
At July 1, 2020 (Unaudited)	85,207	193,458	87,306	365,971
Profit for the period, representing total comprehensive income for the period	–	–	2,488	2,488
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(129)	129	–
Total	–	(129)	129	–
At September 30, 2020 (Unaudited)	85,207	193,329	89,923	368,459

**16. INFORMATION ABOUT THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY – continued**

*For the second quarter and six months ended September 30, 2020*

	<b>Share capital</b>	<b>Capital reserves</b>	<b>Accumulated profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>1H FY2020</b>				
At April 1, 2019 (Audited)	85,207	193,551	87,173	365,931
Profit for the period, representing total comprehensive income for the period	–	–	7,272	7,272
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Dividend paid ( <i>Note 12</i> )	–	–	(17,041)	(17,041)
Total	–	(92)	(16,949)	(17,041)
At September 30, 2019 (Unaudited)	<u>85,207</u>	<u>193,459</u>	<u>77,496</u>	<u>356,162</u>
<b>1H FY2021</b>				
At April 1, 2020 (Audited)	85,207	193,458	84,747	363,412
Profit for the period, representing total comprehensive income for the period	–	–	5,047	5,047
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(129)	129	–
Total	–	(129)	129	–
At September 30, 2020 (Unaudited)	<u>85,207</u>	<u>193,329</u>	<u>89,923</u>	<u>368,459</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group recorded a profit attributable to owners of the Company of HK\$22.4 million for the six months ended September 30, 2020 (“1H FY2021”) compared to a loss attributable to owners of the Company of HK\$55.8 million for the six months ended September 30, 2019 (“1H FY2020”). The Group returned to profit in 1H FY2021 mainly due to (i) higher gross profit arising from an increase in revenue from the market segments that benefitted from our value-added services and a significant decrease in clearance of problem stocks as compared to 1H FY2020 as well as a reversal of stock provision of HK\$8.9 million in 1H FY2021 whereas a stock provision of HK\$18.8 million for slow-moving inventories was made in 1H FY2020; and (ii) a decrease in staff costs and travelling expenses due to a reduced average headcount and in light of the coronavirus disease 2019 (“COVID-19”) pandemic respectively. Furthermore, there was no significant exchange difference in 1H FY2021 whereas there was an exchange loss arising from the depreciation of the Renminbi (“RMB”) in 1H FY2020.

### Second quarter review – 2Q FY2021 vs 2Q FY2020

#### Revenue

The Group’s sales revenue had increased by 5.2% from HK\$880.2 million for the second quarter ended September 30, 2019 (“2Q FY2020”) to HK\$925.9 million for the second quarter ended September 30, 2020 (“2Q FY2021”).

#### Revenue by Market Segment Analysis

	2Q FY2021		2Q FY2020		Increase (Decrease)	
	HK\$’000	%	HK\$’000	%	HK\$’000	%
Industrial	257,345	27.8%	231,097	26.3%	26,248	11.4%
Home Appliance	195,497	21.1%	158,576	18.0%	36,921	23.3%
Automotive	155,056	16.7%	140,918	16.0%	14,138	10.0%
Electronic Manufacturing						
Services (“EMS”)	72,640	7.8%	67,089	7.6%	5,551	8.3%
Dealer	59,916	6.5%	82,275	9.3%	(22,359)	-27.2%
Audio and Video	73,776	8.0%	69,965	8.0%	3,811	5.4%
Telecommunications	53,840	5.8%	80,824	9.2%	(26,984)	-33.4%
Lighting	34,741	3.8%	29,305	3.3%	5,436	18.5%
Others	23,091	2.5%	20,133	2.3%	2,958	14.7%
	<u>925,902</u>	<u>100.0%</u>	<u>880,182</u>	<u>100.0%</u>	<u>45,720</u>	<u>5.2%</u>

The China market rebounded significantly in 2Q FY2021 in both export and domestic markets following the resumption of business activities in Europe and the United States of America (the “US”) as countries gradually emerged from lockdown conditions that were imposed in April to June of 2020 (“1Q FY2021”) to curb the spread of the COVID-19 virus. The segments that benefitted from this included EMS, Audio and Video and Lighting.

