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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 THIRD QUARTER AND NINE MONTHS
ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

	For the nine months ended December 31,		Change %
	2020	2019	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
Revenue	2,749,930	2,523,829	+9.0
Gross profit	225,426	156,243	+44.3
Profit (loss) before tax	68,363	(59,991)	NM
Profit (loss) attributable to owners of the Company	59,676	(60,324)	NM
Basic earnings (loss) per share (HK cents)	70.04	(70.80)	NM
NM – Not Meaningful			

UNAUDITED FINANCIAL RESULTS

The board of directors of Willas-Array Electronics (Holdings) Limited (the “Company” and the “Board”, respectively) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the third quarter (“3Q FY2021”) and nine months ended December 31, 2020 (“YTD 3Q FY2021”), together with the comparative figures for the third quarter (“3Q FY2020”) and nine months ended December 31, 2019 (“YTD 3Q FY2020”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the third quarter and nine months ended December 31, 2020

		For the three months ended December 31,			For the nine months ended December 31,		
	NOTE	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	Change %	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	Change %
Revenue		1,062,741	851,422	+24.8	2,749,930	2,523,829	+9.0
Cost of sales		(974,422)	(794,388)	+22.7	(2,524,504)	(2,367,586)	+6.6
Gross profit		88,319	57,034	+54.9	225,426	156,243	+44.3
Other income		3,645	1,089	NM	8,286	2,708	NM
Distribution costs		(10,726)	(8,086)	+32.6	(23,971)	(23,474)	+2.1
Administrative expenses		(46,637)	(49,727)	-6.2	(135,731)	(148,017)	-8.3
Other gains and losses		12,619	4,156	NM	14,609	(12,542)	NM
Impairment losses, net of reversal		(39)	-	NM	(5,548)	(6,700)	-17.2
Finance costs		(3,954)	(8,899)	-55.6	(14,708)	(28,209)	-47.9
Profit (loss) before tax		43,227	(4,433)	NM	68,363	(59,991)	NM
Income tax expense		(5,944)	(71)	NM	(8,687)	(333)	NM
Profit (loss) for the period	3	37,283	(4,504)	NM	59,676	(60,324)	NM
Other comprehensive income (expense):							
Items that will not be reclassified to profit or loss:							
– Gain on revaluation of leasehold land and building transferred to investment property		-	-	-	-	7,355	NM
– Income tax relating to gain recognised in other comprehensive income		-	-	-	-	(5,018)	NM
		-	-	-	-	2,337	NM

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

For the third quarter and nine months ended December 31, 2020

		For the three months ended December 31,			For the nine months ended December 31,		
	NOTE	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	Change %	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	Change %
<i>Item that may be reclassified subsequently to profit or loss:</i>							
– Exchange differences on translation of foreign operations		<u>12,012</u>	<u>2,574</u>	NM	<u>22,681</u>	<u>(11,829)</u>	NM
Other comprehensive income (expense) for the period		<u>12,012</u>	<u>2,574</u>	NM	<u>22,681</u>	<u>(9,492)</u>	NM
Total comprehensive income (expense) for the period attributable to owners of the Company		<u><u>49,295</u></u>	<u><u>(1,930)</u></u>	NM	<u><u>82,357</u></u>	<u><u>(69,816)</u></u>	NM
Earnings (loss) per share	7						
– Basic (HK cents)		<u><u>43.76</u></u>	<u><u>(5.29)</u></u>	NM	<u><u>70.04</u></u>	<u><u>(70.80)</u></u>	NM
– Diluted (HK cents)		<u><u>43.76</u></u>	<u><u>(5.29)</u></u>	NM	<u><u>70.04</u></u>	<u><u>(70.80)</u></u>	NM

NM – Not Meaningful

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	As at December 31, 2020 HK\$'000 (Unaudited)	As at March 31, 2020 HK\$'000 (Audited)
Non-current assets		
Property, plant and equipment	263,215	259,787
Right-of-use assets	20,674	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 (“FVTOCI”)	–	–
Long-term deposits	15,609	15,697
Deferred tax assets	1,978	1,982
Restricted bank deposits	2,372	2,187
Total non-current assets	314,049	303,867
Current assets		
Inventories	177,129	375,130
Trade receivables	940,461	660,912
Other receivables, deposits and prepayments	8,835	5,486
Income tax recoverable	12,108	12,604
Derivative financial instruments	14	993
Restricted bank deposits	–	2,219
Cash and cash equivalents	271,363	264,839
Total current assets	1,409,910	1,322,183
Total assets	1,723,959	1,626,050

