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

**ANNOUNCEMENT OF UNAUDITED FINANCIAL RESULTS
FOR THE SECOND QUARTER AND SIX MONTHS
ENDED SEPTEMBER 30, 2019**

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		Change %
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	
Revenue	1,672,407	2,154,825	-22.4
Gross profit	99,209	207,210	-52.1
(Loss) profit before tax	(55,558)	14,155	NM
(Loss) profit attributable to owners of the Company	(55,820)	6,725	NM
Basic (loss) earnings per share (HK cents)	(65.51)	7.97	NM
NM – Not Meaningful			

UNAUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the second quarter (“2Q FY2020”) and six months ended September 30, 2019 (“1H FY2020”), together with the comparative figures for the second quarter (“2Q FY2019”) and six months ended September 30, 2018 (“1H FY2019”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the second quarter and six months ended September 30, 2019

	NOTES	For the three months ended September 30,		Change %	For the six months ended September 30,		Change %
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	
Revenue	3	880,182	1,060,414	-17.0	1,672,407	2,154,825	-22.4
Cost of sales		<u>(835,584)</u>	<u>(962,881)</u>	-13.2	<u>(1,573,198)</u>	<u>(1,947,615)</u>	-19.2
Gross profit		44,598	97,533	-54.3	99,209	207,210	-52.1
Other income		615	450	+36.7	1,619	1,620	-0.1
Distribution costs		(6,484)	(10,516)	-38.3	(15,388)	(24,080)	-36.1
Administrative expenses		(46,876)	(57,806)	-18.9	(98,290)	(114,661)	-14.3
Other gains and losses		(7,001)	(15,736)	-55.5	(16,698)	(34,061)	-51.0
Impairment losses, net of reversal		(6,000)	-	NM	(6,700)	-	NM
Finance costs		<u>(9,766)</u>	<u>(12,458)</u>	-21.6	<u>(19,310)</u>	<u>(21,873)</u>	-11.7
(Loss) profit before tax		(30,914)	1,467	NM	(55,558)	14,155	NM
Income tax expense	4	<u>(334)</u>	<u>(1,697)</u>	-80.3	<u>(262)</u>	<u>(7,430)</u>	-96.5
(Loss) profit for the period	5	<u>(31,248)</u>	<u>(230)</u>	NM	<u>(55,820)</u>	<u>6,725</u>	NM
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	-	NM	7,355	-	NM
- Income tax relating to gain recognised in other comprehensive income		<u>(5,018)</u>	<u>-</u>	NM	<u>(5,018)</u>	<u>-</u>	NM
		<u>2,337</u>	<u>-</u>	NM	<u>2,337</u>	<u>-</u>	NM

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

For the second quarter and six months ended September 30, 2019

	For the three months ended September 30,		Change %	For the six months ended September 30,		Change %
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	
<i>Item that may be reclassified subsequently to profit or loss:</i>						
- Exchange differences on translation of foreign operations	<u>(7,029)</u>	<u>(11,006)</u>	-36.1	<u>(14,403)</u>	<u>(21,962)</u>	-34.4
Other comprehensive expense for the period	<u>(4,692)</u>	<u>(11,006)</u>	-57.4	<u>(12,066)</u>	<u>(21,962)</u>	-45.1
Total comprehensive expense for the period attributable to owners of the Company	<u><u>(35,940)</u></u>	<u><u>(11,236)</u></u>	+219.9	<u><u>(67,886)</u></u>	<u><u>(15,237)</u></u>	+345.5
(Loss) earnings per share	13					
- Basic (HK cents)	<u><u>(36.67)</u></u>	<u><u>(0.27)</u></u>	NM	<u><u>(65.51)</u></u>	<u><u>7.97</u></u>	NM
- Diluted (HK cents)	<u><u>(36.67)</u></u>	<u><u>(0.27)</u></u>	NM	<u><u>(65.51)</u></u>	<u><u>7.89</u></u>	NM

NM – Not Meaningful

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2019

		As at September 30, 2019 <i>HK\$'000</i> (Unaudited)	As at March 31, 2019 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	6	262,946	279,355
Right-of-use assets		17,959	–
Prepaid lease payments – non-current		–	544
Investment property		8,523	–
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income		–	–
Long-term deposits		15,663	16,514
Deferred tax assets		1,978	1,972
Restricted bank deposits		2,203	–
		311,273	300,386
Total non-current assets			
Current assets			
Inventories		437,198	689,898
Trade receivables	7	846,546	768,428
Other receivables, deposits and prepayments		11,027	10,019
Prepaid lease payments – current		–	12
Income tax recoverable		11,898	12,201
Derivative financial instruments		1,246	31
Restricted bank deposits		4,405	4,673
Cash and cash equivalents		231,465	297,498
		1,543,785	1,782,760
Total current assets			
Total assets		1,855,058	2,083,146

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
– continued

As at September 30, 2019

		As at September 30, 2019 <i>HK\$'000</i> (Unaudited)	As at March 31, 2019 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	9	324,612	310,863
Other payables		37,840	34,776
Contract liabilities		5,191	8,604
Income tax payable		737	2,927
Trust receipt loans		552,320	591,998
Bank borrowings		299,034	434,147
Derivative financial instruments		7	540
Lease liabilities		10,759	–
		<u>1,230,500</u>	<u>1,383,855</u>
Total current liabilities			
		<u>1,230,500</u>	<u>1,383,855</u>
Net current assets		<u>313,285</u>	<u>398,905</u>
Total assets less current liabilities		<u>624,558</u>	<u>699,291</u>
Capital and reserves			
Share capital	10	85,207	85,207
Reserves		500,486	585,413
		<u>585,693</u>	<u>670,620</u>
Equity attributable to owners of the Company		<u>585,693</u>	<u>670,620</u>
Non-current liabilities			
Deferred tax liabilities		31,723	28,671
Lease liabilities		7,142	–
		<u>38,865</u>	<u>28,671</u>
Total non-current liabilities			
		<u>38,865</u>	<u>28,671</u>
Total liabilities and equity		<u>1,855,058</u>	<u>2,083,146</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the second quarter and six months ended September 30, 2019

