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

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED MARCH 31, 2017**

FINANCIAL HIGHLIGHTS

	For the year ended March 31,		Change %
	2017 HK\$'000	2016 HK\$'000 (Restated)	
Continuing operations			
Revenue	3,883,140	3,635,626	+6.8
Gross profit	316,776	314,440	+0.7
Profit (Loss) before tax	48,231	(57,830)	+183.4
Profit (Loss) attributable to shareholders			
– From continuing operations	39,355	(71,482)	+155.1
– From discontinued operations	(1,841)	(123)	NM
	<u>37,514</u>	<u>(71,605)</u>	<u>+152.4</u>
Basic Earnings (Loss) per share (<i>HK cents</i>)			
– From continuing and discontinued operations	49.68	(94.90)	+152.4
– From continuing operations	52.12	(94.74)	+155.0
NM: Not meaningful			

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended March 31, 2017, together with the comparative figures for the year ended March 31, 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000 (Restated)	Change %
Continuing operations				
Revenue	3	3,883,140	3,635,626	+6.8
Cost of sales		<u>(3,566,364)</u>	<u>(3,321,186)</u>	+7.4
Gross profit		316,776	314,440	+0.7
Other operating income		4,067	2,911	+39.7
Distribution costs		(50,473)	(46,194)	+9.3
Administrative expenses		(190,390)	(196,354)	-3.0
Share of loss of associates		-	(38,273)	NM
Impairment loss recognised in respect of interests in associates		-	(70,080)	NM
Gain on disposal of subsidiaries	6	12	-	NM
Other gains or losses		(7,240)	(5,729)	+26.4
Amortisation of financial guarantee liabilities		-	2,256	NM
Finance costs		<u>(24,521)</u>	<u>(20,807)</u>	+17.8
Profit (Loss) before tax		48,231	(57,830)	+183.4
Income tax expenses	4	<u>(9,389)</u>	<u>(12,091)</u>	-22.3
Profit (Loss) for the year from continuing operations	5	<u>38,842</u>	<u>(69,921)</u>	+155.6
Discontinued operations				
Loss for the year from discontinued operations	6	<u>(1,841)</u>	<u>(123)</u>	NM
Profit (Loss) for the year		<u>37,001</u>	<u>(70,044)</u>	+152.8
Other comprehensive income (expense):				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
- Exchange differences on translation of overseas operations		(11,342)	(11,603)	-2.2
- Release of exchange differences upon dissolution of overseas operations		-	(51)	NM
Other comprehensive expense for the year, net of tax		<u>(11,342)</u>	<u>(11,654)</u>	-2.7
Total comprehensive income (expense) for the year		<u><u>25,659</u></u>	<u><u>(81,698)</u></u>	+131.4

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

For the year ended March 31, 2017

	NOTE	2017 HK\$'000	2016 HK\$'000 (Restated)	Change %
Profit (Loss) for the year attributable to owners of the Company:				
– from continuing operations		39,355	(71,482)	+155.1
– from discontinued operations		<u>(1,841)</u>	<u>(123)</u>	NM
Profit (Loss) for the year attributable to owners of the Company		<u>37,514</u>	<u>(71,605)</u>	+152.4
Profit (Loss) for the year attributable to non-controlling interests:				
– from continuing operations		(513)	1,561	-132.9
– from discontinued operations		<u>-</u>	<u>-</u>	NM
Profit (Loss) for the year attributable to non-controlling interests		<u>(513)</u>	<u>1,561</u>	-132.9
		<u>37,001</u>	<u>(70,044)</u>	+152.8
Total comprehensive income (expense) for the year attributable to:				
Owners of the Company		26,172	(83,239)	+131.4
Non-controlling interests		<u>(513)</u>	<u>1,541</u>	-133.3
		<u>25,659</u>	<u>(81,698)</u>	+131.4
Earnings (Loss) per share	14			
From continuing and discontinued operations				
– Basic (HK cents)		<u>49.68</u>	<u>(94.90)</u>	+152.4
– Diluted (HK cents)		<u>49.45</u>	<u>(94.90)</u>	+152.1
From continuing operations				
– Basic (HK cents)		<u>52.12</u>	<u>(94.74)</u>	+155.0
– Diluted (HK cents)		<u>51.88</u>	<u>(94.74)</u>	+154.8

NM: Not meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	232,774	251,867
Prepaid lease payments – non-current		569	581
Available-for-sale investments		2,001	2,001
Restricted bank deposits		2,260	–
Long-term deposits		335	1,697
Deferred tax assets		168	385
Total non-current assets		<u>238,107</u>	<u>256,531</u>
Current assets			
Inventories		591,741	535,547
Trade and bills receivables	8	766,000	580,895
Other receivables and prepayment – current		8,338	6,266
Prepaid lease payments – current		12	12
Income tax recoverable		576	2,380
Derivative financial instruments		62	–
Restricted bank deposits		–	2,395
Cash and cash equivalents		331,255	482,601
Total current assets		<u>1,697,984</u>	<u>1,610,096</u>
Total assets		<u><u>1,936,091</u></u>	<u><u>1,866,627</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
As at March 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Current liabilities			
Trade and bills payables	10	418,615	366,062
Income tax payable		1,916	3,608
Trust receipt loans		668,554	589,485
Bank borrowings		209,354	250,768
Other payables		36,513	79,525
Derivative financial instruments		2	14
		<u>1,334,954</u>	<u>1,289,462</u>
Total current liabilities		<u>1,334,954</u>	<u>1,289,462</u>
Net current assets		<u>363,030</u>	<u>320,634</u>
Total assets less current liabilities		<u>601,137</u>	<u>577,165</u>
Capital, reserves and non-controlling interests			
Issued capital	11	75,506	75,506
Capital reserves		194,378	194,378
Other reserves		307,988	285,377
		<u>577,872</u>	<u>555,261</u>
Equity attributable to owners of the Company		577,872	555,261
Non-controlling interests		–	(3,048)
		<u>577,872</u>	<u>552,213</u>
Total equity		<u>577,872</u>	<u>552,213</u>
Non-current liabilities			
Deferred tax liabilities		23,005	24,952
Derivative financial instruments		260	–
		<u>23,265</u>	<u>24,952</u>
Total non-current liabilities		<u>23,265</u>	<u>24,952</u>
Total liabilities and equity		<u>1,936,091</u>	<u>1,866,627</u>