To combat the impact of the COVID-19 pandemic, the Chinese government has rolled out a series of economic and business support policies to shore up business confidence and uplift domestic consumption to spur economic growth. Both Home Appliance and Automotive segments had a two-digit growth comparing with the same period last year. While the Industrial segment benefitted from both export and domestic demand.

The revenue decline in the Dealer and Telecommunications segments reflected our strategy to deploy our resources to the segments that had the most market potential, including our Home Appliance, Automotive and Industrial segments.

### **Gross Profit Margin**

The Group’s gross profit margin increased from 5.1% in 2Q FY2020 to 8.5% in 2Q FY2021 mainly due to higher revenue from the market segments that required our value-added services. In addition, there was a significant decrease in clearance of problem stocks as compared to 2Q FY2020 as well as a reversal of stock provision of HK\$8.9 million in 2Q FY2021 while a stock provision of HK\$10.6 million for slow-moving inventories was made in 2Q FY2020.

### **Other Income**

Other income increased by HK\$3.4 million from HK\$0.6 million in 2Q FY2020 to HK\$4.0 million in 2Q FY2021 mainly due to government subsidy of HK\$3.6 million from the Hong Kong government’s Employment Support Scheme (“ESS”) was recognised during the current period (2Q FY2020: nil).

### **Distribution Costs**

Distribution costs increased by HK\$2.2 million, or 34.6%, from HK\$6.5 million in 2Q FY2020 to HK\$8.7 million in 2Q FY2021. The increase was mainly due to higher sales incentive expense in view of the increase in sales revenue. On the other hand, travelling and entertainment expenses fell for the period under review as a result of the outbreak of the COVID-19 pandemic and the subsequent quarantine measures as well as border controls imposed by the governments of various countries/districts.



### **Administrative Expenses**

Administrative expenses increased by HK\$2.3 million, or 5.0%, from HK\$46.9 million in 2Q FY2020 to HK\$49.2 million in 2Q FY2021. This was mainly due to the provision of employees' bonus was made in 2Q FY2021 in alignment with the improvement of the Group's financial performance in 1H FY2021.

### **Other Gains and Losses**

Other gains of HK\$1.9 million in 2Q FY2021 were due to exchange gain mainly arising from the appreciation of RMB partially offset by the exchange loss arising from certain foreign exchange forward contracts (which aim to hedge against the currency risk of depreciation of RMB against US dollars ("USD")). As RMB appreciated against USD in 2Q FY2021, the Group incurred losses for these foreign exchange forward contracts while other losses of HK\$7.0 million in 2Q FY2020 were due to exchange loss mainly arising from the depreciation of RMB.

### **Impairment Losses, Net of Reversal**

Impairment losses of HK\$5.5 million in 2Q FY2021 (2Q FY2020: HK\$6.0 million) represented the impairment losses on trade receivables.

### **Finance Costs**

The finance costs represented interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities which decreased by HK\$5.6 million, or 56.6%, from HK\$9.8 million in 2Q FY2020 to HK\$4.2 million in 2Q FY2021. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as well as a decrease in weighted average effective interest rate as compared to the same period last year.

## **Half year review — 1H FY2021 vs 1H FY2020**

### **Revenue**

Despite the impact of the COVID-19 virus, the Group was able to achieve a modest 0.9% uptick in revenue to HK\$1,687.2 million in 1H FY2021 as compared to HK\$1,672.4 million in 1H FY2020. This was due to the strong rebound in demand in 2Q FY2021 following the widespread lockdown of many economies all over the world in 1Q FY2021. The recovery was supported by the resumption of the export market to US and Europe, and especially by the effectiveness of the Chinese government's economic and business support policies to drive domestic demand and economic recovery.

