

The background of the entire page is a low-angle, perspective view of a modern skyscraper's facade. The building is composed of a grid of rectangular panels, which are illuminated from below, creating a strong gradient from light yellow at the top to deep orange and red at the bottom. The lines of the building converge towards the top right corner of the frame.

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 2021/22

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Corporate Information

DIRECTORS

Non-executive Director

Leung Chun Wah (*Chairman*)

Executive Directors

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*)

Iu Po Chan, Eugene

Hon Kar Chun

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

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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

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Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
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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 of directors of the Company (the “Directors” 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 six months ended September 30, 2021, together with the comparative figures for the six months ended September 30, 2020 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		Change %
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	
Revenue	1,785,868	1,687,189	+5.8
Gross profit	171,049	137,107	+24.8
Profit before tax	55,447	25,136	+120.6
Profit attributable to owners of the Company	43,534	22,393	+94.4
Basic earnings per share (HK cents)	51.09	26.28	+94.4

Management Discussion and Analysis

BUSINESS REVIEW

The Group recorded a profit attributable to owners of the Company of HK\$43.5 million for the six months ended September 30, 2021 (“1H FY2022”) compared to HK\$22.4 million for the six months ended September 30, 2020 (“1H FY2021”). The increase was mainly due to higher gross profit which was mainly attributable to an improvement in gross profit margin compared to 1H FY2021 resulting from the persistent imbalance between the supply and demand of electronics components, whereas the overall expenses were similar to that of 1H FY2021.

Revenue

The Group achieved a 5.8% year-on-year (“YOY”) increase in revenue from HK\$1,687.2 million in 1H FY2021 to HK\$1,785.9 million in 1H FY2022. The revenue growth was driven by several factors, including the strong demand for electronic components brought on by new trends that emerged during the ongoing pandemic; the easing of monetary policy of various governments; and the effectiveness of the Chinese government’s economic and business support policies to spur domestic consumption and economic recovery; but partially impeded by the global shortage of semiconductors, which has led to delays in production in many manufacturing industries.

During the period under review, the Group was able to achieve a double-digit growth for its focus segments, namely Industrial, Home Appliance and Automotive, because of long-standing relationships and close cooperation with its suppliers, which had enabled the Group to meet the needs of its customers.

Revenue by Market Segment Analysis

	1H FY2022		1H FY2021		Increase/(Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	553,720	31.0%	489,882	29.0%	63,838	13.0%
Home Appliance	352,477	19.7%	317,456	18.8%	35,021	11.0%
Automotive	350,817	19.7%	293,724	17.4%	57,093	19.4%
Audio and Video	120,165	6.7%	112,433	6.7%	7,732	6.9%
Dealer	118,906	6.7%	123,852	7.3%	(4,946)	-4.0%
Telecommunications	101,777	5.7%	111,639	6.6%	(9,862)	-8.8%
Electronic Manufacturing Services (“EMS”)	77,538	4.3%	127,893	7.6%	(50,355)	-39.4%
Lighting	60,940	3.4%	65,106	3.9%	(4,166)	-6.4%
Others	49,528	2.8%	45,204	2.7%	4,324	9.6%
	1,785,868	100.0%	1,687,189	100.0%	98,679	5.8%

Management Discussion and Analysis

Industrial

The Industrial segment is the largest revenue generator of the Group. It achieved revenue of HK\$553.7 million in 1H FY2022, representing an increase of 13.0% as compared to the same period last year. The demand was very strong across many applications in this segment; e.g. power saving, motors, e-meters and display modules. Globally, as most countries move towards living with the coronavirus disease 2019 (the “COVID-19”) as an endemic disease, many governments are also shifting their focus back on environment protection, sustainability and achieving carbon neutrality. In line with this, many new applications that have emerged are related to energy saving and renewable energy systems. With our strong foundation and comprehensive customer base, our sales and engineering teams are well-positioned to capture growth opportunities in this segment.

Home Appliance

Home Appliance, our second largest revenue generating segment, recorded a revenue of HK\$352.5 million in 1H FY2022, representing an increase of 11.0% as compared to 1H FY2021. This segment continued to benefit from 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 to energy saving ones. At the same time, export demand was also very strong due to China’s rapid control of the COVID-19 situation as compared to other neighbouring countries in Asia where the pandemic continued to disrupt production and logistics.

