

The background of the entire page is a low-angle, upward-looking view of a modern building's facade. The facade is composed of a grid of rectangular panels, each with a slightly different shade of orange and yellow, creating a sense of depth and movement. The lighting is bright, suggesting a sunny day, and the overall color palette is warm and vibrant.

# WILLAS-ARRAY

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

(Incorporated in Bermuda with limited liability)

(Hong Kong stock code: 854)

(Singapore stock code: BDR)

## Interim Report 2022/23

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# Corporate Information

## DIRECTORS

### Non-executive Director

Leung Chun Wah (*Chairman*) (*resignation to be effective on January 1, 2023*)

### Executive Directors

Leung Chi Hang Daniel (*Chairman*) (*to be effective on January 1, 2023*)

Hon Kar Chun (*Managing Director*)

Leung Hon Shing

### Independent Non-executive Directors

Lim Lee Meng (*Lead Independent Director*)

Tang Wai Loong Kenneth

Tong Kai Cheong

## COMPANY SECRETARY

Leung Hon Shing

## AUDIT COMMITTEE

Lim Lee Meng (*Chairman*)

Tang Wai Loong Kenneth

Tong Kai Cheong

## REMUNERATION COMMITTEE

Tong Kai Cheong (*Chairman*)

Lim Lee Meng

Tang Wai Loong Kenneth

## NOMINATION COMMITTEE

Tang Wai Loong Kenneth (*Chairman*)

Lim Lee Meng

Tong Kai Cheong

## COMPLIANCE COMMITTEE

Tong Kai Cheong (*Chairman*)

Lim Lee Meng

Tang Wai Loong Kenneth

## EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Leung Chun Wah (*Chairman*) (*cessation to be effective on January 1, 2023*)

Hon Kar Chun

Tong Kai Cheong

Leung Chi Hang Daniel (*Chairman*) (*to be effective on January 1, 2023*)

## AUTHORISED REPRESENTATIVES

Hon Kar Chun

Leung Hon Shing

## REGISTERED OFFICE

Victoria Place, 5/F

31 Victoria Street

Hamilton HM10

Bermuda

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24/F, Wyler Centre, Phase 2

200 Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited

Victoria Place, 5/F

31 Victoria Street

Hamilton HM10

Bermuda

## SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue

Keppel Bay Tower

#14-03/07

Singapore 098632

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## INDEPENDENT AUDITOR

Deloitte & Touche LLP  
6 Shenton Way  
OUE Downtown 2  
#33-00  
Singapore 068809  
Partner-in-charge: Toh Yew Kuan Jeremy  
*(Appointed on August 29, 2022)*

## COMPANY WEBSITE

[www.willas-array.com](http://www.willas-array.com)

## LISTING INFORMATION

### Place of Listing

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

### Stock Code

Hong Kong: 854  
Singapore: BDR

### Board Lot

Hong Kong: 1,000 shares  
Singapore: 100 shares

## Financial Highlights

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

The board of directors of the Company (the “Directors” and the “Board”, respectively) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”, “We” or “Our”) for the six months ended September 30, 2022, together with the comparative figures for the six months ended September 30, 2021 as follows:

### FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		Change %
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Revenue	1,782,845	1,785,868	-0.2
Gross profit	169,974	171,049	-0.6
Profit before tax	16,558	55,447	-70.1
Profit attributable to owners of the Company	12,829	43,534	-70.5
Basic earnings per share (HK cents)	14.78	51.09	-71.1

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group recorded profit attributable to owners of the Company of HK\$12.8 million for the six months ended September 30, 2022 (“1H FY2023”) compared to HK\$43.5 million for the six months ended September 30, 2021 (“1H FY2022”). The decrease was mainly attributable to: (i) a foreign exchange loss of approximately HK\$32.8 million mainly arising from the depreciation of the Renminbi (“RMB”) in 1H FY2023 as compared to 1H FY2022 when there was no significant foreign exchange difference; and (ii) an increase in finance costs mainly due to rising weighted average effective interest rate in 1H FY2023 as compared to 1H FY2022. Excluding the foreign exchange difference, profit attributable to owners of the Company would have been HK\$45.6 million in 1H FY2023, which was better than that of 1H FY2022.

## Revenue

The Group’s revenue was marginally lower by 0.2% at HK\$1,782.8 million in 1H FY2023 as compared to HK\$1,785.9 million in 1H FY2022. The Group was able to maintain its revenue despite the tight supply of certain electronic components in the Automotive and Industrial segments and an obvious slowdown in demand for the consumer electronics market. This was due to the Group’s strong commitment to the Automotive, Industrial and Home Appliance segments, which comprise almost 70% of total revenue, as well as the unwavering support from our suppliers. That said, keeping a diverse portfolio of business segments remains a long-term strategy of the Group. This strategy allows the Group to seize other opportunities at the right time and to spread out risks.

## Revenue by Market Segment Analysis

	1H FY2023		1H FY2022		Increase/(Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Industrial	465,929	26.1%	553,720	31.0%	(87,791)	-15.9%
Automotive	451,810	25.4%	350,817	19.7%	100,993	28.8%
Home Appliance	301,890	16.9%	352,477	19.7%	(50,587)	-14.4%
Telecommunications	140,485	7.9%	101,777	5.7%	38,708	38.0%
Audio and Video	128,497	7.2%	120,165	6.7%	8,332	6.9%
Electronic Manufacturing Services (“EMS”)	110,895	6.2%	77,538	4.3%	33,357	43.0%
Dealer	97,026	5.5%	118,906	6.7%	(21,880)	-18.4%
Lighting	59,373	3.3%	60,940	3.4%	(1,567)	-2.6%
Others	26,940	1.5%	49,528	2.8%	(22,588)	-45.6%
	<b>1,782,845</b>	<b>100.0%</b>	<b>1,785,868</b>	<b>100.0%</b>	<b>(3,023)</b>	<b>-0.2%</b>

# Management Discussion and Analysis

## ***Industrial***

The Industrial segment is the largest revenue generator of the Group. It achieved revenue of HK\$465.9 million in 1H FY2023, representing a decrease of 15.9% as compared to the same period last year. Although demand was still strong across many applications such as renewable energy, motors, e-meters and high-power applications, the tight supply of certain electronic components and a slowdown in demand for consumer electronics, especially in energy saving appliances, restricted the growth in revenue. Nevertheless, we remain confident in the long-term prospects of this segment. We will continue investing in our engineering capabilities and expanding our sales network.

