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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, 2020

FINANCIAL HIGHLIGHTS

	For the year ended		
	March 31,		
	2020	2019	Change
	HK\$'000	HK\$'000	%
Revenue	3,175,259	3,687,827	-13.9
Gross profit	206,159	327,513	-37.1
Loss before tax	(71,829)	(17,478)	+311.0
Loss attributable to owners of the Company	(72,553)	(18,963)	+282.6
Basic loss per share (HK cents)	(85.15)	(22.36)	+280.8

AUDITED FINANCIAL RESULTS

The board of directors of Willas-Array Electronics (Holdings) Limited (the “Company” and the “Board”, respectively) announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the year ended March 31, 2020, together with the comparative figures for the year ended March 31, 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000	Change %
Revenue	3	3,175,259	3,687,827	-13.9
Cost of sales		(2,969,100)	(3,360,314)	-11.6
Gross profit		206,159	327,513	-37.1
Other income		14,937	4,899	+204.9
Distribution costs		(29,069)	(43,092)	-32.5
Administrative expenses		(188,718)	(220,074)	-14.2
Other gains and losses		(14,575)	(31,319)	-53.5
Impairment losses, net of reversal		(23,978)	(8,835)	+171.4
Loss on fair value change of investment property		(322)	–	NM
Finance costs		(36,263)	(46,570)	-22.1
Loss before tax		(71,829)	(17,478)	+311.0
Income tax expense	4	(724)	(1,485)	-51.2
Loss for the year	5	(72,553)	(18,963)	+282.6
Other comprehensive income (expense):				
<i>Items that will not be reclassified to profit or loss:</i>				
– Gain on revaluation of owned properties		4,390	21,514	-79.6
– Gain on revaluation of leasehold land transferred to investment property		7,355	–	NM
– Income tax relating to gain recognised in other comprehensive income		(6,070)	(4,273)	+42.1
		5,675	17,241	-67.1
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translation of foreign operations		(15,993)	(17,108)	-6.5
Other comprehensive (expense) income for the year		(10,318)	133	NM
Total comprehensive expense for the year attributable to owners of the Company		(82,871)	(18,830)	+340.1
Loss per share	13			
– Basic (HK cents)		(85.15)	(22.36)	+280.8
– Diluted (HK cents)		(85.15)	(22.36)	+280.8

NM – Not Meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	259,787	279,355
Right-of-use assets		14,013	–
Prepaid lease payments – non-current		–	544
Investment property		8,200	–
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income		–	–
Long-term deposits		15,697	16,514
Deferred tax assets		1,982	1,972
Restricted bank deposits		2,187	–
		<hr/>	<hr/>
Total non-current assets		303,867	300,386
Current assets			
Inventories		375,130	689,898
Trade receivables	7	660,912	768,428
Other receivables, deposits and prepayments		5,486	10,019
Prepaid lease payments – current		–	12
Income tax recoverable		12,604	12,201
Derivative financial instruments		993	31
Restricted bank deposits		2,219	4,673
Cash and cash equivalents		264,839	297,498
		<hr/>	<hr/>
Total current assets		1,322,183	1,782,760
		<hr/>	<hr/>
Total assets		1,626,050	2,083,146
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

As at March 31, 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	9	305,928	310,863
Other payables		26,164	34,776
Contract liabilities		4,851	8,604
Income tax payable		412	2,927
Trust receipt loans		469,131	591,998
Bank borrowings		201,765	434,147
Derivative financial instruments		61	540
Lease liabilities		11,906	–
Total current liabilities		1,020,218	1,383,855
Net current assets		301,965	398,905
Total assets less current liabilities		605,832	699,291
Capital and reserves			
Share capital	10	85,207	85,207
Reserves		485,501	585,413
Equity attributable to owners of the Company		570,708	670,620
Non-current liabilities			
Deferred tax liabilities		31,086	28,671
Derivative financial instruments		2,177	–
Lease liabilities		1,861	–
Total non-current liabilities		35,124	28,671
Total liabilities and equity		1,626,050	2,083,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2020

	Attributable to owners of the Company							
	Share capital	Capital reserves	Statutory reserve	Property revaluation reserve	Currency translation reserve	Financial assets measured at fair value through other comprehensive income reserve	Other reserve	Accumulated profits
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note ii)	HK\$'000
At April 1, 2018	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797
Total comprehensive income (expense) for the year:								
Loss for the year	-	-	-	-	-	-	-	(18,963)
Other comprehensive income (expense) for the year	-	-	-	17,241	(17,108)	-	-	133
Total	-	-	-	17,241	(17,108)	-	-	(18,963)
Transactions with owners, recognised directly in equity:								
Exercise of share options	1,120	3,696	-	-	-	-	-	4,816
Recognition of equity-settled share-based payments	-	1,110	-	-	-	-	-	1,110
Share options cancelled	-	(1,303)	-	-	-	-	-	1,303
Issuance of new shares under the bonus issue	7,746	(7,746)	-	-	-	-	-	-
Dividend paid (Note 12)	-	-	-	-	-	-	-	(32,534)
Transfer from property revaluation reserve	-	-	-	(4,332)	-	-	-	4,332
Transfer of statutory reserve	-	-	1,446	-	-	-	-	(1,446)
Total	8,866	(4,243)	1,446	(4,332)	-	-	-	(28,345)
At March 31, 2019	85,207	193,551	19,580	121,941	3,861	(16,448)	(3,561)	266,489
Total comprehensive income (expense) for the year:								
Loss for the year	-	-	-	-	-	-	-	(72,553)
Other comprehensive income (expense) for the year	-	-	-	5,675	(15,993)	-	-	(10,318)
Total	-	-	-	5,675	(15,993)	-	-	(72,553)
Transactions with owners, recognised directly in equity:								
Share options cancelled	-	(92)	-	-	-	-	-	92
Share options lapsed	-	(1)	-	-	-	-	-	1
Dividend paid (Note 12)	-	-	-	-	-	-	-	(17,041)
Transfer from property revaluation reserve	-	-	-	(5,031)	-	-	-	5,031
Transfer of statutory reserve	-	-	1,294	-	-	-	-	(1,294)
Total	-	(93)	1,294	(5,031)	-	-	-	(13,211)
At March 31, 2020	85,207	193,458	20,874	122,585	(12,132)	(16,448)	(3,561)	180,725