Automotive

The Group’s investment of resources into this segment has continued to pay off. Revenue from the Automotive segment increased by 19.4% to HK\$350.8 million in 1H FY2022 as compared to 1H FY2021. The segment continued to perform strongly because of the Chinese government’s strong support for the development of new energy vehicles as part of its strategy to achieve carbon neutrality. Despite the current global shortage of semiconductors, the Group has been able to meet the production requirements of its key customers in China with the support of its key suppliers.

Audio and Video

Revenue from the Audio and Video segment was HK\$120.2 million in 1H FY2022, representing an increase of 6.9% as compared to the same period in the last financial year. This segment continued to benefit from the trend of remote working arrangements that had emerged from the COVID-19 pandemic. During the period under review, demand for home entertainment, gaming and upgrades to audio and video products and devices for conference meetings remained strong.

Management Discussion and Analysis

Dealer

The revenue from this segment was HK\$118.9 million in 1H FY2022, representing a drop of 4.0% as compared to the same period last year. Although demand from this segment was strong, revenue performance was affected by the prioritisation and allocation of semiconductors to key growth industries. However, to maintain its relationships with dealer partners, the Group has endeavoured to fulfill their minimum requirements.

Telecommunications

Revenue from the Telecommunications segment fell 8.8% YOY to HK\$101.8 million. As the growth prospects of this segment is expected to remain muted, the Group will monitor the segment closely but intends to redeploy its resources to other growth segments.

EMS

This segment recorded a significant YOY decline in revenue of 39.4% to HK\$77.5 million in 1H FY2022. It was badly affected by the imbalance in the supply of components to medium and small sized manufacturers. The Group had assisted its customers in this segment to buffer their orders and manage the supply chain to tide over this period.

Lighting

Revenue from this segment remained stable in 1H FY2022 with a slight decline of 6.4% YOY to HK\$60.9 million. It benefited from both the stay-at-home market and the resumption of economic activities.

Others

The revenue from this segment increased by 9.6% YOY to HK\$49.5 million in 1H FY2022. This was due to the recovery in consumer spending in 1H FY2022 as compared to the lockdown situation in 1H FY2021.

Gross Profit Margin

The Group's gross profit margin increased from 8.1% in 1H FY2021 to 9.6% in 1H FY2022 mainly due to the persistent imbalance between the supply and demand of electronics components arising out of the global shortage of supply of electronic components.

Other Income

Other income decreased by HK\$3.7 million, or 81.1%, from HK\$4.6 million in 1H FY2021 to HK\$0.9 million in 1H FY2022 mainly due to the non-recurring subsidy of HK\$3.6 million from the Hong Kong government's Employment Support Scheme, which was recognised in 1H FY2021. No such income was received in 1H FY2022.

Management Discussion and Analysis

Distribution Costs

Distribution costs increased by HK\$1.8 million, or 13.6%, from HK\$13.2 million in 1H FY2021 to HK\$15.0 million in 1H FY2022. The increase mainly reflected our increased travelling and entertainment activities for the period under review. As a result of the outbreak of the COVID-19 pandemic at the beginning of 2020, we have suspended most of the travelling and entertainment activities in 1H FY2021.

Administrative Expenses

Administrative expenses increased by HK\$5.9 million, or 6.7%, from HK\$89.1 million in 1H FY2021 to HK\$95.0 million in 1H FY2022. This was mainly due to the reduction and exemption of corporate social insurance premiums granted by the Chinese government during 1H FY2021 which covered the period from February 1, 2020 to December 31, 2020.

Other Gains and Losses

Other gains of HK\$0.9 million in 1H FY2022 (1H FY2021: HK\$2.0 million) were due to exchange gain mainly arising from the appreciation of Renminbi (“RMB”).

Impairment Losses Reversed (Recognised) Under Expected Credit Loss Model, Net

Reversal of impairment losses of HK\$1.4 million in 1H FY2022 (1H FY2021: Impairment losses of HK\$5.5 million) mainly represented the reversal of impairment losses on trade receivables.