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
– continued

As at December 31, 2020

		As at December 31, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
	<i>NOTE</i>		
Current liabilities			
Trade payables		475,595	305,928
Other payables		47,214	26,164
Contract liabilities		5,382	4,851
Income tax payable		5,250	412
Trust receipt loans		295,928	469,131
Bank borrowings		185,193	201,765
Derivative financial instruments		915	61
Lease liabilities		8,361	11,906
Total current liabilities		1,023,838	1,020,218
Net current assets		386,072	301,965
Total assets less current liabilities		700,121	605,832
Capital and reserves			
Share capital	4	85,207	85,207
Reserves		568,093	485,501
Equity attributable to owners of the Company		653,300	570,708
Non-current liabilities			
Deferred tax liabilities		33,287	31,086
Derivative financial instruments		1,231	2,177
Lease liabilities		12,303	1,861
Total non-current liabilities		46,821	35,124
Total liabilities and equity		1,723,959	1,626,050

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the third quarter and nine months ended December 31, 2020

	Attributable to owners of the Company							
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at FVTOCI reserve	Other reserve	Accumulated profits
	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000
								Total HK\$'000
3Q FY2020								
At October 1, 2019 (Unaudited)	85,207	193,459	19,878	124,278	(10,542)	(16,448)	(3,561)	193,422
Total comprehensive income (expense) for the period:								
Loss for the period	-	-	-	-	-	-	-	(4,504)
Other comprehensive income for the period	-	-	-	-	2,574	-	-	-
Total	-	-	-	-	2,574	-	-	(4,504)
Transactions with owners, recognised directly in equity:								
Share options lapsed	-	(1)	-	-	-	-	-	1
Total	-	(1)	-	-	-	-	-	1
At December 31, 2019 (Unaudited)	85,207	193,458	19,878	124,278	(7,968)	(16,448)	(3,561)	188,919
3Q FY2021								
At October 1, 2020 (Unaudited)	85,207	193,329	20,874	122,585	(1,463)	(16,448)	(3,561)	203,247
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	-	37,283
Other comprehensive income for the period	-	-	-	-	12,012	-	-	-
Total	-	-	-	-	12,012	-	-	37,283
Transactions with owners, recognised directly in equity:								
Recognition of equity-settled share-based payments	-	235	-	-	-	-	-	-
Total	-	235	-	-	-	-	-	-
At December 31, 2020 (Unaudited)	85,207	193,564	20,874	122,585	10,549	(16,448)	(3,561)	240,530

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

For the third quarter and nine months ended December 31, 2020

	Attributable to owners of the Company							
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at FVTOCI reserve	Other reserve	Accumulated profits
						HK\$'000		
	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note iii)	HK\$'000
YTD 3Q FY2020								
At April 1, 2019 (Audited)	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489
Total comprehensive income (expense) for the period:								
Loss for the period	-	-	-	-	-	-	-	(60,324)
Other comprehensive income (expense) for the period	-	-	-	2,337	(11,829)	-	-	-
Total	-	-	-	2,337	(11,829)	-	-	(60,324)
Transactions with owners, recognised directly in equity:								
Share options cancelled	-	(92)	-	-	-	-	-	92
Share options lapsed	-	(1)	-	-	-	-	-	1
Dividend paid (Note 6)	-	-	-	-	-	-	-	(17,041)
Transfer of statutory reserve	-	-	298	-	-	-	-	(298)
Total	-	(93)	298	-	-	-	-	(17,246)
At December 31, 2019 (Unaudited)	85,207	193,458	19,878	124,278	(7,968)	(16,448)	(3,561)	188,919
YTD 3Q FY2021								
At April 1, 2020 (Audited)	85,207	193,458	20,874	122,585	(12,132)	(16,448)	(3,561)	180,725
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	-	59,676
Other comprehensive income for the period	-	-	-	-	22,681	-	-	-
Total	-	-	-	-	22,681	-	-	59,676
Transactions with owners, recognised directly in equity:								
Share options cancelled	-	(129)	-	-	-	-	-	129
Recognition of equity-settled share-based payments	-	235	-	-	-	-	-	-
Total	-	106	-	-	-	-	-	129
At December 31, 2020 (Unaudited)	85,207	193,564	20,874	122,585	10,549	(16,448)	(3,561)	240,530

