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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 ANNUAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2019

FINANCIAL HIGHLIGHTS

	For the year ended		Change
	March 31,		
	2019	2018	
	HK\$'000	HK\$'000	%
Revenue	3,687,827	4,556,390	-19.1
Gross profit	327,513	395,405	-17.2
(Loss) profit before tax	(17,478)	131,975	-113.2
(Loss) profit attributable to owners of the Company	(18,963)	111,956	-116.9
Basic (loss) earnings per share (HK cents)	(22.36)	(Restated) 133.67	-116.7

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the year ended March 31, 2019, together with the comparative figures for the year ended March 31, 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2019

	NOTES	2019 HK\$'000	2018 HK\$'000	Change %
Revenue	3	3,687,827	4,556,390	-19.1
Cost of sales		(3,360,314)	(4,160,985)	-19.2
Gross profit		327,513	395,405	-17.2
Other income		4,899	1,708	+186.8
Distribution costs		(43,092)	(60,427)	-28.7
Administrative expenses		(220,074)	(211,549)	+4.0
Other gains and losses		(31,319)	33,652	-193.1
Impairment losses, net of reversal		(8,835)	4,053	-318.0
Finance costs		(46,570)	(30,867)	+50.9
(Loss) profit before tax		(17,478)	131,975	-113.2
Income tax expense	4	(1,485)	(20,019)	-92.6
(Loss) profit for the year	5	(18,963)	111,956	-116.9
Other comprehensive income (expense):				
<i>Items that will not be reclassified to profit or loss:</i>				
– Gain on revaluation of properties		21,514	27,416	-21.5
– Income tax relating to gain recognised in other comprehensive income		(4,273)	(4,958)	-13.8
		17,241	22,458	-23.2
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of foreign operations		(17,108)	23,187	-173.8
Other comprehensive income for the year		133	45,645	-99.7
Total comprehensive (expense) income for the year attributable to owners of the Company		(18,830)	157,601	-111.9
			(Restated)	
(Loss) earnings per share	13			
– Basic (HK cents)		(22.36)	133.67	-116.7
– Diluted (HK cents)		(22.36)	132.83	-116.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	279,355	267,864
Prepaid lease payments – non-current		544	556
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income		–	–
Available-for-sale investments		–	–
Long-term deposits		16,514	3,049
Deferred tax assets		1,972	84
Restricted bank deposits		–	2,500
		<hr/>	<hr/>
Total non-current assets		300,386	276,054
Current assets			
Inventories		689,898	690,950
Trade receivables	7	768,428	955,926
Other receivables, deposits and prepayments		10,019	11,032
Prepaid lease payments – current		12	12
Income tax recoverable		12,201	–
Derivative financial instruments		31	49
Restricted bank deposits		4,673	–
Cash and cash equivalents		297,498	327,050
		<hr/>	<hr/>
Total current assets		1,782,760	1,985,019
		<hr/>	<hr/>
Total assets		2,083,146	2,261,073
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at March 31, 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	9	310,863	397,467
Other payables		34,776	60,879
Contract liabilities		8,604	–
Income tax payable		2,927	6,031
Trust receipt loans		591,998	818,378
Bank borrowings		434,147	231,343
Derivative financial instruments		540	23
		<hr/>	<hr/>
Total current liabilities		1,383,855	1,514,121
		<hr/>	<hr/>
Net current assets		398,905	470,898
		<hr/>	<hr/>
Total assets less current liabilities		699,291	746,952
		<hr/>	<hr/>
Capital and reserves			
Share capital	10	85,207	76,341
Reserves		585,413	639,717
		<hr/>	<hr/>
Equity attributable to owners of the Company		670,620	716,058
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		28,671	30,894
		<hr/>	<hr/>
Total non-current liabilities		28,671	30,894
		<hr/>	<hr/>
Total liabilities and equity		2,083,146	2,261,073
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 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
At April 1, 2017	75,506	194,378	16,525	89,922	(2,218)	-	(3,561)	207,320	577,872
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	-	111,956	111,956
Other comprehensive income for the year	-	-	-	22,458	23,187	-	-	-	45,645
Total	-	-	-	22,458	23,187	-	-	111,956	157,601
Transactions with owners, recognised directly in equity:									
Exercise of share options	835	740	-	-	-	-	-	-	1,575
Recognition of equity-settled share-based payments	-	2,676	-	-	-	-	-	-	2,676
Dividend paid (Note 12)	-	-	-	-	-	-	-	(23,666)	(23,666)
Transfer from property revaluation reserve	-	-	-	(3,348)	-	-	-	3,348	-
Transfer of statutory reserve	-	-	1,609	-	-	-	-	(1,609)	-
Total	835	3,416	1,609	(3,348)	-	-	-	(21,927)	(19,415)
At March 31, 2018	76,341	197,794	18,134	109,032	20,969	-	(3,561)	297,349	716,058
Adjustment (Note 2.2)									
Transfer of impairment losses previously recognised	-	-	-	-	-	(16,448)	-	16,448	-
At April 1, 2018 (restated)	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797	716,058
Total comprehensive income (expense) for the year:									
Loss for the year	-	-	-	-	-	-	-	(18,963)	(18,963)
Other comprehensive income (expense) for the year	-	-	-	17,241	(17,108)	-	-	-	133
Total	-	-	-	17,241	(17,108)	-	-	(18,963)	(18,830)
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
Share options cancelled	-	(1,303)	-	-	-	-	-	1,303	-
Issuance of new shares under the bonus issue	7,746	(7,746)	-	-	-	-	-	-	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(32,534)	(32,534)
Transfer from property revaluation reserve	-	-	-	(4,332)	-	-	-	4,332	-
Transfer of statutory reserve	-	-	1,446	-	-	-	-	(1,446)	-
Total	8,866	(4,243)	1,446	(4,332)	-	-	-	(28,345)	(26,608)
At March 31, 2019	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489	670,620