## Revenue by Market Segment Analysis

	1H FY2021		1H FY2020		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	489,882	29.0%	455,886	27.3%	33,996	7.5%
Home Appliance	317,456	18.8%	304,768	18.2%	12,688	4.2%
Automotive	293,724	17.4%	247,827	14.8%	45,897	18.5%
EMS	127,893	7.6%	111,591	6.7%	16,302	14.6%
Dealer	123,852	7.3%	164,196	9.8%	(40,344)	-24.6%
Audio and Video	112,433	6.7%	123,499	7.4%	(11,066)	-9.0%
Telecommunications	111,639	6.6%	165,950	9.9%	(54,311)	-32.7%
Lighting	65,106	3.9%	57,720	3.5%	7,386	12.8%
Others	45,204	2.7%	40,970	2.4%	4,234	10.3%
	<u>1,687,189</u>	<u>100.0%</u>	<u>1,672,407</u>	<u>100.0%</u>	<u>14,782</u>	<u>0.9%</u>

### *Industrial*

The Industrial segment is the largest revenue generator of the Group. It achieved revenue of HK\$489.9 million in 1H FY2021, an increase of 7.5% as compared to the same period last year as a result of improved export and domestic sales. The segment's power supply, DIY tools, motor application and LCD modules benefitted from strong demand for consumer electronics products and small home appliances in 1H FY2021 due to stay-at-home orders at the height of the COVID-19 outbreak.

As a new normal emerges from the pandemic, the Group has observed more demand for consumer electronic products related to home-office and at-home use and more new applications created during this period that serve this trend. Our engineering and sales team will put more focus on such applications to capture the opportunity.

### *Home Appliance*

The Home Appliance segment has become our second largest revenue generator, which reflects the success of our long-term strategy to put our value-added services in the right segments to capture the potential in the China market. Revenue from this segment was HK\$317.5 million in 1H FY2021, an increase of 4.2% as compared to the same period last year.

Home appliance is an area of focus in the Chinese government's economic and business support policies, which aim to stimulate domestic consumption by encouraging consumers to replace and upgrade their home appliances with energy saving ones. At the same time, demand has been supported by consumers having to spend more time at home as concerns about catching the COVID-19 virus remain. The Group believes the trend will continue and is committed to invest on it.

### ***Automotive***

Revenue from the Automotive segment increased by 18.5% to HK\$293.7 million in 1H FY2021 as compared to the same period last year. The segment showed the most growth during the period under review and now contributes to 17.4% of our total revenue, making it our third largest revenue contributor.

The growth of the automotive industry is a key area of focus for the Chinese government and it has been identified as a key driver to spur economic recovery in the Chinese government's economic and business support policies. Our business has benefitted from total unit car sales as well as the increase in electronic content per car in line with the trend for smarter and safer onboard systems and higher energy efficiency. Moreover, the significant increase in the sales of new energy car (e.g. electric vehicles) also boosts the use of electronics components.

### ***EMS***

This segment recorded a 14.6% year-on-year increase in revenue to HK\$127.9 million in 1H FY2021. Pre-Covid-19, the segment was adversely impacted by the US-China trade conflict. But since China was the first country to resume normal business activity even as many regions including South Asia remained in lock down mode, China EMS factories were able to fully utilise their capacities to fulfill export orders. With the Group's experience in supply chain management, we were able to supply the required components within a short time and help our customers secure the orders.

### ***Dealer***

The revenue from this segment was HK\$123.9 million in 1H FY2021, a drop of 24.6% as compared to the same period last year. Although the market in China is not bad, but the uncertain business environment has made it very difficult for the dealers to invest in stocking programs. The Group expects this segment to draw some benefit from the Chinese government's economic and business support policies when the market becomes more stable. Therefore, we will continue to work with them to formulate new program to fit their needs.

### ***Audio and Video***

Revenue from the Audio and Video segment was HK\$112.4 million in 1H FY2021, a decrease of 9.0% as compared to the same period last year. It was a big drop in 1Q FY2021 because of the sudden lock down of many countries in the world. But when people started to stay-at-home and work-from-home, this application segment gained momentum very quickly. Demand for home entertainment, gaming, and upgrades to audio and video products and devices for conference meetings rose quickly. We expect healthy demand to continue as it seems the COVID-19 virus will not be completely eradicated in the near future.