Notes:

- (i) The statutory reserve is non-distributable and was appropriated from profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the laws and regulations of the PRC and Taiwan.
- (ii) Other reserve comprises a debit amount of HK\$3,561,000 and represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in certain then subsidiaries acquired during the year ended March 31, 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2020

	2020 HK\$'000	2019 HK\$'000
Operating activities		
Loss before tax	(71,829)	(17,478)
Adjustments for:		
Depreciation of property, plant and equipment	14,121	13,360
Depreciation of right-of-use assets	10,509	–
Amortisation of prepaid lease payments	–	12
Interest expense on bank borrowings and trust receipt loans	35,633	46,570
Interest expense on lease liabilities	630	–
Share-based payment expense	–	1,110
Allowance for inventories	14,230	7,871
Impairment losses, net of reversal	23,978	8,835
Loss on disposal of property, plant and equipment	68	40
Loss on fair value change of investment property	322	–
Net loss on fair value changes of derivative financial instruments	735	535
Unrealised exchange loss	15,640	24,763
Interest income	(1,984)	(1,920)
Operating cash flows before movements in working capital	42,053	83,698
Decrease (increase) in inventories	296,748	(11,759)
(Increase) decrease in trade receivables (<i>Note</i>)	(6,007)	153,011
Decrease in other receivables, deposits and prepayments	4,387	820
Increase in long-term deposits	(69)	(1,601)
Increase (decrease) in trade payables	231	(84,667)
Decrease in other payables	(5,388)	(20,919)
(Decrease) increase in contract liabilities	(3,631)	2,784
Cash generated from operations	328,324	121,367
Income tax paid	(6,307)	(24,213)
Interest paid	(38,195)	(44,634)
Interest received	1,984	1,920
Net cash generated from operating activities	285,806	54,440

CONSOLIDATED STATEMENT OF CASH FLOWS – continued*For the year ended March 31, 2020*

	2020 HK\$'000	2019 HK\$'000
Investing activities		
Purchase of property, plant and equipment	(1,319)	(14,737)
Deposits paid for acquisition of property, plant and equipment	–	(11,985)
Placement of restricted bank deposits	(2,359)	(2,353)
Withdrawal of restricted bank deposits	2,260	–
Proceeds from disposal of property, plant and equipment	–	11
	<u>–</u>	<u>11</u>
Net cash used in investing activities	<u>(1,418)</u>	<u>(29,064)</u>
Financing activities		
Dividend paid to shareholders	(17,041)	(32,534)
Proceeds from exercise of share options	–	4,816
Repayments of trust receipt loans	(2,274,689)	(2,932,522)
Proceeds from trust receipt loans	2,151,822	2,706,142
Repayments of bank borrowings	(916,077)	(667,981)
Proceeds from bank borrowings	751,122	871,343
Repayments of lease liabilities	(11,397)	–
	<u>(316,260)</u>	<u>(50,736)</u>
Net cash used in financing activities	<u>(316,260)</u>	<u>(50,736)</u>
Net decrease in cash and cash equivalents	(31,872)	(25,360)
Cash and cash equivalents at beginning of the year	297,498	327,050
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(787)	(4,192)
	<u>(787)</u>	<u>(4,192)</u>
Cash and cash equivalents at end of the year	<u><u>264,839</u></u>	<u><u>297,498</u></u>

Note: During the year ended March 31, 2020, the Company discounted bills received from customers to banks with recourse to finance its operation and as such, the operating cash flow stated above did not include the related bills settlements of HK\$65,954,000 (2019: nil) as it represented non-cash derecognition upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

1. GENERAL

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than the application of new accounting policies, and the changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards (“IFRS Standards”) issued by the International Accounting Standards Board (the “IASB”), the accounting policies and methods of computation used in the consolidated financial statements for the year ended March 31, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended March 31, 2019.

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

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

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 - 2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

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

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after April 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, April 1, 2019. As at April 1, 2019, other than reclassification of prepaid lease payments of HK\$556,000, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

2. PRINCIPAL ACCOUNTING POLICIES – continued

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

IFRS 16 Leases – continued

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 4%.