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Operating activities		
(Loss) profit before tax	(17,478)	131,975
Adjustments for:		
Depreciation	13,360	10,772
Amortisation of prepaid lease payments	12	13
Interest expense	46,570	30,867
Share-based payment expense	1,110	2,676
Allowance for inventories	7,871	15,375
Impairment losses, net of reversal	8,835	(4,053)
Loss on disposal of property, plant and equipment	40	19
Net loss (gain) on fair value changes of derivative financial instruments	535	(226)
Unrealised exchange loss (gain)	24,763	(19,964)
Interest income	(1,920)	(635)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	83,698	166,819
Increase in inventories	(11,759)	(108,423)
Decrease (increase) in trade receivables	153,011	(151,610)
Decrease (increase) in other receivables, deposits and prepayments	820	(2,677)
Increase in long-term deposits	(1,601)	(2,690)
Decrease in trade payables	(84,667)	(38,886)
(Decrease) increase in other payables	(20,919)	22,160
Increase in contract liabilities	2,784	–
	<hr/>	<hr/>
Cash generated from (used in) operations	121,367	(115,307)
Income tax paid	(24,213)	(13,567)
Interest paid	(44,634)	(30,224)
Interest received	1,920	635
	<hr/>	<hr/>
Net cash generated from (used in) operating activities	54,440	(158,463)

CONSOLIDATED STATEMENT OF CASH FLOWS – continued

For the year ended March 31, 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Investing activities		
Purchase of property, plant and equipment	(14,737)	(2,451)
Deposits paid for acquisition of property, plant and equipment	(11,985)	–
Placement of restricted bank deposits	(2,353)	–
Proceeds from disposal of property, plant and equipment	11	339
Proceeds from disposal of subsidiaries	–	300
	<u> </u>	<u> </u>
Net cash used in investing activities	(29,064)	(1,812)
Financing activities		
Dividend paid to shareholders	(32,534)	(23,666)
Proceeds from exercise of share options	4,816	1,575
Repayment of trust receipt loans	(2,932,522)	(2,855,470)
Proceeds from trust receipt loans	2,706,142	3,005,294
Repayment of bank borrowings	(667,981)	(752,152)
Proceeds from bank borrowings	871,343	773,996
	<u> </u>	<u> </u>
Net cash (used in) generated from financing activities	(50,736)	149,577
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(25,360)	(10,698)
Cash and cash equivalents at beginning of the year	327,050	331,255
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(4,192)	6,493
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	<u>297,498</u>	<u>327,050</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

1. GENERAL

The Company was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The 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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB"), the accounting policies and methods of computation used in the consolidated financial statements for the year ended March 31, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2018.

New and Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRS Standards issued by IASB for the first time in the current year:

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

Except as described below, the application of the new and amendments to IFRS Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of New and Amendments to IFRS Standards

2.1 *IFRS 15 Revenue from Contracts with Customers and the related amendments*

The Group has applied IFRS 15 *Revenue from Contracts with Customers* and the related amendments for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

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

The Group recognises revenue from the trading of electronic components.

Summary of effects arising from initial application of IFRS 15

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

As at March 31, 2019, receipts in advance from customers of HK\$8,604,000 were classified as contract liabilities and the amount should remain as it is and be included in other payables without application of IFRS 15.

The increase in contract liabilities of HK\$2,784,000 (excluding the effect of exchange difference of HK\$193,000) for the year ended March 31, 2019 disclosed in the consolidated statement of cash flows would have been included in “decrease in other payables” without application of IFRS 15.

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of New and Amendments to IFRS Standards – continued

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and financial guarantee contracts and 3) general hedge accounting.

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

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

Summary of effects arising from initial application of IFRS 9

Available-for-sale investments

For the unquoted equity investments previously measured at cost less impairment and classified as available-for-sale investments under IAS 39, the Group elected to present the fair value changes in other comprehensive income, these investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, unquoted equity investments were reclassified from available-for-sale investments to financial assets measured at fair value through other comprehensive income (“FVTOCI”). The directors of the Company consider that the fair values of financial assets measured at FVTOCI were negligible. In addition, impairment losses previously recognised of HK\$16,448,000 were transferred from accumulated profits to FVTOCI reserve as at April 1, 2018.

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on trade receivables are assessed individually for debtors which are credit-impaired and collectively using a provision matrix based on internal credit rating which is adjusted for forward-looking estimates.