### ***Telecommunications***

The Telecommunications segment contributed sales of HK\$111.6 million in 1H FY2021, with a drop of 32.7% as compared to the same period last year. Although this segment also belongs to consumer electronics, it did not benefit from COVID-19 stay-at-home orders. The saturation of the 4G market and the delay of launching 5G service had impacted the sales of smartphones. In light of this, the Group had shifted some of its resources from this segment to focus on other segments that require our value-added services.

### ***Lighting***

Revenue from this segment in 1H FY2021 increased by 12.8% as compared to the same period last year to HK\$65.1 million. The consumer lighting market has benefitted from the COVID-19 stay-at-home orders during the period under review. The stage lighting market has also benefitted from the resumption of lifestyle and business activities after the lock down in China.

### ***Others***

The overall consumer spending was improved after the lock down. The revenue from this segment increased by 10.3% in 1H FY2021 as compared to the same period last year to HK\$45.2 million.

### **Gross Profit Margin**

The Group's gross profit margin increased from 5.9% in 1H FY2020 to 8.1% in 1H FY2021 mainly due to higher revenue from the market segments that required our value-added services. In addition, there was a significant decrease in clearance of problem stocks as compared to 1H FY2020 as well as a reversal of stock provision of HK\$8.9 million in 1H FY2021 while a stock provision of HK\$18.8 million for slow-moving inventories was made in 1H FY2020.

### **Other Income**

Other income increased by HK\$3.0 million, or 186.7%, from HK\$1.6 million in 1H FY2020 to HK\$4.6 million in 1H FY2021 mainly due to government subsidy of HK\$3.6 million from the Hong Kong government's ESS was recognised during the current period (1H FY2020: nil).

### **Distribution Costs**

Distribution costs decreased by HK\$2.2 million, or 13.9%, from HK\$15.4 million in 1H FY2020 to HK\$13.2 million in 1H FY2021. The decrease was mainly due to a decrease in travelling and entertainment expenses for the period under review as a result of the outbreak of the COVID-19 pandemic and the subsequent quarantine measures as well as border controls imposed by the governments of various countries/districts.

### **Administrative Expenses**

Administrative expenses decreased by HK\$9.2 million, or 9.4%, from HK\$98.3 million in 1H FY2020 to HK\$89.1 million in 1H FY2021. This was mainly due to (i) a decrease in staff costs owing to lower average headcount; (ii) the implementation of cost control measures; and (iii) the reduction and exemption of corporate social insurance premiums in the PRC according to the notice jointly released by the Ministry of Human Resources and Social Security, the Ministry of Finance, and the State Taxation Administration of the PRC in February 2020.

### **Other Gains and Losses**

Other gains of HK\$2.0 million in 1H FY2021 were due to exchange gain mainly arising from the appreciation of RMB partially offset by the exchange loss arising from certain foreign exchange forward contracts (which aim to hedge against the currency risk of depreciation of RMB against USD). As RMB appreciated against USD in 2Q FY2021, the Group incurred losses for these foreign exchange forward contracts while other losses of HK\$16.7 million in 1H FY2020 were due to exchange loss mainly arising from the depreciation of RMB.

### **Impairment Losses, Net of Reversal**

Impairment losses of HK\$5.5 million in 1H FY2021 (1H FY2020: HK\$6.7 million) represented the impairment losses on trade receivables.

### **Finance Costs**

The finance costs represented interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities which decreased by HK\$8.5 million, or 44.3%, from HK\$19.3 million in 1H FY2020 to HK\$10.8 million in 1H FY2021. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as well as a decrease in weighted average effective interest rate as compared to the same period last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Financial Position**

As compared to as at March 31, 2020, trust receipt loans decreased by HK\$55.8 million as at September 30, 2020. Trade payables increased from HK\$305.9 million as at March 31, 2020 to HK\$401.8 million as at September 30, 2020. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at September 30, 2020. Trade receivables as at September 30, 2020 increased by HK\$173.5 million when compared to those as at March 31, 2020, due to an increase in sales revenue towards the end of the period under review, and the debtors turnover days increased from 2.5 months to 3.0 months.

