



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 2020/21



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Corporate Information

(As at December 2, 2020)

DIRECTORS

Executive Directors

Leung Chun Wah (*Chairman*)
(re-designation as Non-executive Director to be effective on January 1, 2021)
Kwok Chan Cheung (*Deputy Chairman*)
(resignation to be effective on January 1, 2021)
Hon Kar Chun (*Managing Director*)
Leung Hon Shing
Leung Chi Hang Daniel

Independent Non-executive Directors

Wong Kwan Seng, Robert
Iu Po Chan, Eugene
Lim Lee Meng

COMPANY SECRETARY

Leung Hon Shing

AUDIT COMMITTEE

Lim Lee Meng (*Chairman*)
Wong Kwan Seng, Robert
Iu Po Chan, Eugene

REMUNERATION COMMITTEE

Iu Po Chan, Eugene (*Chairman*)
Wong Kwan Seng, Robert
Lim Lee Meng

NOMINATION COMMITTEE

Wong Kwan Seng, Robert (*Chairman*)
Iu Po Chan, Eugene
Lim Lee Meng

COMPLIANCE COMMITTEE

Iu Po Chan, Eugene (*Chairman*)
Wong Kwan Seng, Robert
Lim Lee Meng

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Leung Chun Wah (*Chairman*)
Kwok Chan Cheung
(resignation to be effective on January 1, 2021)
Iu Po Chan, Eugene
Hon Kar Chun
(appointment to be effective on January 1, 2021)

AUTHORISED REPRESENTATIVES

Hon Kar Chun
Leung Hon Shing

REGISTERED OFFICE

Victoria Place, 5/F
31 Victoria Street
Hamilton HM10
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

Ocorian Management (Bermuda) Limited
Victoria Place, 5/F
31 Victoria Street
Hamilton HM10
Bermuda

SINGAPORE SHARE TRANSFER AGENT

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

Corporate Information

(As at December 2, 2020)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPANY WEBSITE

www.willas-array.com

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong
Limited
Main Board of Singapore Exchange Securities
Trading Limited

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 is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the six months ended September 30, 2020, together with the comparative figures for the six months ended September 30, 2019 as follows:

FINANCIAL HIGHLIGHTS

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

NM – Not Meaningful

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.

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 for the second quarter ended September 30, 2020 (“2Q FY2021”) following the widespread lockdown of many economies all over the world in April to June of 2020 (“1Q FY2021”). The recovery was supported by the resumption of the export market to the United States of America (the “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%
Electronic Manufacturing Services (“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%
	1,687,189	100.0%	1,672,407	100.0%	14,782	0.9%

Management Discussion and Analysis

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.

Management Discussion and Analysis

EMS

This segment recorded a 14.6% year-on-year (“YOY”) 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.

Management Discussion and Analysis

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 Employment Support Scheme 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 People's Republic of China (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 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\$16.7 million in 1H FY2020 were due to exchange loss mainly arising from the depreciation of RMB.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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
HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
HK\$'000	HK\$'000	HK\$'000	HK\$'000
—	—	—	—

Management Discussion and Analysis

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

China's economy grew by 4.9% 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.

Management Discussion and Analysis

In unprecedented times like now, the Group will continue to be prudent in managing its resources and expenses. 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.

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 or bonus 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 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.

Disclosure of Interests

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, 2020, the interests and short positions of the Directors and 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: (i) 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) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) 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”)

Name of Directors/ Chief Executive	Number of Shares Held				Total	Approximate percentage of total shareholding in the Company ⁽³⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of a controlled corporation)	Other interests (beneficiary of a trust)		
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

Disclosure of Interests

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 some of 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 The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) 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, 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, 2020 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2020, 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: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) 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, 2020, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who 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 were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long position in the Shares

Name of Shareholders	Number of Shares Held				Total	Approximate percentage of total shareholding in the Company ⁽⁷⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Other interests (trustee)		
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 ⁽⁴⁾ (“Mr. Yeo”)	330,000	550,000	6,939,684	–	7,819,684	9.18
Lim Mee Hwa ⁽⁴⁾ (“Ms. Lim”)	550,000	330,000	6,939,684	–	7,819,684	9.18
Yeoman Capital Management Pte Ltd ⁽⁵⁾ (“YCMPL”)	82,500	–	6,857,184	–	6,939,684	8.14
Yeoman 3-Rights Value Asia Fund ⁽⁶⁾ (“Yeoman 3-Rights”)	6,719,684	–	–	–	6,719,684	7.89
Hung Yuk Choy	5,614,309	–	–	–	5,614,309	6.59