ECL for other financial assets at amortised cost, including other receivables, refundable deposits, restricted bank deposits and cash and cash equivalents, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

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

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

3. SEGMENT INFORMATION

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

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

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

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

Year ended March 31, 2019

	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	1,879,966	1,713,350	94,511	3,687,827	–	3,687,827
Sales – inter-company	521,946	389,473	741	912,160	(912,160)	–
	2,401,912	2,102,823	95,252	4,599,987	(912,160)	3,687,827
Cost of sales	2,232,746	1,961,258	78,569	4,272,573	(912,259)	3,360,314
Gross profit/segment results	169,166	141,565	16,683	327,414	99	327,513
Other income						4,899
Distribution costs						(43,092)
Administrative expenses						(220,074)
Other gains and losses						(31,319)
Impairment losses, net of reversal						(8,835)
Finance costs						(46,570)
Loss before tax						(17,478)
Income tax expense						(1,485)
Loss attributable to owners of the Company						(18,963)

3. SEGMENT INFORMATION – continued

Year ended March 31, 2018

	Trading of electronic components					Total <i>HK\$'000</i>
	Southern China Region <i>HK\$'000</i>	Northern China Region <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	
Revenue						
Sales – external	2,266,315	2,185,033	105,042	4,556,390	–	4,556,390
Sales – inter-company	574,999	390,477	672	966,148	(966,148)	–
	2,841,314	2,575,510	105,714	5,522,538	(966,148)	4,556,390
Cost of sales	2,629,996	2,402,136	95,064	5,127,196	(966,211)	4,160,985
Gross profit/segment results	<u>211,318</u>	<u>173,374</u>	<u>10,650</u>	<u>395,342</u>	<u>63</u>	395,405
Other income						1,708
Distribution costs						(60,427)
Administrative expenses						(211,549)
Other gains and losses						33,652
Impairment losses, net of reversal						4,053
Finance costs						(30,867)
Profit before tax						131,975
Income tax expense						(20,019)
Profit attributable to owners of the Company						<u>111,956</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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The income tax charge comprises:		
Current tax:		
– Hong Kong	1,458	14,040
– PRC Enterprise Income Tax (the “EIT”)	5,294	2,724
– Taiwan	1,982	697
– Taiwan withholding tax on dividends	558	580
	<u>9,292</u>	<u>18,041</u>
(Over) under provision in respect of prior year:		
– Hong Kong	(228)	(106)
– PRC EIT	(95)	280
– Taiwan	(23)	(1)
– Taiwan withholding tax on dividends	27	–
	<u>(319)</u>	<u>173</u>
Deferred tax:		
– Current year	(7,488)	1,805
	<u>1,485</u>	<u>20,019</u>

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% for the year ended March 31, 2018.

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 year ended March 31, 2019.

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

5. (LOSS) PROFIT FOR THE YEAR

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation of prepaid lease payments	12	13
Cost of inventories recognised as expenses (<i>Note i</i>)	3,360,314	4,160,985
Depreciation	13,360	10,772
Directors' emoluments (<i>Note ii</i>)	11,493	13,447
Loss on disposal of property, plant and equipment	40	19
Audit fees paid to auditors		
Auditor of the Company	2,123	2,034
Other auditors	205	250
Non-audit fees paid to auditor		
Auditor of the Company	884	616
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	142,189	157,100
Net foreign exchange loss (gain)	30,744	(33,445)
Net loss (gain) on fair value changes of derivative financial instruments	535	(226)
Share-based payment expense	1,110	2,676
Interest income from bank deposits	(1,920)	(635)
	<u> </u>	<u> </u>

Notes:

- (i) During the years ended March 31, 2019 and 2018, the amount included allowance for inventories amounting to HK\$7,871,000 and HK\$15,375,000, respectively.
- (ii) During the years ended March 31, 2019 and 2018, there were cost of defined contribution plans amounting to HK\$18,938,000 and HK\$17,630,000, respectively, included in staff costs and directors' emoluments.

6. PROPERTY, PLANT AND EQUIPMENT

During the current year, the Group spent HK\$14,737,000 (2018: HK\$2,451,000) 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\$51,000 (2018: HK\$358,000), resulting in a loss of HK\$40,000 (2018: HK\$19,000).

7. TRADE RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	781,407	960,376
Less: allowance for credit losses	(12,979)	(4,450)
	768,428	955,926

The Group allows an average credit period of 65 days (2018: 64 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, at the end of the reporting period:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	456,723	583,522
61 to 90 days	160,002	187,317
Over 90 days	151,703	185,087
	768,428	955,926

8. TRANSFER OF FINANCIAL ASSETS

As at March 31, 2019, the Group's trade receivables amounted to HK\$192,059,000 (2018: HK\$76,543,000), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounting to HK\$173,491,000 (2018: HK\$61,343,000). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

9. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>310,863</u>	<u>397,467</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	248,991	280,017
31 to 60 days	61,872	117,180
Over 60 days	—	270
	<u>310,863</u>	<u>397,467</u>

10. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each		
Authorised		
At April 1, 2017, April 1, 2018 and March 31, 2019	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2017	75,506	75,506
Exercise of share options	<u>835</u>	<u>835</u>
At April 1, 2018	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 March 31, 2019	<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

During the year ended March 31, 2018, share options holders under ESOS II exercised part of their share options and subscribed for 204,000 shares, 483,000 shares and 148,000 shares of HK\$1.00 each of the Company at an exercise price of Singapore dollar 0.335 per share on June 19, 2017, June 28, 2017 and July 11, 2017, respectively. The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised was Singapore dollar 0.758 per share.