Finance Costs

The finance costs which represented interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities decreased by HK\$2.1 million, or 19.1%, from HK\$10.8 million in 1H FY2021 to HK\$8.7 million in 1H FY2022. 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.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to as at March 31, 2021, trust receipt loans increased by HK\$95.3 million as at September 30, 2021 mainly due to the increased purchases towards the end of the current interim period when compared with the purchases towards March 31, 2021. Trade payables increased from HK\$349.3 million as at March 31, 2021 to HK\$366.9 million as at September 30, 2021. Trade receivables of HK\$842.1 million as at September 30, 2021 remained at a similar level as at March 31, 2021. The debtors turnover days was 2.9 months as at September 30, 2021 (March 31, 2021: 2.9 months).

As at September 30, 2021, the Group's current ratio (current assets divided by current liabilities) was 1.44 (March 31, 2021: 1.46).

Inventories

Inventories decreased from HK\$259.8 million as at March 31, 2021 to HK\$213.3 million as at September 30, 2021. The inventory turnover days decreased from 1.0 month as at March 31, 2021 to 0.8 month as at September 30, 2021.

Cash Flow

As at September 30, 2021, the Group had a working capital of HK\$449.6 million which included a cash balance of HK\$399.4 million, compared to a working capital of HK\$423.3 million which included a cash balance of HK\$216.9 million as at March 31, 2021. The increase in cash by HK\$182.5 million was primarily attributable to cash inflow of HK\$70.0 million generated from operating activities and cash inflow of HK\$114.2 million generated from financing activities. The Group's cash balance was mainly denominated in US dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from operating activities was primarily due to the increase in operating cash flows before movement in working capital.

Cash inflow generated from financing activities was mainly attributable to the increases in trust receipt loans and bank borrowings to finance the increased purchases towards September 30, 2021 when compared with the purchases towards March 31, 2021.

Management Discussion and Analysis

Borrowings and Banking Facilities

As at September 30, 2021, the Group had bank borrowings of HK\$149.2 million which were repayable within one year. Among the Group's bank borrowings, 71.3% was denominated in HKD, 16.9% was denominated in USD and 11.8% was denominated in RMB. As at September 30, 2021, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 90.5% and 9.5%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 2.74% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 1.36% per annum.

As at September 30, 2021, trust receipt loans of HK\$439.8 million were unsecured and repayable within one year and bore interest rates ranging from 1.52% to 3.20% per annum. The trust receipt loans were denominated in USD. As at September 30, 2021, the Group had unutilised banking facilities of HK\$925.2 million (March 31, 2021: HK\$1,018.3 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, 2021		As at March 31, 2021	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
48,191	540,796	41,647	449,493

Amount repayable after one year

As at September 30, 2021		As at March 31, 2021	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
–	–	–	–

As at September 30, 2021, the Group's trade receivables amounting to HK\$53.4 million (March 31, 2021: HK\$46.8 million) 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 had 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\$48.2 million (March 31, 2021: HK\$41.6 million).

Management Discussion and Analysis

Foreign Exchange Risk Management

The Group operates in Hong Kong, mainland China (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, 2021 was 26.7% (March 31, 2021: 39.6%). 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 and multiplied by 100%. The decrease was mainly due to the increases in cash balance and shareholders’ equity.

STRATEGY AND PROSPECTS

After a double-digit YOY growth of 18.3% in the first quarter (January to March) of 2021, China’s economy grew at a slower pace of 7.9% YOY in the second quarter (April to June) of 2021 and slowed further in the third quarter (July to September) of 2021 with a growth of 4.9% YOY¹. This was amidst several headwinds, including power shortages, supply chain bottlenecks and sporadic COVID-19 outbreaks.

Furthermore, the ongoing tense relations between the United States and China may continue to present challenges to trade between the two nations. Nevertheless, China has ample tools to cope with these economic challenges despite slowing growth. With the Chinese government’s economic and business support policies, the Group expects China’s economy to be resilient with great potential for growth.

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.

¹ The Overall National Economy Maintained the Recovery Momentum in the First Three Quarters, National Bureau of Statistics of China (October 18, 2021).

Management Discussion and Analysis

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2021 (1H FY2021: nil) as the Group intends to retain cash for its business operations.

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2021, the Group had a workforce of 359 (March 31, 2021: 361) full-time employees, of which 32.9% worked in Hong Kong, 63.7% 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 an 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 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.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at September 30, 2021 (March 31, 2021: nil).

