



WILLAS-ARRAY
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
威雅利電子(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong stock code: 854)

(Singapore stock code: BDR)

Interim Report 2023/24



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Corporate Information

DIRECTORS

Non-executive Directors

Xie Lishu (*Chairman*)
Huang Shaoli

Executive Director

Fan Qinsheng
(*appointed with effect from November 14, 2023*)

Independent Non-executive Directors

Chong Eng Wee (*Lead Independent Director*)
(*appointed with effect from August 11, 2023*)
Lau Chin Huat
(*appointed with effect from August 23, 2023*)
Tso Sze Wai
(*appointed with effect from August 23, 2023*)
Jiang Maolin
(*appointed with effect from August 23, 2023*)

COMPANY SECRETARY

Chan Lai Yee
(*appointed with effect from October 3, 2023*)

AUDIT COMMITTEE

Lau Chin Huat (*Chairman*)
(*appointed with effect from August 23, 2023*)
Chong Eng Wee
(*appointed with effect from August 11, 2023*)
Tso Sze Wai
(*appointed with effect from August 23, 2023*)
Jiang Maolin
(*appointed with effect from August 23, 2023*)

REMUNERATION COMMITTEE

Tso Sze Wai (*Chairman*)
(*appointed with effect from August 23, 2023*)
Chong Eng Wee
(*appointed with effect from August 11, 2023*)
Lau Chin Huat
(*appointed with effect from August 23, 2023*)
Jiang Maolin
(*appointed with effect from August 23, 2023*)

NOMINATION COMMITTEE

Chong Eng Wee (*Chairman*)
(*appointed with effect from August 11, 2023*)
Lau Chin Huat
(*appointed with effect from August 23, 2023*)
Tso Sze Wai
(*appointed with effect from August 23, 2023*)
Jiang Maolin
(*appointed with effect from August 23, 2023*)

COMPLIANCE COMMITTEE

Jiang Maolin (*Chairman*)
(*appointed with effect from August 23, 2023*)
Chong Eng Wee
(*appointed with effect from August 11, 2023*)
Lau Chin Huat
(*appointed with effect from August 23, 2023*)
Tso Sze Wai
(*appointed with effect from August 23, 2023*)

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Xie Lishu (*Chairman*)
Tso Sze Wai
(*appointed with effect from August 23, 2023*)

Corporate Information

AUTHORISED REPRESENTATIVES

Fan Qinsheng

(appointed with effect from November 14, 2023)

Chan Lai Yee

(appointed with effect from October 3, 2023)

REGISTERED OFFICE

Victoria Place, 5/F
31 Victoria Street
Hamilton HM10
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24/F, Wyler Centre, Phase 2
200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5/F
31 Victoria Street
Hamilton HM10
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower
#14-03/07
Singapore 098632

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

INDEPENDENT AUDITOR

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809
Partner-in-charge: Toh Yew Kuan Jeremy
(Appointed on July 28, 2023)

COMPANY WEBSITE

www.willas-array.com

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited
Main Board of Singapore Exchange Securities Trading Limited

Stock Code

Hong Kong: 854
Singapore: BDR

Board Lot

Hong Kong: 1,000 shares
Singapore: 100 shares

Financial Highlights

Willas-Array Electronics (Holdings) Limited (the “Company”) was incorporated in Bermuda on August 3, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The issued ordinary shares of the Company (the “Shares”) are listed and traded on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”).

The board of directors of the Company (the “Directors” and the “Board”, respectively) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the six months ended September 30, 2023, together with the comparative figures for the six months ended September 30, 2022 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		Change %
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	
Revenue	1,359,457	1,782,845	-23.7
Gross profit	61,981	169,974	-63.5
(Loss) profit before tax	(96,712)	16,558	NM
(Loss) profit attributable to owners of the Company	(95,227)	12,829	NM
Basic (loss) earnings per share (HK cents)	(108.68)	14.78	NM

NM – Not Meaningful

Management Discussion and Analysis

BUSINESS REVIEW

The Group recorded loss attributable to owners of the Company of HK\$95.2 million for the six months ended September 30, 2023 (“1H FY2024”) compared to a profit attributable to owners of the Company of HK\$12.8 million for the six months ended September 30, 2022 (“1H FY2023”). The loss was mainly due to:

- (i) in 1H FY2024, due to global uncertainties leading to economic downturn, weak demand in the end-markets and continuous rise in interest rates, the Group achieved a sales revenue of HK\$1,359.5 million, representing a decrease of 23.7% as compared to 1H FY2023;
- (ii) due to weak demand in the semiconductor market and customers entering destocking cycles, there has been intensified price competition in the market. The Group has taken proactive measures to offer discounts in order to actively reduce its inventory, which has exerted short-term pressure on our product margin. Consequently, the adjusted gross profit margin stood at 7.3% (excluding the impact of stock provision), representing a decrease of 2.2% as compared to 1H FY2023;
- (iii) an increase in stock provision of HK\$37.0 million made for the slow-moving inventories due to a slowdown of market demand in 1H FY2024 as compared to 1H FY2023 where no stock provision was made;
- (iv) net impairment losses of HK\$8.4 million recognised under expected credit loss model in 1H FY2024 as compared to 1H FY2023 where there was no such impairment losses; and
- (v) an increase in finance costs of HK\$16.8 million mainly due to rising weighted average effective interest rate in 1H FY2024 as compared to 1H FY2023. The adjusted loss attributable to owners of the Company was HK\$34.5 million in 1H FY2024, if excluding the stock provision of HK\$37.0 million, net impairment losses recognised under expected credit loss model of HK\$8.4 million, and a net exchange loss of HK\$15.4 million.

Revenue

The Group’s revenue decreased by 23.7% to HK\$1,359.5 million in 1H FY2024 as compared to HK\$1,782.8 million in 1H FY2023. During 1H FY2023, the Group has experienced a shortage of supply. However, due to the strong inflation and continuous increase of interest rate, which hammered both the consumer and corporate spending, it has weakened the demand as a result. The adjustment was made from the second half of FY2023 which caused the supply chain to pile up inventory. The semiconductor industry has been experiencing a sustained downturn cycle, facing market changes and a structural differentiation trend in downstream demand. Consumer demand remains weak, while there is a relatively stronger demand for new energy vehicles. The Group’s sales performance reflects the changing demands in difference market segments, its revenue experienced varying degrees of decrease across its major segments. However, as driven by government policies for new energy vehicles, demand on new energy vehicles become relatively better, thus decline in sales revenue for the Automotive segment was mitigated.