Disclosure of Interests

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 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 some of 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 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 some of 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, 2020 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2020, the Directors are not aware of any corporations which or persons (other than a Director or the chief executive of the Company) who 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company had on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III (“ESOS III”) to grant share options to eligible employees, including the executive directors of the Group for the purpose of providing incentives or rewards for their contribution to the Group.

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

The grant of share options shall be accepted within 30 days from the date of grant, accompanied by payment of HK\$1.00 as consideration by the grantee.

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

ESOS III was adopted by an ordinary resolution of the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company held on July 30, 2013. ESOS III will expire on July 29, 2023.

Particulars of the share options outstanding under ESOS III at the beginning and at the end of 1H FY2021 and the share options granted, exercised, lapsed and cancelled during 1H FY2021 were as follows:

Category of participants	Date of grant	Balance as at April 1, 2020	Number of underlying Shares comprised in share options				Balance as at September 30, 2020	Exercise price per Share	Exercise period
			Granted during 1H FY2021	Exercised during 1H FY2021	Lapsed during 1H FY2021	Cancelled during 1H FY2021			
Employees in aggregate	July 17, 2017	907,500	-	-	-	(115,500)	792,000	HK\$3.91	July 18, 2018 to July 17, 2027

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, 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. 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 (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 (the "Nomination Committee"), Remuneration Committee and compliance committee (the "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.

Corporate Governance and Other Information

COMPLIANCE WITH HK 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, 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 Lu Po Chan, Eugene. The Group's unaudited interim results and this interim report for the six months ended September 30, 2020 have been reviewed by the Audit Committee.

UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE HK LISTING RULES

Pursuant to Rule 13.51B(1) of the HK Listing Rules, changes in the information of the Directors since the date of the 2019/20 annual report of the Company required to be disclosed in this interim report are as follows:

Mr. Jovenal R. Santiago resigned as an INED and ceased to act as the chairman of the Audit Committee, as well as a member of each of the Remuneration Committee, the Nomination Committee and the Compliance Committee with effect from the conclusion of the 2020 annual general meeting of the Company held on July 28, 2020 (the "2020 AGM").

Mr. Lim Lee Meng, an INED, was appointed as the chairman of the Audit Committee, as well as a member of each of the Remuneration Committee, the Nomination Committee and the Compliance Committee with effect from the conclusion of the 2020 AGM.

The annual Director's fee paid to each of Mr. Wong Kwan Seng, Robert and Mr. Lu Po Chan, Eugene (the INEDs) for the year ending March 31, 2021 was decreased from S\$60,000 to S\$50,000 upon the Shareholders' approval at the 2020 AGM.

Deloitte.

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**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 21 to 44, which comprises the condensed consolidated statement of financial position as of September 30, 2020 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 12, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2020

	Notes	For the six months ended September 30,	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	1,687,189	1,672,407
Cost of sales		(1,550,082)	(1,573,198)
Gross profit		137,107	99,209
Other income		4,641	1,619
Distribution costs		(13,245)	(15,388)
Administrative expenses		(89,094)	(98,290)
Other gains and losses		1,990	(16,698)
Impairment losses, net of reversal	11	(5,509)	(6,700)
Finance costs		(10,754)	(19,310)
Profit (loss) before tax		25,136	(55,558)
Income tax expense	4	(2,743)	(262)
Profit (loss) for the period	5	22,393	(55,820)
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
– Income tax relating to gain recognised in other comprehensive income		–	(5,018)
		–	2,337
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		10,669	(14,403)
Other comprehensive income (expense) for the period		10,669	(12,066)
Total comprehensive income (expense) for the period attributable to owners of the Company		33,062	(67,886)
Earnings (loss) per share	7		
– Basic (HK cents)		26.28	(65.51)
– Diluted (HK cents)		26.28	(65.51)