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, 2021, 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

Name of Directors/ Chief Executive	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company ⁽²⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of a controlled corporation)		
Leung Chun Wah ⁽¹⁾ (“Mr. Leung”)	1,230,130	805,134	19,909,813	21,945,077	25.76
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 a non-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. The 19,909,813 Shares are held by Max Power Assets Limited (“Max Power”) of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.
- (2) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2021 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2021, 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, 2021, 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, had been 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)		
Ms. Cheng ⁽¹⁾	805,134	21,139,943	–	21,945,077	25.76
Max Power ⁽²⁾	19,909,813	–	–	19,909,813	23.37
Kwok Chan Cheung ⁽³⁾ ("Mr. Kwok")	37,400	–	8,685,109	8,722,509	10.24
Global Success International Limited ⁽³⁾ ("Global Success")	8,685,109	–	–	8,685,109	10.19
Yeo Seng Chong ^{(4) and (5)} ("Mr. Yeo")	330,000	550,000	6,939,684	7,819,684	9.18
Lim Mee Hwa ^{(4) and (5)} ("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 a non-executive Director, is deemed under the SFO to be interested in (a) the 1,230,130 Shares held by Mr. Leung as beneficial owner and (b) the 19,909,813 Shares deemed to be held by Mr. Leung through Max Power.
- (2) The 19,909,813 Shares are held by Max Power of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.
- (3) Global Success, which is wholly owned by Mr. Kwok, 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. By virtue of the SFO, both Mr. Yeo and Ms. Lim are deemed to be interested in all of the Shares held beneficially and deemed to be held by YCMPL. Each of Mr. Yeo and Ms. Lim is also 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, 2021 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2021, 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.

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.

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.

Particulars of the share options outstanding under ESOS III at the beginning and at the end of 1H FY2022 and the share options granted, exercised, lapsed and forfeited during 1H FY2022 were as follows:

Category of participants	Date of grant	Number of underlying Shares comprised in share options					Balance as at September 30, 2021	Exercise price per Share	Exercise period
		Balance as at April 1, 2021	Granted during 1H FY2022	Exercised during 1H FY2022	Lapsed during 1H FY2022	Forfeited during 1H FY2022			
Employees in aggregate	July 17, 2017	792,000	-	-	-	-	792,000	HK\$3.91	July 18, 2018 to July 17, 2027
Employees in aggregate	December 2, 2020	3,785,000	-	-	-	(70,000)	3,715,000	HK\$2.61	December 3, 2021 to December 2, 2030
		<u>4,577,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>4,507,000</u>		

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, 2021, 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, 2021, 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 CG Code, the Singapore CG Code and the bye-laws of the Company, the Company will comply with the most 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 of the Singapore CG Code stipulates that independent directors make up a majority of the board where the chairman is not independent. The Company notes that the current Board composition is a variation from Provision 2.2 of the Singapore CG Code as the Board comprises seven members, one of whom is a non-executive Director (who is also the chairman of the Board), three of whom are executive Directors and three of whom are INEDs. The Board has plans for board renewal and orderly succession, will continually review its composition to take into account the recommendation in Provision 2.2 of the Singapore CG Code, and intends to adopt the necessary measures in due course. Such measures may include having some of the existing Directors (apart from INEDs) stepping down at the appropriate juncture, and/or appointing new independent Directors, if suitable candidates are identified.

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 current 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, 2021.

REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the HK CG Code and the Main Board rules of the listing manual of the SGX-ST. The Audit Committee 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, 2021 have been reviewed by the Audit Committee.

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 48, which comprise the condensed consolidated statement of financial position as of September 30, 2021 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 (“IASB”). 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, 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2021

	NOTES	For the six months ended September 30,	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	1,785,868	1,687,189
Cost of sales		(1,614,819)	(1,550,082)
Gross profit		171,049	137,107
Other income		876	4,641
Distribution costs		(15,046)	(13,245)
Administrative expenses		(95,021)	(89,094)
Other gains and losses		923	1,990
Impairment losses reversed (recognised) under expected credit loss ("ECL") model, net	11	1,362	(5,509)
Finance costs		(8,696)	(10,754)
Profit before tax		55,447	25,136
Income tax expense	4	(11,913)	(2,743)
Profit for the period	5	43,534	22,393
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		4,308	10,669
Other comprehensive income for the period		4,308	10,669
Total comprehensive income for the period attributable to owners of the Company		47,842	33,062
Earnings per share	7		
– Basic (HK cents)		51.09	26.28
– Diluted (HK cents)		50.47	26.28