Management Discussion and Analysis

Revenue by Market Segment Analysis

	1H FY2024		1H FY2023		Increase/(Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Automotive	401,408	29.5%	451,810	25.4%	(50,402)	-11.2%
Industrial	280,374	20.6%	465,929	26.1%	(185,555)	-39.8%
Home Appliance	248,815	18.3%	301,890	16.9%	(53,075)	-17.6%
Electronic Manufacturing Services ("EMS")	125,361	9.2%	110,895	6.2%	14,466	13.0%
Telecommunications	92,433	6.8%	140,485	7.9%	(48,052)	-34.2%
Audio and Video	83,654	6.2%	128,497	7.2%	(44,843)	-34.9%
Dealer	79,786	5.9%	97,026	5.5%	(17,240)	-17.8%
Lighting	33,442	2.5%	59,373	3.3%	(25,931)	-43.7%
Others	14,184	1.0%	26,940	1.5%	(12,756)	-47.3%
	1,359,457	100.0%	1,782,845	100.0%	(423,388)	-23.7%

Automotive

The Automotive segment has become the largest revenue generator of the Group. Revenue from the Automotive segment decreased by approximately 11.2% from approximately HK\$451.8 million in 1H FY2023 to HK\$401.4 million in 1H FY2024 as compared to 1H FY2023. The Automotive segment continued to be the strongest among the Group's major segments due to the Chinese government's robust support for the development of new energy vehicles as part of the government's strategy to achieve carbon neutrality. Despite the current market adjustment, the Group still believes that it is worthwhile to invest into this segment and will continue to provide strong support to our key customers and principal suppliers to further enhance the sales volume and market share of automotive electronics.

Industrial

The Industrial segment achieved revenue of HK\$280.4 million in 1H FY2024, representing a decrease of approximately 39.8% as compared to the same period last year. The business was significantly affected by the weak exports and domestic demand of China. In light of this, the Group is closely monitoring changes in market conditions and ensuring that its stock level is in line with demand.

Home Appliance

The Home Appliance segment, which is our third largest revenue generating segment, recorded sales of HK\$248.8 million in 1H FY2024, representing a decrease of approximately 17.6% as compared to 1H FY2023. Demand within this segment was impacted by the weak global consumer electronics market, which affected export sales, as well as slower domestic demand for home appliances because of the cooling measures implemented in mainland China's property market. Although the Chinese government has started to ease the cooling measures and tried to re-build market confidence, it would take some time for the market to re-adjust. The Group will monitor the market re-adjustment to maintain a balance between healthy stock levels and meeting customer demand.

Management Discussion and Analysis

EMS

This segment recorded a year-on-year (“YOY”) increase in revenue of approximately 13.0% to HK\$125.4 million in 1H FY2024. The higher revenue was driven by a significant project that we secured in 1H FY2023.

Telecommunications

Revenue from the Telecommunications segment decreased by 34.2% YOY to HK\$92.4 million. The weakening of consumer spending has affected the demand for mobile phones, thus impacted the overall demand for smartphone components.

Audio and Video

The Audio and Video segment recorded revenue of HK\$83.7 million in 1H FY2024, representing a decrease of approximately 34.9% as compared to 1H FY2023. This is reflective of the challenging situation in both the consumer electronics market and the export market of China. The Group believes this market will remain challenging in the upcoming months. It may take some time for this segment to adjust and normalise.

Dealer

The Dealer segment registered revenue of HK\$79.8 million in 1H FY2024, representing a decline of approximately 17.8% as compared to 1H FY2023. Revenue contribution from this segment was impacted by similar constraints faced by other segments, mainly due to the weakened demand for consumer electronics.

Lighting

The Lighting segment recorded revenue of HK\$33.4 million in 1H FY2024, representing a YOY decline of approximately 43.7%. This decline reflected the weak demand in both the consumer and commercial lighting markets.

Others

The Others segment registered a YOY decline of approximately 47.3% in revenue to HK\$14.2 million in 1H FY2024. The decline was due to lower demand for personal computers, electronic toys and portable devices, reflecting weak consumer spending.

Gross Profit Margin

The Group’s gross profit margin significantly narrowed to 4.6% in 1H FY2024 from 9.5% in 1H FY2023. The decrease in gross profit margin was mainly due to a stock provision of HK\$37.0 million for slow-moving inventories made in 1H FY2024 as compared to 1H FY2023 where no stock provision was made. The adjusted gross profit margin (excluding the stock provision of HK\$37.0 million) in 1H FY2024 decreased to 7.3% from 9.5% in 1H FY2023. This was primarily due to (i) the significant pricing pressure due to the weak market demand and other market participants trying to lower their prices to compete for market share; and (ii) the efforts to clear old inventory to avoid further price erosion in light of the pricing pressure.

Management Discussion and Analysis

Other Income

Other income decreased by HK\$3.1 million to HK\$1.4 million in 1H FY2024 from HK\$4.5 million in 1H FY2023, mainly due to the absence of a one-off subsidy of HK\$2.8 million from the Hong Kong government's Employment Support Scheme, which was recognised in 1H FY2023. No such income was received in 1H FY2024.

Distribution Costs

Distribution costs decreased by HK\$4.8 million or 30.2% to HK\$11.2 million in 1H FY2024 from HK\$16.0 million in 1H FY2023. The decrease was mainly due to an over-provision adjustment of incentive provision for FY2023, which was recognised in 1H FY2024.

Administrative Expenses

Administrative expenses declined by HK\$3.0 million or 3.2% to HK\$91.4 million in 1H FY2024 from HK\$94.4 million in 1H FY2023, due to the cost control and monitoring measures implemented by the Group.

Other Gains and Losses

Other losses of HK\$16.1 million were incurred in 1H FY2024, comprising largely foreign exchange loss amounting to HK\$15.4 million mainly arising from the depreciation of Renminbi ("RMB"), as compared to foreign exchange loss of HK\$38.3 million recorded in 1H FY2023. The Group has entered into several foreign currency forward contracts to hedge against the currency risk of the depreciation of RMB against the US dollar ("USD").

Impairment Losses Recognised Under Expected Credit Loss Model, Net

There were net impairment losses of HK\$8.4 million in 1H FY2024, mainly due to impairment losses on trade receivables, partly offset by a reversal of provision for impairment loss previously recognised on amount due from an associate. No impairment loss was recognised in 1H FY2023.

Finance Costs

Finance costs, which comprises interest expenses on trust receipt loans and bank borrowings, and interest on lease liabilities, increased by HK\$16.8 million or 113.7% to HK\$31.6 million in 1H FY2024 from HK\$14.8 million in 1H FY2023. The increase was mainly due to rising weighted average effective interest rate as compared to the same period last year.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Trust receipt loans decreased by HK\$201.6 million to HK\$456.5 million as at September 30, 2023, from HK\$658.1 million as at March 31, 2023. The decrease was mainly due to the decreased purchases towards the end of the current interim period as compared with the purchases towards March 31, 2023.