Notes:

- (i) Capital reserves comprise share premium, contributed surplus and share options reserve. Contributed surplus represents the difference between the underlying net tangible assets of the subsidiaries which were acquired by the Company at the date of the group reorganisation in 2001 and the nominal amount of the shares issued by the Company under the reorganisation.
- (ii) The statutory reserve is non-distributable and was appropriated from profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the respective laws and regulations of the PRC and Taiwan.
- (iii) Other reserve comprises a debit amount of HK\$3,561,000 and represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in certain then subsidiaries acquired during the year ended March 31, 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter and nine months ended December 31, 2020

	For the three months ended December 31,		For the nine months ended December 31,	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net cash generated from operating activities <i>(Note)</i>	160,093	79,948	193,067	215,653
Net cash (used in) generated from investing activities				
Purchase of property, plant and equipment	(236)	(154)	(1,022)	(993)
Deposit paid for acquisition of property, plant and equipment	–	–	(220)	–
Placement of restricted bank deposits	–	–	–	(2,326)
Withdrawal of restricted bank deposits	–	–	2,231	–
Proceeds from disposal of property, plant and equipment	158	–	298	–
	(78)	(154)	1,287	(3,319)
Net cash used in financing activities				
Dividend paid to shareholders	–	–	–	(17,041)
Repayments of trust receipt loans	(717,883)	(606,331)	(1,929,421)	(1,702,006)
Proceeds from trust receipt loans	600,353	597,425	1,753,871	1,653,422
Repayments of bank borrowings	(191,641)	(299,002)	(590,171)	(809,664)
Proceeds from bank borrowings	172,527	233,660	583,398	610,600
Repayments of lease liabilities	(3,120)	(2,724)	(9,191)	(7,948)
	(139,764)	(76,972)	(191,514)	(272,637)
Net increase (decrease) in cash and cash equivalents	20,251	2,822	2,840	(60,303)
Cash and cash equivalents at beginning of the period	249,177	231,465	264,839	297,498
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	1,935	5,343	3,684	2,435
Cash and cash equivalents at end of the period	271,363	239,630	271,363	239,630

Note: During the nine months ended December 31, 2020, the Company discounted bills received from customers to banks with recourse to finance its operation and as such, the operating cash flow stated above did not include the related bills settlements of HK\$10,168,000 (YTD 3Q FY2020: nil) as it represented non-cash derecognition upon maturity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the third quarter and nine months ended December 31, 2020

1. BASIS OF PREPARATION

The Company was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Victoria Place, 5/F, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business is located at 24/F, Wyler Centre, Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The issued ordinary shares of the Company are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (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 additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRS Standards”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the third quarter and nine months ended December 31, 2020 are the same as those presented in the Group’s annual financial statements for the year ended March 31, 2020.

Application of amendments to IFRS Standards

In the current period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the annual period beginning on or after April 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRS Standards in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. PROFIT (LOSS) FOR THE PERIOD

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

	For the three months ended December 31,		For the nine months ended December 31,	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses (Note i)	974,422	794,388	2,524,504	2,367,586
Depreciation of property, plant and equipment	3,532	3,492	10,433	10,631
Depreciation of right-of-use assets	3,092	2,752	9,144	7,605
Directors' emoluments (Note ii)	2,871	2,749	7,914	8,245
(Gain) loss on disposal of property, plant and equipment	(158)	–	(298)	68
Audit fees paid to auditors				
Auditor of the Company	508	479	1,583	1,581
Other auditors	32	42	109	117
Non-audit fees paid to auditor				
Auditor of the Company	200	216	599	660
Staff costs (excluding directors' emoluments) (Note ii)	29,699	30,835	84,630	90,098
Net foreign exchange (gain) loss	(10,686)	(6,540)	(15,198)	11,838
Net (gain) loss on fair value changes of derivative financial instruments	(1,775)	2,384	887	636
Share-based payment expense	235	–	235	–
Interest income from bank deposits	(91)	(342)	(405)	(1,635)
Interest expense on borrowings	3,825	8,735	14,392	27,754
Impairment losses recognised on trade receivables	39	–	5,548	6,700
Government subsidies	(3,308)	–	(7,169)	–