	Attributable to owners of the Company								
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at fair value through other comprehensive income reserve	Other reserve	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note ii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2Q FY2019									
At July 1, 2018 (Unaudited)	76,341	198,738	18,134	109,032	10,013	(16,448)	(3,561)	320,752	713,001
Total comprehensive expense for the period:									
Loss for the period	-	-	-	-	-	-	-	(230)	(230)
Other comprehensive expense for the period	-	-	-	-	(11,006)	-	-	-	(11,006)
Total	-	-	-	-	(11,006)	-	-	(230)	(11,236)
Transactions with owners, recognised directly in equity:									
Exercise of share options	1,120	3,696	-	-	-	-	-	-	4,816
Recognition of equity-settled share-based payments	-	166	-	-	-	-	-	-	166
Issuance of new shares under the bonus issue	7,746	(7,746)	-	-	-	-	-	-	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(32,534)	(32,534)
Transfer of statutory reserve	-	-	312	-	-	-	-	(312)	-
Total	8,866	(3,884)	312	-	-	-	-	(32,846)	(27,552)
At September 30, 2018 (Unaudited)	<u>85,207</u>	<u>194,854</u>	<u>18,446</u>	<u>109,032</u>	<u>(993)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>287,676</u>	<u>674,213</u>
2Q FY2020									
At July 1, 2019 (Unaudited)	85,207	193,551	19,580	121,941	(3,513)	(16,448)	(3,561)	241,917	638,674
Total comprehensive income (expense) for the period:									
Loss for the period	-	-	-	-	-	-	-	(31,248)	(31,248)
Other comprehensive income (expense) for the period	-	-	-	2,337	(7,029)	-	-	-	(4,692)
Total	-	-	-	2,337	(7,029)	-	-	(31,248)	(35,940)
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(92)	-	-	-	-	-	92	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(17,041)	(17,041)
Transfer of statutory reserve	-	-	298	-	-	-	-	(298)	-
Total	-	(92)	298	-	-	-	-	(17,247)	(17,041)
At September 30, 2019 (Unaudited)	<u>85,207</u>	<u>193,459</u>	<u>19,878</u>	<u>124,278</u>	<u>(10,542)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>193,422</u>	<u>585,693</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
– continued

For the second quarter and six months ended September 30, 2019

	Attributable to owners of the Company								
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at fair value through other comprehensive income reserve	Other reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note ii)	HK\$'000	HK\$'000
1H FY2019									
At April 1, 2018 (Audited)	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797	716,058
Total comprehensive income (expense) for the period:									
Profit for the period	-	-	-	-	-	-	-	6,725	6,725
Other comprehensive expense for the period	-	-	-	-	(21,962)	-	-	-	(21,962)
Total	-	-	-	-	(21,962)	-	-	6,725	(15,237)
Transactions with owners, recognised directly in equity:									
Exercise of share options	1,120	3,696	-	-	-	-	-	-	4,816
Recognition of equity-settled share-based payments	-	1,110	-	-	-	-	-	-	1,110
Issuance of new shares under the bonus issue	7,746	(7,746)	-	-	-	-	-	-	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(32,534)	(32,534)
Transfer of statutory reserve	-	-	312	-	-	-	-	(312)	-
Total	8,866	(2,940)	312	-	-	-	-	(32,846)	(26,608)
At September 30, 2018 (Unaudited)	85,207	194,854	18,446	109,032	(993)	(16,448)	(3,561)	287,676	674,213

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

– continued

For the second quarter and six months ended September 30, 2019

	Attributable to owners of the Company								
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at fair value through other comprehensive income reserve	Other reserve	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note ii)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1H FY2020									
At April 1, 2019 (Audited)	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489	670,620
Total comprehensive income (expense) for the period:									
Loss for the period	-	-	-	-	-	-	-	(55,820)	(55,820)
Other comprehensive income (expense) for the period	-	-	-	2,337	(14,403)	-	-	-	(12,066)
Total	-	-	-	2,337	(14,403)	-	-	(55,820)	(67,886)
Transactions with owners, recognised directly in equity:									
Share options cancelled	-	(92)	-	-	-	-	-	92	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(17,041)	(17,041)
Transfer of statutory reserve	-	-	298	-	-	-	-	(298)	-
Total	-	(92)	298	-	-	-	-	(17,247)	(17,041)
At September 30, 2019 (Unaudited)	85,207	193,459	19,878	124,278	(10,542)	(16,448)	(3,561)	193,422	585,693

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the second quarter and six months ended September 30, 2019