Trade payables increased to HK\$437.2 million as at September 30, 2023, from HK\$385.7 million as at March 31, 2023.

Trade receivables decreased by HK\$8.3 million to HK\$797.7 million as at September 30, 2023, from HK\$806.0 million as at March 31, 2023. The decrease was due to higher debtors turnover days of 3.6 months as at September 30, 2023, as compared to 3.1 months as at March 31, 2023.

As at September 30, 2023, the Group's current ratio (current assets divided by current liabilities) was 1.29 (March 31, 2023: 1.33).

Inventories

Inventories increased to HK\$605.9 million as at September 30, 2023, from HK\$586.3 million as at March 31, 2023. The inventory turnover days increased to 2.8 months as at September 30, 2023, from 2.5 months as at March 31, 2023.

Cash Flow

As at September 30, 2023, the Group had a working capital of HK\$330.2 million which included a cash balance of HK\$58.0 million, as compared to a working capital of HK\$430.1 million which included a cash balance of HK\$317.2 million as at March 31, 2023. The decrease in cash by HK\$259.2 million was primarily attributable to the effect of cash outflow of HK\$58.6 million used in operating activities and cash outflow of HK\$194.4 million used in financing activities. The Group's cash balance was mainly denominated in USD, RMB and Hong Kong dollars ("HKD").

Cash outflow in operating activities was mainly due to the net effect of an increase in inventories.

Cash outflow used from financing activities was mainly attributable to a decrease in trust receipt loans owing to the decreased purchases towards the end of the current interim period when compared with the purchases towards March 31, 2023.

Management Discussion and Analysis

Borrowings and Banking Facilities

As at September 30, 2023, the Group had bank borrowings of HK\$206.4 million, which were repayable within one year. Among the Group's bank borrowings, 32.7% was denominated in USD and 37.5% was denominated in HKD and the remainder was denominated in RMB. As at September 30, 2023, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 92.9% and 7.1%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 6.09% per annum, while variable-rate bank borrowings bore interest at a weighted average effective rate of 6.62% per annum.

As at September 30, 2023, trust receipt loans of HK\$456.5 million were unsecured and repayable within one year and bore interest at a weighted average effective rate of 7.75% per annum. Among the trust receipt loans, 85.2% was denominated in USD and the remainder was denominated in HKD. As at September 30, 2023, the Group had unutilised banking facilities of HK\$273.0 million (March 31, 2023: HK\$416.6 million).

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

Amount repayable in one year or less, or on demand

As at September 30, 2023		As at March 31, 2023	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
80,105	582,804	100,663	757,914

As at September 30, 2023, the Group's trade receivables amounting to HK\$71.6 million (March 31, 2023: HK\$92.9 million) were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it had continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK\$60.6 million (March 31, 2023: HK\$80.9 million).

As at September 30, 2023, the Group's remaining secured bank borrowings amounting to HK\$19.5 million (March 31, 2023: HK\$19.8 million) had been secured by the pledge of certain bills receivables held by the Group amounting to HK\$21.6 million (March 31, 2023: HK\$23.0 million).

Foreign Exchange Risk Management

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

Management Discussion and Analysis

Net Gearing Ratio

As at September 30, 2023, the Group's net gearing ratio was 105.6% (March 31, 2023: 78.6%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders' equity at the end of a given period and multiplied by 100%. The increase was mainly due to decreases in cash and cash equivalents and shareholders' equity (resulting from the loss in respect of 1H FY2024).

STRATEGY AND PROSPECTS

Since 2023, the global economy experienced a significant decline, with the Federal Reserve of the United States continuing to raise interest rates to combat inflation. The economy is still in the process of recovery. On the other hand, the semiconductor market remained in a downward cycle while the electronic components industry was caught in a downturn. Downstream demand showed a structural differentiation trend, with relatively weak demand for consumer electronics while relatively stronger demand for new energy vehicles. Under the current circumstances, the Group's performance has been greatly affected by the decrease in end-market demand, high inventory levels and increased finance costs, and experienced a substantial decline in both overall operating income and net profit.

In the future, the Group will continue to further develop its businesses in the distribution of electronic components and technology solutions, and at the same time, intensify the promotion of its automotive business in order to increase the overall sales of the Automotive segment, with a view to further enhancing the Company's reputation and market position within the industry.

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

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2023 (1H FY2023: nil) as the Group intends to retain cash for its business operations and future growth.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2023, the Group had a workforce of 382 (March 31, 2023: 377) full-time employees, of which 29.3% worked in Hong Kong, 70.7% in the PRC and the remainder in Taiwan.

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

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

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

CHARGES ON THE GROUP'S ASSETS

As at September 30, 2023, the Group pledged certain properties of HK\$99.1 million to secure trust receipt loans of HK\$433.0 million and bank borrowings of HK\$25.0 million (March 31, 2023: nil).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at September 30, 2023 (March 31, 2023: nil).

Disclosure of Interests

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at September 30, 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “HK Listing Rules” and the “HK Model Code”, respectively) were as follows:

Long position in the Shares

Name of Directors/ Chief Executive	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company ⁽³⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of a controlled corporation)		
Xie Lishu ⁽¹⁾ (“Mr. Xie”)	–	–	18,614,309	18,614,309	21.24
Huang Shaoli ⁽²⁾ (“Ms. Huang”)	–	18,614,309	–	18,614,309	21.24
Hon Kar Chun	292,080	–	–	292,080	0.33
Leung Hon Shing	224,824	–	–	224,824	0.26

Disclosure of Interests

Note:

- (1) Mr. Xie, being the chairman of the Board (the “Chairman”) and the non-executive Director, is deemed to be interested in the 18,614,309 Shares held by Texin (HongKong) Electronics Co. Limited (“Texin”), by virtue of the SFO. Texin is wholly owned by Kunshan Archer Electronics Co. Ltd (“Kunshan Archer”), which is in turn wholly owned by Shanghai YCT Electronics Group Co. Ltd (“Shanghai YCT”). Mr. Xie is the controlling shareholder of Shanghai YCT.
- (2) Ms. Huang, being the non-executive Director, is deemed to be interested in the 18,614,309 Shares held by her husband, Mr. Xie, by virtue of the SFO.
- (3) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2023 (i.e. 87,622,049 Shares).