As at September 30, 2020, the Group's current ratio (current assets divided by current liabilities) was 1.32 (March 31, 2020: 1.30).

## **Inventories**

Inventories decreased from HK\$375.1 million as at March 31, 2020 to HK\$312.0 million as at September 30, 2020. The inventory turnover days decreased from 1.5 months to 1.2 months.

## **Cash Flow**

As at September 30, 2020, the Group had a working capital of HK\$341.2 million which included a cash balance of HK\$249.2 million, compared to a working capital of HK\$302.0 million which included a cash balance of HK\$264.8 million as at March 31, 2020. The decrease in cash by HK\$15.6 million was primarily attributable to the net effect of cash outflow of HK\$51.8 million in financing activities and cash inflow of HK\$33.0 million generated from operating activities. The Group's cash balance was mainly denominated in USD, RMB and Hong Kong dollars ("HKD").

Cash outflow in financing activities was attributable to the decreases in trust receipt loans as a result of the decrease in inventories.

Cash inflow generated from operating activities was mainly attributable to the effect of an increase in trade payables and a decrease in inventories but was partially offset by an increase in trade receivables. The increase in trade payables was due to the increase in purchasing activities while the increase in trade receivables was due to the increased sales revenue towards the end of the current interim period when compared with the sales revenue towards March 31, 2020.

## **Borrowings and Banking Facilities**

As at September 30, 2020, the Group had bank borrowings of HK\$205.9 million which were repayable within one year. Among the Group's bank borrowings, 64.0% was denominated in HKD, 35.2% was denominated in USD and 0.8% was denominated in RMB. As at September 30, 2020, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 59.1% and 40.9%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 3.30% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 1.52% per annum.

As at September 30, 2020, trust receipt loans of HK\$413.3 million were unsecured and repayable within one year and bore interest rates ranging from 1.64% to 2.22% per annum. The trust receipt loans were denominated in USD. As at September 30, 2020, the Group had unutilised banking facilities of HK\$918.9 million (March 31, 2020: HK\$945.4 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, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
73,459	545,681	63,712	607,184

**Amount repayable after one year**

As at September 30, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
–	–	–	–

As at September 30, 2020, the Group's trade receivables amounted to HK\$85.2 million (March 31, 2020: HK\$69.9 million), which were transferred to banks by discounting those trade receivables and bills received 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 secured borrowings amounting to HK\$73.5 million (March 31, 2020: HK\$63.7 million).

**Foreign Exchange Risk Management**

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

## **Net Gearing Ratio**

The net gearing ratio as at September 30, 2020 was 61.4% (March 31, 2020: 70.8%). 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 decrease was mainly due to a decrease in trust receipt loans and increase in shareholders' equity.

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

China's economy grew by 4.9% year-on-year ("YOY") in the third quarter (July to September) of 2020, accelerating from growth of 3.2% YOY in the second quarter (April to June) of 2020 after the historic contraction of 6.8% YOY in the first quarter (January to March) of 2020.

In view of the Chinese government's economic and business support policies, the Group expects China's economy to be resilient with great potential for growth. However, we are mindful that sentiments from the export market remain cautious as many European countries are experiencing a second wave of the COVID-19 virus and returning to lockdown. The ongoing and deteriorating relations between the US and China may continue to present challenges to trade between the two nations.

In unprecedented times like now, the Group will continue to be prudent in managing its resources and expense. This will ensure that our operations remain sustainable to tide over the uncertain business environment and sustaining a healthy liquidity position in order to support the long-term growth.

## **IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE END OF THE INTERIM PERIOD**

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2020 (1H FY2020: nil) as the Group intends to retain cash for its business operations.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at September 30, 2020, the Group had a workforce of 369 (March 31, 2020: 377) full-time employees, of which 33.6% 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 scheme to reward the directors of the Company (the "Directors") and the eligible employees for their contribution to the Group.

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

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

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

During the six months ended September 30, 2020, 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 CORPORATE GOVERNANCE CODES

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the shareholders of the Company (the "Shareholders"). The Board considers that during the six months ended September 30, 2020, the Company had 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") and the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code") except those stated in paragraph 3 of this section.