STATEMENT OF FINANCIAL POSITION – COMPANY LEVEL

As at March 31, 2017

	<i>NOTE</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Investments in subsidiaries		117,470	117,470
Total non-current assets		117,470	117,470
Current assets			
Other receivables and prepayment – current		228,646	193,899
Income tax recoverable		–	166
Cash and cash equivalents		2,657	3,063
Total current assets		231,303	197,128
Total assets		348,773	314,598
Current liabilities			
Income tax payable		17	–
Other payables		10,968	10,184
Total current liabilities		10,985	10,184
Net current assets		220,318	186,944
Total assets less current liabilities		337,788	304,414
Equity attributable to owners of the Company			
Issued capital	11	75,506	75,506
Capital reserves		194,378	194,378
Other reserves		67,904	34,530
Total equity		337,788	304,414
Total liabilities and equity		348,773	314,598

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2017

	Issued capital	Capital reserves	Statutory reserve	Revaluation reserve	Currency translation reserve	Other reserve	Accumulated profits	Attributable to owners of the Company	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at April 1, 2015	75,349	194,343	16,525	96,619	20,758	-	258,573	662,167	(4,589)	657,578
Total comprehensive (expense) income for the year:										
Loss for the year	-	-	-	-	-	-	(71,605)	(71,605)	1,561	(70,044)
Other comprehensive expense for the year, net of income tax	-	-	-	-	(11,634)	-	-	(11,634)	(20)	(11,654)
Total	-	-	-	-	(11,634)	-	(71,605)	(83,239)	1,541	(81,698)
Transactions with owners, recognised directly in equity:										
Exercise of share options	157	138	-	-	-	-	-	295	-	295
Share options cancelled	-	(103)	-	-	-	-	103	-	-	-
Dividend paid (Note 13)	-	-	-	-	-	-	(23,962)	(23,962)	-	(23,962)
Transfer from revaluation reserve	-	-	-	(3,348)	-	-	3,348	-	-	-
Total	157	35	-	(3,348)	-	-	(20,511)	(23,667)	-	(23,667)
Balance at March 31, 2016	75,506	194,378	16,525	93,271	9,124	-	166,457	555,261	(3,048)	552,213
Total comprehensive income (expense) for the year:										
Profit for the year	-	-	-	-	-	-	37,514	37,514	(513)	37,001
Other comprehensive expense for the year, net of income tax	-	-	-	-	(11,342)	-	-	(11,342)	-	(11,342)
Total	-	-	-	-	(11,342)	-	37,514	26,172	(513)	25,659
Transactions with owners, recognised directly in equity:										
Acquisition of additional interest in subsidiaries (Note 6)	-	-	-	-	-	(3,561)	-	(3,561)	3,561	-
Transfer from revaluation reserve	-	-	-	(3,349)	-	-	3,349	-	-	-
Total	-	-	-	(3,349)	-	(3,561)	3,349	(3,561)	3,561	-
Balance at March 31, 2017	<u>75,506</u>	<u>194,378</u>	<u>16,525</u>	<u>89,922</u>	<u>(2,218)</u>	<u>(3,561)</u>	<u>207,320</u>	<u>577,872</u>	<u>-</u>	<u>577,872</u>

Note: The statutory reserve is non-distributable and was appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the laws and regulations of the PRC and Taiwan.

STATEMENT OF CHANGES IN EQUITY – COMPANY LEVEL

For the year ended March 31, 2017

	Issued capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at April 1, 2015	75,349	194,343	55,583	325,275
Profit for the year, representing total comprehensive income for the year	–	–	2,806	2,806
Transactions with owners, recognised directly in equity:				
Exercise of share options	157	138	–	295
Share options cancelled	–	(103)	103	–
Dividend paid (<i>Note 13</i>)	–	–	(23,962)	(23,962)
Total	157	35	(23,859)	(23,667)
Balance at March 31, 2016	75,506	194,378	34,530	304,414
Profit for the year, representing total comprehensive income for the year	–	–	33,374	33,374
Balance at March 31, 2017	75,506	194,378	67,904	337,788

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Operating activities		
Profit (Loss) before tax	46,392	(57,951)
Adjustments for:		
Depreciation expense	11,749	14,499
Amortisation of prepaid lease payments	12	13
Interest expense	24,526	20,879
Allowance for inventories	14,811	10,333
Reversal of allowance for doubtful trade receivables	(7,666)	(8,537)
Gain on disposal of property, plant and equipment	(60)	(12)
Gain on disposal of subsidiaries	(12)	–
Net loss (gain) on fair value changes of derivative financial instruments	186	(58)
Share of loss of associates	–	38,273
Impairment loss recognised in respect of interests in associates	–	70,080
Impairment loss on amounts due from associates	532	–
Unrealised exchange difference	6,758	–
Amortisation of financial guarantee liabilities	–	(2,256)
Interest income	(835)	(809)
Release of exchange differences upon dissolution of overseas operations	–	(51)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	96,393	84,403
Increase in trade and bills receivables	(183,528)	(8,827)
(Increase) Decrease in other receivables and prepayment	(2,832)	2,356
Increase in inventories	(73,549)	(33,140)
Increase in trade and bills payables	53,816	20,182
Increase in other payables	1,324	896
Decrease (Increase) in long-term deposits	1,358	(581)
Increase in amounts due from associates	(532)	–
	<hr/>	<hr/>
Cash (used in) generated from operations	(107,550)	65,289
Income tax paid	(10,357)	(11,975)
Interest paid	(24,227)	(20,669)
Interest received	835	809
	<hr/>	<hr/>
Net cash (used in) generated from operating activities	(141,299)	33,454

CONSOLIDATED STATEMENT OF CASH FLOWS – continued*For the year ended March 31, 2017*

	2017	2016
	HK\$'000	HK\$'000
Investing activities		
Purchase of property, plant and equipment	(2,386)	(2,425)
Withdrawal of restricted bank deposits	2,395	5,029
Placement of restricted bank deposits	(2,260)	(4,908)
Proceeds from disposal of property, plant and equipment	61	13
Capital injection to associates	–	(24,500)
Net cash outflow on disposal of subsidiaries	(94)	–
	<hr/>	<hr/>
Net cash used in investing activities	(2,284)	(26,791)
	<hr/>	<hr/>
Financing activities		
Dividend paid to shareholders	–	(23,962)
Proceeds from exercise of share options	–	295
Advance from associates	–	42,414
Repayment of advance from associates	(42,414)	–
Repayment of trust receipt loans	(2,361,537)	(2,044,266)
Proceeds from trust receipt loans	2,440,606	2,127,285
Repayment of bank borrowings	(748,787)	(445,807)
Proceeds from bank borrowings	707,184	507,254
	<hr/>	<hr/>
Net cash (used in) from financing activities	(4,948)	163,213
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(148,531)	169,876
Cash and cash equivalents at beginning of the year	482,601	305,955
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2,815)	6,770
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	331,255	482,601
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2017

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 Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is located at 24/F, Wyler Centre Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The 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 "SEHK"). The consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

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

SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT YEAR

The Group entered into a sale and purchase agreement to dispose of its trading and designing integrated circuits segment on November 4, 2016 as disclosed in detail in Note 6.