Save as disclosed above, as at September 30, 2023, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the HK Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at September 30, 2023, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long position in the Shares

Name of Shareholders	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company ⁽⁹⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)		
Shanghai YCT ⁽¹⁾	–	–	18,614,309	18,614,309	21.24
Kunshan Archer ⁽¹⁾	–	–	18,614,309	18,614,309	21.24
Texin ⁽¹⁾	18,614,309	–	–	18,614,309	21.24

Disclosure of Interests

Name of Shareholders	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company ⁽⁹⁾ (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)		
Yeo Seng Chong ^{(2) and (3)} ("Mr. Yeo")	749,200	575,000	7,086,784	8,410,984	9.60
Lim Mee Hwa ^{(2) and (3)} ("Ms. Lim")	575,000	749,200	7,086,784	8,410,984	9.60
Yeoman Capital Management Pte Ltd ⁽³⁾ ("YCMPL")	82,500	–	7,004,284	7,086,784	8.09
Yeoman 3-Rights Value Asia Fund VCC ⁽⁴⁾ ("Yeoman 3-Rights")	6,866,784	–	–	6,866,784	7.84
Leung Chun Wah ⁽⁵⁾ ("Mr. Leung")	1,230,130	805,134	4,909,813	6,945,077	7.93
Cheng Wai Yin, Susana ⁽⁶⁾ ("Ms. Cheng")	805,134	6,139,943	–	6,945,077	7.93
Max Power Assets Limited ("Max Power")	4,909,813	–	–	4,909,813	5.60
Meng Guoqing ⁽⁷⁾ ("Mr. Meng")	4,800,000	1,200,000	–	6,000,000	6.85
Zhao Mi ⁽⁸⁾ ("Ms. Zhao")	1,200,000	4,800,000	–	6,000,000	6.85
Anjiecheng (HK) Electronic Co., Limited ("Anjiecheng")	6,000,000	–	–	6,000,000	6.85

Disclosure of Interests

Notes:

- (1) Texin is wholly owned by Kunshan Archer, which is in turn wholly owned by Shanghai YCT. Kunshan Archer and Shanghai YCT are deemed to be interested in the 18,614,309 Shares held by Texin, by virtue of the SFO.
- (2) Mr. Yeo owns 749,200 Shares directly in his own name and his wife Ms. Lim owns 575,000 Shares directly in her own name. Both of them own equally YCMPL, a fund manager and therefore control YCMPL. YCMPL in turn has its own direct shareholding in the Company as well as its deemed interests through its clients' direct shareholdings in the Company. By virtue of the SFO, both Mr. Yeo and Ms. Lim are deemed to be interested in all of the Shares held beneficially and deemed to be held by YCMPL. Each of Mr. Yeo and Ms. Lim is also deemed under the SFO to be interested in all of the Shares held beneficially and deemed to be held by the other.
- (3) YCMPL owns 82,500 Shares directly in its own name and also has deemed interests through its clients' direct shareholdings in the Company. The clients of YCMPL are Yeoman 3-Rights and Yeoman Client 1, which directly own 6,866,784 Shares and 137,500 Shares, respectively.
- (4) Yeoman 3-Rights owns 6,866,784 Shares directly in its own name.
- (5) Mr. Leung is deemed to be interested in the 805,134 Shares held by his wife, Ms. Cheng, by virtue of the SFO. The 4,909,813 Shares are held by Max Power of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.
- (6) Ms. Cheng, the wife of Mr. Leung, is deemed under the SFO to be interested in (a) the 1,230,130 Shares held by Mr. Leung as beneficial owner and (b) the 4,909,813 Shares deemed to be held by Mr. Leung through Max Power.
- (7) Mr. Meng, the husband of Ms. Zhao, is beneficial owner of the 4,800,000 Shares held by Anjiecheng and is deemed under the SFO to be interested in the 1,200,000 Shares held by Ms. Zhao as beneficial owner.
- (8) Ms. Zhao, the wife of Mr. Meng, is beneficial owner of the 1,200,000 Shares held by Anjiecheng and is deemed under the SFO to be interested in the 4,800,000 Shares held by Mr. Meng as beneficial owner.
- (9) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2023 (i.e. 87,622,049 Shares).

Save as disclosed above, as at September 30, 2023, the Directors are not aware of any corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company had on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III (“ESOS III”) to grant share options to eligible employees, including the executive directors of the Group for the purpose of providing incentives or rewards for their contribution to the Group.

ESOS III was adopted by an ordinary resolution of the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company held on July 30, 2013. ESOS III was expired on July 29, 2023.

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model.

The grant of share options shall be accepted within 30 days from the date of grant, accompanied by payment of HK\$1.00 as consideration by the grantee.

The vesting period of the share options granted under ESOS III is one year after the date of grant.

Particulars of the share options outstanding under ESOS III at the beginning and at the end of 1H FY2024 and the share options granted, exercised, lapsed and forfeited during 1H FY2024 were as follows:

Category of participants	Date of grant	Number of underlying Shares comprised in share options					Balance as at September 30, 2023	Exercise price per Share	Exercise period
		Balance as at April 1, 2023	Granted during 1H FY2024	Exercised during 1H FY2024	Lapsed during 1H FY2024	Forfeited during 1H FY2024			
Employees in aggregate	July 17, 2017	792,000	-	-	-	-	792,000	HK\$3.91	July 18, 2018 to July 17, 2027
Employees in aggregate	December 2, 2020	1,075,000	-	-	-	(115,000)	960,000	HK\$2.61	December 3, 2021 to December 2, 2030
		<u>1,867,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>	<u>1,752,000</u>		

None of the holders of outstanding share options granted under ESOS III (i) is a Director, the chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company, or their respective associates (as defined in the HK Listing Rules); and (ii) was granted any share option entitling him/her to subscribe for Shares exceeding the individual limit under ESOS III in the 12-month period up to and including the date of grant.

Corporate Governance and Other Information

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

During the six months ended September 30, 2023, the Company did not redeem any of its securities listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that during the six months ended September 30, 2023, the Company had complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the HK Listing Rules (the "HK CG Code") and the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code") except those stated in paragraph 3 of this section.

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

Provision 2.2 of the Singapore CG Code stipulates that independent directors make up a majority of the board where the chairman is not independent. Provision 2.3 of the Singapore CG Code stipulates that non-executive directors make up a majority of the board. The Company notes that the Board composition during April 1, 2023 to April 26, 2023 was a variation from Provisions 2.2 and 2.3 of the Singapore CG Code as the Board comprised six members, three of whom were executive Directors and three of whom were INEDs. The Company also notes that the Board composition during May 20, 2023 to August 22, 2023 was a variation from Provisions 2.2 of the Singapore CG Code as (i) the Board comprised seven members, two of whom were non-executive Directors ("NEDs") (including one of whom was also the Chairman), two of whom were executive Directors and three of whom were INEDs during May 20, 2023 to July 28, 2023 and August 11, 2023 to August 22, 2023; and (ii) the Board comprised six members, two of whom were NEDs (including one of whom was also the Chairman), two of whom were executive Directors and two of whom were INEDs during July 28, 2023 to August 10, 2023. Following the increase of the number of INEDs to four with effect from August 23, 2023, the current Board composition complies with Provisions 2.2 and 2.3 of the Singapore CG Code.