## ***Automotive***

The Group's investment of resources into this segment has continued to pay off. Revenue from the Automotive segment increased by 28.8% to HK\$451.8 million in 1H FY2023 as compared to 1H FY2022. The segment continued to perform strongly because of the Chinese government's robust support for the development of new energy vehicles as part of its strategy to achieve carbon neutrality. Despite the continued shortage in semiconductors for the Automotive segment, the Group has been able to meet the production requirements of its key customers in mainland China with the strong support of its key suppliers.

## ***Home Appliance***

Home Appliance, our third largest revenue generating segment, recorded sales of HK\$301.9 million in 1H FY2023, representing a decrease of 14.4% as compared to 1H FY2022. Demand within this segment was impacted by the weak global consumer electronics market, which affected export sales, as well as slower domestic demand for home appliances because of the cooling measures implemented in mainland China's property market. We believe that it is a healthy short-term adjustment because the Chinese government's economic and business support policies remain supportive of domestic consumption and encourages consumers to replace and upgrade their home appliances to energy saving ones. We will continue investing resources in this segment.

## ***Telecommunications***

Revenue from the Telecommunications segment increased by 38.0% year-on-year ("YOY") to HK\$140.5 million, contributing 7.9% to total revenue. The increase in revenue was mainly due to higher demand for the Optical Image Stabilisation (OIS) feature of the smartphone camera, although the overall demand for smartphone components has been weak. As a result of our wide customers coverage and constant monitoring of trends, we were able to capitalise on the opportunities that rose from this new feature.

# Management Discussion and Analysis

## ***Audio and Video***

The Audio and Video segment recorded revenue of HK\$128.5 million in 1H FY2023, representing an increase of 6.9% as compared to 1H FY2022. The higher revenue was driven by key projects in home entertainment and conference devices. Nevertheless, we believe that the consumer electronics market will be extremely challenging in the coming year as we have seen a drawback in demand recently.

## ***EMS***

This segment recorded a YOY increase in revenue of 43.0% to HK\$110.9 million in 1H FY2023. The higher revenue was driven by a project we secured in 1H FY2023.

## ***Dealer***

The Dealer segment registered revenue of HK\$97.0 million in 1H FY2023, representing a decline of 18.4% as compared to 1H FY2022. Revenue contribution from the segment was impacted by similar constraints faced by the Industrial segment, which was mainly due to a weak demand for consumer electronics.

## ***Lighting***

The Lighting segment recorded revenue of HK\$59.4 million in 1H FY2023, representing a YOY decline of 2.6%. The Group is putting more focus on the commercial lighting application rather than the consumer application.

## ***Others***

The Others segment registered a YOY decline of 45.6% in revenue to HK\$26.9 million in 1H FY2023. The decline in revenue was due to lower demand for personal computers, electronic toys and portable devices, reflecting a weak consumer spending.

## **Gross Profit Margin**

The Group's gross profit margin slightly narrowed to 9.5% in 1H FY2023 from 9.6% in 1H FY2022.

## **Other Income**

Other income increased by HK\$3.6 million to HK\$4.5 million in 1H FY2023 from HK\$0.9 million in 1H FY2022, mainly due to the non-recurring subsidy of HK\$2.8 million from the Hong Kong government's Employment Support Scheme, which was recognised in 1H FY2023. No such income was received in 1H FY2022.

# Management Discussion and Analysis

## Distribution Costs

Distribution costs increased by HK\$1.0 million or 6.6% to HK\$16.0 million in 1H FY2023 from HK\$15.0 million in 1H FY2022. The increase was mainly due to an underprovision adjustment of incentive provision for the financial year ended March 31, 2022, which was recognised in 1H FY2023.

## Administrative Expenses

Administrative expenses declined by HK\$0.6 million or 0.6% to HK\$94.4 million in 1H FY2023 from HK\$95.0 million in 1H FY2022, as we monitored our expenditure closely.

## Other Gains and Losses

Other losses of HK\$32.6 million were incurred in 1H FY2023, due to foreign exchange loss mainly arising from the depreciation of RMB, as compared to other gains of HK\$0.9 million recorded in 1H FY2022, which were due to foreign exchange gain mainly arising from the appreciation of RMB. The Group entered into several foreign currency forward contracts to hedge against the currency risk of depreciation of RMB against the US dollar (“USD”).

## Impairment Losses Reversed Under Expected Credit Loss Model, Net

There was a reversal of impairment losses of HK\$1.4 million in 1H FY2022, which was mainly due to the reversal of impairment losses on trade receivables. No impairment loss was recognised in 1H FY2023.

## Finance Costs

Finance costs, which comprises interest expenses on trust receipt loans and bank borrowings, and interest on lease liabilities, increased by HK\$6.1 million or 70.3% to HK\$14.8 million in 1H FY2023 from HK\$8.7 million in 1H FY2022. The increase was mainly due to rising weighted average effective interest rate as well as an increase in average trust receipt loans as compared to the same period last year.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial Position

Trust receipt loans increased by HK\$191.5 million to HK\$677.9 million as at September 30, 2022, from HK\$486.4 million as at March 31, 2022. The increase was mainly due to the increased purchases towards the end of the current interim period when compared with the purchases towards March 31, 2022.

Trade payables increased to HK\$424.8 million as at September 30, 2022, from HK\$389.5 million as at March 31, 2022.

Trade receivables increased by HK\$53.8 million to HK\$916.6 million as at September 30, 2022, from HK\$862.8 million as at March 31, 2022. The increase was due to higher sales revenue towards the end of the current interim period compared with the sales revenue towards March 31, 2022. The debtors turnover days was 3.1 months as at September 30, 2022, which was the same as at March 31, 2022.

As at September 30, 2022, the Group's current ratio (current assets divided by current liabilities) was 1.33 (March 31, 2022: 1.47).