	At April 1, 2019 HK\$'000
Operating lease commitments disclosed as at March 31, 2019	23,212
Lease liabilities discounted at relevant incremental borrowing rates	20,663
Less: Recognition exemption – short term leases	(1,213)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at April 1, 2019	19,450
Analysis by:	
Current	9,072
Non-current	10,378
	19,450

The carrying amount of right-of-use assets as at April 1, 2019 comprises the following:

	At April 1, 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	19,450
Reclassified from prepaid lease payments	(a) 556
	20,006
By class:	
Leasehold lands	556
Leased properties	19,450
	20,006

2. PRINCIPAL ACCOUNTING POLICIES – continued

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

IFRS 16 Leases – continued

As a lessee – continued

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at April 1, 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at March 31, 2019	Adjustments	Carrying amounts under IFRS 16 at April 1, 2019
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Right-of-use assets	(a) & (b)	–	20,006	20,006
Prepaid lease payments	(a)	544	(544)	–
Current assets				
Prepaid lease payments	(a)	12	(12)	–
Current liabilities				
Lease liabilities		–	(9,072)	(9,072)
Non-current liabilities				
Lease liabilities		–	(10,378)	(10,378)

For the purpose of reporting cash flows from operating activities under indirect method for the year ended March 31, 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at April 1, 2019 as disclosed above.

Notes:

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at March 31, 2019. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$12,000 and HK\$544,000, respectively, were reclassified to right-of-use assets.
- (b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. However, no adjustment is made as the directors of the Company consider that the discounting effect is not significant to the consolidated financial statements upon the application of IFRS 16.

3. SEGMENT INFORMATION

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

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

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

The CODM focuses on reportable segment profit which is gross profit earned by each segment. Other income, distribution costs, administrative expenses, other gains and losses, impairment losses, net of reversal, loss on fair value change of investment property and finance costs are excluded from segment results.

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

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

Year ended March 31, 2020

	Trading of electronic components					
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue						
Sales – external	1,628,107	1,463,083	84,069	3,175,259	–	3,175,259
Sales – inter-company	490,998	402,727	900	894,625	(894,625)	–
	<u>2,119,105</u>	<u>1,865,810</u>	<u>84,969</u>	<u>4,069,884</u>	<u>(894,625)</u>	<u>3,175,259</u>
Cost of sales	(2,016,228)	(1,771,476)	(76,021)	(3,863,725)	894,625	(2,969,100)
Gross profit/segment results	<u>102,877</u>	<u>94,334</u>	<u>8,948</u>	<u>206,159</u>	<u>–</u>	<u>206,159</u>
Other income						14,937
Distribution costs						(29,069)
Administrative expenses						(188,718)
Other gains and losses						(14,575)
Impairment losses, net of reversal						(23,978)
Loss on fair value change of investment property						(322)
Finance costs						(36,263)
Loss before tax						(71,829)
Income tax expense						(724)
Loss attributable to owners of the Company						<u>(72,553)</u>

3. SEGMENT INFORMATION – continued

Year ended March 31, 2019

	Trading of electronic components					
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue						
Sales – external	1,879,966	1,713,350	94,511	3,687,827	–	3,687,827
Sales – inter-company	521,946	389,473	741	912,160	(912,160)	–
	2,401,912	2,102,823	95,252	4,599,987	(912,160)	3,687,827
Cost of sales	(2,232,746)	(1,961,258)	(78,569)	(4,272,573)	912,259	(3,360,314)
Gross profit/segment results	169,166	141,565	16,683	327,414	99	327,513
Other income						4,899
Distribution costs						(43,092)
Administrative expenses						(220,074)
Other gains and losses						(31,319)
Impairment losses, net of reversal						(8,835)
Finance costs						(46,570)
Loss before tax						(17,478)
Income tax expense						(1,485)
Loss attributable to owners of the Company						(18,963)

The management monitors the Group's assets and liabilities in one pool, which is more efficient and effective. Accordingly, no segment assets and liabilities information was presented to the CODM.

4. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The income tax charge comprises:		
Current tax:		
– Hong Kong	187	1,458
– PRC Enterprise Income Tax (“EIT”)	1,847	5,294
– Taiwan	421	1,982
– Taiwan withholding tax on dividends	1,414	558
	<u>3,869</u>	<u>9,292</u>
(Over) under provision in respect of prior year:		
– Hong Kong	65	(228)
– PRC EIT	(433)	(95)
– Taiwan	(28)	(23)
– Taiwan withholding tax on dividends	–	27
	<u>(396)</u>	<u>(319)</u>
Deferred tax:		
– Current year	(2,749)	(7,488)
	<u>724</u>	<u>1,485</u>

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 years ended March 31, 2020 and 2019.

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 20%.

5. LOSS FOR THE YEAR

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

	2020 HK\$'000	2019 HK\$'000
Amortisation of prepaid lease payments	–	12
Cost of inventories recognised as expenses (<i>Note i</i>)	2,969,100	3,360,314
Depreciation of property, plant and equipment	14,121	13,360
Depreciation of right-of-use assets	10,509	–
Directors' emoluments (<i>Note ii</i>)	10,089	11,493
Loss on disposal of property, plant and equipment	68	40
Audit fees paid to auditors		
Auditor of the Company	2,108	2,123
Other auditors	177	205
Non-audit fees paid to auditor		
Auditor of the Company	813	884
Staff costs (excluding directors' emoluments) (<i>Note ii</i>)	114,316	142,189
Net foreign exchange loss	13,772	30,744
Net loss on fair value changes of derivative financial instruments	735	535
Share-based payment expense	–	1,110
Income from credit insurance for trade receivables	(10,511)	(20)
Interest income from bank deposits	(1,984)	(1,920)
Interest expense on borrowings	35,633	46,570
Impairment losses recognised on trade receivables	23,978	8,835
	<u> </u>	<u> </u>

Notes:

- (i) During the years ended March 31, 2020 and 2019, the amount included allowance for inventories amounting to HK\$14,230,000 and HK\$7,871,000, respectively.
- (ii) During the years ended March 31, 2020 and 2019, there were cost of defined contribution plans amounting to HK\$16,335,000 and HK\$18,938,000, respectively, included in staff costs and directors' emoluments.