2. PRINCIPAL ACCOUNTING POLICIES

Application of New and Amendments to International Financial Reporting Standards

In the current financial year, the Group has adopted a number of amendments to International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") and Interpretations thereof issued by the International Financial Reporting Interpretations Committee of the IASB (collectively refer to as the "IFRSs") that are relevant to its operations and effective for annual periods beginning on or after April 1, 2016. These IFRSs are:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The adoption of these amendments to IFRSs in the current year has no material impact on Company's financial position and Group's financial performance and positions for the current and prior years.

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker (the "CODM") for the purposes of resource allocation and assessment of trading of electronic components segment's performance is further disaggregated by geographical locations for the CODM's review are as follows:

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

An operating segment regarding the trading and designing integrated circuits was discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 6.

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

Year ended March 31, 2017

Continuing operations

	Trading of electronic components				Elimination HK\$'000	Continuing operations
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		Total HK\$'000
Revenue						
Sales – external	2,052,865	1,754,915	75,360	3,883,140	-	3,883,140
Sales – inter-company	445,392	264,013	1,012	710,417	(710,417)	-
Net sales	<u>2,498,257</u>	<u>2,018,928</u>	<u>76,372</u>	<u>4,593,557</u>	<u>(710,417)</u>	<u>3,883,140</u>
Cost of sales	2,329,802	1,878,846	69,122	4,277,770	(711,406)	3,566,364
Gross profit	<u>168,455</u>	<u>140,082</u>	<u>7,250</u>	<u>315,787</u>	<u>989</u>	<u>316,776</u>
Segment results	<u>24,759</u>	<u>24,742</u>	<u>2,126</u>	<u>51,627</u>	<u>989</u>	<u>52,616</u>
Unallocated other revenue						697
Unallocated corporate expenses						(5,094)
Gain on disposal of subsidiaries						12
Profit before tax						48,231
Income tax expenses						(9,389)
Profit for the year						38,842
Non-controlling interests						513
Profit attributable to owners of the Company						<u>39,355</u>

3. SEGMENT INFORMATION – continued
Year ended March 31, 2016 (Restated)

Continuing operations

	Trading of electronic components				Elimination HK\$'000	Continuing operations
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		Total HK\$'000
Revenue						
Sales – external	1,978,264	1,587,369	69,993	3,635,626	–	3,635,626
Sales – inter-company	348,441	282,472	2,189	633,102	(633,102)	–
Net sales	2,326,705	1,869,841	72,182	4,268,728	(633,102)	3,635,626
Cost of sales	2,153,689	1,737,334	63,193	3,954,216	(633,030)	3,321,186
Gross profit	173,016	132,507	8,989	314,512	(72)	314,440
Segment results	35,374	16,646	(61)	51,959	(72)	51,887
Unallocated other revenue						921
Amortisation of financial guarantee liabilities						2,256
Unallocated corporate expenses						(4,541)
Share of loss of associates						(38,273)
Impairment loss recognised in respect of interests in associates						(70,080)
Loss before tax						(57,830)
Income tax expenses						(12,091)
Loss for the year						(69,921)
Non-controlling interests						(1,561)
Loss attributable to owners of the Company						(71,482)

Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administrative expenses, other revenue, amortisation of financial guarantee liabilities, gain on disposal of subsidiaries, share of loss of associates and impairment loss recognised in respect of interests in associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM is of the opinion that the presentation of assets and liabilities in accordance with the reportable segments is not meaningful as the management can monitor the Group's assets and liabilities in one pool, which is more efficient and effective.

4. INCOME TAX EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
The income tax charge comprises:		
Current Tax:		
– Hong Kong	9,108	10,401
– PRC Enterprise Income Tax (the “EIT”)	756	756
– Other jurisdictions	400	278
– Taiwan withholding tax on dividends distributed by subsidiaries	295	650
	<u>10,559</u>	<u>12,085</u>
(Over) underprovision in prior year:		
– Hong Kong	(98)	(142)
– PRC EIT	(35)	282
– Other jurisdictions	15	13
	<u>(118)</u>	<u>153</u>
Deferred tax:		
– Current year	(1,052)	(147)
	<u>9,389</u>	<u>12,091</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 17%. Income taxes for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdictions.

5. PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year from continuing operations has been arrived at or after charging (crediting):

	2017 HK\$'000	2016 HK\$'000 (Restated)
Continuing operations		
Directors' fees	1,030	995
Directors' remuneration (<i>Note</i>)	10,677	10,378
Audit fees paid to auditors		
Auditors of the Company	1,965	1,918
Other auditors	162	177
Non-audit fees paid to auditors		
Auditors of the Company	1,006	481
Staff costs (excluding directors' remuneration) (<i>Note</i>)	124,952	131,656
Amortisation of prepaid lease payments	12	13
Cost of inventories recognised as expenses	3,566,364	3,321,186
Depreciation of property, plant and equipment	11,710	14,270
Gain on disposal of property, plant and equipment	(60)	(12)
Net foreign exchange loss	14,248	14,336
Net loss (gain) on fair value changes of derivative financial instruments	186	(58)
Reversal of allowance for doubtful trade receivables	(7,666)	(8,537)
Interest income from bank deposits	(835)	(809)
Allowance for inventories	13,838	12,072

Note: During the year ended March 31, 2017 and 2016, there were cost of defined contribution plans amounting to approximately HK\$15,450,000 and HK\$16,936,000 respectively, included in staff costs and directors' remuneration.

6. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

In July 2016, the management of the Group resolved to dispose of its interests in Noblehigh Enterprises Inc. ("NEI") and its subsidiaries (together defined as "NEI Group") which operates trading and designing integrated circuits segment. Negotiations with interested parties had subsequently taken place and as part of the disposal plan, the Group entered into a sale and purchase agreement, pursuant to which Willas-Array Investments Limited, a wholly-owned subsidiary of the Company, agreed to acquire 40% interest in its existing 60%-owned subsidiary, NEI, from a third party, Success Advance Limited, at a nominal cash consideration of HK\$1 on August 9, 2016. Immediately after the completion of the acquisition, NEI became a wholly-owned subsidiary of the Company and the difference between the carrying amount of non-controlling interests and the fair value of consideration paid is recognised directly in "other reserve".

6. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION – continued

On November 4, 2016, the Group entered into a sale and purchase agreement to dispose of its entire interest in the NEI Group at a cash consideration of HK\$900,000 to a third party (the “Disposal”). The Disposal was completed on November 4, 2016, on which date control of the NEI Group passed to the acquirer. The reason for the Disposal was that the Group can focus on core segments with more potential to grow.

The loss for the year from the discontinued trading and designing integrated circuits operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the trading and designing integrated circuits operations as a discontinued operation.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss of trading and designing integrated circuits operations for the year	(1,841)	(123)
Gain on disposal of trading and designing integrated circuits operations	<u>12</u>	<u>–</u>
	<u>(1,829)</u>	<u>(123)</u>

The results of the trading and designing integrated circuits operations for the period from April 1, 2016 to November 4, 2016, which have included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	From April 1 to November 4, 2016 <i>HK\$'000</i>	Year ended March 31, 2016 <i>HK\$'000</i>
Revenue	411	6,620
Cost of sales	(1,201)	(1,420)
Distribution costs	(98)	(830)
Administrative expenses	(935)	(4,472)
Other gains and losses	(12)	53
Finance costs	<u>(5)</u>	<u>(72)</u>
Loss before tax	(1,840)	(121)
Income tax expense	<u>(1)</u>	<u>(2)</u>
Loss for the year from discontinued operations	<u>(1,841)</u>	<u>(123)</u>

6. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION – continued

Loss for the year from discontinued operations include the following:

	From April 1 to November 4, 2016 HK\$'000	Year ended March 31, 2016 HK\$'000
Directors' fees	3	12
Directors' remuneration	63	266
Audit fees paid to auditors		
Auditors of the Company	108	453
Other auditors	–	2
Non-audit fees paid to auditors		
Auditors of the Company	–	50
Staff costs (excluding directors' remuneration) (<i>Note</i>)	412	2,032
Cost of inventories recognised as expenses	180	2,768
Depreciation of property, plant and equipment	39	229
Net foreign exchange loss (gain)	12	(52)
Allowance (reversal of allowance) for inventories	973	(1,739)
	<u> </u>	<u> </u>

Note: During the year ended March 31, 2017 and 2016, there were cost of defined contribution plans amounting to approximately HK\$48,000 and HK\$176,000 respectively, included in staff costs.

Cash flows from discontinued operations are summarised as follows:

	From April 1 to November 4, 2016 HK\$'000	Year ended March 31, 2016 HK\$'000
Net cash outflow from:		
Operating activities	257	744
Investing activities	(17)	(82)
Financing activities	(2,000)	(753)
	<u> </u>	<u> </u>
Net cash outflow	<u>(1,760)</u>	<u>(91)</u>

The carrying amounts of the assets and liabilities of the NEI Group at the date of Disposal are disclosed below.

6. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION – continued

The Group discontinued its trading and designing integrated circuits operations at the time of Disposal of the NEI Group. The net assets of the NEI Group at the date of Disposal were as follows:

	<i>HK\$'000</i>
Consideration received:	
Cash received	600
Deferred cash consideration	300
	<hr/>
Total consideration received	900
	<hr/> <hr/>
	As at
	November 4,
	2016
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	200
Inventories	1,178
Trade receivables	130
Other receivables and prepayment	966
Income tax recoverable	5
Deferred tax assets	31
Cash and cash equivalents	694
Trade and other payables	(2,316)
	<hr/>
Net assets disposed of	888
	<hr/> <hr/>
Gain on disposal of subsidiaries:	
Consideration received and receivable	900
Net assets disposed of	(888)
	<hr/>
Gain on disposal	12
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Cash consideration	900
Amount not received and included in other receivables	(300)
Cash and cash equivalents disposed of	(694)
	<hr/>
	(94)
	<hr/> <hr/>

The deferred consideration will be settled in cash by the acquirer on or before September 30, 2017.

7. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$2,386,000 (2016: HK\$2,425,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$1,000 (2016: HK\$1,000), resulting in a gain of approximately HK\$60,000 (2016: HK\$12,000).

8. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	734,890	577,281
Less: allowance for doubtful debts	(8,162)	(16,387)
Net trade receivables	726,728	560,894
Bills receivables	39,272	20,001
	766,000	580,895

Bills receivables represent bank drafts received from customers that are non-interest bearing and due within one year.

The Group allows an average credit period of 62 days (2016: 60 days) to its trade customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Less than 60 days	514,883	407,633
61 to 90 days	105,159	105,474
Over 90 days	106,686	47,787
	726,728	560,894

The aging analysis of bills receivables presented based on the issue date at the respective reporting dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Less than 60 days	25,537	16,969
61 to 180 days	13,735	3,032
	39,272	20,001

9. TRANSFER OF FINANCIAL ASSETS

As at March 31, 2017, trade receivables amounted to approximately HK\$24,193,000 (2016: HK\$60,960,000), which were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounted to approximately HK\$19,354,000 (2016: HK\$48,768,000). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

10. TRADE AND BILLS PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	416,896	356,476
Bills payables	1,719	9,586
	<u>418,615</u>	<u>366,062</u>

Bills payables of the Group are aged within 30 days (2016: 30 days).

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Less than 30 days	335,965	266,381
31 to 60 days	80,931	88,393
Over 60 days	–	1,702
	<u>416,896</u>	<u>356,476</u>

11. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised		
At April 1, 2015		
– Ordinary shares of HK\$0.2 each	600,000	120,000
Share consolidation (<i>Note</i>)	<u>(480,000)</u>	<u>–</u>
At April 1, 2016 and March 31, 2017		
– Ordinary shares of HK\$1.0 each	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2015		
– Ordinary shares of HK\$0.2 each	376,745	75,349
Exercise of share options	785	157
Share consolidation (<i>Note</i>)	<u>(302,024)</u>	<u>–</u>
At April 1, 2016 and March 31, 2017		
– Ordinary shares of HK\$1.0 each	<u>75,506</u>	<u>75,506</u>

The Company has no treasury shares.