Notes:

- (i) During the nine months ended December 31, 2020 and 2019, the amount included reversal of allowance for inventories amounting to HK\$12,031,000 and an allowance for inventories amounting to HK\$18,789,000, respectively.
- (ii) During the nine months ended December 31, 2020 and 2019, there were cost of defined contribution plans amounting to HK\$5,615,000 and HK\$13,557,000, respectively, included in staff costs and directors' emoluments.

4. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.00 each		
Authorised		
At April 1, 2019 (Audited), December 31, 2019 (Unaudited), April 1, 2020 (Audited) and December 31, 2020 (Unaudited)	120,000	120,000
	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2019 (Audited), December 31, 2019 (Unaudited), April 1, 2020 (Audited) and December 31, 2020 (Unaudited)	85,207	85,207
	<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)	1,760
Lapsed during the period (<i>Note</i>)	<u>(1,760)</u>
Unexercised share options for ordinary shares at December 31, 2019 (Unaudited), April 1, 2020 (Audited) and December 31, 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

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

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)	990,000
Cancelled during the period	<u>(82,500)</u>
Unexercised share options for ordinary shares at December 31, 2019 (Unaudited) and April 1, 2020 (Audited)	907,500
Cancelled during the period	(115,500)
Grant during the period	<u>3,835,000</u>
Unexercised share options for ordinary shares at December 31, 2020 (Unaudited)	<u><u>4,627,000</u></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:

	ESOS III December 2, 2020	ESOS III July 17, 2017
Grant date		
Share price at valuation date	HK\$2.25	HK\$4.07
Exercise price	HK\$2.61	HK\$4.30
Expected volatility	35.49%	48.41%
Risk-free rate	0.59%	1.49%
Expected dividend yield	0.00%	7.62%
Exercisable period	9 years	9 years
Vesting period	1 year	1 year
Fair value per share option	HK\$0.73	HK\$1.23

During the nine months ended December 31, 2020, share-based payment expense of HK\$235,000 (YTD 3Q FY2020: nil) had been recognised in profit or loss.

6. DIVIDEND

No dividend was declared and paid during the nine months ended December 31, 2020 (YTD 3Q FY2020: a one-tier tax exempt final dividend of HK20.0 cents per share was declared and paid to the shareholders in respect of the year ended March 31, 2019, the aggregate amount of the final dividend paid amounted to HK\$17,041,000).

The Board has resolved not to declare any dividend for the nine months ended December 31, 2020 (YTD 3Q 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 December 31, 2020 (Unaudited)		For the three months ended December 31, 2019 (Unaudited)		For the nine months ended December 31, 2020 (Unaudited)		For the nine months ended December 31, 2019 (Unaudited)	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) attributable to owners of the Company	37,283	37,283	(4,504)	(4,504)	59,676	59,676	(60,324)	(60,324)
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049
Adjustment for dilutive potential ordinary shares	-	N/A	-	N/A	-	N/A	-	N/A
Weighted average number of ordinary shares used to compute earnings (loss) per share	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049	85,207,049
Earnings (loss) per share (HK cents)	43.76	43.76	(5.29)	(5.29)	70.04	70.04	(70.80)	(70.80)

The computation of diluted earnings per share for the third quarter and nine months ended December 31, 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 periods.

The computation of diluted loss per share for the third quarter and nine months ended December 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 periods.