### Inventories

Inventories increased to HK\$467.0 million as at September 30, 2022, from HK\$360.4 million as at March 31, 2022. The inventory turnover days increased to 1.8 months as at September 30, 2022, from 1.4 months as at March 31, 2022.

### Cash Flow

As at September 30, 2022, the Group had a working capital of HK\$434.7 million which included a cash balance of HK\$363.2 million, as compared to a working capital of HK\$499.4 million which included a cash balance of HK\$327.7 million as at March 31, 2022. The increase in cash by HK\$35.5 million was primarily attributable to the net effect of cash inflow of HK\$183.5 million generated from financing activities and cash outflow of HK\$136.3 million used in operating activities. The Group's cash balance was mainly denominated in USD, RMB and Hong Kong dollars ("HKD").

Cash inflow generated from financing activities was mainly attributable to the increases in trust receipt loans to finance the increased purchases towards September 30, 2022, as compared to the purchases towards March 31, 2022.

Cash outflow in operating activities was mainly due to the net effect of an increase in operating cash flows before movement in working capital and the increases in inventories and trade receivables.

# Management Discussion and Analysis

## Borrowings and Banking Facilities

As at September 30, 2022, the Group had bank borrowings of HK\$176.9 million, which were repayable within one year. Among the Group's bank borrowings, 50.9% was denominated in USD and 49.1% was denominated in HKD. As at September 30, 2022, the fixed-rate bank borrowings and the variable-rate bank borrowings accounted for 80.8% and 19.2%, respectively. The fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.49% per annum, while variable-rate bank borrowings bore interest at a weighted average effective rate of 4.23% per annum.

As at September 30, 2022, trust receipt loans of HK\$677.9 million were unsecured and repayable within one year and bore interest at a weighted average effective rate of 4.85% per annum. Among the trust receipt loans, 96.9% was denominated in HKD and the remainder was denominated in USD. As at September 30, 2022, the Group had unutilised banking facilities of HK\$790.8 million (March 31, 2022: HK\$980.1 million).

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

### Amount repayable in one year or less, or on demand

As at September 30, 2022		As at March 31, 2022	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
71,243	783,508	49,434	561,359

### Amount repayable after one year

As at September 30, 2022		As at March 31, 2022	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
–	–	–	–

As at September 30, 2022, the Group's trade receivables amounting to HK\$80.8 million (March 31, 2022: HK\$43.2 million) were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it had continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured borrowings amounting to HK\$71.2 million (March 31, 2022: HK\$36.8 million).

As at March 31, 2022, the Group's remaining secured bank borrowings amounting to HK\$12.6 million had been secured by the pledge of certain bills receivables held by the Group amounting to HK\$14.0 million (September 30, 2022: nil).

# Management Discussion and Analysis

## Foreign Exchange Risk Management

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

## Net Gearing Ratio

As at September 30, 2022, the Group’s net gearing ratio was 71.8% (March 31, 2022: 37.0%). The net gearing ratio was derived by dividing net debts (representing interest-bearing bank borrowings, trust receipt loans and bills payables minus cash and cash equivalents and restricted bank deposits) by shareholders’ equity at the end of a given period and multiplied by 100%. The increase was mainly due to increases in trust receipt loans and bank borrowings and a decrease in shareholders’ equity.

## STRATEGY AND PROSPECTS

The ongoing geopolitical tensions continue to drive inflationary pressures, pushing central banks around the world to tame inflation by aggressively raising interest rates. This is expected to exacerbate the drag on economic activity, which in turn, gives rise to recessionary risks across the globe amid rising energy prices and volatile material prices.

At the same time, the global chip shortage is alleviating rapidly after a two-year boom triggered by a tight supply and a high demand. This is due to the macroeconomic headwinds, which have resulted in significant weakening of demand for consumer electronics such as personal computers and smartphones, and led to cancelled orders for chips.<sup>1</sup>

The Group expects the next 12 months to remain challenging. Nevertheless, we remain optimistic about the long-term prospects and sustainability of the business environment in mainland China as we believe that the Chinese government will continue to put in place expedient support measures to stabilise the country’s economy.

<sup>1</sup> The Straits Times article “The sudden reversal of the global chip shortage” dated October 26, 2022.

## Management Discussion and Analysis

In view of these challenges, the Group will continue to cautiously invest its resources in key growth segments such as smart and energy saving Home Appliances, Industrial and Automotive, which are receiving the ongoing support of the Chinese government. The Group will also work closely with its suppliers as well as customers to achieve mutually beneficial outcomes for all stakeholders. Lastly, the Group will also remain prudent in managing its operations and maintain a healthy liquidity position to weather the storm.

### INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2022 (1H FY2022: nil) as the Group intends to retain cash for its business operations and future growth.

### EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2022, the Group had a workforce of 379 (March 31, 2022: 359) full-time employees, of which 31.9% worked in Hong Kong, 64.8% in the PRC and the remainder in Taiwan.

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

### CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at September 30, 2022 (March 31, 2022: nil).

## Disclosure of Interests

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

As at September 30, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “HK Listing Rules” and the “HK Model Code”, respectively) were as follows:

#### Long position in the Shares

Name of Directors/ Chief Executive	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company <sup>(2)</sup> (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of a controlled corporation)		
Leung Chun Wah <sup>(1)</sup> (“Mr. Leung”)	1,230,130	805,134	19,909,813	21,945,077	25.05
Hon Kar Chun	322,080	–	–	322,080	0.37
Leung Hon Shing	274,824	–	–	274,824	0.31

## Disclosure of Interests

*Notes:*

- (1) Mr. Leung, being the chairman of the Board (the “Chairman”) and the non-executive Director, is deemed to be interested in the 805,134 Shares held by his wife, Ms. Cheng Wai Yin, Susana (“Ms. Cheng”), by virtue of the SFO. The 19,909,813 Shares are held by Max Power Assets Limited (“Max Power”) of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.
- (2) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2022 (i.e. 87,622,049 Shares).

Save as disclosed above, as at September 30, 2022, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the HK Model Code.