6. PROPERTY, PLANT AND EQUIPMENT

During the current year, the Group paid HK\$1,319,000 (2019: HK\$14,737,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$68,000 (2019: HK\$51,000), resulting in a loss of HK\$68,000 (2019: HK\$40,000).

7. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	697,697	781,407
Less: allowance for credit losses	<u>(36,785)</u>	<u>(12,979)</u>
	<u>660,912</u>	<u>768,428</u>

The Group allows a credit period of 30 to 120 days (2019: 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, which is the same as revenue recognition date or based on bills issuance date, at the end of the reporting periods:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	440,454	456,723
61 to 90 days	89,299	160,002
Over 90 days	<u>131,159</u>	<u>151,703</u>
	<u>660,912</u>	<u>768,428</u>

8. TRANSFER OF FINANCIAL ASSETS

As at March 31, 2020, the Group's trade receivables amounted to HK\$69,862,000 (2019: HK\$192,059,000), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounting to HK\$63,712,000 (2019: HK\$173,491,000).

9. TRADE PAYABLES

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

	2020 HK\$'000	2019 HK\$'000
Within 30 days	247,694	248,991
31 to 60 days	58,234	61,872
	<u>305,928</u>	<u>310,863</u>

10. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$1.00 each		
Authorised		
At April 1, 2018, April 1, 2019 and March 31, 2020	<u>120,000</u>	<u>120,000</u>
Issued and paid up		
At April 1, 2018	76,341	76,341
Exercise of share options	1,120	1,120
Issue of bonus shares (<i>Note</i>)	<u>7,746</u>	<u>7,746</u>
At April 1, 2019 and March 31, 2020	<u>85,207</u>	<u>85,207</u>

The Company has no treasury shares.

Note: Pursuant to the bonus issue which was completed on August 28, 2018, a total of 7,746,089 bonus shares were issued on the basis of one (1) bonus share for every ten (10) existing shares (the “Bonus Issue”) held on August 10, 2018.

11. SHARE-BASED PAYMENTS

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

ESOS II

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

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2018	1,600
Adjustment on the Bonus Issue during the year (<i>Note</i>)	<u>160</u>
Unexercised share options for ordinary shares at April 1, 2019	1,760
Lapsed during the year	<u>(1,760)</u>
Unexercised share options for ordinary shares at March 31, 2020	<u><u>–</u></u>

ESOS III

During the year ended March 31, 2019, share options holders under ESOS III exercised part of their share options and subscribed for 290,000 shares and 830,000 shares of HK\$1.00 each of the Company at an exercise price of HK\$4.30 per share on July 19, 2018 and July 30, 2018, respectively. The weighted average closing price of the Company’s shares immediately before the dates on which the share options were exercised was HK\$5.99 per share.

11. SHARE-BASED PAYMENTS – continued

ESOS III – continued

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

	Number of share options
Unexercised share options for ordinary shares at April 1, 2018	3,080,000
Exercised during the year	(1,120,000)
Adjustment on the Bonus Issue during the year (<i>Note</i>)	196,000
Cancelled during the year	(1,166,000)
	<hr/>
Unexercised share options for ordinary shares at April 1, 2019	990,000
Cancelled during the year	(82,500)
	<hr/>
Unexercised share options for ordinary shares at March 31, 2020	907,500
	<hr/> <hr/>

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

Fair values of the share options granted under ESOS III were calculated using the Binomial option pricing model. The inputs into the model were as follows:

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

During the year ended March 31, 2019, share-based payment expense of HK\$1,110,000 had been recognised in profit or loss. No such expense was recognised during the year ended March 31, 2020.

12. DIVIDEND

	2020 HK\$'000	2019 HK\$'000
Dividend recognised as distribution during the year:		
2019 – Final HK20.0 cents per share	17,041	–
2018 – Final HK42.0 cents per share	–	32,534
	<u>17,041</u>	<u>32,534</u>

On August 26, 2019, a one-tier tax exempt final dividend of HK20.0 cents per share, in an aggregate amount of HK\$17,041,000 was paid to the shareholders in respect of the financial year ended March 31, 2019.

The Board does not recommend the payment of a final dividend for the year ended March 31, 2020.

13. LOSS PER SHARE

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

	Group Figures			
	2020		2019	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Loss attributable to owners of the Company	<u>(72,553)</u>	<u>(72,553)</u>	<u>(18,963)</u>	<u>(18,963)</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares used to compute loss per share	<u>85,207,049</u>	<u>85,207,049</u>	<u>84,811,622</u>	<u>84,811,622</u>
Loss per share (HK cents)	<u>(85.15)</u>	<u>(85.15)</u>	<u>(22.36)</u>	<u>(22.36)</u>

The computation of diluted loss per share for the years ended March 31, 2020 and 2019 did not assume the exercise of share options granted by the Company since their assumed exercise would result in a decrease in loss per share for the years.