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

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2017	836,600
Exercised during the year	<u>(835,000)</u>
Unexercised share options for ordinary shares at April 1, 2018	1,600
Bonus Issue during the year (<i>Note</i>)	<u>160</u>
Unexercised share options for ordinary shares at March 31, 2019	<u><u>1,760</u></u>

ESOS III

On July 17, 2017, the Company granted share options exercisable for 3,165,000 ordinary shares of HK\$1.00 each of the Company to certain eligible employees under ESOS III with an exercise price of HK\$4.30 per share. The period for the exercise of the share options will commence after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant. The total estimated fair value as at the date of grant was HK\$3,891,000.

During the year ended March 31, 2019, 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.

11. SHARE-BASED PAYMENTS – continued

ESOS III – continued

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2017	–
Granted during the year	3,165,000
Cancelled during the year	<u>(85,000)</u>
Unexercised share options for ordinary shares at April 1, 2018	3,080,000
Exercised during the year	(1,120,000)
Bonus Issue during the year (<i>Note</i>)	196,000
Cancelled during the year	<u>(1,166,000)</u>
Unexercised share options for ordinary shares at March 31, 2019	<u><u>990,000</u></u>

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

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 current year, share-based payment expense of HK\$1,110,000 (2018: HK\$2,676,000) has been recognised in profit or loss.

12. DIVIDEND

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2018 – Final HK42.0 cents per share	32,534	–
2017 – Final HK31.0 cents per share	<u>–</u>	<u>23,666</u>
	<u>32,534</u>	<u>23,666</u>

On August 28, 2018, a one-tier tax exempt final dividend of HK42.0 cents per share (total dividend of HK\$32,534,000) was paid to the shareholders in respect of the financial year ended March 31, 2018.

In respect of the year ended March 31, 2019, the Board has recommended that a one-tier tax exempt final dividend of HK20.0 cents per share will be paid to the shareholders of the Company (the “Shareholders”) on August 26, 2019. This dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “2019 AGM”) and has not been included as a liability in these financial statements. The proposed dividend is payable to those Shareholders whose names will appear on the register of members of the Company at the close of business on August 8, 2019. The estimated total dividend to be paid is HK\$17,041,000.

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			
	2019		2018	
	Basic <i>HK\$'000</i>	Diluted <i>HK\$'000</i>	Basic <i>HK\$'000</i>	Diluted <i>HK\$'000</i>
(Loss) earnings attributable to owners of the Company	<u>(18,963)</u>	<u>(18,963)</u>	<u>111,956</u>	<u>111,956</u>
			(Restated)	(Restated)
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	<u>84,811,622</u>	<u>84,811,622</u>	<u>83,753,344</u>	<u>83,753,344</u>
Adjustment for dilutive potential ordinary shares	<u>–</u>	<u>N/A</u>	<u>–</u>	<u>531,989</u>
Weighted average number of ordinary shares used to compute (loss) earnings per share	<u>84,811,622</u>	<u>84,811,622</u>	<u>83,753,344</u>	<u>84,285,333</u>
(Loss) earnings per share	<u>(22.36)</u> (HK cents)	<u>(22.36)</u> (HK cents)	<u>133.67</u> (HK cents)	<u>132.83</u> (HK cents)

The computation of diluted loss per share for the year ended March 31, 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the year.

The weighted average number of ordinary shares, dilutive potential ordinary shares, 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. Comparative figures have also been restated on the assumption that the Bonus Issue had been effective at the beginning of the comparative period.

14. NET ASSET VALUE

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

	Group Figures		Company Figures	
	2019	2018 (Restated)	2019	2018 (Restated)
Net asset value per ordinary share based on the number of issued shares of the Company at the end of the year	787.05 (HK cents)	852.70 (HK cents)	429.46 (HK cents)	432.04 (HK cents)

The net asset backing per ordinary share as at March 31, 2019 was based on a total of 85,207,049 (March 31, 2018: 83,975,049 (restated)) issued ordinary shares.

The number of ordinary shares in issue and net asset value per ordinary share were stated after taking into account the effect of the Bonus Issue that took place on August 28, 2018. Comparative figures have also been restated on the assumption that the Bonus Issue had been effective at prior year end.

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

STATEMENT OF FINANCIAL POSITION – COMPANY LEVEL

As at March 31, 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Amount due from a subsidiary	33,814	–
Investments in subsidiaries	117,470	117,470
Total non-current assets	151,284	117,470
Current assets		
Amounts due from subsidiaries	227,239	253,507
Prepayments	83	11
Income tax recoverable	331	–
Cash and cash equivalents	3,235	1,997
Total current assets	230,888	255,515
Total assets	382,172	372,985
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,467	10,007
Income tax payable	–	169
Financial guarantee liabilities	14,774	–
Total current liabilities	16,241	10,176
Net current assets	214,647	245,339
Total assets less current liabilities	365,931	362,809
Capital and reserves		
Share capital	85,207	76,341
Reserves	280,724	286,468
Equity attributable to owners of the Company	365,931	362,809
Total liabilities and equity	382,172	372,985