Condensed Consolidated Statement of Financial Position

As at September 30, 2021

	NOTES	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	268,059	270,142
Right-of-use assets	8	17,751	18,201
Investment property	8	9,512	9,512
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income ("FVTOCI")		–	–
Long-term deposits		4,215	3,891
Deferred tax assets	9	619	624
Restricted bank deposits		–	2,378
Total non-current assets		302,157	306,749
Current assets			
Inventories		213,295	259,783
Trade receivables	10	842,073	844,049
Other receivables, deposits and prepayments		5,866	8,273
Income tax recoverable		4,532	4,574
Derivative financial instruments		98	434
Restricted bank deposits		2,410	–
Cash and cash equivalents		399,405	216,923
Total current assets		1,467,679	1,334,036
Total assets		1,769,836	1,640,785

Condensed Consolidated Statement of Financial Position

As at September 30, 2021

	NOTES	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Current liabilities			
Trade payables	13	366,924	349,349
Other payables		42,213	48,275
Contract liabilities		4,206	8,846
Income tax payable		8,076	6,101
Trust receipt loans	14	439,758	344,493
Bank borrowings	15	149,229	146,647
Derivative financial instruments		504	539
Lease liabilities		7,195	6,514
Total current liabilities		1,018,105	910,764
Net current assets		449,574	423,272
Total assets less current liabilities		751,731	730,021
Capital and reserves			
Share capital	16	85,207	85,207
Reserves		622,965	601,894
Equity attributable to owners of the Company		708,172	687,101
Non-current liabilities			
Deferred tax liabilities	9	33,028	31,652
Lease liabilities		10,531	11,268
Total non-current liabilities		43,559	42,920
Total liabilities and equity		1,769,836	1,640,785

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2021

	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, 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 forfeited	-	(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
At April 1, 2021 (Audited)	85,207	194,255	22,974	117,441	10,852	(16,448)	(3,561)	276,381	687,101
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	43,534	43,534
Other comprehensive income for the period	-	-	-	-	4,308	-	-	-	4,308
Total	-	-	-	-	4,308	-	-	43,534	47,842
Transactions with owners, recognised directly in equity:									
Recognition of equity-settled share-based payments (Note 17)	-	1,347	-	-	-	-	-	-	1,347
Dividend paid (Note 6)	-	-	-	-	-	-	-	(28,118)	(28,118)
Transfer of statutory reserve	-	-	274	-	-	-	-	(274)	-
Total	-	1,347	274	-	-	-	-	(28,392)	(26,771)
At September 30, 2021 (Unaudited)	85,207	195,602	23,248	117,441	15,160	(16,448)	(3,561)	291,523	708,172

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2021

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, 2021

	For the six months ended September 30,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities <i>(Note)</i>	69,961	32,974
Net cash (used in) generated from investing activities		
Purchase of property, plant and equipment	(2,714)	(786)
Deposit paid for acquisition of property, plant and equipment	–	(220)
Withdrawal of restricted bank deposits	–	2,231
Proceeds from disposal of property, plant and equipment	75	140
	(2,639)	1,365
Net cash generated from (used in) financing activities		
Dividend paid to shareholders	(28,118)	–
Repayments of trust receipt loans	(1,264,864)	(1,211,538)
Proceeds from trust receipt loans	1,360,220	1,153,518
Repayments of bank borrowings	(366,030)	(398,530)
Proceeds from bank borrowings	417,221	410,871
Repayments of lease liabilities	(4,264)	(6,071)
	114,165	(51,750)
Net increase (decrease) in cash and cash equivalents	181,487	(17,411)
Cash and cash equivalents at beginning of the period	216,923	264,839
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	995	1,749
Cash and cash equivalents at end of the period	399,405	249,177

Note: During the six months ended September 30, 2021, 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 settlement of the related bills of HK\$48,896,000 (2020: HK\$8,352,000) as it represented non-cash derecognition upon maturity.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

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 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.

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, 2021 are the same as those presented in the Group's annual financial statements for the year ended March 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards

In the current interim period, the Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period on April 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phrase 2

Except as described below, the application of the amendments to IFRS Standards in the current interim 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.

2.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards – continued

2.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” - continued

2.1.2 Transition and summary of effects

As at April 1, 2021, the Group has bank borrowings and trust receipt loans, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amount of liabilities are shown at their carrying amounts.