Note: Pursuant to the resolution passed at the annual general meeting of the Company held on July 30, 2015, the consolidation of every five (5) issued and unissued ordinary shares of par value of HK\$0.20 each in the then capital of the Company into one (1) consolidated ordinary share of par value of HK\$1.00 each in the capital of the Company became effective on August 17, 2015.

12. SHARE-BASED PAYMENTS

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

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

	Number of share options
Unexercised options for ordinary shares at April 1, 2015	4,968,000
Exercised during the year	(785,000)
Consolidated during the year (<i>Note</i>)	<u>(3,346,400)</u>
Unexercised options for ordinary shares at April 1, 2016 and March 31, 2017	<u>836,600</u>

12. SHARE-BASED PAYMENTS – continued

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

Note: Upon the share consolidation which became effective on August 17, 2015, the exercise price and the number of underlying shares comprised in the outstanding options granted under the Employee Share Option Scheme II of the Company have been adjusted.

13. DIVIDEND

	2017	2016
	HK\$'000	HK\$'000
Dividend recognised as distribution during the year:		
2015 – Final HK6.347 cents per share of HK\$0.20 each	–	23,962
2016 – Nil	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>23,962</u>

On August 26, 2015, a one-tier tax exempt dividend of HK6.347 cents per share (total dividend of approximately HK\$23,962,000) was paid to shareholders in respect of the financial year ended March 31, 2015.

No dividend was declared for the year ended March 31, 2016.

In respect of the year ended March 31, 2017, the Board has proposed that a one-tier tax exempt dividend of HK31.0 cents per share will be paid to shareholders on August 25, 2017. This dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company and has not been included as a liability in these financial statements. The proposed dividend is payable to those shareholders whose names appear on the register of members of the Company at the close of business on August 14, 2017. The estimated total dividend to be paid is approximately HK\$23,407,000.

14. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Group Figures			
	2017		2016	
	Basic <i>HK\$'000</i>	Diluted <i>HK\$'000</i>	Basic <i>HK\$'000</i>	Diluted <i>HK\$'000</i>
Profit (Loss) attributable to shareholders	<u>37,514</u>	<u>37,514</u>	<u>(71,605)</u>	<u>(71,605)</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	<u>75,505,960</u>	<u>75,505,960</u>	<u>75,451,911</u>	<u>75,451,911</u>
Adjustment for potential dilutive ordinary shares	<u>-</u>	<u>353,143</u>	<u>-</u>	<u>N/A</u>
Weighted average number of ordinary shares used to compute earnings (loss) per share	<u>75,505,960</u>	<u>75,859,103</u>	<u>75,451,911</u>	<u>75,451,911</u>
Earnings (Loss) per share	<u><u>49.68 (HK cents)</u></u>	<u><u>49.45 (HK cents)</u></u>	<u><u>(94.90) (HK cents)</u></u>	<u><u>(94.90) (HK cents)</u></u>

The computation of diluted loss per share for the year ended March 31, 2016 did not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

14. EARNINGS (LOSS) PER SHARE – continued**From continuing operations**

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

	Group Figures			
	2017		2016	
	Basic	Diluted	Basic	Diluted
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (Loss) attributable to shareholders	37,514	37,514	(71,605)	(71,605)
Less: Loss from discontinued operations	1,841	1,841	123	123
Profit (Loss) attributable to shareholders from continuing operations	39,355	39,355	(71,482)	(71,482)
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	75,505,960	75,505,960	75,451,911	75,451,911
Adjustment for potential dilutive ordinary shares	–	353,143	–	N/A
Weighted average number of ordinary shares used to compute earnings (loss) per share	75,505,960	75,859,103	75,451,911	75,451,911
Earnings (Loss) per share	52.12 (HK cents)	51.88 (HK cents)	(94.74) (HK cents)	(94.74) (HK cents)

From discontinued operations

For the year ended March 31, 2017, basic and diluted loss per share for the discontinued operations are HK2.44 cents per share (2016: basic and diluted loss per share are HK0.16 cents per share), based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK\$1,841,000 (2016: HK\$123,000) and the denominators detailed above for both basic and diluted loss per share.

15. NET ASSET VALUE

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

	Group Figures		Company Figures	
	2017	2016	2017	2016
Net asset value per ordinary share based on issued share capital of the Company at the end of the year	<u>765.33 (HK cents)</u>	<u>735.39 (HK cents)</u>	<u>447.37 (HK cents)</u>	<u>403.17 (HK cents)</u>

The net asset backing per ordinary share as at March 31, 2017 was based on the issued share capital of 75,505,960 ordinary shares (March 31, 2016: 75,505,960).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue – Continuing operations

The Group's sales revenue from continuing operations had increased by 6.8% from HK\$3,635.6 million for the year ended March 31, 2016 ("FY2016") to HK\$3,883.1 million for the year ended March 31, 2017 ("FY2017").

Overall growth was mainly driven by the strong demand in energy saving and premium Home Appliance and Automotive applications. The double-digit growth in these two segments was a result of the Group's investment in providing professional engineering resources and services to its customers so as to capture the opportunities available in these segments. This strategy paid off particularly well for the Automotive segment which generated a 32.4% surge in revenue.

During FY2017, the Group performed a reclassification of some customers to better reflect the change in the nature of their businesses. This affects mainly the figures in its Dealer, Industrial and Electronic Manufacturing Services ("EMS") segments.

Turnover by Market Segment Analysis

(in HK\$'000)

	FY2017		FY2016		Increase (Decrease)	
		%		%		%
Continuing operations						
Telecommunications	1,041,889	26.8%	959,746	26.4%	82,143	8.6%
Industrial	859,543	22.1%	771,287	21.2%	88,256	11.4%
Home Appliance	506,182	13.0%	437,693	12.0%	68,489	15.6%
Automotive	433,383	11.2%	327,447	9.0%	105,936	32.4%
Dealer	376,447	9.7%	470,369	12.9%	(93,922)	-20.0%
Audio and Video	236,765	6.1%	244,655	6.7%	(7,890)	-3.2%
EMS	201,326	5.2%	189,177	5.2%	12,149	6.4%
Lighting	122,732	3.2%	123,220	3.5%	(488)	-0.4%
Others	104,873	2.7%	112,032	3.1%	(7,159)	-6.4%
	<u>3,883,140</u>	<u>100.0%</u>	<u>3,635,626</u>	<u>100.0%</u>	<u>247,514</u>	<u>6.8%</u>

Telecommunications

This segment remained the Group's largest revenue generator in FY2017 contributing sales of HK\$1,041.9 million. The 8.6% increase in sales achieved in FY2017 was smaller than the growth achieved in FY2016, which was a year of rapid expansion in the China's 4G market.