## Disclosure of Interests

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

As at September 30, 2022, so far as the Directors are aware, the following corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

#### Long position in the Shares

Name of Shareholders	Number of Shares Held			Total	Approximate percentage of total shareholding in the Company <sup>(7)</sup> (%)
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)		
Ms. Cheng <sup>(1)</sup>	805,134	21,139,943	–	21,945,077	25.05
Max Power <sup>(2)</sup>	19,909,813	–	–	19,909,813	22.72
Kwok Chan Cheung <sup>(3)</sup> ("Mr. Kwok")	37,400	–	8,685,109	8,722,509	9.95
Global Success International Limited <sup>(3)</sup> ("Global Success")	8,685,109	–	–	8,685,109	9.91
Yeo Seng Chong <sup>(4) and (5)</sup> ("Mr. Yeo")	749,200	575,000	7,086,784	8,410,984	9.60
Lim Mee Hwa <sup>(4) and (5)</sup> ("Ms. Lim")	575,000	749,200	7,086,784	8,410,984	9.60
Yeoman Capital Management Pte Ltd <sup>(5)</sup> ("YCMPL")	82,500	–	7,004,284	7,086,784	8.09
Yeoman 3-Rights Value Asia Fund VCC <sup>(6)</sup> ("Yeoman 3-Rights")	6,866,784	–	–	6,866,784	7.84
Hung Yuk Choy	5,614,309	–	–	5,614,309	6.41

## Disclosure of Interests

### Notes:

- (1) Ms. Cheng, the wife of Mr. Leung, the Chairman and the non-executive Director, is deemed under the SFO to be interested in (a) the 1,230,130 Shares held by Mr. Leung as beneficial owner and (b) the 19,909,813 Shares deemed to be held by Mr. Leung through Max Power.
- (2) The 19,909,813 Shares are held by Max Power of which Mr. Leung is the sole director and shareholder. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.
- (3) Global Success, which is wholly owned by Mr. Kwok, is the beneficial owner of 8,685,109 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.
- (4) Mr. Yeo owns 749,200 Shares directly in his own name and his wife Ms. Lim owns 575,000 Shares directly in her own name. Both of them own equally YCMPL, a fund manager and therefore control YCMPL. YCMPL in turn has its own direct shareholding in the Company as well as its deemed interests through its clients' direct shareholdings in the Company. By virtue of the SFO, both Mr. Yeo and Ms. Lim are deemed to be interested in all of the Shares held beneficially and deemed to be held by YCMPL. Each of Mr. Yeo and Ms. Lim is also deemed under the SFO to be interested in all of the Shares held beneficially and deemed to be held by the other.
- (5) YCMPL owns 82,500 Shares directly in its own name and also has deemed interests through its clients' direct shareholdings in the Company. The clients of YCMPL are Yeoman 3-Rights and Yeoman Client 1, which directly own 6,866,784 Shares and 137,500 Shares, respectively.
- (6) Yeoman 3-Rights owns 6,866,784 Shares directly in its own name.
- (7) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2022 (i.e. 87,622,049 Shares).

Save as disclosed above, as at September 30, 2022, the Directors are not aware of any corporations which or persons (other than a Director or the chief executive of the Company) who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### SHARE OPTION SCHEME

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

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

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

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

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

Particulars of the share options outstanding under ESOS III at the beginning and at the end of 1H FY2023 and the share options granted, exercised, lapsed and forfeited during 1H FY2023 were as follows:

Category of participants	Date of grant	Number of underlying Shares comprised in share options					Balance as at September 30, 2022	Exercise price per Share	Exercise period
		Balance as at April 1, 2022	Granted during 1H FY2023	Exercised during 1H FY2023	Lapsed during 1H FY2023	Forfeited during 1H FY2023			
Employees in aggregate	July 17, 2017	792,000	-	-	-	-	792,000	HK\$3.91	July 18, 2018 to July 17, 2027
Employees in aggregate	December 2, 2020	3,145,000	-	(1,845,000)	-	(155,000)	1,145,000	HK\$2.61	December 3, 2021 to December 2, 2030
		<u>3,937,000</u>	<u>-</u>	<u>(1,845,000)</u>	<u>-</u>	<u>(155,000)</u>	<u>1,937,000</u>		

During 1H FY2023, share options holders under ESOS III exercised part of their share options and subscribed for 1,845,000 Shares at an exercise price of HK\$2.61 per Share. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$4.18 per Share.

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

## Corporate Governance and Other Information

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

During the six months ended September 30, 2022, the Company did not redeem any of its securities listed on the Main Board of the SEHK and the SGX-ST nor did the Company or any of its subsidiaries purchase or sell any of such securities.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODES**

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that during the six months ended September 30, 2022, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 to the HK Listing Rules (the "HK CG Code") and the Code of Corporate Governance 2018 of Singapore (the "Singapore CG Code") except those stated in paragraph 3 of this section.

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

Provision 2.2 of the Singapore CG Code stipulates that independent directors make up a majority of the board where the chairman is not independent. The Company notes that the current Board composition is a variation from Provision 2.2 of the Singapore CG Code as the Board comprises seven members, one of whom is a non-executive Director (who is also the chairman of the Board), three of whom are executive Directors and three of whom are INEDs. The Board has plans for board renewal and orderly succession, will continually review its composition to take into account the recommendation in Provision 2.2 of the Singapore CG Code, and intends to adopt the necessary measures in due course. Such measures may include stepping down of some of the existing Directors (apart from the INEDs) and appointing new independent Directors (preferably female, if suitable candidates are identified, in order to fulfil the gender diversity of the Board) at the appropriate juncture.

### **COMPLIANCE WITH HK MODEL CODE**

The Company has adopted 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 current Directors, all of them confirmed that they had complied with the required standards as set out in the HK Model Code throughout the six months ended September 30, 2022.

### **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, the HK Listing Rules, the Singapore CG Code and the Main Board rules of the listing manual of the SGX-ST. The Audit Committee currently comprises all of the three INEDs, namely Lim Lee Meng (committee chairman), Tang Wai Loong Kenneth and Tong Kai Cheong. The Group's unaudited interim results and this interim report for the six months ended September 30, 2022 have been reviewed by the Audit Committee.

# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

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

## INTRODUCTION

We have reviewed the accompanying condensed consolidated financial statements of Willas-Array Electronics (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 44, which comprise the condensed consolidated statement of financial position as of September 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at September 30, 2022, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

**Deloitte & Touche LLP**  
*Public Accountants and  
Chartered Accountants*

Singapore  
November 14, 2022

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2022

	NOTES	For the six months ended September 30,	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	1,782,845	1,785,868
Cost of sales		(1,612,871)	(1,614,819)
Gross profit		169,974	171,049
Other income		4,495	876
Distribution costs		(16,043)	(15,046)
Administrative expenses		(94,414)	(95,021)
Other gains and losses		(32,648)	923
Impairment losses reversed under expected credit loss ("ECL") model, net	11	–	1,362
Finance costs		(14,806)	(8,696)
Profit before tax		16,558	55,447
Income tax expense	4	(3,737)	(11,913)
Profit for the period	5	12,821	43,534
Other comprehensive (expense) income: <i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising from translation of foreign operations		(39,845)	4,308
Other comprehensive (expense) income for the period		(39,845)	4,308
Total comprehensive (expense) income for the period		(27,024)	47,842
Profit attributable to:			
Owners of the Company		12,829	43,534
Non-controlling interests		(8)	–
		12,821	43,534
Total comprehensive (expense) income attributable to:			
Owners of the Company		(27,012)	47,842
Non-controlling interests		(12)	–
		(27,024)	47,842
Earnings per share	7		
– Basic (HK cents)		14.78	51.09
– Diluted (HK cents)		14.66	50.47

# Condensed Consolidated Statement of Financial Position

As at September 30, 2022

	NOTES	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	260,920	284,293
Right-of-use assets	8	12,182	16,093
Investment property	8	9,951	9,951
Club debentures		2,001	2,001
Interest in an associate		–	–
Financial assets measured at fair value through other comprehensive income (“FVTOCI”)		–	–
Long-term deposits		4,153	4,459
Deferred tax assets	9	504	503
Total non-current assets		289,711	317,300
<b>Current assets</b>			
Inventories		466,982	360,393
Trade receivables	10	916,577	862,816
Other receivables, deposits and prepayments		8,328	6,706
Income tax recoverable		4,497	4,567
Derivative financial instruments		4,974	–
Restricted bank deposits		2,195	2,457
Cash and cash equivalents		363,170	327,673
Total current assets		1,766,723	1,564,612
<b>Total assets</b>		<b>2,056,434</b>	<b>1,881,912</b>

# Condensed Consolidated Statement of Financial Position

As at September 30, 2022

	NOTES	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade payables	13	424,803	389,528
Other payables		38,447	41,456
Contract liabilities		2,392	9,632
Income tax payable		4,229	5,204
Trust receipt loans	14	677,893	486,359
Bank borrowings	15	176,858	124,434
Derivative financial instruments		68	579
Lease liabilities		7,344	7,988
Total current liabilities		1,332,034	1,065,180
<b>Net current assets</b>		434,689	499,432
<b>Total assets less current liabilities</b>		724,400	816,732
<b>Capital, reserves and non-controlling interests</b>			
Share capital	16	87,622	85,777
Reserves		596,783	684,789
Equity attributable to owners of the Company		684,405	770,566
Non-controlling interests		70	–
Total equity		684,475	770,566
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	34,827	38,154
Lease liabilities		5,098	8,012
Total non-current liabilities		39,925	46,166
<b>Total liabilities and equity</b>		2,056,434	1,881,912

# Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2022

	Attributable to owners of the Company										
	Share capital HK\$'000	Capital reserves HK\$'000 (Note i)	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Financial assets measured at FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Accumulated profits HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At April 1, 2021 (Audited)	85,207	194,255	22,974	117,441	10,852	(16,448)	(3,561)	276,381	687,101	-	687,101
Total comprehensive income for the period:											
Profit for the period	-	-	-	-	-	-	-	43,534	43,534	-	43,534
Other comprehensive income for the period	-	-	-	-	4,308	-	-	-	4,308	-	4,308
Total	-	-	-	-	4,308	-	-	43,534	47,842	-	47,842
Transactions with owners, recognised directly in equity:											
Recognition of equity-settled share-based payments (Note 17)	-	1,347	-	-	-	-	-	-	1,347	-	1,347
Dividend paid (Note 6)	-	-	-	-	-	-	-	(28,118)	(28,118)	-	(28,118)
Transfer of statutory reserve	-	-	274	-	-	-	-	(274)	-	-	-
Total	-	1,347	274	-	-	-	-	(28,392)	(26,771)	-	(26,771)
At September 30, 2021 (Unaudited)	85,207	195,602	23,248	117,441	15,160	(16,448)	(3,561)	291,523	708,172	-	708,172
At April 1, 2022 (Audited)	85,777	196,975	28,082	127,652	21,598	(16,448)	(3,561)	330,491	770,566	-	770,566
Total comprehensive income (expense) for the period:											
Profit for the period	-	-	-	-	-	-	-	12,829	12,829	(8)	12,821
Other comprehensive expense for the period	-	-	-	-	(39,841)	-	-	-	(39,841)	(4)	(39,845)
Total	-	-	-	-	(39,841)	-	-	12,829	(27,012)	(12)	(27,024)
Transactions with owners, recognised directly in equity:											
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	82	82
Exercise of share options	1,845	2,970	-	-	-	-	-	-	4,815	-	4,815
Share options forfeited	-	(114)	-	-	-	-	-	114	-	-	-
Dividend paid (Note 6)	-	-	-	-	-	-	-	(63,964)	(63,964)	-	(63,964)
Transfer of statutory reserve	-	-	226	-	-	-	-	(226)	-	-	-
Total	1,845	2,856	226	-	-	-	-	(64,076)	(59,149)	82	(59,067)
At September 30, 2022 (Unaudited)	87,622	199,831	28,308	127,652	(18,243)	(16,448)	(3,561)	279,244	684,405	70	684,475

## Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2022

### Notes:

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2022

	<b>For the six months ended September 30,</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash (used in) from operating activities</b> <i>(Note)</i>	<b>(136,283)</b>	69,961
<b>Net cash used in investing activities</b>		
Purchase of property, plant and equipment	(2,712)	(2,714)
Proceeds from disposal of property, plant and equipment	200	75
	<b>(2,512)</b>	(2,639)
<b>Net cash from financing activities</b>		
Capital contribution from non-controlling interests of a subsidiary	82	–
Dividend paid to shareholders	(63,964)	(28,118)
Proceeds from exercise of share options	4,815	–
Repayments of trust receipt loans	(1,298,563)	(1,264,864)
Proceeds from trust receipt loans	1,492,052	1,360,220
Repayments of bank borrowings	(311,077)	(366,030)
Proceeds from bank borrowings	364,217	417,221
Repayments of lease liabilities	(4,033)	(4,264)
	<b>183,529</b>	114,165
Net increase in cash and cash equivalents	<b>44,734</b>	181,487
Cash and cash equivalents at beginning of the period	<b>327,673</b>	216,923
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<b>(9,237)</b>	995
Cash and cash equivalents at end of the period	<b>363,170</b>	399,405

*Note:* During the six months ended September 30, 2022, 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 settlement of nil (2021: HK\$48,896,000) as it represented non-cash derecognition upon maturity.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 1. BASIS OF PREPARATION

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRS Standards"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended March 31, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 2. PRINCIPAL ACCOUNTING POLICIES – continued

### Application of amendments to IFRS Standards

In the current interim period, the Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on April 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 - 2020

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

### 2.1 Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018 - 2020

#### *IFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

#### *IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 3. REVENUE AND SEGMENT INFORMATION

### A. Disaggregation of revenue from contracts with customers

	For the six months ended September 30,	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Types of goods or service:</b>		
Sales of electronic components	<b>1,782,845</b>	1,785,868
<b>Market segments of the customers:</b>		
Industrial	<b>465,929</b>	553,720
Automotive	<b>451,810</b>	350,817
Home appliance	<b>301,890</b>	352,477
Telecommunications	<b>140,485</b>	101,777
Audio and video	<b>128,497</b>	120,165
Electronic manufacturing services	<b>110,895</b>	77,538
Dealer	<b>97,026</b>	118,906
Lighting	<b>59,373</b>	60,940
Others	<b>26,940</b>	49,528
<b>Total</b>	<b>1,782,845</b>	1,785,868

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 3. REVENUE AND SEGMENT INFORMATION – continued

### B. Segment information

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 3. REVENUE AND SEGMENT INFORMATION – continued

### B. Segment information – continued

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

#### Six months ended September 30, 2022 (Unaudited)

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 3. REVENUE AND SEGMENT INFORMATION – continued

### B. Segment information – continued

Six months ended September 30, 2021 (Unaudited)

	Trading of electronic components				Elimination HK\$'000	Total HK\$'000
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000		
<b>Revenue</b>						
Sales - external	878,058	868,992	38,818	1,785,868	-	1,785,868
Sales - inter-company	504,364	200,376	3	704,743	(704,743)	-
	1,382,422	1,069,368	38,821	2,490,611	(704,743)	1,785,868
Cost of sales	(1,294,978)	(990,324)	(34,260)	(2,319,562)	704,743	(1,614,819)
<b>Gross profit/segment results</b>	<b>87,444</b>	<b>79,044</b>	<b>4,561</b>	<b>171,049</b>	<b>-</b>	<b>171,049</b>
Other income						876
Distribution costs						(15,046)
Administrative expenses						(95,021)
Other gains and losses						923
Impairment losses reversed under ECL model, net						1,362
Finance costs						(8,696)
Profit before tax						55,447
Income tax expense						(11,913)
Profit attributable to owners of the Company						43,534

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 4. INCOME TAX EXPENSE

	For the six months ended September 30,	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The income tax expense comprises:		
Current tax:		
– Hong Kong	2,806	3,370
– PRC Enterprise Income Tax (the “EIT”)	2,208	7,024
– Taiwan	105	401
	<u>5,119</u>	<u>10,795</u>
Under (over) provision in respect of prior period:		
– PRC EIT	344	21
– Taiwan	(14)	(88)
	<u>330</u>	<u>(67)</u>
Deferred tax:		
– (Credit) charge to the period (Note 9)	(1,712)	1,185
	<u>3,737</u>	<u>11,913</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 six months ended September 30, 2022 and 2021.

Under the Law of the PRC on EIT (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 20%.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 5. PROFIT FOR THE PERIOD

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

	For the six months ended September 30,	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses ( <i>Note i</i> )	1,612,871	1,614,819
Depreciation of property, plant and equipment	7,503	7,031
Depreciation of right-of-use assets	4,094	4,409
Directors' emoluments ( <i>Note ii</i> )	4,424	5,415
Gain on disposal of property, plant and equipment	(200)	(6)
Audit fees paid to auditors		
Auditor of the Company	1,293	1,071
Other auditors	45	84
Non-audit fees paid to auditor		
Auditor of the Company	516	402
Staff costs (excluding directors' emoluments) ( <i>Note ii</i> )	63,493	59,012
Net foreign exchange loss (gain)	38,333	(1,218)
Net (gain) loss on fair value changes of derivative financial instruments	(5,485)	301
Share-based payment expense	–	1,347
Interest income from bank deposits	(939)	(243)
Government grant ( <i>Note iii</i> )	(2,832)	–

Notes:

- (i) During the six months ended September 30, 2022, the amount did not include any recognition or reversal of allowance for inventories (2021: nil).
- (ii) During the six months ended September 30, 2022, cost of defined contribution plans amounting to HK\$7,922,000 (2021: HK\$7,665,000), was included in staff costs and directors' emoluments.
- (iii) During the six months ended September 30, 2022, the Group recognised government grants of HK\$2,832,000 (2021: nil) in respect of Covid-19-related subsidies and entire amount relates to Employment Support Scheme provided by the Hong Kong government.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

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

During the current interim period, the Group paid HK\$2,712,000 (2021: HK\$2,714,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of nil (2021: HK\$69,000), resulting in a gain of HK\$200,000 (2021: HK\$6,000).

