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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 FIRST QUARTER ENDED JUNE 30, 2020**

FINANCIAL HIGHLIGHTS

	For the three months ended June 30,		Change %
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	
Revenue	761,287	792,225	-3.9
Gross profit	58,319	54,611	+6.8
Profit (loss) before tax	8,121	(24,644)	NM
Profit (loss) attributable to owners of the Company	7,095	(24,572)	NM
Basic earnings (loss) per share (HK cents)	8.33	(28.84)	NM

NM – Not Meaningful

UNAUDITED FINANCIAL RESULTS

The board of directors of Willas-Array Electronics (Holdings) Limited (the “Company” and the “Board”, respectively) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the three months ended June 30, 2020 (“1Q FY2021”), together with the comparative figures for the three months ended June 30, 2019 (“1Q FY2020”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the first quarter ended June 30, 2020

	NOTES	For the three months ended June 30,		Change %
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	
Revenue		761,287	792,225	-3.9
Cost of sales		(702,968)	(737,614)	-4.7
Gross profit		58,319	54,611	+6.8
Other income		588	1,004	-41.4
Distribution costs		(4,515)	(8,904)	-49.3
Administrative expenses		(39,881)	(51,414)	-22.4
Other gains and losses		126	(9,697)	NM
Impairment losses, net of reversal		–	(700)	NM
Finance costs		(6,516)	(9,544)	-31.7
Profit (loss) before tax		8,121	(24,644)	NM
Income tax expense		(1,026)	72	NM
Profit (loss) for the period	3	7,095	(24,572)	NM
Other comprehensive income (expense):				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of foreign operations		361	(7,374)	NM
Other comprehensive income (expense) for the period		361	(7,374)	NM
Total comprehensive income (expense) for the period attributable to owners of the Company		7,456	(31,946)	NM
Earnings (loss) per share	7			
– Basic (HK cents)		8.33	(28.84)	NM
– Diluted (HK cents)		8.33	(28.84)	NM

NM – Not Meaningful

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	As at June 30, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	256,692	259,787
Right-of-use assets	12,230	14,013
Investment property	8,200	8,200
Club debentures	2,001	2,001
Interest in an associate	–	–
Financial assets measured at fair value through other comprehensive income	–	–
Long-term deposits	13,263	15,697
Deferred tax assets	1,980	1,982
Restricted bank deposits	2,188	2,187
Total non-current assets	<u>296,554</u>	<u>303,867</u>
Current assets		
Inventories	384,429	375,130
Trade receivables	726,606	660,912
Other receivables, deposits and prepayments	9,093	5,486
Income tax recoverable	12,337	12,604
Derivative financial instruments	–	993
Restricted bank deposits	2,221	2,219
Cash and cash equivalents	213,754	264,839
Total current assets	<u>1,348,440</u>	<u>1,322,183</u>
Total assets	<u><u>1,644,994</u></u>	<u><u>1,626,050</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

– continued

As at June 30, 2020

	<i>NOTE</i>	As at June 30, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		305,980	305,928
Other payables		25,055	26,164
Contract liabilities		7,747	4,851
Income tax payable		755	412
Trust receipt loans		441,130	469,131
Bank borrowings		239,654	201,765
Derivative financial instruments		618	61
Lease liabilities		11,519	11,906
		1,032,458	1,020,218
Total current liabilities			
		315,982	301,965
Net current assets			
		612,536	605,832
Total assets less current liabilities			
Capital and reserves			
Share capital	4	85,207	85,207
Reserves		492,957	485,501
		578,164	570,708
Equity attributable to owners of the Company			
		578,164	570,708
Non-current liabilities			
Deferred tax liabilities		30,963	31,086
Derivative financial instruments		2,088	2,177
Lease liabilities		1,321	1,861
		34,372	35,124
Total non-current liabilities			
		34,372	35,124
Total liabilities and equity		1,644,994	1,626,050

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the first quarter ended June 30, 2020