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

STATEMENT OF CHANGES IN EQUITY – COMPANY LEVEL

For the year ended March 31, 2019

	Share capital <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At April 1, 2017	<u>75,506</u>	<u>194,378</u>	<u>67,904</u>	<u>337,788</u>
Profit for the year, representing total comprehensive income for the year	–	–	44,436	44,436
Transactions with owners, recognised directly in equity:				
Exercise of share options	835	740	–	1,575
Recognition of equity-settled share-based payments	–	2,676	–	2,676
Dividend paid (<i>Note 12</i>)	<u>–</u>	<u>–</u>	<u>(23,666)</u>	<u>(23,666)</u>
Total	<u>835</u>	<u>3,416</u>	<u>(23,666)</u>	<u>(19,415)</u>
At March 31, 2018	<u><u>76,341</u></u>	<u><u>197,794</u></u>	<u><u>88,674</u></u>	<u><u>362,809</u></u>
Profit for the year, representing total comprehensive income for the year	–	–	29,730	29,730
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
Share options cancelled	–	(1,303)	1,303	–
Issuance of new shares under the bonus issue	7,746	(7,746)	–	–
Dividend paid (<i>Note 12</i>)	<u>–</u>	<u>–</u>	<u>(32,534)</u>	<u>(32,534)</u>
Total	<u>8,866</u>	<u>(4,243)</u>	<u>(31,231)</u>	<u>(26,608)</u>
At March 31, 2019	<u><u>85,207</u></u>	<u><u>193,551</u></u>	<u><u>87,173</u></u>	<u><u>365,931</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an attributable loss of HK\$19.0 million for the year ended March 31, 2019 (“FY2019”) compared to an attributable profit of HK\$112.0 million for the year ended March 31, 2018 (“FY2018”) partly due to an exchange loss of HK\$30.7 million in FY2019 as compared to an exchange gain of HK\$33.4 million in FY2018. Excluding the exchange difference, the attributable profit of the core business would have been HK\$11.7 million in FY2019 as compared to HK\$78.6 million in FY2018. The decrease in attributable profit of the core business was mainly due to a decrease in revenue, which led to a decrease in gross profit in FY2019.

Revenue

The Group’s sales revenue had decreased by 19.1% year-on-year (“YOY”) from HK\$4,556.4 million in FY2018 to HK\$3,687.8 million in FY2019.

FY2019 was one of the toughest and most challenging year for the businesses worldwide, with many macro developments that led to global uncertainty. Although it had started well following the positive economic growth and strong demand in FY2018, the escalating of US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence over the course of the year. In response to this, customers and manufacturers held back aggressive development and expansion plans, tightened control on purchases and trimmed down inventory levels. In addition, the depreciation of Renminbi (“RMB”) further reduced the buying power of domestic customers in China. The outcome was a drastic decline in demand in both the export and the Chinese domestic market for electronic componentry.

The impact was felt across the whole market and not to a specific application segment. In line with this, the revenue generated by all (except one of) our business segments declined in FY2019; we sustained a smaller decline in sales in our Industrial, Home Appliance and Automotive segments because of our ongoing efforts in developing the value-added services in these applications.

Turnover by Market Segment Analysis

(in HK\$'000)

	FY2019		FY2018		Increase/(Decrease)	
		%		%		%
Industrial	979,314	26.5%	1,089,557	23.9%	(110,243)	(10.1%)
Telecommunications	682,676	18.5%	1,124,965	24.7%	(442,289)	(39.3%)
Home Appliance	541,679	14.7%	619,743	13.6%	(78,064)	(12.6%)
Automotive	448,141	12.1%	507,134	11.1%	(58,993)	(11.6%)
Dealer	356,319	9.7%	437,191	9.6%	(80,872)	(18.5%)
Audio and Video	256,787	7.0%	256,528	5.6%	259	0.1%
Electronic Manufacturing						
Services (“EMS”)	216,503	5.9%	271,777	6.0%	(55,274)	(20.3%)
Lighting	104,157	2.8%	122,444	2.7%	(18,287)	(14.9%)
Others	102,251	2.8%	127,051	2.8%	(24,800)	(19.5%)
	<u>3,687,827</u>	<u>100.0%</u>	<u>4,556,390</u>	<u>100.0%</u>	<u>(868,563)</u>	<u>(19.1%)</u>

Industrial

The Industrial segment recorded revenue of HK\$979.3 million in FY2019, a drop of 10.1% as compared to FY2018. The business was affected by the current US-China trade tensions. However, we are optimistically confident of this segment’s potential in the long term due to the rapid growth and rising trend towards industrialization, factory automation and energy saving improvements. In line with this, the Group has committed extensive resources in this segment to position itself for future opportunities.

Telecommunications

The Telecommunications segment was the Group’s second largest revenue generator in FY2019 contributing sales of HK\$682.7 million. There was a significant YOY drop of 39.3% as compared to FY2018 due to the negative combination of US-China trade tensions as well as the migration from the 4G to 5G market. The mature and saturated smartphone market is very much dependent on the intentions of consumers to replace their mobile phones. Under the current conditions, most have adopted a wait-and-see attitude, which had affected demand in this segment. The Group will put more focus to improve the operational efficiency in this segment to better monitor the supply chain in order to avoid any potential risk on the inventory.

Home Appliance

Revenue from the Home Appliance segment was HK\$541.7 million in FY2019, representing a decrease of 12.6% as compared to FY2018. This segment started well in FY2019 with strong domestic demand but it eventually succumbed to worsening market sentiments with manufacturers trimming down inventory and pushing out orders to keep a lower risk position. In response to this situation, we reduced our purchases and maintained a reasonable inventory level.