During the current interim period, the Group entered into lease agreements for the use of offices for three years (2021: the Group renewed lease agreements for the use of offices and staff quarter for two years to three years) which the Group is required to make fixed monthly payments. On the lease commencement date, the Group recognised right-of use assets of HK\$2,824,000 and lease liabilities of HK\$2,824,000. For the six months ended September 30, 2021, the Group recognised right-of use assets of HK\$3,918,000 and lease liabilities HK\$3,918,000 arising from lease modifications on the respective lease modification date.

In addition, during the current interim period, the Group terminated a lease agreement with remaining lease terms of 2 years. On the termination date, the Group derecognised the right-of use asset of HK\$2,142,000 and the lease liability of HK\$2,104,000, resulting in a loss of HK\$38,000 which has been recognised in the profit or loss.

The Group's owned properties classified as property, plant and equipment were revalued to fair value. The Group's owned properties were reassessed by the directors of the Company while the Group's investment property was valued by Asset Appraisal Limited (the "Valuer"), a firm of independent qualified professional valuer not connected to the Group. In the opinion of the directors of the Company and on the basis of the valuation result of the Valuer, the carrying amount of owned properties and investment property at the end of current interim period does not differ significantly from their estimated fair values, respectively. Consequently, no increase/decrease in fair value of property, plant and equipment and investment property has been recognised in property revaluation reserve and profit or loss, respectively, for the periods ended September 30, 2022 and 2021.

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 9. DEFERRED TAX

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

	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
Deferred tax assets	504	503
Deferred tax liabilities	(34,827)	(38,154)
	<u>(34,323)</u>	<u>(37,651)</u>

## 10. TRADE RECEIVABLES

	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
Trade receivables	928,409	904,535
Less: allowance for credit losses	(11,832)	(41,719)
	<u>916,577</u>	<u>862,816</u>

As at September 30, 2022, total bills received amounting to HK\$66,176,000 (March 31, 2022: HK\$95,061,000) are held by the Group for future settlement of trade receivables, of which nil (March 31, 2022: nil) bills were further discounted by the Group.

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

The Group allows a credit period of 30 to 120 days (March 31, 2022: 30 to 120 days) to its trade customers.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 10. TRADE RECEIVABLES – continued

The following is an aging analysis of trade receivables net of allowance for credit losses, presented based on the invoice date or bills issuance date at the end of the reporting periods:

	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
Within 60 days	602,422	574,161
61 to 90 days	160,273	164,883
Over 90 days	153,882	123,772
	<u>916,577</u>	<u>862,816</u>

## 11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	For the six months ended September 30,	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Impairment losses reversed on:		
Trade receivables	–	(1,513)
Amount due from an associate (Note 18(a))	–	151
	<u>–</u>	<u>(1,362)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended September 30, 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2022 and March 31, 2022 that were transferred to banks by discounting those trade receivables and bills received on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounting to HK\$71,243,000 (March 31, 2022: HK\$36,845,000).

### As at September 30, 2022 (Unaudited)

	Trade receivables discounted to banks with full recourse HK\$'000
Carrying amount of transferred assets	80,795
Carrying amount of associated liabilities	<u>(71,243)</u>
Net position	<u>9,552</u>

### As at March 31, 2022 (Audited)

	Trade receivables discounted to banks with full recourse HK\$'000
Carrying amount of transferred assets	43,217
Carrying amount of associated liabilities	<u>(36,845)</u>
Net position	<u>6,372</u>

Finance costs recognised for trade receivables and bills received discounted to banks for the period ended September 30, 2022 are HK\$1,136,000 and nil (2021: HK\$718,000 and HK\$485,000), respectively, which are included in finance costs.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 13. TRADE PAYABLES

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

	<b>As at September 30, 2022 HK\$'000 (Unaudited)</b>	<b>As at March 31, 2022 HK\$'000 (Audited)</b>
Within 30 days	<b>262,041</b>	281,386
31 to 60 days	<b>162,762</b>	108,142
	<b>424,803</b>	389,528

As at September 30, 2022, HK\$317,500,000 (March 31, 2022: HK\$257,038,000) of trade payables are eligible for the Group to obtain the trust receipt loans from the banks for settlement of trade payables to the vendors.

## 14. TRUST RECEIPT LOANS

The trust receipts loans were drawn down by the Group from the banks for settlement of its trade payables. During the period ended September 30, 2022, gross amount of HK\$1,492,052,000 (2021: HK\$1,360,220,000) trade payables have been settled through the trust receipt loans provided by the banks. During the period ended September 30, 2022, gross amount of HK\$1,298,563,000 (2021: HK\$1,264,864,000) trust receipt loans have been repaid to banks.

The trust receipt loans are unsecured, bear fixed-rates with weighted average effective interest rate of 4.85% (March 31, 2022: 2.94%) per annum, and are repayable within one year.

At September 30, 2022, the Group's trust receipt loans with carrying amount of HK\$131,265,000 (March 31, 2022: HK\$90,312,000) are required to comply with loan covenants to maintain certain amount of the Group's net tangible assets. The Group has complied with the loan covenants for the period ended September 30, 2022 and the year ended March 31, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of HK\$364,217,000 (2021: HK\$417,221,000).

In addition, the Group repaid bank loans of HK\$311,077,000 (2021: HK\$366,030,000) during the current interim period.

At September 30, 2022, the Group's bank borrowings with carrying amount of HK\$23,764,000 (March 31, 2022: HK\$5,438,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for the period ended September 30, 2022 and the year ended March 31, 2022.

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

	<b>As at September 30, 2022 (Unaudited)</b>	As at March 31, 2022 (Audited)
Weighted average effective interest rate:		
– fixed-rate borrowings	<b>4.49%</b>	2.60%
– variable-rate borrowings	<b>4.23%</b>	1.85%

## 16. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$1.0 each		
<b>Authorised:</b>		
At April 1, 2021 (Audited), September 30, 2021 (Unaudited), April 1, 2022 (Audited) and September 30, 2022 (Unaudited)	120,000	120,000
<b>Issued and paid up:</b>		
At April 1, 2021 (Audited), September 30, 2021 (Unaudited)	85,207	85,207
Exercise of share options	570	570
April 1, 2022 (Audited)	85,777	85,777
Exercise of share options	1,845	1,845
<b>At September 30, 2022 (Unaudited)</b>	<b>87,622</b>	<b>87,622</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 17. SHARE-BASED PAYMENTS

The Company adopted the Willas-Array Electronics Employee Share Option Scheme III (“ESOS III”) to grant share options to eligible employees, including the executive directors of the Company and its subsidiaries. Details of the share options schemes and fair value measurement of share options were disclosed in the Group’s annual financial statements for the year ended March 31, 2022.