Corporate Governance and Other Information

NON-COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE HK LISTING RULES

The Company notes that the Board comprised only two INEDs and the audit committee of the Board (the “Audit Committee”) comprises only two members during July 28, 2023 to August 10, 2023, the Board composition was non-compliant with Rules 3.10(1) and 3.21 of the HK Listing Rules and Rule 704(8) of the listing manual of the SGX-ST. Following the appointment of an INED with effect from August 11, 2023, the current Board composition complies with both Rules 3.10(1) and 3.21 of the HK Listing Rules and Rule 704(8) of the listing manual of the SGX-ST.

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 concerned, all of them confirmed that they had complied with the required standards as set out in the HK Model Code throughout the six months ended September 30, 2023.

REVIEW BY AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference in compliance with the HK CG Code, the HK Listing Rules, the Singapore CG Code and the Main Board rules of the listing manual of the SGX-ST. The Audit Committee currently comprises all of the four INEDs, namely Lau Chin Huat (committee chairman), Chong Eng Wee, Tso Sze Wai and Jiang Maolin. The Group’s unaudited interim results and the Company’s draft interim report for the six months ended September 30, 2023 have been reviewed by the Audit Committee.

UPDATE ON THE DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE HK LISTING RULES

Pursuant to Rule 13.51B(1) of the HK Listing Rules, changes in the information of the Directors since the date of the 2022/23 annual report of the Company required to be disclosed in this interim report are as follows:

Mr. Lim Lee Meng (“Mr. Lim”), an INED, retired by rotation and not offer himself for re-election at the annual general meeting of the Company held on July 28, 2023 (the “2023 AGM”). Mr. Lim also ceased to be the lead independent Director, the chairman of the Audit Committee, as well as a member of each of the nomination committee of the Board (the “Nomination Committee”), the remuneration committee of the Board (the “Remuneration Committee”) and the compliance committee of the Board (the “Compliance Committee”) with effect from the conclusion of the 2023 AGM.

Corporate Governance and Other Information

Mr. Chong Eng Wee (“Mr. Chong”) was appointed as an INED, a member of each of the Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee, with effect from August 11, 2023. Mr. Chong was appointed as the lead independent Director with effect from August 23, 2023. He was also appointed as the chairman of the Nomination Committee with effect from August 30, 2023 to replace Mr. Tang Wai Loong Kenneth (“Mr. Tang”).

Mr. Lau Chin Huat was appointed as an INED, the chairman of the Audit Committee, as well as a member of each of the Nomination Committee, Remuneration Committee and Compliance Committee, with effect from August 23, 2023.

Mr. Tso Sze Wai (“Mr. Tso”) was appointed as an INED, a member of each of the Audit Committee, Nomination Committee, Remuneration Committee, Compliance Committee and employee share option scheme committee of the Company (the “ESOS Committee”), with effect from August 23, 2023. Mr. Tso was also be appointed as the chairman of the Remuneration Committee with effect from November 1, 2023 to replace Mr. Tong Kai Cheong (“Mr. Tong”).

Dr. Jiang Marlin (“Dr. Jiang”) was appointed as an INED, a member of each of the Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee, with effect from August 23, 2023. Dr. Jiang was also be appointed as the chairman of the Compliance Committee with effect from November 1, 2023 to replace Mr. Tong.

Mr. Tang resigned as an INED with effect from August 30, 2023 and ceased to be the chairman of the Nomination Committee, a member of each of the Audit Committee, Remuneration Committee and Compliance Committee at the same date.

Ms. Chan Lai Yee was appointed as the company secretary of the Company (the “Company Secretary”) with effect from October 3, 2023.

Mr. Tong resigned as an INED with effect from November 1, 2023 and ceased to be the chairman of the Remuneration Committee and the Compliance Committee, as well as a member of each of the Audit Committee, Nomination Committee and ESOS Committee at the same date.

Mr. Leung Hon Shing resigned as an executive Director, the chief financial officer and the Company Secretary with effect from November 2, 2023.

Mr. Fan Qinsheng was appointed as an executive Director with effect from November 14, 2023.

Mr. Hon Kar Chun resigned as an executive Director, the managing Director and a member of the ESOS Committee with effect from November 28, 2023.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the accompanying condensed consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 48, which comprise the condensed consolidated statement of financial position as of September 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IASB. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at September 30, 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Deloitte & Touche LLP
*Public Accountants and
Chartered Accountants*

Singapore
November 30, 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2023

	NOTES	For the six months ended September 30,	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	1,359,457	1,782,845
Cost of sales		(1,297,476)	(1,612,871)
Gross profit		61,981	169,974
Other income		1,389	4,495
Distribution costs		(11,201)	(16,043)
Administrative expenses		(91,402)	(94,414)
Other gains and losses		(16,061)	(32,648)
Impairment losses recognised under expected credit loss ("ECL") model, net	11	(8,388)	–
Loss on fair value change of investment property		(1,386)	–
Finance costs		(31,644)	(14,806)
(Loss) profit before tax		(96,712)	16,558
Income tax credit (expense)	4	1,448	(3,737)
(Loss) profit for the period	5	(95,264)	12,821
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising from translation of foreign operations		(20,914)	(39,845)
Other comprehensive expense for the period		(20,914)	(39,845)
Total comprehensive expense for the period		(116,178)	(27,024)
(Loss) profit attributable to:			
Owners of the Company		(95,227)	12,829
Non-controlling interests		(37)	(8)
		(95,264)	12,821
Total comprehensive expense attributable to:			
Owners of the Company		(116,133)	(27,012)
Non-controlling interests		(45)	(12)
		(116,178)	(27,024)
(Loss) Earnings per share	7		
– Basic (HK cents)		(108.68)	14.78
– Diluted (HK cents)		(108.68)	14.66