	For the three months ended September 30,		For the six months ended September 30,	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash generated from (used in) operating activities	101,988	(94,547)	135,705	(194,209)
Net cash used in investing activities				
Purchase of property, plant and equipment	(114)	(8,317)	(839)	(8,661)
Deposit paid for acquisition of property, plant and equipment	-	-	-	(11,985)
Placement of restricted bank deposits	-	-	(2,326)	-
Proceeds from disposal of property, plant and equipment	-	3	-	5
	(114)	(8,314)	(3,165)	(20,641)
Net cash (used in) generated from financing activities				
Dividend paid to shareholders	(17,041)	(32,534)	(17,041)	(32,534)
Proceeds from exercise of share options	-	4,816	-	4,816
Repayment of trust receipt loans	(605,040)	(845,727)	(1,095,675)	(1,557,765)
Proceeds from trust receipt loans	545,757	940,652	1,055,997	1,687,024
Repayment of bank borrowings	(236,896)	(193,161)	(510,662)	(296,748)
Proceeds from bank borrowings	153,462	219,555	376,940	384,440
Repayment of lease liabilities	(3,467)	-	(5,224)	-
	(163,225)	93,601	(195,665)	189,233
Net decrease in cash and cash equivalents	(61,351)	(9,260)	(63,125)	(25,617)
Cash and cash equivalents at beginning of the period	294,856	308,265	297,498	327,050
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(2,040)	(2,796)	(2,908)	(5,224)
Cash and cash equivalents at end of the period	231,465	296,209	231,465	296,209

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the second quarter and six months ended September 30, 2019

1. BASIS OF PREPARATION

The Company was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business is located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”). The condensed consolidated financial statements of the Group are presented in Hong Kong dollars which is also the functional currency of the Company. All values are rounded to the nearest thousand except otherwise indicated.

The principal activity of the Company is investment holding and the Company’s subsidiaries are principally engaged in the trading of electronic components.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the “HK Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than the application of new accounting policies, and the changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards (“IFRS Standards”) issued by the IASB, the accounting policies and methods of computation used in the condensed consolidated financial statements for the second quarter and six months ended September 30, 2019 are the same as those followed in the preparation of the Group’s audited financial statements for the year ended March 31, 2019.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRS Standards issued by the IASB which are mandatorily effective for the Group for the preparation of the Group's condensed consolidated financial statement for the period beginning on April 1, 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of new and amendments to IFRS Standards – continued

Except as described below, the application of the new and 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.

The Group has applied IFRS 16 for the first time in the current interim period. The Group applied the modified retrospective approach for the application of IFRS 16 as lessee and has not restated comparative information for the year prior to the date of initial application. The lease liabilities were measured at the present values of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the date of initial application. As at April 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at April 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at March 31, 2019	Adjustment	Carrying amounts under IFRS 16 at April 1, 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)	(Unaudited)
Non-current assets			
Right-of-use assets	–	20,006	20,006
Prepaid lease payments	544	(544)	–
Current assets			
Prepaid lease payments	12	(12)	–
Current liabilities			
Lease liabilities	–	(9,072)	(9,072)
Non-current liabilities			
Lease liabilities	–	(10,378)	(10,378)

3. SEGMENT INFORMATION

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

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

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

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other 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.

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

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	47,102	46,503	5,545	99,150	59	99,209
Other income						1,619
Distribution costs						(15,388)
Administrative expenses						(98,290)
Other gains and losses						(16,698)
Impairment losses, net of reversal						(6,700)
Finance costs						(19,310)
Loss before tax						(55,558)
Income tax expense						(262)
Loss attributable to owners of the Company						<u>(55,820)</u>

3. SEGMENT INFORMATION – continued

Six months ended September 30, 2018 (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	1,097,168	1,005,278	52,379	2,154,825	–	2,154,825
Sales – inter-company	289,557	191,557	395	481,509	(481,509)	–
	1,386,725	1,196,835	52,774	2,636,334	(481,509)	2,154,825
Cost of sales	(1,273,807)	(1,111,362)	(43,998)	(2,429,167)	481,552	(1,947,615)
Gross profit/segment results	<u>112,918</u>	<u>85,473</u>	<u>8,776</u>	<u>207,167</u>	<u>43</u>	207,210
Other income						1,620
Distribution costs						(24,080)
Administrative expenses						(114,661)
Other gains and losses						(34,061)
Finance costs						<u>(21,873)</u>
Profit before tax						14,155
Income tax expense						<u>(7,430)</u>
Profit attributable to owners of the Company						<u>6,725</u>

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

4. INCOME TAX EXPENSE

	For the six months ended September 30,	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The income tax charge comprises:		
Current tax:		
– Hong Kong	115	2,453
– PRC Enterprise Income Tax (the “EIT”)	1,031	3,462
– Taiwan	292	1,157
	<u>1,438</u>	<u>7,072</u>
(Over) under provision in respect of prior period:		
– PRC EIT	–	44
– Taiwan	(28)	(23)
	<u>(28)</u>	<u>21</u>
Deferred tax:		
– Current period	(1,148)	337
	<u>262</u>	<u>7,430</u>

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% for the six months ended September 30, 2019.

For the six months ended September 30, 2018, one of the subsidiaries of the Company in Hong Kong was subject to Hong Kong profits tax at the rate of 8.25% for the first HK\$2 million of assessable profits, and the remaining profits at 16.5%. The Company and other subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%.

Under the Law of the PRC on EIT (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 20%.

5. (LOSS) PROFIT FOR THE PERIOD

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

	For the three months ended September 30,		For the six months ended September 30,	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Amortisation of prepaid lease payments	–	3	–	6
Cost of inventories recognised as expenses	835,584	952,881	1,573,198	1,947,615
Depreciation of property, plant and equipment	3,547	3,340	7,139	6,430
Depreciation of right-of-use assets (<i>Note i</i>)	2,534	–	4,853	–
Directors' emoluments (<i>Note ii</i>)	2,706	2,950	5,496	6,078
Loss on disposal of property, plant and equipment	68	48	68	46
Audit fees paid to auditors				
Auditor of the Company	551	526	1,102	1,067
Other auditors	30	30	75	92
Non-audit fees paid to auditor				
Auditor of the Company	222	190	444	331
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	26,774	36,087	59,263	74,961
Net foreign exchange loss	8,032	15,684	18,378	33,986
Net (gain) loss on fair value changes of derivative financial instruments	(1,099)	4	(1,748)	29
Share-based payment expense	–	166	–	1,110
Interest income from bank deposits	(466)	(424)	(1,293)	(816)
Interest expense on borrowings	9,615	12,458	19,019	21,873
Impairment losses recognised on trade receivables	6,000	–	6,700	–
Allowance (reversal) for inventories	10,552	(1,730)	18,824	1,685