8. NET ASSET VALUE

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

	Group Figures		Company Figures	
	As at December 31, 2020 (Unaudited)	As at March 31, 2020 (Audited)	As at December 31, 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)	766.72	669.79	435.69	426.51

The net asset backing per ordinary share as at December 31, 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 December 31, 2020

	As at December 31, 2020 <i>HK\$'000</i> (Unaudited)	As at March 31, 2020 <i>HK\$'000</i> (Audited)
Non-current assets		
Amount due from a subsidiary	33,814	33,814
Investments in subsidiaries	155,043	155,043
Total non-current assets	188,857	188,857
Current assets		
Amounts due from subsidiaries	184,597	185,036
Deposits and prepayments	223	11
Income tax recoverable	–	109
Cash and cash equivalents	1,361	1,181
Total current assets	186,181	186,337
Total assets	375,038	375,194
Current liabilities		
Other payables	1,125	1,407
Income tax payable	83	–
Financial guarantee liabilities	2,594	10,375
Total current liabilities	3,802	11,782
Net current assets	182,379	174,555
Total assets less current liabilities	371,236	363,412
Capital and reserves		
Share capital	85,207	85,207
Reserves	286,029	278,205
Equity attributable to owners of the Company	371,236	363,412
Total liabilities and equity	375,038	375,194

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

For the third quarter and nine months ended December 31, 2020

	Share capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
3Q FY2020				
At October 1, 2019 (Unaudited)	85,207	193,459	77,496	356,162
Profit for the period, representing total comprehensive income for the period	–	–	3,651	3,651
Transactions with owners, recognised directly in equity:				
Share options lapsed	–	(1)	1	–
Total	–	(1)	1	–
At December 31, 2019 (Unaudited)	85,207	193,458	81,148	359,813
3Q FY2021				
At October 1, 2020 (Unaudited)	85,207	193,329	89,923	368,459
Profit for the period, representing total comprehensive income for the period	–	–	2,542	2,542
Transactions with owners, recognised directly in equity:				
Recognition of equity-settled share-based payments	–	235	–	235
Total	–	235	–	235
At December 31, 2020 (Unaudited)	85,207	193,564	92,465	371,236

10. INFORMATION ABOUT THE STATEMENT OF CHANGES IN EQUITY OF THE COMPANY – continued

For the third quarter and nine months ended December 31, 2020

	Share capital	Capital reserves	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
YTD 3Q FY2020				
At April 1, 2019 (Audited)	85,207	193,551	87,173	365,931
Profit for the period, representing total comprehensive income for the period	–	–	10,923	10,923
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Share options lapsed	–	(1)	1	–
Dividend paid (<i>Note 6</i>)	–	–	(17,041)	(17,041)
Total	–	(93)	(16,948)	(17,041)
At December 31, 2019 (Unaudited)	85,207	193,458	81,148	359,813
YTD 3Q FY2021				
At April 1, 2020 (Audited)	85,207	193,458	84,747	363,412
Profit for the period, representing total comprehensive income for the period	–	–	7,589	7,589
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(129)	129	–
Recognition of equity-settled share-based payments	–	235	–	235
Total	–	106	129	235
At December 31, 2020 (Unaudited)	85,207	193,564	92,465	371,236

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a profit attributable to owners of the Company of HK\$59.7 million for the nine months ended December 31, 2020 (“YTD 3Q FY2021”) compared to a loss attributable to owners of the Company of HK\$60.3 million for the nine months ended December 31, 2019 (“YTD 3Q FY2020”). The Group returned to profit in YTD 3Q FY2021 mainly due to (i) higher gross profit arising from an increase in revenue from the market segments that benefitted from our value-added services, and a significant decrease in clearance of buffer stocks as compared to YTD 3Q FY2020, as well as a reversal of stock provision of HK\$12.0 million in YTD 3Q FY2021 whereas a stock provision of HK\$18.8 million for slow-moving inventories was made in YTD 3Q FY2020; (ii) receipt of non-recurring subsidies from the Hong Kong government’s Employment Support Scheme (“ESS”) and the reduction and exemption of corporate social insurance premiums granted by the Chinese government during YTD 3Q FY2021; and (iii) a decrease in travelling expenses in light of the coronavirus disease 2019 (“COVID-19”) pandemic. Furthermore, there was an exchange gain arising from the appreciation of the Renminbi (“RMB”) in YTD 3Q FY2021 whereas there was an exchange loss arising from the depreciation of RMB in YTD 3Q FY2020.