Condensed Consolidated Statement of Financial Position

As at September 30, 2023

	NOTES	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	250,918	265,418
Right-of-use assets	8	7,895	11,859
Investment property	8	9,560	10,946
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income (“FVTOCI”)		–	–
Long-term deposits		2,738	4,044
Deferred tax assets	9	487	505
Total non-current assets		273,599	294,773
Current assets			
Inventories		605,855	586,266
Trade receivables	10	797,737	806,043
Other receivables, deposits and prepayments		7,166	6,425
Income tax recoverable		6,187	6,304
Derivative financial instruments		307	748
Cash and cash equivalents		58,000	317,230
Total current assets		1,475,252	1,723,016
Total assets		1,748,851	2,017,789

Condensed Consolidated Statement of Financial Position

As at September 30, 2023

	NOTES	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Current liabilities			
Trade payables	13	437,230	385,665
Other payables		36,554	36,638
Contract liabilities		2,506	2,971
Income tax payable		190	903
Trust receipt loans	14	456,484	658,108
Bank borrowings	15	206,425	200,469
Derivative financial instruments		255	66
Lease liabilities		5,397	8,110
Total current liabilities		1,145,041	1,292,930
Net current assets		330,211	430,086
Total assets less current liabilities		603,810	724,859
Capital, reserves and non-controlling interests			
Share capital	16	87,622	87,622
Reserves		486,795	602,928
Equity attributable to owners of the Company		574,417	690,550
Non-controlling interests		123	66
Total equity		574,540	690,616
Non-current liabilities			
Deferred tax liabilities	9	26,665	30,153
Lease liabilities		2,605	4,090
Total non-current liabilities		29,270	34,243
Total liabilities and equity		1,748,851	2,017,789

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Capital reserves HK\$'000 (Note i)	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Financial assets measured at FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Accumulated profits HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At April 1, 2022 (Audited)	85,777	196,975	28,082	127,652	21,598	(16,448)	(3,561)	330,491	770,566	-	770,566
Total comprehensive income (expense) for the period:											
Profit for the period	-	-	-	-	-	-	-	12,829	12,829	(8)	12,821
Other comprehensive expense for the period	-	-	-	-	(39,841)	-	-	-	(39,841)	(4)	(39,845)
Total	-	-	-	-	(39,841)	-	-	12,829	(27,012)	(12)	(27,024)
Transactions with owners, recognised directly in equity:											
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	82	82
Exercise of share options	1,845	2,970	-	-	-	-	-	4,815	4,815	-	4,815
Share options forfeited	-	(114)	-	-	-	-	-	114	-	-	-
Dividend paid (Note 6)	-	-	-	-	-	-	-	(63,964)	(63,964)	-	(63,964)
Transfer of statutory reserve	-	-	226	-	-	-	-	(226)	-	-	-
Total	1,845	2,856	226	-	-	-	-	(64,076)	(59,149)	82	(59,067)
At September 30, 2022 (Unaudited)	87,622	199,831	28,308	127,652	(18,243)	(16,448)	(3,561)	279,244	684,405	70	684,475
At April 1, 2023 (Audited)	87,622	199,780	28,771	125,090	(5,355)	(16,448)	(3,561)	274,651	690,550	66	690,616
Total comprehensive expense for the period:											
Loss for the period	-	-	-	-	-	-	-	(95,227)	(95,227)	(37)	(95,264)
Other comprehensive expense for the period	-	-	-	-	(20,906)	-	-	-	(20,906)	(8)	(20,914)
Total	-	-	-	-	(20,906)	-	-	(95,227)	(116,133)	(45)	(116,178)
Transactions with owners, recognised directly in equity:											
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	102	102
Share options forfeited	-	(85)	-	-	-	-	-	85	-	-	-
Transfer of statutory reserve	-	-	319	-	-	-	-	(319)	-	-	-
Total	-	(85)	319	-	-	-	-	(234)	-	102	102
At September 30, 2023 (Unaudited)	87,622	199,695	29,090	125,090	(26,261)	(16,448)	(3,561)	179,190	574,417	123	574,540

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2023

Notes:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2023

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash used in operating activities	(58,595)	(136,283)
Net cash used in investing activities		
Purchase of property, plant and equipment	(2,159)	(2,712)
Proceeds from disposal of property, plant and equipment	–	200
	(2,159)	(2,512)
Net cash (used in) from financing activities		
Capital contribution from non-controlling interests of a subsidiary	102	82
Dividend paid to shareholders	–	(63,964)
Proceeds from exercise of share options	–	4,815
Repayments of trust receipt loans	(1,151,840)	(1,298,563)
Proceeds from trust receipt loans	952,984	1,492,052
Repayments of bank borrowings	(441,026)	(311,077)
Proceeds from bank borrowings	449,633	364,217
Repayments of lease liabilities	(4,299)	(4,033)
	(194,446)	183,529
Net (decrease) increase in cash and cash equivalents	(255,200)	44,734
Cash and cash equivalents at beginning of the period	317,230	327,673
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(4,030)	(9,237)
Cash and cash equivalents at end of the period	58,000	363,170

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

1. BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRS Standards”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2023 are the same as those presented in the Group’s annual financial statements for the year ended March 31, 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards

In the current interim period, the Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on April 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (Including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendment to IAS 1 and HKFRS Practices Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

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

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on April 1, 2023 for the preparation of the Group's consolidated financial statements for the year ending March 31, 2024. IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards – continued

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies – continued

IFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending March 31, 2024.

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

2. PRINCIPAL ACCOUNTING POLICIES – continued

Application of amendments to IFRS Standards – continued

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform – Pillar Two Model Rules

In July 2023, the IASB issued the amendments to IAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023. The Group is yet to apply the temporary exception during the current interim period because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

3. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Types of goods or service:		
Sales of electronic components	<u>1,359,457</u>	<u>1,782,845</u>
Market segments of the customers:		
Automotive	401,408	451,810
Industrial	280,374	465,929
Home appliance	248,815	301,890
Electronic manufacturing services	125,361	110,895
Telecommunications	92,433	140,485
Audio and video	83,654	128,497
Dealer	79,786	97,026
Lighting	33,442	59,373
Others	14,184	26,940
Total	<u><u>1,359,457</u></u>	<u><u>1,782,845</u></u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

3. REVENUE AND SEGMENT INFORMATION – continued

B. Segment information

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

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

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

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other income, distribution costs, administrative expenses, other gains and losses, impairment losses recognised under ECL model, net and finance costs are excluded from segment results.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

3. REVENUE AND SEGMENT INFORMATION – continued

B. Segment information – continued

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

Six months ended September 30, 2023 (Unaudited)