Notes:

- (i) Certain rental expenses of operating lease were reclassified to depreciation of right-of-use assets in accordance with the adoption of IFRS 16 Leases with effect from April 1, 2019.
- (ii) During the six months ended September 30, 2019 and 2018, there were cost of defined contribution plans amounting to HK\$9,291,000 and HK\$9,629,000, respectively, included in staff costs and directors' emoluments.

6. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid HK\$839,000 (1H FY2019: HK\$8,661,000) 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\$68,000 (1H FY2019: HK\$51,000), resulting in a loss of HK\$68,000 (1H FY2019: HK\$46,000).

7. TRADE RECEIVABLES

	As at September 30, 2019 <i>HK\$'000</i> (Unaudited)	As at March 31, 2019 <i>HK\$'000</i> (Audited)
Trade receivables	866,178	781,407
Less: allowance for credit losses	<u>(19,632)</u>	<u>(12,979)</u>
	<u>846,546</u>	<u>768,428</u>

The Group allows an average credit period of 66 days (March 31, 2019: 65 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 period:

	As at September 30, 2019 <i>HK\$'000</i> (Unaudited)	As at March 31, 2019 <i>HK\$'000</i> (Audited)
Within 60 days	563,773	456,723
61 to 90 days	138,516	160,002
Over 90 days	<u>144,257</u>	<u>151,703</u>
	<u>846,546</u>	<u>768,428</u>

8. TRANSFER OF FINANCIAL ASSETS

As at September 30, 2019, the Group's trade receivables amounted to HK\$129,207,000 (March 31, 2019: HK\$192,059,000), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounting to HK\$114,034,000 (March 31, 2019: HK\$173,491,000). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

9. TRADE PAYABLES

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

	As at September 30, 2019 HK\$'000 (Unaudited)	As at March 31, 2019 HK\$'000 (Audited)
Within 30 days	242,125	248,991
31 to 60 days	<u>82,487</u>	<u>61,872</u>
	<u>324,612</u>	<u>310,863</u>

10. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.00 each		
Authorised		
At April 1, 2018 (Audited), September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2018 (Audited)	76,341	76,341
Exercise of share options	1,120	1,120
Issue of bonus shares (<i>Note</i>)	<u>7,746</u>	<u>7,746</u>
At September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	<u>85,207</u>	<u>85,207</u>

The Company has no treasury shares.

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

11. SHARE-BASED PAYMENTS

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

ESOS II

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

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2018 (Audited)	1,600
Adjustment on Bonus Issue during the period (<i>Note</i>)	<u>160</u>
Unexercised share options for ordinary shares at September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	<u><u>1,760</u></u>

ESOS III

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

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2018 (Audited)	3,080,000
Exercised during the period	(1,120,000)
Adjustment on Bonus Issue during the period (<i>Note</i>)	<u>196,000</u>
Unexercised share options for ordinary shares at September 30, 2018 (Unaudited)	2,156,000
Cancelled during the period	<u>(1,166,000)</u>
Unexercised share options for ordinary shares at April 1, 2019 (Audited)	990,000
Cancelled during the period	<u>(82,500)</u>
Unexercised share options for ordinary shares at September 30, 2019 (Unaudited)	<u><u>907,500</u></u>

11. SHARE-BASED PAYMENTS – continued

ESOS III – continued

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

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

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

During the six months ended September 30, 2018, share-based payment expense of HK\$1,110,000 was recognised in profit or loss.

12. DIVIDEND

During the six months ended September 30, 2019, a one-tier tax exempt final dividend of HK20.0 cents per share was declared and paid to the shareholders in respect of the year ended March 31, 2019 (1H FY2019: final dividend of HK42.0 cents per share). The aggregate amount of the final dividend paid in the current interim period amounted to HK\$17,041,000 (1H FY2019: HK\$32,534,000).

The Board has resolved not to declare any interim dividend for the six months ended September 30, 2019 (1H FY2019: nil).

13. (LOSS) EARNINGS PER SHARE

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

	Group Figures							
	For the three months ended September 30, 2019		For the three months ended September 30, 2018		For the six months ended September 30, 2019		For the six months ended September 30, 2018	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
(Loss) profit attributable to owners of the Company	<u>(31,248)</u>	<u>(31,248)</u>	<u>(230)</u>	<u>(230)</u>	<u>(55,820)</u>	<u>(55,820)</u>	<u>6,725</u>	<u>6,725</u>
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	<u>85,207,049</u>	<u>85,207,049</u>	<u>84,856,842</u>	<u>84,856,842</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>84,418,355</u>	<u>84,418,355</u>
Adjustment for dilutive potential ordinary shares	<u>-</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>	<u>-</u>	<u>803,177</u>
Weighted average number of ordinary shares used to compute (loss) earnings per share	<u>85,207,049</u>	<u>85,207,049</u>	<u>84,856,842</u>	<u>84,856,842</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>84,418,355</u>	<u>85,221,532</u>
(Loss) earnings per share (HK cents)	<u>(36.67)</u>	<u>(36.67)</u>	<u>(0.27)</u>	<u>(0.27)</u>	<u>(65.51)</u>	<u>(65.51)</u>	<u>7.97</u>	<u>7.89</u>

The computation of diluted loss per share for the second quarter and six months ended September 30, 2019 and the second quarter ended September 30, 2018 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the periods.