	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 <i>(Note i)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(Note ii)</i>	HK\$'000	HK\$'000
1Q 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 expense for the period:									
Loss for the period	-	-	-	-	-	-	-	(24,572)	(24,572)
Other comprehensive expense for the period	-	-	-	-	(7,374)	-	-	-	(7,374)
Total	-	-	-	-	(7,374)	-	-	(24,572)	(31,946)
At June 30, 2019 (Unaudited)	<u>85,207</u>	<u>193,551</u>	<u>19,580</u>	<u>121,941</u>	<u>(3,513)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>241,917</u>	<u>638,674</u>
1Q FY2021									
At April 1, 2020 (Audited)	85,207	193,458	20,874	122,585	(12,132)	(16,448)	(3,561)	180,725	570,708
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	7,095	7,095
Other comprehensive income for the period	-	-	-	-	361	-	-	-	361
Total	-	-	-	-	361	-	-	7,095	7,456
At June 30, 2020 (Unaudited)	<u>85,207</u>	<u>193,458</u>	<u>20,874</u>	<u>122,585</u>	<u>(11,771)</u>	<u>(16,448)</u>	<u>(3,561)</u>	<u>187,820</u>	<u>578,164</u>

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 first quarter ended June 30, 2020

	For the three months ended June 30,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	(56,508)	33,717
Net cash used in investing activities		
Purchase of property, plant and equipment	(236)	(725)
Placement of restricted bank deposits	–	(2,326)
Proceeds from disposal of property, plant and equipment	100	–
	(136)	(3,051)
Net cash generated from (used in) financing activities		
Repayments of trust receipt loans	(636,110)	(490,635)
Proceeds from trust receipt loans	606,016	510,240
Repayments of bank borrowings	(139,921)	(273,766)
Proceeds from bank borrowings	177,688	223,478
Repayments of lease liabilities	(2,223)	(1,757)
	5,450	(32,440)
Net decrease in cash and cash equivalents	(51,194)	(1,774)
Cash and cash equivalents at beginning of the period	264,839	297,498
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	109	(868)
Cash and cash equivalents at end of the period	213,754	294,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended June 30, 2020

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 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 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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than 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 International Accounting Standards Board, which are first effective for the current accounting period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended June 30, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended March 31, 2020. The application of the amendments to IFRS Standards and the interpretation in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. PROFIT (LOSS) FOR THE PERIOD

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

	For the three months ended June 30,	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses (<i>Note i</i>)	702,968	737,614
Depreciation of property, plant and equipment	3,439	3,589
Depreciation of right-of-use assets	2,988	2,322
Directors' emoluments (<i>Note ii</i>)	1,933	2,790
Gain on disposal of property, plant and equipment	(100)	–
Audit fees paid to auditors		
Auditor of the Company	537	551
Other auditors	45	46
Non-audit fees paid to auditor		
Auditor of the Company	227	222
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	22,409	32,489
Net foreign exchange (gain) loss	(1,487)	10,347
Net loss (gain) on fair value changes of derivative financial instruments	1,461	(650)
Interest income from bank deposits	(207)	(827)
Interest expense on borrowings	6,425	9,404
Impairment losses recognised on trade receivables	–	700

Notes:

- (i) During the three months ended June 30, 2020 and 2019, the amount included allowance for inventories amounting to nil and HK\$8,272,000, respectively.
- (ii) During the three months ended June 30, 2020 and 2019, there were cost of defined contribution plans amounting to HK\$1,724,000 and HK\$4,738,000, respectively, included in staff costs and directors' emoluments.

4. 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, 2019 (Audited), June 30, 2019 (Unaudited), April 1, 2020 (Audited) and June 30, 2020 (Unaudited)	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2019 (Audited), June 30, 2019 (Unaudited), April 1, 2020 (Audited) and June 30, 2020 (Unaudited)	<u>85,207</u>	<u>85,207</u>

The Company has no treasury shares.

5. SHARE-BASED PAYMENTS

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

ESOS II

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

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

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

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

5. SHARE-BASED PAYMENTS – continued

ESOS III

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

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

6. DIVIDEND

No dividend was declared and paid during the three months ended June 30, 2020 and 2019.