The weighted average number of ordinary shares, dilutive potential ordinary shares as well as basic and diluted loss per share have been adjusted for the effect of the Bonus Issue (as defined in Note 10 above) on August 28, 2018.

14. NET ASSET VALUE

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

	Group Figures		Company Figures	
	2020	2019	2020	2019
Net asset value per ordinary share based on the number of issued shares of the Company at the end of the year (HK cents)	<u>669.79</u>	<u>787.05</u>	<u>426.51</u>	<u>429.46</u>

The net asset backing per ordinary share as at March 31, 2020 was based on a total of 85,207,049 (2019: 85,207,049) issued ordinary shares.

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

As at March 31, 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Amount due from a subsidiary	33,814	33,814
Investments in subsidiaries	155,043	117,470
Total non-current assets	188,857	151,284
Current assets		
Amounts due from subsidiaries	185,036	227,239
Deposits and prepayments	11	83
Income tax recoverable	109	331
Cash and cash equivalents	1,181	3,235
Total current assets	186,337	230,888
Total assets	375,194	382,172
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,407	1,467
Financial guarantee liabilities	10,375	14,774
Total current liabilities	11,782	16,241
Net current assets	174,555	214,647
Total assets less current liabilities	363,412	365,931
Capital and reserves		
Share capital	85,207	85,207
Reserves	278,205	280,724
Equity attributable to owners of the Company	363,412	365,931
Total liabilities and equity	375,194	382,172

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

For the year ended March 31, 2020

	Share capital	Capital reserves	Accumulated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At April 1, 2018	76,341	197,794	88,674	362,809
Profit for the year, representing total comprehensive income for the year	–	–	29,730	29,730
Transactions with owners, recognised directly in equity:				
Exercise of share options	1,120	3,696	–	4,816
Recognition of equity-settled share-based payments	–	1,110	–	1,110
Share options cancelled	–	(1,303)	1,303	–
Issuance of new shares under the Bonus Issue	7,746	(7,746)	–	–
Dividend paid (<i>Note 12</i>)	–	–	(32,534)	(32,534)
Total	8,866	(4,243)	(31,231)	(26,608)
At March 31, 2019	85,207	193,551	87,173	365,931
Profit for the year, representing total comprehensive income for the year	–	–	14,522	14,522
Transactions with owners, recognised directly in equity:				
Share options cancelled	–	(92)	92	–
Share options lapsed	–	(1)	1	–
Dividend paid (<i>Note 12</i>)	–	–	(17,041)	(17,041)
Total	–	(93)	(16,948)	(17,041)
At March 31, 2020	85,207	193,458	84,747	363,412

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a loss attributable to owners of the Company of HK\$72.6 million for the year ended March 31, 2020 (“FY2020”) compared to HK\$19.0 million for the year ended March 31, 2019 (“FY2019”) mainly due to lower revenue and gross profit margin, which led to a decrease in gross profit in the year under review. The lower gross profit margin was mainly attributed to intense price competition amidst weak demand and our clearance of buffer stocks created from the last financial year. Additionally, the depreciation of the Renminbi (“RMB”) further reduced the buying power of domestic customers in China, and the Group had to offer more competitive pricing to cope with the change.

Revenue

The Group’s sales revenue decreased by 13.9% year-on-year (“YOY”) from HK\$3,687.8 million in FY2019 to HK\$3,175.3 million in FY2020 mainly due to market uncertainties and weak economic sentiment. In the beginning of 2019, both the export and domestic markets in China continued to feel the effects of the trade tensions between the United States of America (“US”) and China, which had dragged on for more than a year. Several of the Group’s customers were affected by the postponement or cancellation of projects, which led to the issue of leftover stock despite the Group’s efforts to negotiate with the customers and measures to clear the inventory. Towards the end of 2019, the electronics components market started to show signs of a rebound as US and China took the first step towards a trade deal, especially the China domestic market. However, this came to a grinding halt with the outbreak of the coronavirus disease 2019 (“COVID-19”) as factories in China were ordered to shut down amidst lock down measures implemented by the Chinese government to stem its spread in the beginning of 2020. This caused even more pressure on our revenue.

Revenue by Market Segment Analysis

	FY2020		FY2019		Increase/(Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	879,670	27.7%	979,314	26.5%	(99,644)	(10.2%)
Home Appliance	643,635	20.3%	541,679	14.7%	101,956	18.8%
Automotive	485,697	15.3%	448,141	12.1%	37,556	8.4%
Dealer	286,188	9.0%	356,319	9.7%	(70,131)	(19.7%)
Telecommunications	280,189	8.8%	682,676	18.5%	(402,487)	(59.0%)
Electronic Manufacturing						
Services (“EMS”)	210,516	6.6%	216,503	5.9%	(5,987)	(2.8%)
Audio and Video	204,177	6.4%	256,787	7.0%	(52,610)	(20.5%)
Lighting	114,022	3.6%	104,157	2.8%	9,865	9.5%
Others	71,165	2.3%	102,251	2.8%	(31,086)	(30.4%)
	3,175,259	100.0%	3,687,827	100.0%	(512,568)	(13.9%)

Industrial

The Industrial segment remained the Group’s largest revenue generator having contributed sales of HK\$879.7 million in FY2020, a drop of 10.2% YOY as compared to FY2019. The weak market sentiment last year caused a slow-down in the export market and domestic consumption was also conservative. We remain optimistic that in the long term, this segment will continue to benefit from the development of China, in particular the industrialisation of city infrastructure, energy saving initiative and factory automation. With our strategic position in both market coverage and engineering capability, we should be able to capitalise on the growth prospects of this segment.