	Hong Kong Dollars Hong Kong Interbank Offered Rate ("HIBOR") HK\$'000	United States Dollars London Interbank Offered Rate ("LIBOR") HK\$'000
Financial liabilities		
Trust receipt loans	–	439,758
Bank borrowings	106,330	25,252

The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for trust receipt loans and bank borrowings. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending March 31, 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards – continued

2.2 *Potential impacts on application of the agenda decision of the International Financial Reporting Standards Interpretations Committee (“the Committee”) - Cost necessary to sell inventories (IAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s existing accounting policy is to determine net realisable value taking into consideration incremental costs only. As at September 30, 2021, the Group is still in the process of assessing the potential impacts and has yet to implement the change in accounting policy based on the Committee’s agenda decision. The impacts on such change, if any, will be disclosed in the Group’s future consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

3. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	For the six months ended September 30,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or service:		
Sales of electronic components	1,785,868	1,687,189
Market segments of the customers:		
Industrial	553,720	489,882
Home appliance	352,477	317,456
Automotive	350,817	293,724
Audio and video	120,165	112,433
Dealer	118,906	123,852
Telecommunications	101,777	111,639
Electronic manufacturing services	77,538	127,893
Lighting	60,940	65,106
Others	49,528	45,204
Total	1,785,868	1,687,189

In addition, the Group's disaggregation of revenue by geographical market is disclosed in Note 3(B).

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

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 reversed (recognised) under ECL model, net 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, 2021

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, 2021 (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	878,058	868,992	38,818	1,785,868	-	1,785,868
Sales - inter-company	504,364	200,376	3	704,743	(704,743)	-
	1,382,422	1,069,368	38,821	2,490,611	(704,743)	1,785,868
Cost of sales	(1,294,978)	(990,324)	(34,260)	(2,319,562)	704,743	(1,614,819)
Gross profit/segment results	87,444	79,044	4,561	171,049	-	171,049
Other income						876
Distribution costs						(15,046)
Administrative expenses						(95,021)
Other gains and losses						923
Impairment losses reversed under ECL model, net						1,362
Finance costs						(8,696)
Profit before tax						55,447
Income tax expense						(11,913)
Profit attributable to owners of the Company						43,534

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

3. REVENUE AND SEGMENT INFORMATION – continued

B. Segment information – continued

Six months ended September 30, 2020 (Unaudited)

	Trading of electronic components				Elimination HK\$'000	Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total 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 recognised under ECL model, net						(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

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, 2021

4. INCOME TAX EXPENSE

	For the six months ended September 30,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax charge comprises:		
Current tax:		
– Hong Kong	3,370	141
– PRC Enterprise Income Tax (the “EIT”)	7,024	1,855
– Taiwan	401	487
	10,795	2,483
(Over) under provision in respect of prior period:		
– PRC EIT	21	(21)
– Taiwan	(88)	(5)
	(67)	(26)
Deferred tax:		
– Current period (Note 9)	1,185	286
	11,913	2,743

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, 2021 and 2020.

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, 2021

5. PROFIT FOR THE PERIOD

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

	For the six months ended September 30,	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses (<i>Note i</i>)	1,614,819	1,550,082
Depreciation of property, plant and equipment	7,031	6,901
Depreciation of right-of-use assets	4,409	6,052
Directors' emoluments (<i>Note ii</i>)	5,415	5,043
Gain on disposal of property, plant and equipment	(6)	(140)
Audit fees paid to auditors		
Auditor of the Company	1,071	1,075
Other auditors	84	77
Non-audit fees paid to auditor		
Auditor of the Company	402	399
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	59,012	54,931
Net foreign exchange gain	(1,218)	(4,512)
Net loss on fair value changes of derivative financial instruments	301	2,662
Share-based payment expense	1,347	–
Interest income from bank deposits	(243)	(314)
Government grant	–	(3,861)

Notes:

- (i) During the six months ended September 30, 2021, the amount did not include any reversal of allowance for inventories (2020: HK\$8,933,000).
- (ii) During the six months ended September 30, 2021, cost of defined contribution plans amounting to HK\$7,665,000 (2020: HK\$3,600,000), was included in staff costs and directors' emoluments. During the six months ended September 30, 2020, due to the outbreak of Covid-19, the PRC government relieved all or part of the social insurance for certain PRC subsidiaries of the Group from April 2020 to September 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

6. DIVIDENDS

During the six months ended September 30, 2021, a final dividend of HK33.0 cents per share was declared and paid to the shareholders in respect of the year ended March 31, 2021 (2020: nil). The aggregate amount of the final dividend paid in current interim period amounted to HK\$28,118,000 (2020: nil).