Condensed Consolidated Statement of Financial Position

As at September 30, 2020

	Notes	As at September 30, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	260,003	259,787
Right-of-use assets	8	9,288	14,013
Investment property	8	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	9	1,975	1,982
Restricted bank deposits		2,278	2,187
Total non-current assets		297,491	303,867
Current assets			
Inventories		311,955	375,130
Trade receivables	10	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
Total current assets		1,415,641	1,322,183
Total assets		1,713,132	1,626,050

Condensed Consolidated Statement of Financial Position

As at September 30, 2020

	Notes	As at September 30, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
Current liabilities			
Trade payables	13	401,769	305,928
Other payables		37,404	26,164
Contract liabilities		5,189	4,851
Income tax payable		825	412
Trust receipt loans	14	413,289	469,131
Bank borrowings	15	205,851	201,765
Derivative financial instruments		1,881	61
Lease liabilities		8,204	11,906
Total current liabilities		1,074,412	1,020,218
Net current assets		341,229	301,965
Total assets less current liabilities		638,720	605,832
Capital and reserves			
Share capital	16	85,207	85,207
Reserves		518,563	485,501
Equity attributable to owners of the Company		603,770	570,708
Non-current liabilities			
Deferred tax liabilities	9	31,944	31,086
Derivative financial instruments		2,027	2,177
Lease liabilities		979	1,861
Total non-current liabilities		34,950	35,124
Total liabilities and equity		1,713,132	1,626,050

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2020

	Attributable to owners of the Company								
	Share capital HK\$'000	Capital reserves HK\$'000 (Note i)	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Financial assets measured at FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Accumulated profits HK\$'000	Total HK\$'000
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 6)	-	-	-	-	-	-	-	(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
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

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2020

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 six months ended September 30, 2020

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash generated from operating activities <i>(Note)</i>	32,974	135,705
Net cash generated from (used in) investing activities		
Purchase of property, plant and equipment	(786)	(839)
Deposit paid for acquisition of property, plant and equipment	(220)	–
Placement of restricted bank deposits	–	(2,326)
Withdrawal of restricted bank deposits	2,231	–
Proceeds from disposal of property, plant and equipment	140	–
	1,365	(3,165)
Net cash used in financing activities		
Dividend paid to shareholders	–	(17,041)
Repayments of trust receipt loans	(1,211,538)	(1,095,675)
Proceeds from trust receipt loans	1,153,518	1,055,997
Repayments of bank borrowings	(398,530)	(510,662)
Proceeds from bank borrowings	410,871	376,940
Repayments of lease liabilities	(6,071)	(5,224)
	(51,750)	(195,665)
Net decrease in cash and cash equivalents	(17,411)	(63,125)
Cash and cash equivalents at beginning of the period	264,839	297,498
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	1,749	(2,908)
Cash and cash equivalents at end of the period	249,177	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 (2019: nil) as it represented non-cash derecognition upon maturity.

Notes to the Condensed Consolidated Financial Statements

For the 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 and the Main Board of The Stock Exchange of Hong Kong Limited. 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 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 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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 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. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Types of goods or service:		
Sales of electronic components	1,687,189	1,672,407
Market segments of the customers:		
Industrial	489,882	455,886
Home appliance	317,456	304,768
Automotive	293,724	247,827
Electronic manufacturing services	127,893	111,591
Dealer	123,852	164,196
Audio and video	112,433	123,499
Telecommunications	111,639	165,950
Lighting	65,106	57,720
Others	45,204	40,970
Total	1,687,189	1,672,407

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

3. REVENUE AND SEGMENT INFORMATION (continued)

B. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

3. REVENUE AND SEGMENT INFORMATION (continued)

B. 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	
Revenue						
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)
Gross profit / segment results	70,590	62,325	4,192	137,107	-	137,107
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						22,393

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

3. REVENUE AND SEGMENT INFORMATION (continued)

B. 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	
Revenue						
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)
Gross profit / segment results	<u>47,102</u>	<u>46,503</u>	<u>5,545</u>	<u>99,150</u>	<u>59</u>	<u>99,209</u>
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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