Home Appliance

Revenue from the Home Appliance segment was HK\$643.6 million in FY2020, an increase of 18.8% YOY as compared to FY2019. Due to our efforts to focus on the inverter application and to support our customers to meet China’s domestic demand, we were able to capture the rebound in the second half of FY2020. Energy saving and higher energy efficiency features are the key initiatives for China’s government; this segment is expected to benefit from the increasing use of inverter function. With our good product portfolio and engineering capabilities, we are in a good position to capture the opportunities in this segment.

Automotive

Revenue from the Automotive segment increased by 8.4% YOY to HK\$485.7 million in FY2020 as compared to FY2019. The overall China automotive industry experienced a tough year in 2019, both sales and production quantity declined. In order to keep the growth in this segment, we provided suitable solutions for car makers to develop better features and enhance the performance of vehicles. This trend of electrification and digitalisation will further increase the electronics content in each vehicle and this is the driving force behind our commitment of investment in this segment.

Dealer

The revenue from this segment was HK\$286.2 million in FY2020, a drop of 19.7% YOY as compared to FY2019. In this segment, the confidence was weakened by the uncertain market sentiment and the buying power was reduced by the depreciation of RMB. It was difficult for our customers to aggressively join the stock program deal and fight for more market share. We will carefully monitor the change of market situation and partner with suppliers to tackle the market at the right moment.

Telecommunications

The Telecommunications segment registered the largest revenue loss segment of the Group in FY2020, with sales falling by 59.0% YOY as compared to FY2019 to HK\$280.2 million. Disposing of the aging inventory in this segment was also the highest challenge for us in the stock clearance action. Although we were able to overcome the issue, we believe that the risk in this segment remains high and the Group will carefully monitor the ability of our customers and the change in the mobile phone market.

EMS

Revenue from this segment fell by 2.8% in FY2020 as compared to FY2019 to HK\$210.5 million. As a result of the US-China trade conflict, our customers lost orders as some US companies moved their manufacturing capacities from China. We tried to support our customers in managing the supply chain efficiency and by providing them with engineering services as they adjusted their strategies in response to keen competition and fought for more market share.

Audio and Video

Revenue from the Audio and Video segment was HK\$204.2 million in FY2020, a decrease of 20.5% as compared to FY2019 due to poor demand from both the US and Europe consumer electronics market. The Group intends to put more focus on developing high-end applications and at the same time carefully monitor each project in this segment to ensure that the credit position and inventory levels are healthy.

Lighting

Revenue from this segment rose by 9.5% in FY2020 as compared to FY2019 to HK\$114.0 million. Although the business in this segment was affected by the weak export market, the growth was mainly supported by the stage lighting project secured by a customer in the China domestic market, and the high-end high power application in LED lighting.

Others

Revenue from this segment fell by 30.4% in FY2020 as compared to FY2019 to HK\$71.2 million. The drop was mainly due to the weak consumer confidence in the market.

Gross Profit Margin

The Group's gross profit margin decreased from 8.9% in FY2019 to 6.5% in FY2020. The ongoing US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence in 2019. The fall in gross profit margin was mainly attributed to fierce price competition amidst a weak demand situation and our clearance of buffer stocks.

Other Income

Other income increased by HK\$10.0 million, or 204.9%, from HK\$4.9 million in FY2019 to HK\$14.9 million in FY2020. The increase was mainly due to an insurance claim of HK\$10.5 million received and recognised as other income for credit-impaired trade receivables.

Distribution Costs

Distribution costs decreased by HK\$14.0 million, or 32.5%, from HK\$43.1 million in FY2019 to HK\$29.1 million in FY2020. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue. Furthermore, there was a decrease in overseas travelling and entertainment expenses as the Group tightened travelling expenses in FY2020 and suspended travelling activities in the fourth quarter of FY2020 due to COVID-19.

Administrative Expenses

Administrative expenses decreased by HK\$31.3 million, or 14.2%, from HK\$220.1 million in FY2019 to HK\$188.8 million in FY2020. This was mainly due to (i) cost control measures introduced in FY2020, (ii) a decrease in staff costs due to lower average headcount and (iii) the absence of premises and warehouse removal expenses incurred in FY2019 for the renovation and relocation of a warehouse in Hong Kong.

Other Gains and Losses

Other losses of HK\$14.6 million in FY2020 (FY2019: HK\$31.3 million) were due to an exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK\$24.0 million in FY2020 (FY2019: HK\$8.8 million) represented the impairment losses on trade receivables. Impairment losses of uncollected trade debt for credit-impaired trade receivables were fully recognised in FY2020. Part of the uncollected trade debt was covered by trade credit insurance and an amount of HK\$10.5 million was received and recognised in other income.

Finance Costs

Finance costs decreased by HK\$10.3 million, or 22.1%, from HK\$46.6 million in FY2019 to HK\$36.3 million in FY2020. The decrease was mainly due to a reduction in average trust receipt loans and bank borrowings as compared to last year. Certain rental expenses of HK\$0.6 million were reclassified to finance costs in accordance with the application of IFRS 16 from April 1, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to as at March 31, 2019, trust receipt loans decreased by HK\$122.9 million as at March 31, 2020. Trade payables decreased from HK\$310.9 million as at March 31, 2019 to HK\$305.9 million as at March 31, 2020. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at March 31, 2020. Trade receivables as at March 31, 2020 decreased by HK\$107.5 million as compared to those as at March 31, 2019, due to a decrease in sales revenue towards the end of the year under review. The debtors turnover days remained at 2.5 months.