Third quarter review – 3Q FY2021 vs 3Q FY2020

Revenue

The Group’s sales revenue had increased by 24.8% from HK\$851.4 million for the third quarter ended December 31, 2019 (“3Q FY2020”) to HK\$1,062.7 million for the third quarter ended December 31, 2020 (“3Q FY2021”).

Revenue by Market Segment Analysis

	3Q FY2021		3Q FY2020		Increase	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	302,265	28.4%	231,532	27.2%	70,733	30.5%
Home Appliance	203,082	19.1%	191,949	22.5%	11,133	5.8%
Automotive	199,348	18.8%	141,375	16.6%	57,973	41.0%
Dealer	76,743	7.2%	63,045	7.4%	13,698	21.7%
Electronic Manufacturing						
Services (“EMS”)	68,216	6.4%	56,430	6.6%	11,786	20.9%
Telecommunications	73,896	7.0%	66,812	7.9%	7,084	10.6%
Audio and Video	72,005	6.8%	47,945	5.6%	24,060	50.2%
Lighting	44,444	4.2%	33,769	4.0%	10,675	31.6%
Others	22,742	2.1%	18,565	2.2%	4,177	22.5%
	<u>1,062,741</u>	<u>100.0%</u>	<u>851,422</u>	<u>100.0%</u>	<u>211,319</u>	<u>24.8%</u>

Demand rebounded strongly in 3Q FY2021 in both export and domestic markets of China. With much of the world either staying at home or working from home, consumer electronics products such as personal computers, gaming, home entertainment, home appliances and DIY tools saw a significant surge in demand. This translated across almost all the segments of our business with eight out of nine of them achieving strong double-digit growth.

The Chinese government's economic and business support policies to spur growth during this period led to very strong domestic demand, especially for the automotive and home appliance industries, while the Industrial segment benefitted from energy saving and city infrastructure development.

Gross Profit Margin

The Group's gross profit margin increased from 6.7% in 3Q FY2020 to 8.3% in 3Q FY2021 mainly due to higher revenue from the market segments that required our value-added services. In addition, there was a significant decrease in clearance of buffer stocks as compared to 3Q FY2020 as well as a reversal of stock provision of HK\$3.1 million in 3Q FY2021.

Other Income

Other income increased by HK\$2.5 million from HK\$1.1 million in 3Q FY2020 to HK\$3.6 million in 3Q FY2021 mainly due to a subsidy of HK\$3.3 million from the Hong Kong government's ESS, which was recognised during the current period (3Q FY2020: nil).

Distribution Costs

Distribution costs increased by HK\$2.6 million, or 32.6%, from HK\$8.1 million in 3Q FY2020 to HK\$10.7 million in 3Q FY2021. The increase was mainly due to higher sales incentive expense in view of the increase in sales revenue. On the other hand, travelling and entertainment expenses fell for the period under review as a result of quarantine measures as well as border controls imposed by the governments of various countries/districts due to COVID-19.

Administrative Expenses

Administrative expenses decreased by HK\$3.1 million, or 6.2%, from HK\$49.7 million in 3Q FY2020 to HK\$46.6 million in 3Q FY2021. This was mainly due to (i) a decrease in staff costs owing to lower average headcount; (ii) the implementation of cost control measures; and (iii) the reduction and exemption of corporate social insurance premiums in the 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\$12.6 million in 3Q FY2021 (3Q FY2020: HK\$4.2 million) were due to exchange gain mainly arising from the appreciation of RMB.

Finance Costs

Finance costs included interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities which decreased by HK\$4.9 million, or 55.6%, from HK\$8.9 million in 3Q FY2020 to HK\$4.0 million in 3Q 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.

Nine months review – YTD 3Q FY2021 vs YTD 3Q FY2020

Revenue

Boosted by the strong growth in 3Q FY2021, the Group was able to achieve a 9.0% increase in revenue to HK\$2,749.9 million in YTD 3Q FY2021 as compared to HK\$2,523.8 million in YTD 3Q FY2020. The recovery was supported by the resumption of the export market to the United States of America (the “US”) and Europe, and especially by the effectiveness of the Chinese government’s economic and business support policies to drive domestic demand and economic recovery.