	Trading of electronic components				Elimination HK\$'000	Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		
Revenue						
Sales - external	586,451	729,982	43,024	1,359,457	-	1,359,457
Sales - inter-company	378,190	327,837	-	706,027	(706,027)	-
	964,641	1,057,819	43,024	2,065,484	(706,027)	1,359,457
Cost of sales	(941,354)	(1,024,417)	(37,732)	(2,003,503)	706,027	(1,297,476)
Gross profit/segment results	23,287	33,402	5,292	61,981	-	61,981
Other income						1,389
Distribution costs						(11,201)
Administrative expenses						(91,402)
Other gains and losses						(16,061)
Impairment losses recognised under ECL model, net						(8,388)
Loss on fair value change of investment property						(1,386)
Finance costs						(31,644)
Loss before tax						(96,712)
Income tax credit						1,448
Loss for the period						(95,264)
Loss attributable to non-controlling interests						37
Loss attributable to owners of the Company						(95,227)

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

3. REVENUE AND SEGMENT INFORMATION – continued

B. Segment information – continued

Six months ended September 30, 2022 (Unaudited)

	Trading of electronic components				Elimination HK\$'000	Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		
Revenue						
Sales - external	807,654	916,420	58,771	1,782,845	-	1,782,845
Sales - inter-company	837,619	327,840	1,497	1,166,956	(1,166,956)	-
	1,645,273	1,244,260	60,268	2,949,801	(1,166,956)	1,782,845
Cost of sales	(1,564,861)	(1,161,207)	(53,759)	(2,779,827)	1,166,956	(1,612,871)
Gross profit/segment results	<u>80,412</u>	<u>83,053</u>	<u>6,509</u>	<u>169,974</u>	<u>-</u>	<u>169,974</u>
Other income						4,495
Distribution costs						(16,043)
Administrative expenses						(94,414)
Other gains and losses						(32,648)
Finance costs						(14,806)
Profit before tax						16,558
Income tax expense						(3,737)
Profit for the period						12,821
Loss attributable to non-controlling interests						8
Profit attributable to owners of the Company						<u>12,829</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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

4. INCOME TAX (CREDIT) EXPENSE

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The income tax (credit) expense comprises:		
Current tax:		
– Hong Kong	139	2,806
– PRC Enterprise Income Tax (the “EIT”)	963	2,208
– Taiwan	75	105
	1,177	5,119
Under (over) provision in respect of prior period:		
– PRC EIT	70	344
– Taiwan	10	(14)
	80	330
Deferred tax:		
– Credit to the period (<i>Note 9</i>)	(2,705)	(1,712)
	(1,448)	3,737

Under the two-tiered profits tax rates regime, the Company was subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2,000,000 of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong were subject to Hong Kong Profits Tax at the rate of 16.5% for the six months ended September 30, 2023 and 2022.

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% (2022: 25%). The tax rate of the Taiwan subsidiary is 20% (2022: 20%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

5. (LOSS) PROFIT FOR THE PERIOD

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

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses (<i>Note i</i>)	1,297,476	1,612,871
Depreciation of property, plant and equipment	7,546	7,503
Depreciation of right-of-use assets	4,055	4,094
Directors' emoluments (<i>Note ii</i>)	2,974	4,424
Gain on disposal of property, plant and equipment	–	(200)
Audit fees		
Paid to auditor of the Company	381	364
Paid to other auditors	1,003	974
Non-audit fees		
Paid to auditor of the Company	115	110
Paid to other auditors	409	406
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	54,860	63,493
Net foreign exchange loss	15,431	38,333
Net loss (gain) on fair value changes of derivative financial instruments	630	(5,485)
Interest income from bank deposits	(966)	(939)
Interest expense on borrowings	31,481	14,601
Government grant (<i>Note iii</i>)	–	(2,832)

Notes:

- (i) During the six months ended September 30, 2023, the amount included allowance for inventories amounting to HK\$36,955,000 (2022: nil).
- (ii) During the six months ended September 30, 2023, cost of defined contribution plans amounting to HK\$8,558,000 (2022: HK\$7,922,000), was included in staff costs and directors' emoluments.
- (iii) During the six months ended September 30, 2022, the Group recognised government grants of HK\$2,832,000 in respect of Covid-19-related subsidies and entire amount relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. No such government grant was recognised for the six months ended September 30, 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

7. (LOSS) EARNINGS PER SHARE – continued

The computation of diluted loss per share does not assume the conversion of one batch of the Group's outstanding options since their assumed exercise would result in decrease in loss per share for the six months ended September 30, 2023.

The computation of diluted loss per share does not assume the exercise of another batch of the Group's outstanding options because the exercise price of those options was higher than the average market price for shares for the six months ended September 30, 2023.

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

During the current interim period, the Group paid HK\$2,159,000 (2022: HK\$2,712,000) on the acquisition of property, plant and equipment. During the 6 months ended September 30, 2022, the Group disposed of certain property, plant and equipment with no net carrying amount, resulting in a gain of HK\$200,000. No disposal of property, plant and equipment was made during the 6 months ended September 30, 2023.

During the current interim period, the Group renewed lease agreements for the use of offices and staff quarter for two years (2022: the Group entered into lease agreements for the use of offices for three years) which the Group is required to make fixed quarterly payments. On the lease modification date, the Group recognised right of use assets of HK\$358,000 and lease liabilities of HK\$358,000. For the six months ended September 30, 2022, on the lease commencement date, the Group recognised right of use assets of HK\$2,824,000 and lease liabilities HK\$2,824,000.

The Group's owned properties classified as property, plant and equipment were revalued to fair value. The Group's owned properties were reassessed by the directors of the Company. In the opinion of the directors of the Company, the carrying amount of owned properties at the end of current interim period does not differ significantly from their estimated fair values. Consequently, no increase/decrease in fair value of the Group's owned properties has been recognised in property revaluation reserve for the periods ended September 30, 2023 and 2022.

The investment property was measured at fair value on September 30, 2023 based on a valuation performed by Assets Appraisal Limited, an independent valuer not connected with the Group who has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. A fair value loss of HK\$1,386,000 (2022: nil) was recognised in profit or loss for the current interim period.

The valuation of properties, which falls under level 3 of the fair value hierarchy, has been arrived at by using direct comparison method that reflects recent transaction prices for similar properties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

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

In estimating the fair value, the highest and best use of properties is their current use. The key inputs used in valuing the properties is market unit rate taking into account the recent transaction prices for comparable properties and adjusted for differences in the location, view, floor area, lot size, age and condition of properties and timing of comparable transactions. A significant increase in the adjusted market price used would result in a significant increase in the fair value and vice versa.

There were no transfers into or out of level 3 during the period.