The Board has resolved not to declare any dividend for the three months ended June 30, 2020 (1Q FY2020: nil).

7. EARNINGS (LOSS) PER SHARE

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

	Group Figures			
	For the three months ended June 30, 2020 (Unaudited)		For the three months ended June 30, 2019 (Unaudited)	
	Basic	Diluted	Basic	Diluted
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) attributable to owners of the Company	<u>7,095</u>	<u>7,095</u>	<u>(24,572)</u>	<u>(24,572)</u>
	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>85,207,049</u>	<u>85,207,049</u>
Adjustment for dilutive potential ordinary shares	<u>–</u>	<u>N/A</u>	<u>–</u>	<u>N/A</u>
Weighted average number of ordinary shares used to compute earnings (loss) per share	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>	<u>85,207,049</u>
Earnings (loss) per share (HK cents)	<u>8.33</u>	<u>8.33</u>	<u>(28.84)</u>	<u>(28.84)</u>

The computation of diluted earnings per share for the three months ended June 30, 2020 did not assume the exercise of share options granted by the Company since the exercise price of those share options was higher than the average market price of the shares for the period.

The computation of diluted loss per share for the three months ended June 30, 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the period.

8. NET ASSET VALUE

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

	Group Figures		Company Figures	
	As at June 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)	As at June 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
Net asset value per ordinary share based on the number of issued shares of the Company at the end of the period/year (HK cents)	<u>678.54</u>	<u>669.79</u>	<u>429.51</u>	<u>426.51</u>

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

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

As at June 30, 2020

	As at June 30, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
ASSETS		
Non-current assets		
Amount due from a subsidiary	33,814	33,814
Investments in subsidiaries	155,043	155,043
Total non-current assets	<u>188,857</u>	<u>188,857</u>
Current assets		
Amounts due from subsidiaries	184,604	185,036
Deposits and prepayments	11	11
Income tax recoverable	74	109
Cash and cash equivalents	866	1,181
Total current assets	<u>185,555</u>	<u>186,337</u>
Total assets	<u><u>374,412</u></u>	<u><u>375,194</u></u>
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	660	1,407
Financial guarantee liabilities	7,781	10,375
Total current liabilities	<u>8,441</u>	<u>11,782</u>
Net current assets	<u>177,114</u>	<u>174,555</u>
Total assets less current liabilities	<u>365,971</u>	<u>363,412</u>
Capital and reserves		
Share capital	85,207	85,207
Reserves	280,764	278,205
Equity attributable to owners of the Company	<u>365,971</u>	<u>363,412</u>
Total liabilities and equity	<u><u>374,412</u></u>	<u><u>375,194</u></u>

10. INFORMATION ABOUT THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY*For the first quarter ended June 30, 2020*

	<u>Share capital</u>	<u>Capital reserves</u>	<u>Accumulated profits</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1Q FY2020				
At April 1, 2019 (Audited)	<u>85,207</u>	<u>193,551</u>	<u>87,173</u>	<u>365,931</u>
Profit for the period, representing total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>3,667</u>	<u>3,667</u>
At June 30, 2019 (Unaudited)	<u><u>85,207</u></u>	<u><u>193,551</u></u>	<u><u>90,840</u></u>	<u><u>369,598</u></u>
1Q FY2021				
At April 1, 2020 (Audited)	<u>85,207</u>	<u>193,458</u>	<u>84,747</u>	<u>363,412</u>
Profit for the period, representing total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>2,559</u>	<u>2,559</u>
At June 30, 2020 (Unaudited)	<u><u>85,207</u></u>	<u><u>193,458</u></u>	<u><u>87,306</u></u>	<u><u>365,971</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a profit attributable to owners of the Company of HK\$7.1 million for the three months ended June 30, 2020 (“1Q FY2021”) compared to a loss attributable to owners of the Company of HK\$24.6 million for the three months ended June 30, 2019 (“1Q FY2020”). The Group returned to profit in 1Q FY2021 mainly due to higher gross profit as no stock provision was required to be made in 1Q FY2021 while a stock provision of HK\$8.3 million for slow-moving inventories was made in 1Q FY2020; and a decrease in staff cost and travelling expenses due to a reduced average headcount and in light of the coronavirus disease 2019 (“COVID-19”) pandemic respectively. Furthermore, there was no significant exchange difference in 1Q FY2021 whereas there was an exchange loss arising from the depreciation of the Renminbi (“RMB”) in 1Q FY2020.