The maturity of the market is expected to lead to a slowdown in the demand for 4G handsets, which may in turn cause an imbalance of supply and demand and greater price competition. The Group is currently reviewing its inventory status to better match market conditions and also improving its efficiency so as to maintain its market share in this segment.

Industrial

Revenue from this segment was HK\$859.5 million in FY2017, an increase of 11.4% year-on-year (“YOY”). Although the growth was partly due to the reclassification of customers, it was also a result of stronger demand from energy saving applications and transportation, communication and power-related infrastructure. The Group believes China’s “One Belt, One Road” strategy offers tremendous opportunities for this segment.

To capitalize on the potential growth of this segment, the Group has positioned itself as a dedicated engineering solutions distributor. It has established a strong network of key customers and suppliers in the China market and also developed various applications for their specific needs. It believes this strategy can generate stable returns from this segment and support the healthy growth of the Group.

Home Appliance

Revenue from this segment was HK\$506.2 million in FY2017, an increase of 15.6% YOY. The double-digit growth was a result of solid demand in both the export and domestic markets for premium home appliance and inverter applications in energy saving products.

This segment continued to benefit from the rising trend for high quality home appliance with more sophisticated and environmentally friendly features. Such appliances require electronics components with more advanced solutions. The Group continues to strengthen its capability in this segment in order to capture the potential opportunity and also introduce more new suppliers to expand its product offering.

Automotive

Revenue from this segment was HK\$433.4 million in FY2017, an increase of 32.4% YOY. In recent years, the Automotive segment has become one of the highest growth segments in the Group’s business portfolio. This was the result of its commitment and investment to build up its capabilities in this segment. The Group is optimistic that it can capitalize on the opportunities available to it as the sector continues to have higher requirements for more advanced features and higher safety standards. The Group continues to team up with its major suppliers to secure a leading position in the market and also attract potential new suppliers to enrich the product offering. The healthy growth in this segment can support the long-term growth of the Group.

Dealer

This segment achieved revenue of HK\$376.4 million in FY2017, a decrease of 20% YOY. The change was mainly due to the reclassification of customers who had changed the nature of their business.

However in the traditional trading segment, the market is getting more transparent and there is less room for traders to achieve growth. The Group continues its close partnerships with major suppliers and partner dealers to secure more market share from its competitors. It is offering aggressive package deals and continuing to monitor the changing market conditions and adjusting its strategy accordingly.

Audio and Video

Revenue from this segment was HK\$236.8 million in FY2017, a decrease of 3.2% YOY. The Group's key customers in this segment have already migrated from traditional audio to portable audio and professional audio. The total business volume is getting stable and the Group can also foresee more new requirements for electronic componentry in this segment. It intends to maintain adequate resources in order to cooperate with existing and new suppliers to identify these new opportunities.

EMS

This segment registered a YOY growth of 6.4% in revenue to HK\$201.3 million in FY2017. The growth was mainly due to the reclassification of customers; however, the actual performance in this segment was flat. The Group expects the business of this segment to remain challenging because of keen competition. It intends to try its best to provide efficient and effective support and back-up engineering services to its key customers through improving the supply chain. Moreover, it consciously monitors order trends and rolling forecasts to minimize its risk in purchase and the possibility of carrying obsolete stock.

Lighting

Revenue from this segment decreased by 0.4% YOY to HK\$122.7 million in FY2017. LED lighting has already become widely used in various industrial and consumer applications. There are more and more new components and new solutions coming out and the market remains very competitive. Oversupply and price erosion are still the key issues in this segment but the sizeable volume of this market is worth paying attention to. The Group continues to monitor the trends and allocate adequate resources to capture all possible opportunities. At the same time, the credit positions of its customers and the buffer inventory are other major concerns.

Others

Revenue from this segment decreased by 6.4% YOY to HK\$104.9 million in FY2017. Although certain businesses in this segment are unstable, the Group believes that some of them have the potential to become star segments in the future. Thus, the Group has to monitor such segments closely to avoid missing any good opportunities in the market.

Profit Margin – Continuing operations

The slowing of China's GDP growth rate in 2015 continued in 2016 and this led to downward pressure on prices and a squeeze on the Group's gross profit margin to 8.16% in FY2017 from 8.65% in FY2016.

Distribution costs – Continuing operations

Distribution costs increased by HK\$4.3 million, or 9.3%, from HK\$46.2 million in FY2016 to HK\$50.5 million in FY2017. The increase was mainly due to more sales rebate and entertainment activities to boost sales.

Administrative expenses – Continuing operations

Administrative expenses decreased by HK\$6.0 million, or 3.0%, from HK\$196.4 million in FY2016 to HK\$190.4 million in FY2017 mainly due to a decrease in staff cost as a result of a fall in average headcount as compared with FY2016.

Other gains and losses – Continuing operations

Other losses of HK\$7.2 million in FY2017 included an exchange loss of HK\$14.2 million, mainly arising from the depreciation of the Chinese renminbi ("RMB") against the United States dollar ("USD") offset by a reversal of allowance for doubtful trade receivables of HK\$7.7 million. Other losses of HK\$5.7 million in FY2016 included an exchange loss of HK\$14.3 million, mainly arising from the depreciation of RMB against USD offset by a reversal of allowance for doubtful trade receivables of HK\$8.5 million.

Finance costs – Continuing operations

Finance costs increased by HK\$3.7 million, or 17.8%, from HK\$20.8 million in FY2016 to HK\$24.5 million in FY2017. This was mainly attributable to an increase in trust receipt loans and the higher interest rate during the year.

Share of loss of associates/Impairment loss on interests in associates – Continuing operations

Share of loss of the Company's associated company, GW Electronics Company Limited ("GW Electronics") in FY2016 was mainly due to the provision of doubtful debts for debtors of memory products.

Following the termination of its authorised distributorship agreement with an electronic components manufacturer in September 2015, GW Electronics downsized its operation to an optimum level to serve its remaining product lines and customers. As a result, an impairment loss of HK\$70.1 million was made in FY2016.