We remain positive about the long term prospects of this segment and will continue to develop more solutions that cater to higher energy efficiency and smart features for the products.

Automotive

Revenue from the Automotive segment decreased by 11.6% to HK\$448.1 million in FY2019 as compared to FY2018. The domestic demand and our effort to launch new designs enabled us to sustain the business in the first half of FY2019. However, the second half was affected by the same issues of US-China trade tensions and poor consumer sentiments in China, which resulted in a significant fall in both export and domestic demand. We put more effort to manage the supply chain to avoid unexpected risk in both cash flow and inventory in this market.

The Group's commitment in this segment is still strong and we will continue to invest resources to develop more solutions and value-added services in this market to ride on the trend of electrification and digitalization.

Dealer

The revenue from this segment was HK\$356.3 million in FY2019, a 18.5% drop as compared to FY2018. This segment has traditionally been the fastest to react to market changes. With the current conditions, the dealers have become cautious and stopped stocking up on inventory and participating in sales programmes. The rapid depreciation in RMB had also further damaged the business in this segment.

Audio and Video

Revenue from the Audio and Video segment was HK\$256.8 million in FY2019, a marginal YOY increase of 0.1% as compared to FY2018. This segment was greatly impacted by the US-China trade tensions, particularly demand for traditional audio and video products. The decline in sales was partially offset by sustained demand for high-end and portable products and supported by the project we secured in 2018 for the European market for the period until the end of FY2019.

We believe that this segment remains unstable and we will carefully monitor the progress of each project and our inventory levels to protect against any potential risk.

EMS

This segment recorded a 20.3% decrease in revenue in FY2019 as compared to FY2018 to HK\$216.5 million. The uncertain macro environment resulted in cancelled orders from customers. We will be more nimble in responding to and anticipating changes in orders and the buffer inventory levels to avoid the obsolete stock pile-up.

Lighting

Revenue from this segment was HK\$104.2 million in FY2019, a drop of 14.9% as compared to FY2018. During the year, demand remained weak, which was compounded by a worsening export market in the second half of FY2019. However, the positive trend in an otherwise gloomy environment is that manufacturers are putting more focus on developing smart lighting in the Internet of Things market. This becomes a new trend and is good for us to develop more solutions in this segment.

Others

The applications in this segment include Toys, Health Care and Security, which were affected by the weak consumer confidence and hence the demand is unstable. Revenue from this segment dropped 19.5% in FY2019 as compared to FY2018 to HK\$102.3 million.

Gross Profit Margin

The Group's gross profit margin slightly increased from 8.7% in FY2018 to 8.9% in FY2019. This was attributed to the Group's investment in engineering resources and sales network to provide value-added services to customers in our key focus segments, such as Automotive, Industrial and Home Appliance, which led to better returns. Thus the Group's profit margin maintained at a similar level as last year.

Distribution Costs

Distribution costs decreased by HK\$17.3 million, or 28.7%, from HK\$60.4 million in FY2018 to HK\$43.1 million in FY2019. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue.

Administrative Expenses

Administrative expenses increased by HK\$8.6 million, or 4.0%, from HK\$211.5 million in FY2018 to HK\$220.1 million in FY2019. This was mainly due to an increase in premises and warehouse removal expenses resulting from extra rental expenses incurred for the new warehouse in Hong Kong for renovation and removal in the current year.

Other Gains and Losses

Other losses of HK\$31.3 million in FY2019 included an exchange loss of HK\$30.7 million, mainly arising from the depreciation of RMB. Other gains of HK\$33.7 million in FY2018 included an exchange gain of HK\$33.4 million, mainly arising from the appreciation of the RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK\$8.8 million in FY2019 and reversal of impairment losses of HK\$4.1 million in FY2018 represented the impairment losses/reversal of impairment losses on trade receivables.

Finance Costs

Finance costs increased by HK\$15.7 million, or 50.9%, from HK\$30.9 million in FY2018 to HK\$46.6 million in FY2019. This was mainly attributable to an increase in average trust receipt loans and the higher average interest rate during the year. As at March 31, 2019, the interest rate of trust receipt loans was ranging from 2.98% to 5.06% (March 31, 2018: 2.11% to 3.75%) per annum.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2018, trust receipt loans decreased by HK\$226.4 million. Trade payables decreased from HK\$397.5 million as at March 31, 2018 to HK\$310.9 million as at March 31, 2019. The decrease in trust receipt loans was mainly due to the decrease in purchases towards the end of the year under review. Trade receivables as at March 31, 2019 decreased by HK\$187.5 million when compared to those as at March 31, 2018, due to a decrease in sales revenue towards the end of the year under review, and the debtors turnover days slightly decreased from 2.6 months to 2.5 months.

As at March 31, 2019, the Group's current ratio (current assets/current liabilities) was 1.29 (March 31, 2018: 1.31).

Inventories

Inventories slightly decreased from HK\$691.0 million as at March 31, 2018 to HK\$689.9 million as at March 31, 2019. The inventory turnover days increased from 1.7 months to 2.5 months.

Cash Flow

As at March 31, 2019, the Group had a working capital of HK\$398.9 million, which included a cash balance of HK\$297.5 million, compared to a working capital of HK\$470.9 million, which included a cash balance of HK\$327.1 million as at March 31, 2018. The decrease in cash by HK\$29.6 million was primarily attributable to the net effect of cash outflows of HK\$29.1 million in investing activities and HK\$50.7 million in financing activities and inflow of HK\$54.4 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 trade receivables due to decreased sales revenue towards the end of the year under review but partially offset by a decrease in trade payables.