Revenue by Market Segment Analysis

	YTD 3Q FY2021		YTD 3Q FY2020		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	792,147	28.8%	687,418	27.2%	104,729	15.2%
Home Appliance	520,538	18.9%	496,717	19.7%	23,821	4.8%
Automotive	493,072	17.9%	389,202	15.4%	103,870	26.7%
Dealer	200,595	7.3%	227,241	9.0%	(26,646)	(11.7%)
EMS	196,109	7.1%	168,021	6.7%	28,088	16.7%
Telecommunications	185,535	6.8%	232,762	9.2%	(47,227)	(20.3%)
Audio and Video	184,438	6.7%	171,444	6.8%	12,994	7.6%
Lighting	109,550	4.0%	91,489	3.6%	18,061	19.7%
Others	67,946	2.5%	59,535	2.4%	8,411	14.1%
	<u>2,749,930</u>	<u>100.0%</u>	<u>2,523,829</u>	<u>100.0%</u>	<u>226,101</u>	<u>9.0%</u>

Because of the COVID-19 pandemic, staying at home and working from home has become a new normal. This led to strong demand from both the export and domestic China markets for various in-home electronics products, such as personal computers, tablets, video call aids, home entertainment, home appliances and DIY tools. Strong sales of such items are reflected in our Home Appliance, Audio and Video, Lighting and EMS segments. At the same time, the pandemic also accelerated the development of Internet of Things products with the deployment of 5G network, and many new innovative ideas. We expect the current trends and the new normal as well as the momentum of new product development to be sustained, which will lead to continuous growth in these market applications.

Another growth driver in the Industrial, Home Appliance and Automotive segments is a series of economic and business support policies by the Chinese government. This spurred strong domestic demand in the second half of 2020. The Industrial segment benefitted from China's strategy to push for city infrastructure development and encourage more power saving initiatives. We believe the long-term strategy of the Chinese government is to maintain a healthy domestic market to support the overall GDP growth of the country. We are committed to put valuable resources of engineering know-how and sales coverage in these segments to capture these opportunities.

The revenue decline in the Dealer and Telecommunications segments reflected our strategy to deploy our resources to the segments that had the most market potential, including our Home Appliance, Automotive and Industrial segments.

Gross Profit Margin

The Group's gross profit margin increased from 6.2% in YTD 3Q FY2020 to 8.2% in YTD 3Q FY2021 mainly due to higher revenue from the market segments that required our value-added services. In addition, there was a significant decrease in clearance of buffer stocks as compared to YTD 3Q FY2020 as well as a reversal of stock provision of HK\$12.0 million in YTD 3Q FY2021 while a stock provision of HK\$18.8 million for slow-moving inventories was made in YTD 3Q FY2020.

Other Income

Other income increased by HK\$5.6 million from HK\$2.7 million in YTD 3Q FY2020 to HK\$8.3 million in YTD 3Q FY2021 mainly due to a subsidy of HK\$6.9 million from the Hong Kong government's ESS, which was recognised during the current period (YTD 3Q FY2020: nil).

Distribution Costs

Distribution costs slightly increased by HK\$0.5 million, or 2.1%, from HK\$23.5 million in YTD 3Q FY2020 to HK\$24.0 million in YTD 3Q FY2021. The increase was mainly due to higher sales incentive expense in view of the increase in sales revenue. On the other hand, travelling and entertainment expenses fell for the period under review as a result of quarantine measures as well as border controls imposed by the governments of various countries/districts due to COVID-19.