The weighted average number of ordinary shares, dilutive potential ordinary shares as well as basic and diluted (loss) earnings per share have been adjusted for the effect of the Bonus Issue (as defined in Note 10 above) on August 28, 2018.

14. NET ASSET VALUE

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

	Group Figures		Company Figures	
	As at September 30, 2019 (Unaudited)	As at March 31, 2019 (Audited)	As at September 30, 2019 (Unaudited)	As at March 31, 2019 (Audited)
Net asset value per ordinary share based on the number of issued shares of the Company at the end of the period/year (HK cents)	<u>687.38</u>	<u>787.05</u>	<u>418.00</u>	<u>429.46</u>

The net asset backing per ordinary share as at September 30, 2019 was based on a total of 85,207,049 (March 31, 2019: 85,207,049) issued ordinary shares.

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

As at September 30, 2019

	As at September 30, 2019 <i>HK\$'000</i> (Unaudited)	As at March 31, 2019 <i>HK\$'000</i> (Audited)
ASSETS		
Non-current assets		
Amount due from a subsidiary	33,814	33,814
Investments in subsidiaries	<u>144,668</u>	<u>117,470</u>
Total non-current assets	<u>178,482</u>	<u>151,284</u>
Current assets		
Amounts due from subsidiaries	183,762	227,239
Prepayments	593	83
Income tax recoverable	216	331
Cash and cash equivalents	<u>1,909</u>	<u>3,235</u>
Total current assets	<u>186,480</u>	<u>230,888</u>
Total assets	<u><u>364,962</u></u>	<u><u>382,172</u></u>

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

– continued

As at September 30, 2019

	As at September 30, 2019 HK\$'000 (Unaudited)	As at March 31, 2019 HK\$'000 (Audited)
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,413	1,467
Financial guarantee liabilities	7,387	14,774
	<hr/>	<hr/>
Total current liabilities	8,800	16,241
	<hr/>	<hr/>
Net current assets	177,680	214,647
	<hr/>	<hr/>
Total assets less current liabilities	356,162	365,931
	<hr/>	<hr/>
Capital and reserves		
Share capital	85,207	85,207
Reserves	270,955	280,724
	<hr/>	<hr/>
Equity attributable to owners of the Company	356,162	365,931
	<hr/>	<hr/>
Total liabilities and equity	364,962	382,172
	<hr/>	<hr/>

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

For the second quarter and six months ended September 30, 2019

	Share capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2Q FY2019				
At July 1, 2018 (Unaudited)	76,341	198,738	91,875	366,954
Profit for the period, representing total comprehensive income for the period	–	–	3,184	3,184
Transactions with owners, recognised directly in equity:				
Exercise of share options	1,120	3,696	–	4,816
Recognition of equity-settled share-based payments	–	166	–	166
Issuance of new shares under the Bonus Issue	7,746	(7,746)	–	–
Dividend paid (<i>Note 12</i>)	–	–	(32,534)	(32,534)
Total	8,866	(3,884)	(32,534)	(27,552)
At September 30, 2018 (Unaudited)	<u>85,207</u>	<u>194,854</u>	<u>62,525</u>	<u>342,586</u>
2Q FY2020				
At July 1, 2019 (Unaudited)	85,207	193,551	90,840	369,598
Profit for the period, representing total comprehensive income for the period	–	–	3,605	3,605
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Dividend paid (<i>Note 12</i>)	–	–	(17,041)	(17,041)
Total	–	(92)	(16,949)	(17,041)
At September 30, 2019 (Unaudited)	<u>85,207</u>	<u>193,459</u>	<u>77,496</u>	<u>356,162</u>

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

– continued

For the second quarter and six months ended September 30, 2019

	Share capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1H FY2019				
At April 1, 2018 (Audited)	76,341	197,794	88,674	362,809
Profit for the period, representing total comprehensive income for the period	–	–	6,385	6,385
Transactions with owners, recognised directly in equity:				
Exercise of share options	1,120	3,696	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	1,110
Issuance of new shares under the Bonus Issue	7,746	(7,746)	–	–
Dividend paid (<i>Note 12</i>)	–	–	(32,534)	(32,534)
Total	8,866	(2,940)	(32,534)	(26,608)
At September 30, 2018 (Unaudited)	85,207	194,854	62,525	342,586
1H FY2020				
At April 1, 2019 (Audited)	85,207	193,551	87,173	365,931
Profit for the period, representing total comprehensive income for the period	–	–	7,272	7,272
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Dividend paid (<i>Note 12</i>)	–	–	(17,041)	(17,041)
Total	–	(92)	(16,949)	(17,041)
At September 30, 2019 (Unaudited)	85,207	193,459	77,496	356,162

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an attributable loss of HK\$55.8 million for the six months ended September 30, 2019 (“1H FY2020”) compared to an attributable profit of HK\$6.7 million for the six months ended September 30, 2018 (“1H FY2019”) mainly due to lower revenue and gross profit margin, which led to a decrease in gross profit in the period under review. The lower gross profit margin was mainly attributed to intense price competition amidst weak demand and clearance of buffer stocks created from last year.

Second quarter review — 2Q FY2020 vs 2Q FY2019

Revenue

The Group’s sales revenue had decreased by 17.0% from HK\$1,060.4 million for the second quarter ended September 30, 2018 (“2Q FY2019”) to HK\$880.2 million for the second quarter ended September 30, 2019 (“2Q FY2020”).