Cash outflow in financing activities was attributable to the overall decreases in trust receipt loans and bank borrowings as a result of the decrease in purchases and the dividend payment to Shareholders.

Borrowings and Banking Facilities

As at March 31, 2019, fixed-rate bank borrowings of HK\$225.0 million (March 31, 2018: HK\$170.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2020. The fixed-rate bank borrowings were denominated in HKD.

Unsecured fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.62% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 3.83% per annum as at March 31, 2019. The variable-rate bank borrowings were denominated in USD and HKD.

As at March 31, 2019, trust receipt loans were unsecured and repayable within one year and bore interest rates ranged from 2.98% to 5.06% per annum. As at March 31, 2019, the Group had unutilised banking facilities of HK\$701.8 million (March 31, 2018: HK\$457.6 million).

The aggregate amount of the Group's borrowings and debt securities were as follows:

Amount repayable in one year or less, or on demand

As at March 31, 2019		As at March 31, 2018	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
209,147	816,998	61,343	988,378

Amount repayable after one year

As at March 31, 2019		As at March 31, 2018	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
–	–	–	–

As at March 31, 2019, the Group's trade receivables amounted to HK\$192.1 million (March 31, 2018: HK\$76.5 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounting to HK\$173.5 million (March 31, 2018: HK\$61.3 million).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at March 31, 2019 was 108.1% (March 31, 2018: 101.9%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders’ equity at the end of a given period. The increase was mainly due to a decrease in shareholders’ equity from HK\$716.1 million to HK\$670.6 million.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at March 31, 2019, the aggregate banking facilities granted to the subsidiaries were HK\$1,555.3 million (March 31, 2018: HK\$1,455.8 million), of which HK\$859.3 million (March 31, 2018: HK\$1,002.1 million) was utilised and guaranteed by the Company.

As at March 31, 2019, the Company had also given guarantees to a supplier in relation to the subsidiaries’ settlement of the respective payables. The aggregate amount payable to this supplier under guarantee was HK\$249.4 million (March 31, 2018: HK\$365.5 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)

The ongoing US-China trade tensions and the resulting implementation of tariffs are a threat to China's economy, and are expected to dent US growth. With no near-term resolution in sight, a prolonged dispute will certainly worsen the global economy.

Given its track record of more than 30 years, the Group remains confident of its ability to weather the current market conditions as it focuses its efforts and resources on the key growth segments it has identified, namely Automotive, Industrial and Home Appliance.

In view of the considerable downside risks and certain headwinds in the macro-environment, the Group has, during the year, taken several measures in facing this challenging situation, including tightening its cost and expenses control, mitigating the credit risk of debtors and kept our inventory at appropriate levels. 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 REPORTING PERIOD

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK20.0 cents (the "Final Dividend") per ordinary share for the year ended March 31, 2019 (2018: HK42.0 cents) to those Shareholders whose names will appear on the register of members of the Company (the "Register of Members") at the close of business on Thursday, August 8, 2019. The Final Dividend is payable on or about Monday, August 26, 2019 subject to the approval of the Shareholders at the forthcoming 2019 AGM.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Friday, July 26, 2019 and the notice of the 2019 AGM will be published on the respective websites of the SGX-ST, the SEHK and the Company and despatched to the Shareholders in due course in the manner as required by the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules") and the Main Board rules of the listing manual of the SGX-ST.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the 2019 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2019 AGM, for Hong Kong Shareholders, the Hong Kong branch register of members (the “Hong Kong Branch Register”) will be closed from Tuesday, July 23, 2019 to Friday, July 26, 2019, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 AGM, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company’s Hong Kong branch share registrar and transfer office (the “Hong Kong Branch Registrar”), Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, July 22, 2019.

For Singapore Shareholders, the share transfer books and Singapore branch register of members (the “Singapore Branch Register”) will be closed at 5:00 p.m. on Monday, July 22, 2019. Duly completed registrable transfers of shares received by the Company’s share transfer agent in Singapore (the “Singapore Share Transfer Agent”), Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Monday, July 22, 2019 will be registered to determine Singapore Shareholders’ entitlements to attend and vote at the 2019 AGM.

Any transfer of the shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, July 12, 2019 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, July 12, 2019 for Singapore Shareholders.

(2) For determining the entitlement to the Final Dividend

For the purpose of determining the entitlement of the Shareholders to the Final Dividend, for Hong Kong Shareholders, the Hong Kong Branch Register will be closed from Friday, August 9, 2019 to Tuesday, August 13, 2019, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the Final Dividend, the non-registered Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Hong Kong Branch Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, August 8, 2019.

For Singapore Shareholders, the share transfer books and the Singapore Branch Register will be closed at 5:00 p.m. on Thursday, August 8, 2019. Duly completed registrable transfers of shares received by the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Thursday, August 8, 2019 will be registered to determine Singapore Shareholders' entitlements to the proposed Final Dividend. Singapore Shareholders whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares as at 5:00 p.m. on Thursday, August 8, 2019 will be entitled to the proposed Final Dividend.