9. DEFERRED TAX

For the purposes of condensed consolidated statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for condensed consolidated statement of financial position purposes:

	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Deferred tax assets	487	505
Deferred tax liabilities	(26,665)	(30,153)
	<u>(26,178)</u>	<u>(29,648)</u>

10. TRADE RECEIVABLES

	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Trade receivables	817,452	816,752
Less: allowance for credit losses	(19,715)	(10,709)
	<u>797,737</u>	<u>806,043</u>

As at September 30, 2023, total bills received amounting to HK\$44,760,000 (March 31, 2023: HK\$99,916,000) are held by the Group for future settlement of trade receivables.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

10. TRADE RECEIVABLES – continued

All bills received by the Group are with a maturity period of less than one year.

The Group allows a credit period of 30 to 120 days (March 31, 2023: 30 to 120 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 or bills issuance date at the end of the reporting periods:

	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Within 60 days	461,938	560,204
61 to 90 days	106,083	77,318
Over 90 days	229,716	168,521
	<u>797,737</u>	<u>806,043</u>

11. IMPAIRMENT LOSSES RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Impairment losses recognised (reversed) on:		
Trade receivables	9,568	–
Amount due from an associate (Note 18(a))	(1,180)	–
	<u>8,388</u>	<u>–</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended September 30, 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2023 and March 31, 2023 that were transferred to banks by discounting those trade receivables and bills received 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\$60,604,000 (March 31, 2023: HK\$80,874,000).

As at September 30, 2023 (Unaudited)

	Trade receivables discounted to banks with full recourse HK\$'000
Carrying amount of transferred assets	71,635
Carrying amount of associated liabilities	<u>(60,604)</u>
Net position	<u>11,031</u>

As at March 31, 2023 (Audited)

	Trade receivables discounted to banks with full recourse HK\$'000
Carrying amount of transferred assets	92,927
Carrying amount of associated liabilities	<u>(80,874)</u>
Net position	<u>12,053</u>

Finance costs recognised for trade receivables and bills received discounted to banks for the period ended September 30, 2023 are HK\$2,302,000 and nil (2022: HK\$1,136,000 and nil), respectively, which are included in finance costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

13. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date or bills issuance date at the end of the reporting periods:

	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Within 30 days	275,565	257,580
31 to 60 days	161,665	128,085
	437,230	385,665

As at September 30, 2023, HK\$241,407,000 (March 31, 2023: HK\$295,403,000) of trade payables are eligible for the Group to obtain the trust receipt loans from the banks for settlement of trade payables to the vendors.

14. TRUST RECEIPT LOANS

The trust receipts loans were drawn down by the Group from the banks for settlement of its trade payables. During the period ended September 30, 2023, gross amount of HK\$952,984,000 (2022: HK\$1,492,052,000) trade payables have been settled through the trust receipt loans provided by the banks. During the period ended September 30, 2023, gross amount of HK\$1,151,840,000 (2022: HK\$1,298,563,000) trust receipt loans have been repaid to banks.

The trust receipt loans are unsecured, bear fixed-rates with weighted average effective interest rate of 7.75% (March 31, 2023: 7.08%) per annum, and are repayable within one year.

At September 30, 2023, the Group's trust receipt loans with carrying amount of nil (March 31, 2023: HK\$146,814,000) are required to comply with loan covenants to maintain certain amount of the Group's net tangible assets. The Group has complied with the loan covenants for the period ended September 30, 2023 and the year ended March 31, 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of HK\$449,633,000 (2022: HK\$364,217,000).

In addition, the Group repaid bank loans of HK\$441,026,000 (2022: HK\$311,077,000) during the current interim period.

At September 30, 2023, the Group's bank borrowings with carrying amount of nil (March 31, 2023: HK\$42,191,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for the period ended September 30, 2023 and the year ended March 31, 2023.

The weighted average effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	As at September 30, 2023 (Unaudited)	As at March 31, 2023 (Audited)
Weighted average effective interest rate:		
– fixed-rate borrowings	6.09%	6.83%
– variable-rate borrowings	6.62%	5.74%

16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.0 each		
Authorised:		
At April 1, 2022 (Audited), September 30, 2022 (Unaudited), April 1, 2023 (Audited) and September 30, 2023 (Unaudited)	120,000	120,000
Issued and paid up:		
At April 1, 2022 (Audited)	85,777	85,777
Exercise of share options	1,845	1,845
At September 30, 2022 (Unaudited), April 1, 2023 (Audited) and September 30, 2023 (Unaudited)	87,622	87,622

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

17. SHARE-BASED PAYMENTS

The Company adopted the Willas-Array Electronics Employee Share Option Scheme III (“ESOS III”) to grant share options to eligible employees, including the executive directors of the Company and its subsidiaries. Details of the share options schemes and fair value measurement of share options were disclosed in the Group’s annual financial statements for the year ended March 31, 2023.

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
Outstanding at April 1, 2022 (Audited)	3,937,000
Forfeited during the period	(155,000)
Exercised during the period	<u>(1,845,000)</u>
Outstanding at September 30, 2022 (Unaudited)	1,937,000
Forfeited during the period	<u>(70,000)</u>
Outstanding at April 1, 2023 (Audited)	1,867,000
Forfeited during the period	<u>(115,000)</u>
Outstanding at September 30, 2023 (Unaudited)	<u><u>1,752,000</u></u>

During the six months ended September 30, 2022 and September 30, 2023, no share-based payment expense was recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

18. RELATED COMPANY TRANSACTIONS

(a) Transactions and balances with an associate

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

	As at September 30, 2023 HK\$'000 (Unaudited)	As at March 31, 2023 HK\$'000 (Audited)
Associate		
– other receivables	532	1,712
Less: allowance for credit losses	(532)	(1,712)
	<u>–</u>	<u>–</u>

Amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

During the six months ended September 30, 2023, a reversal on amount due from an associate of HK\$1,180,000 (2022: nil) has been recognised. The management are of the opinion that the receivables are not probable to recover and, accordingly, has made a full provision for them.

(b) Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the six months ended September 30, 2023 and 2022 are as follows:

	For the six months ended September 30,	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term benefits	5,811	7,173
Post-employment benefits	420	433
	<u>6,231</u>	<u>7,606</u>

The emoluments of directors and key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation process

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company determines the fair value by reference to the valuation carried out as of the end of reporting period by banks and financial institutions for foreign currency forward contracts.

The fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2023

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	September 30, 2023 (Unaudited)	March 31, 2023 (Audited)				
Derivative financial instruments – Foreign exchange forward contracts	Assets - HK\$307,000	Assets - HK\$748,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Liabilities - HK\$255,000	Liabilities - HK\$66,000				

There were no transfers between the different levels of the fair value hierarchy during the six months ended September 30, 2023.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated financial statements at amortised costs approximate their fair values.



WILLAS-ARRAY

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