Turnover by Market Segment Analysis

(in HK\$’000)

	2Q FY2020		2Q FY2019		Increase (Decrease)	
		%		%		%
Industrial	231,097	26.3%	264,747	25.0%	(33,650)	(12.7%)
Home Appliance	158,576	18.0%	140,140	13.2%	18,436	13.2%
Automotive	140,918	16.0%	109,801	10.4%	31,117	28.3%
Telecommunications	80,824	9.2%	245,778	23.2%	(164,954)	(67.1%)
Dealer	82,275	9.3%	99,982	9.4%	(17,707)	(17.7%)
Audio and Video	69,965	8.0%	85,178	8.0%	(15,213)	(17.9%)
Electronic Manufacturing						
Services (“EMS”)	67,089	7.6%	64,608	6.1%	2,481	3.8%
Lighting	29,305	3.3%	24,642	2.3%	4,663	18.9%
Others	20,133	2.3%	25,538	2.4%	(5,405)	(21.2%)
	880,182	100.0%	1,060,414	100.0%	(180,232)	(17.0%)

The ongoing US-China trade tensions and the depreciation of Renminbi (“RMB”) have caused persistent uncertainty in the China market especially in the export market, which has weakened significantly compared to the same period last year. This situation was reflected in slower sales generated by the Group’s Industrial, Dealer and Audio and Video segments.

The Group will carefully monitor the change in the market to balance risk and the opportunity to capture more business. As a result, the Group recorded a drop of revenue of 17.0% in 2Q FY2020 compared to the same period last year.

In 2Q FY2020, both the Home Appliance and Automotive segments showed signs of recovery with a double-digit growth of 13.2% and 28.3% respectively compared with the same period last year. This was mainly due to the Group's customers replenishing their stocks so as to push the production and sales figure as the end of the calendar year approaches. The Group will carefully monitor the level of domestic sales and the forecast of its customers to optimize its sales efforts.

Sales from EMS segment rose by 3.8% while Lighting segment increased by 18.9% compared with the same period last year mainly due to our particular customers. In the EMS segment, one of our customers secured an end customer in the US. In the Lighting segment, one of our customers secured a stage lighting project in the domestic China market.

In 2Q FY2020, Telecommunications segment was still the worse performing segment in the Group's business portfolio due to a slowdown in demand as consumers waited for the migration from 4G to 5G. The segment was also impacted by the loss of a major project by one of our key customers. The result was a decline of revenue of 67.1% compared with the same period last year.

Gross Profit Margin

The Group's gross profit margin decreased from 9.2% in 2Q FY2019 to 5.1% in 2Q FY2020. The ongoing US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence from last year. The fall in gross profit margin was mainly attributed to price competition amidst weak demand in the market and our clearance of buffer stocks created from last year.

Distribution Costs

Distribution costs decreased by HK\$4.0 million, or 38.3%, from HK\$10.5 million in 2Q FY2019 to HK\$6.5 million in 2Q FY2020. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue. Furthermore, the Group had tightened the overseas travelling and entertainment expenses in 2Q FY2020.

Administrative Expenses

Administrative expenses decreased by HK\$10.9 million, or 18.9%, from HK\$57.8 million in 2Q FY2019 to HK\$46.9 million in 2Q FY2020. This was mainly due to (i) the introduction of cost control measures in 2Q FY2020, (ii) a decrease in staff costs due to lower average headcount and (iii) the absence of partial warehouse removal expenses incurred in 2Q FY2019 for the relocation of a warehouse in Hong Kong.

Other Gains and Losses

Other losses of HK\$7.0 million in 2Q FY2020 (2Q FY2019: HK\$15.7 million) were due to exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK\$6.0 million in 2Q FY2020 (1Q FY2019: nil) represented the impairment losses on trade receivables.

Finance Costs

Finance costs decreased by HK\$2.7 million, or 21.6%, from HK\$12.5 million in 2Q FY2019 to HK\$9.8 million in 2Q FY2020. The decrease in finance costs was mainly due to decreases in average trust receipt loans and bank borrowings as compared to the same period last year. Certain rental expenses of HK\$0.2 million were reclassified to finance costs in accordance with the application of IFRS 16 from April 1, 2019.

Half year review — 1H FY2020 vs 1H FY2019

Revenue

The Group's sales revenue decreased by 22.4% from HK\$2,154.8 million in 1H FY2019 to HK\$1,672.4 million in 1H FY2020 mainly due to the uncertainty in the market and weak economy sentiment. Both export and domestic markets in China continued to feel the effects of the US-China trade tensions, which had dragged on for more than a year. Several of the Group's customers were affected by the postponement or cancellation of projects, which led to the issue of leftover stock despite the Group's efforts to negotiate with customers and measures to clear the inventory. Additionally, the depreciation of the RMB further reduced the buying power of domestic customers in China, and the Group had to offer more competitive pricing to cope with the change.

Turnover by Market Segment Analysis

(in HK\$'000)

	1H FY2020		1H FY2019		Increase (Decrease)	
		%		%		%
Industrial	455,886	27.3%	555,841	25.8%	(99,955)	(18.0%)
Home Appliance	304,768	18.2%	306,216	14.2%	(1,448)	(0.5%)
Automotive	247,827	14.8%	236,248	11.0%	11,579	4.9%
Telecommunications	165,950	9.9%	466,573	21.7%	(300,623)	(64.4%)
Dealer	164,196	9.8%	198,842	9.2%	(34,646)	(17.4%)
Audio and Video	123,499	7.4%	156,676	7.3%	(33,177)	(21.2%)
EMS	111,591	6.7%	118,513	5.5%	(6,922)	(5.8%)
Lighting	57,720	3.5%	59,228	2.7%	(1,508)	(2.5%)
Others	40,970	2.4%	56,688	2.6%	(15,718)	(27.7%)
	<u>1,672,407</u>	<u>100.0%</u>	<u>2,154,825</u>	<u>100.0%</u>	<u>(482,418)</u>	<u>(22.4%)</u>

Industrial

The Industrial segment is still the largest revenue generator of the Group. It achieved revenue of HK\$455.9 million in 1H FY2020, a drop of 18.0% as compared to the same period last year. This segment covers a wide range of applications, including switch mode power supply, LCD module, meter and energy saving products, for both export and domestic markets in China, and was impacted by the overall market sentiment. The Group will put more focus on the application for the domestic market, which it believes will drive future growth.