Any transfer of the shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Thursday, August 1, 2019 for Hong Kong Shareholders and not later than 5:00 p.m. on Thursday, August 1, 2019 for Singapore Shareholders.

Shareholders who hold their shares on the Hong Kong Branch Register will receive their Final Dividend payment in HKD; while Shareholders who hold their shares on the Singapore Branch Register or whose securities accounts are with CDP will receive their Final Dividend payment in Singapore dollars.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2019, the Group had a workforce of 467 (March 31, 2018: 454) full-time employees, of which 32.8% worked in Hong Kong, 63.8% in the PRC and the remainder in Taiwan.

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

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

Further, the remuneration committee of the Board reviews and recommends to the Board the remuneration and compensation packages of the directors of the Company (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 year ended March 31, 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. The Board considers that during the year ended March 31, 2019, the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the HK Listing Rules (the "HK CG Code").

In the event of any conflict among the HK Listing Rules, 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 year ended March 31, 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 audited annual results and the Company's draft annual report for the year ended March 31, 2019 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as at and for the year ended March 31, 2019 have been audited by the Company's independent auditor, Deloitte Touche Tohmatsu, Hong Kong and the independent auditor's report is attached as Appendix 1 to this announcement.

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 annual report of the Company for the year ended March 31, 2019 will be despatched to Shareholders and 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 half year results announcement for the financial period ended September 30, 2018.

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. *A breakdown of sales*

	Group		
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Increase/ (Decrease) %
(a) Sales reported for first half year	2,154,825	2,354,752	(8.5%)
(b) Operating profit after tax reported for first half year	6,725	60,153	(88.8%)
(c) Sales reported for second half year	1,533,002	2,201,638	(30.4%)
(d) Operating (loss) profit after tax reported for second half year	(25,688)	51,803	(149.6%)

4. *A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year*

	Total Annual Dividend	
	Latest Full Year	Previous Full Year
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary	17,041	32,534
Preference	0	0
Total:	17,041	32,534

5. *Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) of the Listing Manual of the SGX-ST in the format below. If there are no such persons, the issuer must make an appropriate negative statement*

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Leung Chi Hang, Daniel	43	Eldest son of Leung Chun Wah, the Chairman, an Executive Director and a Substantial Shareholder of the Company.	Deputy Managing Director of Information Technology, Logistics, Marketing Communication and Human Resources. He has been responsible for overseeing the Information Technology and Logistics functions of the Group since April 1, 2015. He has also been overseeing the Marketing Communication function of the Group since May 1, 2016. He has then also been responsible for overseeing the Human Resources function of the Group since January 1, 2018.	No change

6. *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, May 29, 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.

Appendix 1

The independent auditor's report on the full financial statements of Willas-Array Electronics (Holdings) Limited for the financial year ended March 31, 2019 is as follows:

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
For the financial year ended March 31, 2019**

Opinion

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages [•] to [•], which comprise the consolidated statement of financial position of the Group as at March 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
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Allowance for inventories obsolescence

We identified the allowance for inventories obsolescence as a key audit matter as the Group operates in a fast evolving industry where inventories comprise of electronic components and are subject to obsolescence due to rapid technological changes and product obsolescence. As such, significant management estimates and judgements are involved in determining the allowance for inventories.

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price.

As disclosed in Note [•] to the consolidated financial statements, as at March 31, 2019, the carrying amount of the Group's inventories was HK\$689,898,000, net of allowance for inventories of HK\$38,750,000.

Our audit procedures in relation to the allowance for inventories obsolescence included:

- Understanding and evaluating the basis of how slow-moving or obsolete inventories are identified by the management, and their assessment of net realisable value and allowance for inventories;
- Engaging our internal information technology specialists to perform a computer assisted audit techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales;
- Testing the net realisable values of inventories by reference to latest sales margin report to identify inventories that are obsolete or selling at loss and assessing whether the allowance was properly provided for the relevant inventories; and
- Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year.

Key audit matter**How our audit addressed the key audit matter*****Impairment assessment of trade receivables***

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As at March 31, 2019, the Group's net trade receivables amounting to HK\$768,428,000, which represented 36.9% of total assets of the Group and out of these trade receivables of HK\$187,650,000 were past due. As explained in Note [•] to the consolidated financial statements, in the current year, the Group applied International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") in accordance with the transitional provisions of IFRS 9 and no additional impairment loss has been recognised as at April 1, 2018.

As disclosed in Note [•] to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables that are not credit-impaired based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses as at April 1, 2018 and March 31, 2019.

As disclosed in Note [•] to the consolidated financial statements, the Group recognised an additional amount of HK\$8,835,000 of impairment of trade receivables, net of reversal, for the year and the Group's lifetime ECL on trade receivables as at March 31, 2019 amounted to HK\$12,979,000.

Our audit procedures in relation to impairment assessment of trade receivables included:

- Understanding key controls on how the management estimates the loss allowance for trade receivables;
- Testing the integrity of information used by management to develop the provision matrix, including customer default rates as at April 1, 2018 and March 31, 2019, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents in relations to the determination of credit rating of the customers;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at April 1, 2018 and March 31, 2019, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information;
- Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes [•] and [•], respectively to the consolidated financial statements; and
- Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the financial highlights, chairman's statement, management discussion and analysis, corporate governance report, report of the directors, statement of directors and environmental, social and governance report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the shareholders' information, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 29, 2019