The board of directors of the Company has resolved not to declare any interim dividend for the six months ended September 30, 2021 (2020: nil).

7. EARNINGS PER SHARE

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

	For the six months ended September 30,	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	43,534	22,393
	For the six months ended September 30,	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	85,207	85,207
Effect of dilutive potential ordinary shares:		
Share options	1,055	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	86,262	85,207

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

7. EARNINGS PER SHARE – continued

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.

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

During the current interim period, the Group paid HK\$2,714,000 (2020: HK\$786,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$69,000 (2020: nil), resulting in a gain of HK\$6,000 (2020: HK\$140,000).

During the current interim period, the Group renewed lease agreements for the use of offices and staff quarter for two years to three years (2020: the Group entered into a lease agreement for the use of warehouse for three years) which the Group is required to make fixed monthly payments. On the lease modification date, the Group recognised right-of use assets of HK\$3,918,000 and lease liabilities of HK\$3,918,000. For the six months ended September 30, 2020, on the lease commencement date, the Group recognised right-of use assets of HK\$1,181,000 and lease liabilities of HK\$1,181,000.

The Group's owned properties classified as property, plant and equipment were revalued to fair value. The Group's owned properties 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 owned properties 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 periods ended September 30, 2021 and 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 period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

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 the analysis of the deferred tax balances for statement of financial position purposes:

	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Deferred tax assets	619	624
Deferred tax liabilities	<u>(33,028)</u>	<u>(31,652)</u>
	<u>(32,409)</u>	<u>(31,028)</u>

10. TRADE RECEIVABLES

	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Trade receivables	887,001	890,362
Less: allowance for credit losses	<u>(44,928)</u>	<u>(46,313)</u>
	<u>842,073</u>	<u>844,049</u>

As at September 30, 2021, total bills received amounting to HK\$75,906,000 are held by the Group for future settlement of trade receivables, of which HK\$17,647,000 bills were further discounted by the Group.

As at March 31, 2021, total bills received amounting to HK\$67,150,000 are held by the Group for future settlement of trade receivables, of which HK\$17,506,000 bills were further discounted by the Group.

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.

The Group allows a credit period of 30 to 120 days (March 31, 2021: 30 to 120 days) to its trade customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

10. TRADE RECEIVABLES – continued

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, at the end of the reporting periods:

	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Within 60 days	568,211	516,550
61 to 90 days	158,960	171,679
Over 90 days	114,902	155,820
	<u>842,073</u>	<u>844,049</u>

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

	For the six months ended September 30, 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Impairment loss (reversed) recognised on:		
Trade receivables	(1,513)	5,509
Amount due from an associate (Note 18(a))	151	–
	<u>(1,362)</u>	<u>5,509</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, 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2021 and March 31, 2021 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\$48,191,000 (March 31, 2021: HK\$41,647,000).

As at September 30, 2021 (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	35,742	17,647	53,389
Carrying amount of associated liabilities	(30,544)	(17,647)	(48,191)
Net position	<u>5,198</u>	<u>–</u>	<u>5,198</u>

As at March 31, 2021 (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	29,340	17,506	46,846
Carrying amount of associated liabilities	(24,141)	(17,506)	(41,647)
Net position	<u>5,199</u>	<u>–</u>	<u>5,199</u>

Finance costs recognised for trade receivables and bills received discounted to banks for the period ended September 30, 2021 are HK\$718,000 and HK\$485,000 (2020: HK\$720,000 and HK\$94,000), respectively, which are included in finance costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

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, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Within 30 days	257,156	236,751
31 to 60 days	109,768	112,598
	366,924	349,349

As at September 30, 2021, HK\$250,374,000 (March 31, 2021: HK\$261,729,000) of trade payables are eligible for the Group to obtain the trust receipt loans from the banks for settlement of trade payables to the vendors.