Loss from discontinued operations

Loss from discontinued operations increased from a loss of HK\$0.1 million in FY2016 to a loss of HK\$1.8 million in FY2017, which was mainly due to the drop in sales of NEI Group.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Compared to the previous year ended March 31, 2016, trust receipt loans increased by HK\$79.1 million. Trade and bills payables increased from HK\$366.1 million as at March 31, 2016 to HK\$418.6 million as at March 31, 2017. Both increases were due to the increase in purchasing activity during the year. Trade and bills receivables increased by HK\$185.1 million when compared to those as at March 31, 2016 due to an increase in sales revenue towards the end of the year under review. The debtors turnover days increased from 1.9 months to 2.4 months.

As at March 31, 2017, the Group's current ratio (current assets/current liabilities) was 1.27 (March 31, 2016: 1.25).

Inventories

Inventories increased from HK\$535.5 million as at March 31, 2016 to HK\$591.7 million as at March 31, 2017. The inventory turnover days remained at 2.0 months.

Cash Flow

As at March 31, 2017, the Group had a working capital of HK\$363.0 million, which included a cash balance of HK\$331.3 million, compared to a working capital of HK\$320.6 million, which included a cash balance of HK\$482.6 million as at March 31, 2016. The decrease in cash by HK\$151.3 million was attributable to the cash outflow of HK\$141.3 million in operating activities, HK\$2.3 million in investing activities and HK\$4.9 million in financing activities.

Cash outflow in operating activities was mainly attributable to an increase in trade receivables due to increased sales revenue and a slight increase in average credit period as a result of more sales attributable from customers with a longer credit period.

Cash outflow in financing activities was attributable to the net effect of repayment of advance from associates and an increase in trust receipt loans due to increased purchasing activities.

Borrowings and Banking Facilities

As at March 31, 2017, bank borrowings of HK\$190.0 million (March 31, 2016: HK\$202.0 million) were unsecured and repayable in quarterly or half yearly installments ending in the financial year of 2018.

Bank borrowings bore interest at a weighted average effective rate of 3.42% per annum for fixed rate borrowings and 2.41% per annum for variable rate borrowings as at March 31, 2017.

As at March 31, 2017, trust receipt loans were unsecured and repayable within one year and bore an effective interest rate of 2.38% to 3.20% per annum. As at March 31, 2017, the Group had unutilised banking facilities of HK\$330.0 million (March 31, 2016: HK\$488.8 million).

The aggregate amount of the group's borrowings and debt securities are as follows:

Amount repayable in one year or less, or on demand

As at March 31, 2017		As at March 31, 2016	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
19,354	858,554	48,768	791,485

Amount repayable after one year

As at March 31, 2017		As at March 31, 2016	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
–	–	–	–

As at March 31, 2017, trade receivables amounted to HK\$24.2 million (March 31, 2016: HK\$61.0 million), which were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounted to HK\$19.4 million (March 31, 2016: HK\$48.8 million).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at March 31, 2017 was 94.5% (March 31, 2016: 65.7%). 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) by shareholders' equity at the end of a given period. The increase was mainly due to an increase in trust receipt loans from HK\$589.5 million to HK\$668.6 million to finance the increased purchasing activities.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at March 31, 2017, the aggregate banking facilities granted to the subsidiaries were HK\$1,190.3 million (March 31, 2016: HK\$1,289.9 million), of which HK\$863.7 million (March 31, 2016: HK\$804.2 million) was utilised and guaranteed by the Company.

As at March 31, 2017, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were HK\$327.1 million (March 31, 2016: HK\$274.6 million).

During the year ended March 31, 2015, the Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its associates. All of the financial guarantee contracts had been cancelled as at March 31, 2016 and no outstanding guarantees were given thereafter.

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

The Group expects market conditions to remain challenging in the year ahead in line with China's slowing economic growth. Although its industry is unlikely to experience exponential growth in the near term, the Group remains confident that it is still a viable business because of the diversity of uses for electronic componentry.

On November 4, 2016, the Group entered into a sale and purchase agreement to dispose of its entire interest in its wholly-owned subsidiary Noblehigh Enterprises Inc. and its subsidiaries (together defined as "NEI Group") to a third party for a cash consideration for HK\$0.9 million (the "Disposal"). NEI Group's primary business is the design and trading of integrated circuits for the audio equipment market, which requires large upfront investments in research and development. The reason for the Disposal was that the Group can focus on core segments with more potential to grow.

Looking ahead, the Group will actively seek out new suppliers to enrich its product offering to customers, while at the same time implement more stringent cost control measures so as to maintain its competitiveness.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE THE END OF THE FINANCIAL YEAR

There are no important events affecting the Group, which have occurred since the end of the financial year.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK31.0 cents (2016: nil) per ordinary share for the year ended March 31, 2017 to those shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) at the close of business on August 14, 2017. The final dividend is payable on August 25, 2017 subject to approval by the Shareholders at the forthcoming 2017 annual general meeting of the Company (the “2017 AGM”).

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Friday, July 28, 2017 and the notice of the 2017 AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(1) Annual General Meeting

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2017 AGM, for Hong Kong Shareholders, the Hong Kong branch Register of Members will be closed from Tuesday, July 25, 2017 to Friday, July 28, 2017, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2017 AGM, Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company’s Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, July 24, 2017.

For Singapore Shareholders, the Share Transfer Books and Singapore branch Register of Members will be closed at 5:00 p.m. on Monday, July 24, 2017 for the purpose of determining the entitlement of the Singapore Shareholders to attend and vote at the 2017 AGM. Duly completed transfers received by the Company’s Share Transfer Agent, Intertrust Singapore Corporate Services Pte. Ltd. of 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 up to 5:00 p.m. on Monday, July 24, 2017 will be registered to determine Singapore Shareholders’ entitlements to attend and vote at the 2017 AGM.

(2) Payment of the proposed final dividend

For the purpose of determining the identity of the Shareholders for the dividend entitlement, for Hong Kong Shareholders, the Hong Kong branch Register of Members will be closed from Tuesday, August 15, 2017 to Thursday, August 17, 2017, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend, Hong Kong Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, August 14, 2017.