Inventories

Inventories decreased from HK\$689.9 million as at March 31, 2019 to HK\$375.1 million as at March 31, 2020. The inventory turnover days decreased from 2.5 months to 1.5 months.

Cash Flow

As at March 31, 2020, the Group had a working capital of HK\$302.0 million, which included a cash balance of HK\$264.8 million, compared to a working capital of HK\$398.9 million, which included a cash balance of HK\$297.5 million as at March 31, 2019. The decrease in cash by HK\$32.7 million was primarily attributable to the net effect of cash outflows of HK\$1.4 million in investing activities and HK\$316.3 million in financing activities and a cash inflow of HK\$285.8 million generated from operating activities. The Group's cash balance was mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD").

Cash inflow generated from operating activities was mainly attributable to a decrease in inventories which was due to clearance of buffer stocks.

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

Borrowings and Banking Facilities

As at March 31, 2020, the Group had bank borrowings of HK\$201.8 million which were repayable within one year. Among the Group's bank borrowings, 70.5% was denominated in HKD and 29.5% was denominated in USD. As at March 31, 2020, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 66.9% and 33.1%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.63% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 2.85% per annum.

As at March 31, 2020, trust receipt loans of HK\$469.1 million were unsecured and repayable within one year and bore interest rates ranging from 2.39% to 4.38% per annum. The trust receipt loans were denominated in USD. As at March 31, 2020, the Group had unutilised banking facilities of HK\$945.4 million (March 31, 2019: HK\$701.8 million).

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

Amount repayable in one year or less, or on demand

As at March 31, 2020		As at March 31, 2019	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
63,712	607,184	209,147	816,998

Amount repayable after one year

As at March 31, 2020		As at March 31, 2019	
Secured	Unsecured	Secured	Unsecured
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
—	—	—	—

As at March 31, 2020, the Group's trade receivables amounted to HK\$69.9 million (March 31, 2019: HK\$192.1 million), which were transferred to banks by discounting those trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK\$63.7 million (March 31, 2019: HK\$173.5 million).

Foreign Exchange Risk Management

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

Net Gearing Ratio

The net gearing ratio as at March 31, 2020 was 70.8% (March 31, 2019: 108.1%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders' equity at the end of a given period. The decrease was mainly due to a decrease in trust receipt loans and bank borrowings from HK\$1,026.1 million to HK\$670.9 million.

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

There remains a great deal of uncertainty surrounding US-China trade relations. Although there was a short respite following the signing of the phase one agreement of a trade deal between the two countries in January 2020, it has since been replaced by renewed tensions following the outbreak of the COVID-19.

As COVID-19 broke out around the world, it has impacted commercial and manufacturing activities in many economies and triggered widespread expectations of a global recession in 2020. While the Group is not directly involved in the sectors most severely affected by COVID-19, our business will feel the impact of the sharp fall in global economic activity, lockdowns and circuit breakers in various countries as well as disruptions to the workforce and supply chains.

In unprecedented times like now, the Group has been proactive in preparation for the challenges ahead, and will work closely with its stakeholders, and continue to be prudent in managing its operations and sustaining a healthy liquidity position to weather the storm.

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

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended March 31, 2020. No dividend has been declared for FY2020 as the Group intends to retain cash for the business operations.

On August 26, 2019, a final dividend of HK20.0 cents per ordinary share was paid to the shareholders of the Company (the “Shareholders”) in respect of the financial year ended March 31, 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “2020 AGM”) will be held on Tuesday, July 28, 2020 and the notice of the 2020 AGM will be published on the respective websites of the SGX-ST, the SEHK and the Company and despatched to the Shareholders in due course in the manner as required by the Rules Governing the Listing of Securities on the SEHK (the “HK Listing Rules”) and the Main Board rules of the listing manual of the SGX-ST.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2020 AGM, for Hong Kong Shareholders, the Hong Kong branch register of members (the “Hong Kong Branch Register”) will be closed from Thursday, July 23, 2020 to Tuesday, July 28, 2020, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, the non-registered Hong Kong Shareholders must lodge all duly completed and stamped 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 Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, July 22, 2020.

For Singapore Shareholders, the share transfer books and Singapore branch register of members (the “Singapore Branch Register”) will be closed at 5:00 p.m. on Friday, July 24, 2020. Duly completed registrable transfers of shares received by the Company’s share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5:00 p.m. on Friday, July 24, 2020 will be registered to determine Singapore Shareholders’ entitlements to attend and vote at the 2020 AGM.

Any transfer of the shares between the Hong Kong Branch Register and the Singapore Branch Register by way of deregistration from one branch register of members of the Company (the “Register of Members”) and registration on the other branch Register of Members has to be made not later than 4:30 p.m. on Friday, July 10, 2020 for Hong Kong Shareholders and not later than 5:00 p.m. on Friday, July 10, 2020 for Singapore Shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at March 31, 2020, the Group had a workforce of 377 (March 31, 2019: 467) full-time employees, of which 33.7% worked in Hong Kong, 62.9% in the PRC and the remainder in Taiwan.