14. TRUST RECEIPT LOANS

The trust receipts loans were drawn down by the Group from the banks for settlement of its trade payables. During the period ended September 30, 2021, gross amount of HK\$1,360,220,000 (2020: HK\$1,153,518,000) trade payables have been settled through the trust receipt loans provided by the banks. During the period ended September 30, 2021, gross amount of HK\$1,264,864,000 (2020: HK\$1,211,538,000) trust receipt loans have been repaid to banks.

The trust receipt loans are unsecured, interest bearing at LIBOR or bank's cost of fund plus a margin rate, ranging from 1.52% to 3.20% (March 31, 2021: 1.59% to 3.26%) per annum and are repayable within one year.

At September 30, 2021, the Group's trust receipt loans with carrying amount of HK\$108,642,000 (March 31, 2021: HK\$94,557,000) are required to comply with 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, 2021

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of HK\$417,221,000 (2020: HK\$410,871,000).

In addition, the Group repaid bank loans of HK\$366,030,000 (2020: HK\$398,530,000) during the current interim period.

At September 30, 2021, the Group's bank borrowings with carrying amount of HK\$3,802,000 (March 31, 2021: HK\$4,417,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods. Variable-rate is determined by HIBOR, LIBOR, Taipei forex or bank's cost of fund.

As at September 30, 2021, the aggregate amount of unutilised banking facilities, mainly include bank borrowings and trust receipt loans, was HK\$925,214,000 (March 31, 2021: HK\$1,018,257,000).

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, 2021 (Unaudited)	As at March 31, 2021 (Audited)
Weighted average effective interest rate:		
– fixed-rate borrowings	2.74%	3.10%
– variable-rate borrowings	1.36%	1.54%

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.0 each		
Authorised:		
At April 1, 2020 (Audited), September 30, 2020 (Unaudited), April 1, 2021 (Audited) and September 30, 2021 (Unaudited)	120,000	120,000
Issued and paid up:		
At April 1, 2020 (Audited), September 30, 2020 (Unaudited), April 1, 2021 (Audited) and September 30, 2021 (Unaudited)	85,207	85,207

17. SHARE-BASED PAYMENTS

The Company 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 Company and its subsidiaries. Details of the share options schemes and fair value measurement of share options were disclosed in the Group's annual financial statements for the year ended March 31, 2021.

On December 2, 2020, the Company granted share options exercisable for 3,835,000 ordinary shares of HK\$1.00 each of the Company to certain eligible employees under ESOS III with an exercise price of HK\$2.61 per share. The period for the exercise of the share options will commence after the first anniversary of the date of grant and expire on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was HK\$2,817,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

17. SHARE-BASED PAYMENTS – continued

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

	Number of share options
Outstanding at April 1, 2020 (Audited)	907,500
Forfeited during the period	<u>(115,500)</u>
Outstanding at September 30, 2020 (Unaudited)	792,000
Granted during the period	3,835,000
Forfeited during the period	<u>(50,000)</u>
Outstanding at April 1, 2021 (Audited)	4,577,000
Forfeited during the period	<u>(70,000)</u>
Outstanding at September 30, 2021 (Unaudited)	<u><u>4,507,000</u></u>

During the six months ended September 30, 2021, share-based payment expense of HK\$1,347,000 (2020: nil) had been recognised in profit or loss.

18. RELATED COMPANY TRANSACTIONS

(a) Transactions and balances with an associate

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

	As at September 30, 2021 HK\$'000 (Unaudited)	As at March 31, 2021 HK\$'000 (Audited)
Associate – other receivables (<i>Note</i>)	<u>1,710</u>	<u>1,559</u>

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

Note: At September 30, 2021, an impairment loss of HK\$1,710,000 (March 31, 2021: HK\$1,559,000) had been provided on amount due from an associate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2021

18. RELATED COMPANY TRANSACTIONS – continued

(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, 2021 and 2020 were as follows:

	For the six months ended September 30,	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	8,830	7,357
Post-employment benefits	428	78
Other long-term benefits	–	623
Share-based payments	308	–
	<u>9,566</u>	<u>8,058</u>

The emoluments of directors and key management are determined by the 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, 2021

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, 2021

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, 2021 (Unaudited)	March 31, 2021 (Audited)		
Foreign exchange forward contracts	Assets - HK\$98,000	Assets - HK\$434,000	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.
	Liabilities - HK\$504,000	Liabilities - HK\$539,000		

There were no transfers between the different levels of the fair value hierarchy during the six months ended September 30, 2021.

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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