For Singapore Shareholders, the Share Transfer Books and Singapore branch Register of Members will be closed at 5:00 p.m. on Monday, August 14, 2017. Duly completed registrable transfers of shares received by the Company's Share Transfer Agent, Intertrust Singapore Corporate Services Pte. Ltd. of 77 Robinson Road, #13-00 Robinson 77, Singapore 068896, up to 5:00 p.m. on Monday, August 14, 2017 will be registered to determine Shareholders' entitlements to the proposed final dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5:00 p.m. on Monday, August 14, 2017 will be entitled to the proposed final dividend.

Any transfer of the shares between the branch Registers of Members in Singapore and Hong Kong by way of deregistration from one branch Register of Members and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, August 4, 2017 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, August 4, 2017 for Singapore Shareholders. Shareholders who hold their shares on the Hong Kong branch Register of Members will receive their final dividend payment in HKD; while Shareholders who hold their shares on the Singapore branch Register of Members will receive their final dividend payment in Singapore dollars.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2017, the Group had a workforce of 444 full-time employees (March 31, 2016: 477, of which 14 was from the discontinued operations), of which 34.7% worked in Hong Kong, 61.3% in the PRC and the remainder in Taiwan.

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

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 determines the remuneration and compensation packages of the directors of the Company (the "Directors") and senior management of the Company by reference to the salaries paid by comparable companies, the time commitment and responsibilities of the Directors and the performance of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended March 31, 2017, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH HONG KONG CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that during the year ended March 31, 2017, the Company has complied with all the code provisions of the Corporate Governance Code (the "HK CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules").

In the event of any conflict among the HK Listing Rules, the Code of Corporate Governance 2012 of Singapore and the Bye-Laws, the Company will comply with the more onerous provision. As such, the Board considers that sufficient measures are in place to ensure the adequateness of the Company's corporate governance practices relating to the appointment, retirement and re-election of Directors (including independent non-executive Directors (the "INEDs")).

COMPLIANCE WITH HONG KONG MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “HK Model Code”) as set out in Appendix 10 to the HK Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Following a specific enquiry made by the Company with each of the Directors, all of them have confirmed that they had complied with the required standards as set out in the HK Model Code throughout the year ended March 31, 2017.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the HK CG Code and the Main Board rules of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Audit Committee comprises all of the three INEDs, namely Jovenal R. Santiago (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group’s audited annual results and the Company’s draft annual report for the year ended March 31, 2017 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for the year ended March 31, 2017 have been audited by the Company’s independent auditors, Deloitte Touche Tohmatsu, Hong Kong.

The independent auditors’ report on the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company as of and for the year ended March 31, 2017 is attached as Appendix 1 to this announcement.

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

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEx”) at www.hkex.com.hk, the website of the Company at www.willas-array.com and the website of the SGX-ST at www.sgx.com. The annual report of the Company for the year ended March 31, 2017 will be despatched to the Shareholders and published on the respective websites of the HKEx, the Company and the SGX-ST in due course.

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 prospect statement was previously disclosed in the half year results announcement for the financial period ended September 30, 2016.

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

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

3. A breakdown of sales

		Group		
Continuing operations		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)	Increase/ (Decrease) %
(a)	Sales reported for first half year	2,069,937	1,874,800	10.4%
(b)	Operating profit (loss) after tax before deducting non-controlling interests reported for first half year	15,900	(38,559)	141.2%
(c)	Sales reported for second half year	1,813,203	1,760,826	3.0%
(d)	Operating profit (loss) after tax before deducting non-controlling interests reported for second half year	22,942	(31,362)	173.2%

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

	Total Annual Dividend	
	Latest Full Year	Previous Full Year
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary	23,407	0
Preference	0	0
Total:	23,407	0

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Leung Chi Hang, Daniel	41	Eldest son of Leung Chun Wah, the Chairman, an Executive Director and a Substantial Shareholder of the Company.	Deputy Managing Director for Information Technology and Logistics with effect from April 1, 2015. He is responsible for overseeing the Information Technology and Logistics functions of the Group.	He is also responsible for overseeing the Marketing Communication function of the Group with effect from May 1, 2016

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

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

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

Hong Kong/Singapore, May 26, 2017

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

Appendix 1

The independent auditors' report on the full financial statements of Willas-Array Electronics (Holdings) Limited for the financial year ended March 31, 2017 is as follows:

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
For the financial year ended March 31, 2017**

Opinion

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages ● to ●, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

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

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are no longer saleable in the market and estimated the net realisable value for those items based on the historical and latest selling price.

As disclosed in note 25 to the consolidated financial statements, as at March 31, 2017, the carrying amount of Group’s inventories is approximately HK\$591,741,000, net of allowance for inventories of HK\$30,998,000.

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

- Understanding the Group’s key controls in respect of the preparation of inventory aging report and sales margin report for the determination of the allowance for inventories;
- Engaging our internal IT specialists to perform Computer Assisted Audit Techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales;
- Testing the net realisable values of inventories by reference to historical and latest sales margin report to identify any obsolete inventories and assessing whether the allowance was properly provided for the relevant inventories; and
- Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year.

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

We identified the recoverability of the Group's trade receivables as a key audit matter due to its significant balance (37% of the Group's total asset) and the estimation uncertainty involved in the determining the recoverability of trade receivables.

Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be recoverable. The Group takes into consideration the aging categories, subsequent settlements of the receivables, repayment history and credit worthiness of debtors in determining the recoverability of trade receivables and the amount of allowance for doubtful debts.

As described in note 26 to the consolidated financial statements, as at March 31, 2017, the carrying amount of the Group's trade receivables were approximately HK\$726,728,000 (2016: HK\$560,894,000), net of allowance for doubtful debts of HK\$8,162,000 (2016: HK\$16,387,000).

Our audit procedures in relation to the recoverability of trade receivables included:

- Understanding the Group's key controls in respect of the preparation of aging report of trade receivables for the determination of allowance for doubtful debts;
- Engaging our internal IT specialists to perform Computer Assisted Audit Techniques exercise to test the accuracy of the trade receivables aging listed in the system generated report, and assessing whether allowance for doubtful debts was properly provided for after taking into account subsequent settlements;
- Testing settlements received in respect of the trade receivables subsequent to the year end, on a sample basis, against to source documents; and
- Assessing the historical accuracy of allowance for doubtful debts to evaluate the appropriateness of the basis made by the management in the current year.

Other Information

The directors are responsible for the other information. The other information comprises the financial highlights, chairman's statement, management discussion and analysis, corporate governance report, report of directors, statement of directors and environmental, social and governance report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the shareholders' information, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person

for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Jimmy Toy.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 26, 2017