Revenue

The Group’s sales revenue had decreased by 3.9% from HK\$792.2 million in 1Q FY2020 to HK\$761.3 million in 1Q FY2021.

Revenue by Market Segment Analysis

	1Q FY2021		1Q FY2020		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	232,537	30.5%	224,789	28.4%	7,748	3.4%
Automotive	138,668	18.2%	106,909	13.5%	31,759	29.7%
Home Appliance	121,959	16.0%	146,192	18.5%	(24,233)	(16.6%)
Dealer	63,936	8.4%	81,921	10.3%	(17,985)	(22.0%)
Telecommunications	57,799	7.6%	85,126	10.7%	(27,327)	(32.1%)
Electronic Manufacturing Services (“EMS”)	55,253	7.3%	44,502	5.6%	10,751	24.2%
Audio and Video	38,657	5.1%	53,534	6.8%	(14,877)	(27.8%)
Lighting	30,365	4.0%	28,415	3.6%	1,950	6.9%
Others	22,113	2.9%	20,837	2.6%	1,276	6.1%
	761,287	100.0%	792,225	100.0%	(30,938)	(3.9%)

The whole market felt the impact of the COVID-19 outbreak since the beginning of year 2020 and it continues to affect the industry presently. Consumer spending on traditional electronics product was almost frozen. Lock-down measures implemented by China, parts of Asia, Europe and the United States of America (“US”) to curb the spread of the virus led to severe supply chain disruptions across the world and impacted the export business.

The total sales achieved by the Group in 1Q FY2021 fell by 3.9% compared to the corresponding period of last year. The decline was mainly due to a double-digit decrease in sales by consumer-centric segments such as Home Appliance, Telecommunications and Audio and Video, which was partially offset by a double-digit expansion in the Automotive and EMS segments and modest growth of the Industrial, Lighting and Others segments.

The gains in the Industrial, EMS and Others segments were mainly due to the new “work-from-home” norm which benefitted some applications such as on-line education/meeting, in-home entertainment and cooking. This supported the sales of personal computers, tablets, games, set-top boxes and power related products.

The strong growth of 29.7% in Automotive segment was partially due to the lower base from the same period in 1Q FY2020. This segment also rebounded quickly from pent-up demand following the lock-down in China. The automotive industry in China had resumed production in April 2020 and took advantage of the Chinese Labour Day holiday to boost sales with huge discounts to clear stocks. From May 2020, the industry started to replenish the supply chain. With the support from the policy of the Chinese government, this segment is expected to continue its growth trajectory.

Gross Profit Margin

The Group’s gross profit margin increased from 6.9% in 1Q FY2020 to 7.7% in 1Q FY2021 mainly due to no stock provision was required to be made in 1Q FY2021 while a stock provision of HK\$8.3 million for slow-moving inventories was made in 1Q FY2020.

Distribution Costs

Distribution costs decreased by HK\$4.4 million, or 49.3%, from HK\$8.9 million in 1Q FY2020 to HK\$4.5 million in 1Q FY2021. The decrease was mainly due to a decrease in travelling and entertainment expenses for the period under review as a result of the outbreak of the COVID-19 pandemic and the subsequent quarantine measures as well as travel restriction imposed by the governments of various countries/districts.