4. INCOME TAX EXPENSE

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The income tax charge comprises:		
Current tax:		
– Hong Kong	141	115
– PRC Enterprise Income Tax (the “EIT”)	1,855	1,031
– Taiwan	487	292
	2,483	1,438
Over provision in respect of prior period:		
– PRC EIT	(21)	–
– Taiwan	(5)	(28)
	(26)	(28)
Deferred tax:		
– Current period (<i>Note 9</i>)	286	(1,148)
	2,743	262
Income tax recognised in the other comprehensive income:		
Deferred tax (<i>Note 9</i>)		
Arising on other comprehensive income		
– Gain on revaluation of leasehold land and building transferred to investment property	–	(5,018)
	–	(5,018)

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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

5. PROFIT (LOSS) FOR THE PERIOD

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

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses (<i>Note i</i>)	1,550,082	1,573,198
Depreciation of property, plant and equipment	6,901	7,136
Depreciation of right-of-use assets	6,052	4,856
Directors' emoluments (<i>Note ii</i>)	5,043	5,496
(Gain) loss on disposal of property, plant and equipment	(140)	68
Audit fees paid to auditors		
Auditor of the Company	1,075	1,102
Other auditors	77	75
Non-audit fees paid to auditor		
Auditor of the Company	399	444
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	54,931	59,263
Net foreign exchange (gain) loss (<i>Note iii</i>)	(4,512)	18,378
Net loss (gain) on fair value changes of derivative financial instruments	2,662	(1,748)
Interest income from bank deposits	(314)	(1,293)
Government subsidies	(3,861)	–

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.
- (iii) During the six months ended September 30, 2020 and 2019, there was net foreign exchange gain amounting to HK\$4,512,000 and net foreign exchange loss amounting to HK\$18,378,000, respectively, due to the appreciation and depreciation of Renminbi, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

6. DIVIDENDS

No dividend was declared and paid during the six months ended September 30, 2020 (2019: a 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 of directors of the Company has resolved not to declare any interim dividend for the six months ended September 30, 2020 (2019: nil).

7. 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:

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>22,393</u>	<u>(55,820)</u>
	For the six months ended September 30,	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>85,207</u>	<u>85,207</u>

The computation of diluted earnings per share for the 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 period.

The computation of diluted loss per share for the 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 period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

8. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY

During the current interim period, the Group paid HK\$786,000 (2019: 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 (2019: HK\$68,000), resulting in a gain of HK\$140,000 (2019: a loss of HK\$68,000).

During the current interim period, the Group entered into a lease agreement for the use of warehouse for three years (2019: the Group entered into several lease agreements for the use of offices for two years) which the Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of HK\$1,181,000 (2019: HK\$3,362,000) and lease liabilities of HK\$1,181,000 (2019: HK\$3,362,000).

The Group's leasehold land and buildings classified as property, plant and equipment were revalued to fair value. The Group's land and buildings were revalued by the directors of the Company while the investment property was valued by Asset Appraisal Limited, a firm of independent qualified professional valuer not connected to the Group. In the opinion of the directors of the Company and the valuer, the carrying amount of both land and buildings and investment property at the end of current interim period does not differ significantly from their estimated fair value. Consequently, no increase / decrease in fair value of property, plant and equipment and investment property has been recognised in property revaluation reserve and profit or loss, respectively, for the six months ended September 30, 2020.

The valuation of properties, which falls under level 3 of the fair value hierarchy, has been arrived at by using direct comparison method that reflects recent transaction prices for similar properties.

In estimating the fair value, the highest and best use of properties is their current use. The key inputs used in valuing the properties is market unit rate taking into account the recent transaction prices for comparable properties and adjusted for size, location, building age, and floor level of property and timing of comparable transactions. A significant increase in market unit rate would result in a significant increase in the fair value and vice versa.

There were no transfers into or out of level 3 during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

9. DEFERRED TAX

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

	As at September 30, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
Deferred tax assets	1,975	1,982
Deferred tax liabilities	(31,944)	(31,086)
	<u>(29,969)</u>	<u>(29,104)</u>

10. TRADE RECEIVABLES

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

As at September 30, 2020, total bills received amounting to HK\$37,496,000 are held by the Group for settlement of trade receivables, of which certain bills were further discounted by the Group.