Administrative Expenses

Administrative expenses decreased by HK\$12.3 million, or 8.3%, from HK\$148.0 million in YTD 3Q FY2020 to HK\$135.7 million in YTD 3Q FY2021. This was mainly due to (i) a decrease in staff costs owing to lower average headcount; (ii) the implementation of cost control measures; and (iii) the reduction and exemption of corporate social insurance premiums in the 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\$14.6 million in YTD 3Q FY2021 were due to exchange gain mainly arising from the appreciation of RMB partially offset by the exchange loss arising from certain foreign exchange forward contracts in July to September 2020 (“2Q FY2021”) (which aim to hedge against the currency risk of depreciation of RMB against US dollars (“USD”)). As RMB appreciated against USD in 2Q FY2021, the Group incurred losses for these foreign exchange forward contracts while other losses of HK\$12.5 million in YTD 3Q FY2020 were due to exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK\$5.5 million in YTD 3Q FY2021 (YTD 3Q FY2020: HK\$6.7 million) represented the impairment losses on trade receivables.

Finance Costs

Finance costs included interest expenses on trust receipt loans and bank borrowings and interest on lease liabilities which decreased by HK\$13.5 million, or 47.9%, from HK\$28.2 million in YTD 3Q FY2020 to HK\$14.7 million in YTD 3Q FY2021. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as well as a decrease in weighted average effective interest rate as compared to the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to as at March 31, 2020, trust receipt loans decreased by HK\$173.2 million as at December 31, 2020. Trade payables increased from HK\$305.9 million as at March 31, 2020 to HK\$475.6 million as at December 31, 2020. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at December 31, 2020. Trade receivables as at December 31, 2020 increased by HK\$279.5 million as compared to as at March 31, 2020, due to an increase in sales revenue towards the end of the period under review, and the debtors turnover days increased from 2.5 months to 3.1 months.

Inventories

Inventories decreased from HK\$375.1 million as at March 31, 2020 to HK\$177.1 million as at December 31, 2020. The inventory turnover days decreased from 1.5 months to 0.6 month.

Cash Flow

As at December 31, 2020, the Group had a working capital of HK\$386.1 million which included a cash balance of HK\$271.4 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 slight increase in cash by HK\$6.6 million was primarily attributable to the net effect of cash inflow of HK\$193.1 million generated from operating activities and cash outflow of HK\$191.5 million in financing activities.

Cash inflow generated from operating activities was mainly attributable to the effect of an increase in trade payables and a decrease in inventories but was partially offset by an increase in trade receivables. The increase in trade payables was due to the increase in purchasing activities while the increase in trade receivables was due to the increased sales revenue towards the end of the current period when compared with the sales revenue towards March 31, 2020.

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

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 December 31, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
70,193	410,928	63,712	607,184

Amount repayable after one year

As at December 31, 2020		As at March 31, 2020	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
—	—	—	—

As at December 31, 2020, the Group's trade receivables amounted to HK\$80.4 million (March 31, 2020: HK\$69.9 million), which were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK\$70.2 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)*

China reported a gross domestic product increase of 6.5% year-on-year in the fourth quarter (October to December) of 2020, bringing the country's full-year expansion to 2.3% which indicated that China led major economies in annual positive growth, while many countries struggled to contain the COVID-19 pandemic in 2020.

Despite the positive outlook for our domestic China market, we are mindful that the global COVID-19 situation remains fluid. Despite the gradual rollout of COVID-19 vaccines, there are public concerns about the efficacy of these vaccines due to adverse reports about side effects. In addition, there appears to be a resurgence of the virus in certain countries and reports about new strains. Such challenges will continue to undermine the global economy and business environment as some countries choose to return to lockdown mode and this will in turn have an impact on our industry.

Furthermore, the ongoing tense relations between the US and China may continue to present challenges to trade between the two nations. Nevertheless, in view of the Chinese government's economic and business support policies, the Group expects China's economy to be resilient with great potential for growth.

In unprecedented times like now, the Group will continue to be prudent in managing its resources and expenses. This will ensure that our operations remain sustainable to tide over the uncertain business environment and sustaining a healthy liquidity position in order to support the long-term growth.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the nine months ended December 31, 2020 (YTD 3Q 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 nine months ended December 31, 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 third quarter and nine months ended December 31, 2020 to be false or misleading in any material aspect.

On behalf of the Board,

Leung Chun Wah, Chairman
Hon Kar Chun, Managing Director

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 Non-executive Director

Hong Kong/Singapore, February 10, 2021

As at the date of this announcement, the Board comprises one Non-executive Director, Leung Chun Wah (Chairman); three Executive Directors, namely 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.