Administrative Expenses

Administrative expenses decreased by HK\$11.5 million, or 22.4%, from HK\$51.4 million in 1Q FY2020 to HK\$39.9 million in 1Q FY2021. This was mainly due to (i) a substantial decrease in staff costs owing to lower average headcount; (ii) the implementation of cost control measures; and (iii) the reduction and exemption of corporate social insurance premiums in the PRC according to the notice jointly released by the Ministry of Human Resources and Social Security, the Ministry of Finance, and the State Taxation Administration of the PRC in February 2020.

Other Gains and Losses

Other gains of HK\$0.1 million in 1Q FY2021 represented mainly a gain on disposal of fixed assets, whereas other losses of HK\$9.7 million in 1Q FY2020 were incurred due to an exchange loss mainly arising from the depreciation of RMB. There was no significant exchange difference in 1Q FY2021.

Finance Costs

Finance costs decreased by HK\$3.0 million, or 31.7%, from HK\$9.5 million in 1Q FY2020 to HK\$6.5 million in 1Q FY2021. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as well as a decrease in weighted average effective interest rate as compared to the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As at March 31, 2020, the aggregate amount of trust receipt loans and bank borrowings was HK\$670.9 million as compared to HK\$680.8 million as at June 30, 2020. Trade payables maintained at similar levels, with a slight increase from HK\$305.9 million as at March 31, 2020 to HK\$306.0 million as at June 30, 2020. The overall increase in trust receipt loans and bank borrowings was mainly due to the increase in purchasing activities in 1Q FY2021 as compared to previous quarter (January to March 2020). Trade receivables as at June 30, 2020 increased by HK\$65.7 million as compared to those as at March 31, 2020, due to an increase in sales revenue towards the end of the period under review, and the debtors turnover days increased from 2.5 months to 2.9 months.

Inventories

Inventories slightly increased from HK\$375.1 million as at March 31, 2020 to HK\$384.4 million as at June 30, 2020. The inventory turnover days increased from 1.5 months to 1.7 months.

Cash Flow

As at June 30, 2020, the Group had a working capital of HK\$316.0 million which included a cash balance of HK\$213.8 million, compared to a working capital of HK\$302.0 million which included a cash balance of HK\$264.8 million as at March 31, 2020. The decrease in cash by HK\$51.0 million was primarily attributable to the net effect of cash outflows of HK\$56.5 million in operating activities and a cash inflow of HK\$5.5 million generated from financing activities.

Cash outflow in operating activities was mainly attributable to an increase in trade receivables. The increase in trade receivables was due to the increased sales revenue towards the end of the period under review when compared with the sales revenue towards March 31, 2020.

Cash inflow generated from financing activities was attributable to the overall increases in trust receipt loans and bank borrowings as a result of increasing purchasing activities.

Borrowings

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 June 30, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
74,056	606,728	63,712	607,184

Amount repayable after one year

As at June 30, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
–	–	–	–

As at June 30, 2020, the Group's trade receivables amounted to HK\$84.7 million (March 31, 2020: HK\$69.9 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 secured borrowings amounting to HK\$74.1 million (March 31, 2020: HK\$63.7 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 Chinese government's decisive response and approach to contain the COVID-19 outbreak, including restricting people movement and massive testing, enabled China to take control of the pandemic quickly and resume business activities from March 2020.

As a result, China avoided a recession and its GDP grew by 3.2% year on year in the second quarter (April to June) of 2020 after the historic contraction of 6.8% year on year in the first quarter (January to March) of 2020.

The Group expects China's economy to continue gaining traction in the second half of the year albeit with increased cautiousness over the virus, which has yet to be completely eradicated. We also expect increased challenges from the ongoing and deteriorating relations between the US and China.

In unprecedented times like now, the Group will continue to be prudent in managing its resources and expenses to ensure that our operations remain sustainable to tide over the uncertain business environment.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended June 30, 2020 (1Q FY2020: nil) as the Group intends to retain cash for its business operations.

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 three months ended June 30, 2020 have not been audited or reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, Hong Kong.

SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

On behalf of the Board,

Leung Chun Wah, Chairman
Kwok Chan Cheung, Deputy Chairman

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

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

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

Hong Kong/Singapore, August 14, 2020

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

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