As at March 31, 2020, total bills received amounting to HK\$25,419,000 are held by the Group for settlement of trade receivables.

The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in Note 12. All bills received by the Group are with a maturity period of less than one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

10. TRADE RECEIVABLES (continued)

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

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	For the six months ended September 30, 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Impairment loss recognised on – Trade receivables	<u>5,509</u>	<u>6,700</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended September 30, 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2020 that 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).

As at September 30, 2020 (Unaudited)

	Trade receivables discounted to banks with full recourse HK\$'000	Bills received discounted to banks with full recourse HK\$'000	Total HK\$'000
Carrying amount of transferred assets	83,479	1,708	85,187
Carrying amount of associated liabilities	(71,751)	(1,708)	(73,459)
Net position	<u>11,728</u>	<u>–</u>	<u>11,728</u>

As at March 31, 2020 (Audited)

	Trade receivables discounted to banks with full recourse HK\$'000	Bills received discounted to banks with full recourse HK\$'000	Total HK\$'000
Carrying amount of transferred assets	69,862	–	69,862
Carrying amount of associated liabilities	(63,712)	–	(63,712)
Net position	<u>6,150</u>	<u>–</u>	<u>6,150</u>

Finance costs recognised for trade receivables and bills received discounted to banks for the six months ended September 30, 2020 are HK\$720,000 and HK\$94,000 (2019: HK\$1,990,000 and HK\$244,000), respectively, which are included in finance costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

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

14. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear interest ranging from 1.64% to 2.22% (March 31, 2020: 2.39% to 4.38%) per annum and are repayable within one year.

At September 30, 2020, the Group's trust receipt loans with carrying amount of HK\$200,173,000 (March 31, 2020: HK\$174,087,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of HK\$410,871,000 (2019: HK\$376,940,000).

In addition, the Group repaid bank loans of HK\$398,530,000 (2019: HK\$510,662,000) during the current interim period.

At September 30, 2020, the Group's bank borrowings with carrying amount of HK\$12,393,000 (March 31, 2020: HK\$3,053,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods.

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

	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
Weighted average effective interest rate:		
– fixed-rate borrowings	3.30%	4.63%
– variable-rate borrowings	1.52%	2.85%

16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.0 each		
Authorised:		
At April 1, 2019 (Audited), September 30, 2019 (Unaudited), April 1, 2020 (Audited) and September 30, 2020 (Unaudited)	120,000	120,000
Issued and paid up:		
At April 1, 2019 (Audited), September 30, 2019 (Unaudited), April 1, 2020 (Audited) and September 30, 2020 (Unaudited)	85,207	85,207

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

17. 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. Details of the share option schemes and fair value measurement of share options were disclosed in the Group’s annual financial statements for the year ended March 31, 2020.

ESOS II

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

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

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:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

18. RELATED COMPANY TRANSACTIONS

(a) Transactions and balances with an associate

At the end of the reporting periods, the Group had the following balances with an associate:

	As at September 30, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
Associate		
– other receivables (<i>Note i</i>)	532	532
– other payables (<i>Note ii</i>)	(2,175)	(2,944)

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

Notes:

- (i) Full impairment on amount due from an associate of HK\$532,000 (March 31, 2020: HK\$532,000) had been provided during the year ended March 31, 2017.
- (ii) The Group received customers' receipts on behalf of its associate and the balance represents amount due after netting off with related legal and administrative expenses paid.

(b) Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the six months ended September 30, 2020 and 2019 were as follows:

	For the six months ended September 30,	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	7,357	8,099
Post-employment benefits	78	693
Other long-term benefits	623	623
	8,058	9,415

The emoluments of directors and key management are determined by the Board on the recommendation of its remuneration committee having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation process

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company determines the fair value by reference to the valuation carried out as of the end of reporting period by banks and financial institutions for foreign currency forward contracts.

The fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2020

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

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).

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

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, 2020 (Unaudited)	March 31, 2020 (Audited)		
Foreign exchange forward contracts	Assets - nil Liabilities - HK\$3,908,000	Assets - HK\$993,000 Liabilities - HK\$2,238,000	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 the different levels of the fair value hierarchy during the six months ended September 30, 2020.

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.



WILLAS-ARRAY

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