Home Appliance

Revenue from the Home Appliance segment was HK\$304.8 million in 1H FY2020, representing a decrease of 0.5% as compared to the same period last year. The Group is optimistic that revenue can catch up to the level of the previous financial year, which was mainly dominated by the domestic demand and the increasing use of inverter function. This segment has been identified as a key area of focus and future growth.

Automotive

Revenue from the Automotive segment increased by 4.9% to HK\$247.8 million in 1H FY2020 as compared to the same period last year. Although overall car sales in China declined, car makers sped up development of new features and electronics content to increase their competitiveness in the market. With our strength in both sales network and engineering capability, the Group is confident of capturing more business from this segment.

Telecommunications

The Telecommunications segment contributed sales of HK\$166.0 million in 1H FY2020, with a significant drop of 64.4% as compared to the same period last year. The weakening of the smartphone market was due to the saturation of the 4G market even as consumers held back their purchases in anticipation of the launch of the 5G telecommunication products. Additionally, one of the Group's key customers lost a project, which impacted its revenue and the buffer stock in this segment. The Group will carefully monitor the potential risk arising from the uncertainty and volatility of mobile application.

Dealer

The revenue from this segment was HK\$164.2 million in 1H FY2020, a drop of 17.4% as compared to the same period last year. Under the current uncertainty in the market, dealers were very cautious in joining the stock program and sensitive to the price. The depreciation in RMB greatly impacted the buying power in this segment. The Group expects its customers in this segment to take some time to regain confidence in the stability of the market.

Audio and Video

Revenue from the Audio and Video segment was HK\$123.5 million in 1H FY2020, a decrease of 21.2% as compared to the same period last year due to poor demand from both the US and Europe. The Group intends to put more focus in developing high-end applications and at the same time carefully monitor each project in this segment to ensure that the credit position and inventory levels are healthy.

EMS

This segment recorded a 5.8% decrease in revenue in 1H FY2020 as compared to the same period last year to HK\$111.6 million. The EMS factories adjusted their strategy to survive in the market in both service and pricing. The Group intends to support the efforts of its customers to secure more orders to maintain the revenue in this segment.

Lighting

Revenue from this segment continued its decline in 1H FY2020, falling 2.5% as compared to the same period last year to HK\$57.7 million. Customers had put more focus on domestic demand and high-end applications, especially in high power and smart Internet of Things. This has the potential to generate more opportunities for the Group's products.

Others

Because of the overall weakness in customer demand, revenue from this segment fell by 27.7% in 1H FY2020 as compared to the same period last year to HK\$41.0 million particularly in the Toys and Health Care application.

Gross Profit Margin

The Group's gross profit margin decreased from 9.6% in 1H FY2019 to 5.9% in 1H FY2020. The ongoing US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence from last year. The fall in gross profit margin was mainly attributed to price competition amidst a weak demand situation and clearance of buffer stocks created from last year.

Distribution Costs

Distribution costs decreased by HK\$8.7 million, or 36.1%, from HK\$24.1 million in 1H FY2019 to HK\$15.4 million in 1H FY2020. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue. Furthermore, the Group has tightened the overseas travelling and entertainment expenses in 1H FY2020.

Administrative Expenses

Administrative expenses decreased by HK\$16.4 million, or 14.3%, from HK\$114.7 million in 1H FY2019 to HK\$98.3 million in 1H FY2020. This was mainly due to (i) cost control measures introduced in 1H FY2020, (ii) a decrease in staff costs due to lower average headcount and (iii) the absence of premises and warehouse removal expenses incurred in 1H FY2019 for the renovation and relocation of a warehouse in Hong Kong.

Other Gains and Losses

Other losses of HK\$16.7 million in 1H FY2020 (1H FY2019: HK\$34.1 million) were due to exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK\$6.7 million in 1H FY2020 (1H FY2019: nil) represented the impairment losses on trade receivables.

Finance Costs

Finance costs decreased by HK\$2.6 million, or 11.7%, from HK\$21.9 million in 1H FY2019 to HK\$19.3 million in 1H FY2020. The decrease in finance costs was mainly due to decreases in average trust receipt loans and bank borrowings as compared to the same period last year but was slightly offset by an increase in average interest rate. Certain rental expenses of HK\$0.3 million were reclassified to finance costs in accordance with the application of IFRS 16 from April 1, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2019, trust receipt loans decreased by HK\$39.7 million. Trade payables increased from HK\$310.9 million as at March 31, 2019 to HK\$324.6 million as at September 30, 2019. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at September 30, 2019. Trade receivables as at September 30, 2019 increased by HK\$78.1 million when compared to those as at March 31, 2019, 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 2.9 months.

As at September 30, 2019, the Group's current ratio (current assets divided by current liabilities) was 1.25 (March 31, 2019: 1.29).

Inventories

Inventories decreased from HK\$689.9 million as at March 31, 2019 to HK\$437.2 million as at September 30, 2019. The inventory turnover days decreased from 2.5 months to 1.7 months.