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

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

During the year ended March 31, 2020, the Company did not redeem any of its securities listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH HONG KONG CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that during the year ended March 31, 2020, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the HK Listing Rules (the "HK CG Code").

In the event of any conflict among the HK Listing Rules, the Code of Corporate Governance 2018 of Singapore and the bye-laws of the Company, the Company will comply with the more onerous provisions. As such, the Board considers that sufficient measures are in place to ensure the adequateness of the Company's corporate governance practices relating to, amongst others, the appointment, retirement and re-election of Directors (including independent non-executive Directors (the "INEDs")).

COMPLIANCE WITH HONG KONG MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules (the "HK Model Code") as its own code of conduct for dealing in the securities of the Company by the Directors. Following a specific enquiry made by the Company with each of the Directors (who also served in such capacity during the year ended March 31, 2020), all of them confirmed that they had complied with the required standards as set out in the HK Model Code throughout the year ended March 31, 2020.

REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the HK CG Code and the Main Board rules of the listing manual of the SGX-ST. The Audit Committee comprises all of the three INEDs, namely Jovenal R. Santiago (committee chairman), Wong Kwan Seng, Robert and Iu Po Chan, Eugene. The Group’s audited annual results and the Company’s draft annual report for the year ended March 31, 2020 have been reviewed by the Audit Committee.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as at and for the year ended March 31, 2020 have been audited by the Company’s independent auditor, Deloitte Touche Tohmatsu, Hong Kong and the independent auditor’s report is attached as Appendix to this announcement.

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

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEx”) at www.hkexnews.hk, the website of the Company at www.willas-array.com and the website of the SGX-ST at www.sgx.com. The annual report of the Company for the year ended March 31, 2020 will be despatched to the Shareholders and published on the respective websites of the HKEx, the Company and the SGX-ST in due course in the manner as required by the HK Listing Rules and the Main Board rules of the listing manual of the SGX-ST.

SUPPLEMENTARY INFORMATION

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

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

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

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

3. A breakdown of sales

Group			
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Increase/ (Decrease) %
(a) Sales reported for first half year	1,672,407	2,154,825	(22.4%)
(b) Operating (loss) profit after tax reported for first half year	(55,820)	6,725	NM
(c) Sales reported for second half year	1,502,852	1,533,002	(2.0%)
(d) Operating loss after tax reported for second half year	(16,733)	(25,688)	(34.9%)

NM – Not Meaningful

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

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

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Leung Chi Hang Daniel	44	Eldest son of Leung Chun Wah, the Chairman, an Executive Director and a Substantial Shareholder of the Company.	Deputy Managing Director of Information Technology, Logistics, Marketing Communication and Human Resources. He has been responsible for overseeing the Information Technology and Logistics functions of the Group since April 1, 2015. He has also been overseeing the Marketing Communication function of the Group since May 1, 2016. He has then also been responsible for overseeing the Human Resources function of the Group since January 1, 2018.	No change

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

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

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

Hong Kong/Singapore, May 28, 2020

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

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

Appendix

The independent auditor's report on the full financial statements of Willas-Array Electronics (Holdings) Limited for the financial year ended March 31, 2020 is as follows:

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED
For the financial year ended March 31, 2020**

Opinion

We have audited the consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages [•] to [•], which comprise the consolidated statement of financial position of the Group as at March 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for inventories</i>	
<p>We identified the allowance for inventories as a key audit matter as the Group operates in a fast evolving industry where inventories comprise of electronic components which are subject to rapid technological changes and price changes. As such, significant management estimates and judgements are involved in determining the allowance for inventories.</p> <p>The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price.</p> <p>As disclosed in Note [•] to the consolidated financial statements, as at March 31, 2020, the carrying amount of the Group's inventories was HK\$375,130,000, net of allowance for inventories of HK\$46,482,000.</p>	<p>Our audit procedures in relation to the allowance for inventories included:</p> <ul style="list-style-type: none">• Understanding and evaluating the basis of how slow-moving or obsolete inventories are identified by the management, and their assessment of net realisable value and allowance for inventories;• Engaging our internal information technology specialists to perform a computer assisted audit techniques exercise to test the accuracy of the inventories aging listed in the system generated report, and assessing whether allowance was properly provided for aged inventories after taking into account subsequent sales;• Testing the net realisable values of inventories by reference to latest sales margin report to identify inventories that are obsolete or selling at loss and assessing whether the allowance was properly provided for the relevant inventories; and• Assessing the historical accuracy of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year.

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

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

As at March 31, 2020, the Group's net trade receivables amounting to HK\$660,912,000, which represented approximately 41% of total assets of the Group and out of these trade receivables of HK\$183,572,000 were past due.

As disclosed in Note [•] to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables that are not credit-impaired based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses as at March 31, 2020.

As disclosed in Note [•] to the consolidated financial statements, the Group recognised an additional amount of HK\$23,978,000 of impairment of trade receivables, net of reversal, for the year and the Group's lifetime ECL on trade receivables as at March 31, 2020 amounted to HK\$36,785,000.

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

- Understanding key controls on how the management estimates the loss allowance for trade receivables;
- Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at March 31, 2020, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents in relation to the determination of credit rating of the customers;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at March 31, 2020, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information;
- Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes [•] and [•], respectively to the consolidated financial statements; and
- Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yau Wing Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
May 28, 2020