In the event of any conflict among the HK Listing Rules, the Singapore CG Code 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, amongst others, the appointment, retirement and re-election of Directors (including independent non-executive Directors (the "INEDs")).

Provision 2.2 and Provision 2.3 of the Singapore CG Code require independent directors make up a majority of the board where the chairman is not independent and non-executive directors make up a majority of the board, respectively. Principle 2 of the Singapore CG Code requires that *"the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company"*. The Company notes that the current Board composition is a variation from Provision 2.2 and Provision 2.3 of the Singapore CG Code. Notwithstanding the foregoing, the Board is of the view that the intent of Principle 2 has been met based on its current composition as there is sufficient diversity in the skills, experience and knowledge of Board members based on the Company's current size and operations. Taking into account the Board Diversity Policy established by the Company, the independent directors of the Company (the "Independent Directors") appointed on the Board are also non-executive directors, who come from diverse backgrounds and academic qualifications and collectively, with their accounting, financial management and legal expertise, bring with them varied experiences to contribute effectively to the Board's decision-making process. As part of the Board's decision-making process, thorough discussions are undertaken at Board meetings, with the Independent Directors engaging the Board in constructive debate, and ensuring that proposals put forth to the Board are constructively challenged and rigorously examined. The Board collectively considers all inputs and further endeavours to seek consensus from all Directors before proceeding with any decision. In addition, the four key Board committees, namely audit committee (the "Audit Committee"), nomination committee, Remuneration Committee and compliance committee are each comprised of only Independent Directors, which acts as a further check and balance on management in each of these areas of responsibility.

## **COMPLIANCE WITH HONG KONG MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the “HK Model Code”) 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, 2020.

## **REVIEW BY AUDIT COMMITTEE**

The Board has established 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 currently comprises all of the three INEDs, namely Lim Lee Meng (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group’s unaudited second quarterly and interim results for the three months and six months ended September 30, 2020 and the Company’s draft interim report for the six months ended September 30, 2020 have been reviewed by the Audit Committee.

## **AUDIT OR REVIEW OF THE FINANCIAL RESULTS**

The condensed consolidated financial statements of the Group and the condensed statement of financial position and condensed statement of changes in equity of the Company as at and for the six months ended September 30, 2020 have been reviewed by the Company’s independent auditor, Deloitte Touche Tohmatsu, Hong Kong, whose review report will be included in the Company’s interim report for the six months ended September 30, 2020 (the “Interim Report”) to be sent to the Shareholders.

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

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEx”) at [www.hkexnews.hk](http://www.hkexnews.hk), the website of the Company at [www.willas-array.com](http://www.willas-array.com) and the website of the SGX-ST at [www.sgx.com](http://www.sgx.com). The Interim Report will be despatched to Hong Kong Shareholders whose names appear on the register of members of the Company’s Hong Kong branch share registrar and transfer office. Singapore Shareholders may submit their requests to the Company for a printed copy of the Interim Report. The Interim Report will be published on the respective websites of the HKEx, the Company and the SGX-ST in due course in the manner as required by the HK Listing Rules and the Main Board rules of the listing manual of the SGX-ST.

## SUPPLEMENTARY INFORMATION

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

Not applicable. No forecast or prospect statement was previously disclosed to the Shareholders.

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

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

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

On behalf of the Board, we confirm that to the best of our knowledge, nothing has come to the attention of the Board, which may render the Group’s unaudited financial results for the second quarter and six months ended September 30, 2020 to be false or misleading in any material aspect.

On behalf of the Board,

Leung Chun Wah, Chairman  
Kwok Chan Cheung, Deputy Chairman

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

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

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

Hong Kong/Singapore, November 12, 2020

*As at the date of this announcement, the Board comprises five Executive Directors, namely Leung Chun Wah (Chairman), Kwok Chan Cheung (Deputy Chairman), Hon Kar Chun (Managing Director), Leung Hon Shing and Leung Chi Hang Daniel; and three Independent Non-executive Directors, namely Wong Kwan Seng, Robert, Iu Po Chan, Eugene and Lim Lee Meng.*

*In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*