Cash Flow

As at September 30, 2019, the Group had a working capital of HK\$313.3 million, which included a cash balance of HK\$231.5 million, compared to a working capital of HK\$398.9 million, which included a cash balance of HK\$297.5 million as at March 31, 2019. The decrease in cash by HK\$66.0 million was primarily attributable to the net effect of cash outflows of HK\$3.2 million in investing activities and HK\$195.7 million in financing activities and inflow of HK\$135.7 million generated from operating activities. The Group's cash balance was mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from operating activities was mainly attributable to the net effect of a decrease in inventories but was partially offset by an increase in trade receivables. Decrease in inventories was due to clearance of buffer stocks while 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, 2019.

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

Borrowings and Banking Facilities

As at September 30, 2019, fixed-rate bank borrowings of HK\$185.0 million (March 31, 2019: HK\$225.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2020. The unsecured fixed-rate bank borrowings were denominated in HKD while secured fixed-rate bank borrowings as at September 30, 2019 of HK\$10.9 million (March 31, 2019: HK\$44.6 million) were denominated in RMB.

As at September 30, 2019, fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.61% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 3.47% per annum. The variable-rate bank borrowings were denominated in USD and HKD.

As at September 30, 2019, trust receipt loans were unsecured and repayable within one year and bore interest rates ranging from 3.48% to 4.82% per annum. As at September 30, 2019, the Group had unutilised banking facilities of HK\$812.6 million (March 31, 2019: HK\$701.8 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, 2019		As at March 31, 2019	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
114,034	737,320	209,147	816,998

Amount repayable after one year

As at September 30, 2019		As at March 31, 2019	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
–	–	–	–

Details of any collaterals – Not applicable

As at September 30, 2019, the Group's trade receivables amounted to HK\$129.2 million (March 31, 2019: HK\$192.1 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowings amounting to HK\$114.0 million, of which HK\$103.1 million was variable-rate borrowings while HK\$10.9 million was fixed-rate borrowings (March 31, 2019: HK\$173.5 million, of which HK\$128.9 million was variable-rate borrowings while HK\$44.6 million was fixed-rate borrowings).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at September 30, 2019 was 105.6% (March 31, 2019: 108.1%). 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 bank borrowings from HK\$1,026.1 million to HK\$851.4 million.

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

China's economy continued its slowdown in the third quarter (July to September) of 2019, with growth at 6.0% between July and September, compared to 6.2% in the second quarter (April to June). This was its slowest rate in the past 27 years.

Although talks are ongoing to resolve the US-China trade dispute, the Group expects the trade tension and the resulting implementation of tariffs to continue. With no near-term resolution in sight, a prolonged dispute will certainly worsen the global economy.

In view of the considerable downside risks and certain headwinds in the macro-environment, the Group will continue to be prudent in managing its operations and sustaining a healthy liquidity position in order to support the long-term growth.

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

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2019 (1H FY2019: nil). No dividend has been declared for 1H FY2020 as the Group intends to retain cash for the business operations.

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2019, the Group had a workforce of 438 (March 31, 2019: 467) full-time employees, of which 34.0% worked in Hong Kong, 62.3% in the PRC and the remainder in Taiwan.

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

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

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

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

During the six months ended September 30, 2019, the Company did not redeem any of its securities listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH HONG KONG CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the shareholders of the Company (the "Shareholders"). The Board considers that during the six months ended September 30, 2019, 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").

In the event of any conflict among the HK Listing Rules, the Code of Corporate Governance 2018 of Singapore and the bye-laws of the Company, the Company will comply with the more onerous provisions. As such, the Board considers that sufficient measures are in place to ensure the adequateness of the Company's corporate governance practices relating to the appointment, retirement and re-election of Directors (including independent non-executive Directors (the "INEDs")).

COMPLIANCE WITH HONG KONG MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the "HK Model Code") as its own code of conduct for dealing in the securities of the Company by the Directors. Following a specific enquiry made by the Company with each of the Directors, all of them confirmed that they had complied with the required standards as set out in the HK Model Code throughout the six months ended September 30, 2019.

REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the HK CG Code and the Main Board rules of the listing manual of the SGX-ST. The Audit Committee comprises all of the three INEDs, namely Jovenal R. Santiago (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group's unaudited second quarterly and interim results for the three months and six months ended September 30, 2019 and the Company's draft interim report for the six months ended September 30, 2019 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The condensed consolidated financial statements of the Group and the condensed statement of financial position and condensed statement of changes in equity of the Company as at and for the six months ended September 30, 2019 have been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, Hong Kong, whose review report will be included in the Company's interim report for the six months ended September 30, 2019 (the "Interim Report") to be sent to the Shareholders.

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

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

SUPPLEMENTARY INFORMATION

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

Not applicable. No forecast or prospect statement was previously disclosed in the full year results announcement for the financial year ended March 31, 2019.

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

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

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

On behalf of the Board, we confirm that to the best of our knowledge, nothing has come to the attention of the Board, which may render the Group’s unaudited financial results for the second quarter and six months ended September 30, 2019 to be false or misleading in any material aspect.

On behalf of the Board,

Leung Chun Wah, Chairman
Kwok Chan Cheung, Deputy Chairman

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

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

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

Hong Kong/Singapore, November 14, 2019

As at the date of this announcement, the Board comprises four Executive Directors, namely Leung Chun Wah (Chairman), Kwok Chan Cheung (Deputy Chairman), Hon Kar Chun (Managing Director) and Leung Hon Shing; and three Independent Non-executive Directors, namely Jovenal R. Santiago, Wong Kwan Seng, Robert and Iu Po Chan, Eugene.

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