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

During the current interim period, share options holders under ESOS III exercised part of their share options and subscribed for 1,845,000 shares of HK\$1.00 each of the Company at an exercise price of HK\$2.61 per share. The weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised was HK\$4.18 per share.

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

	<b>Number of share options</b>
Outstanding at April 1, 2021 (Audited)	4,577,000
Forfeited during the period	<u>(70,000)</u>
Outstanding at September 30, 2021 (Unaudited)	4,507,000
Exercised during the period	<u>(570,000)</u>
Outstanding at April 1, 2022 (Audited)	3,937,000
Forfeited during the period	(155,000)
Exercised during the period	<u>(1,845,000)</u>
<b>Outstanding at September 30, 2022 (Unaudited)</b>	<b><u>1,937,000</u></b>

During the six months ended September 30, 2021, share-based payment expense of HK\$1,347,000 was recognised in profit or loss. No such expense was recognised during the six months ended September 30, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 18. RELATED COMPANY TRANSACTIONS

### (a) Transactions and balances with an associate

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

	As at September 30, 2022 HK\$'000 (Unaudited)	As at March 31, 2022 HK\$'000 (Audited)
Associate		
– other receivables	1,712	1,712
Less: allowance for credit losses	(1,712)	(1,712)

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

During the six months ended September 30, 2022, an impairment on amount due from an associate of nil (2021: HK\$151,000) has been provided. The management are of the opinion that the receivables are not probable to recover and, accordingly, has made a full provision for them.

### (b) Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the six months ended September 30, 2022 and 2021 are as follows:

	For the six months ended September 30,	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term benefits	7,173	8,830
Post-employment benefits	433	428
Share-based payments	–	308
	<u>7,606</u>	<u>9,566</u>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation process

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

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2022

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – continued

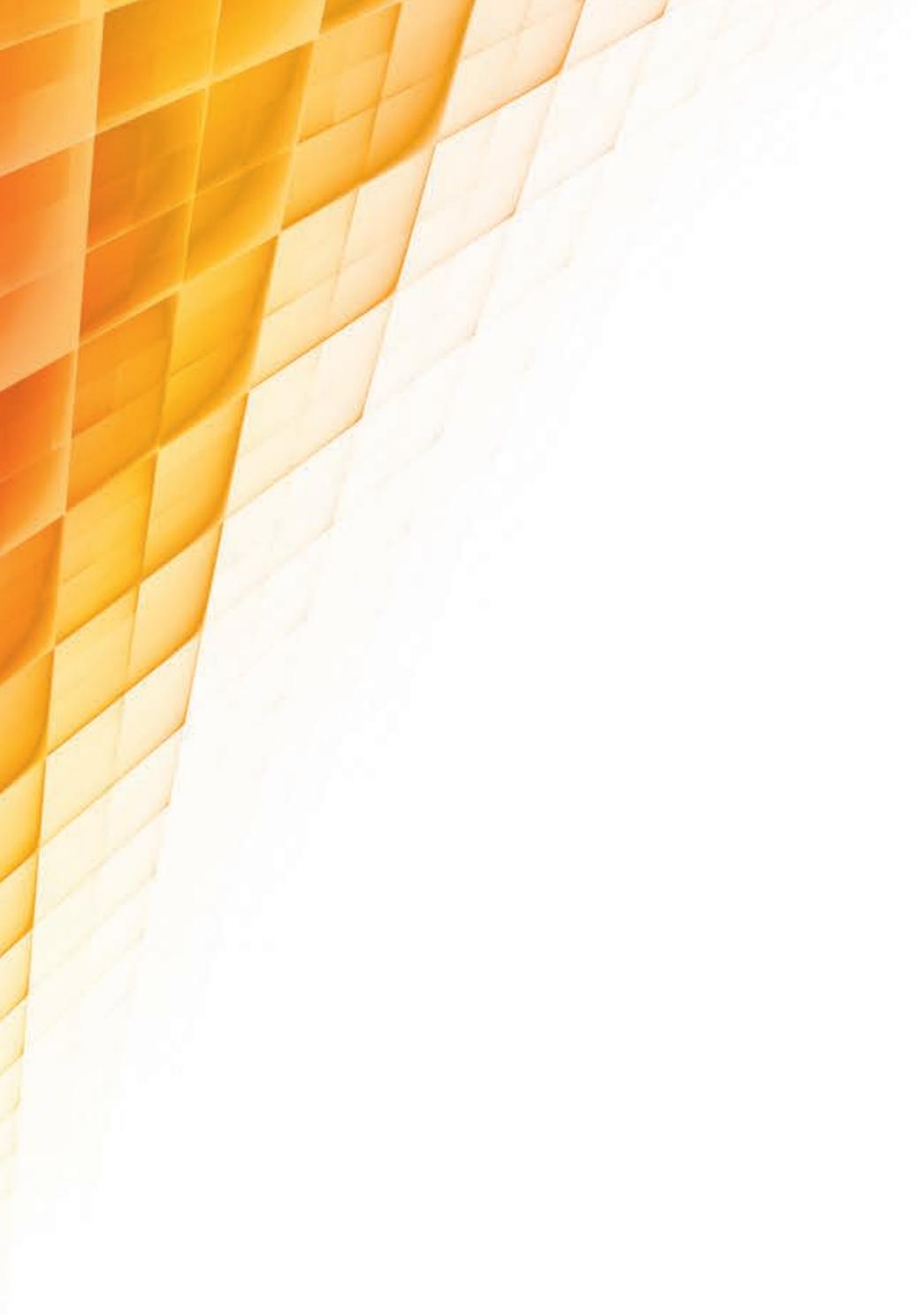
Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	September 30, 2022 (Unaudited)	March 31, 2022 (Audited)				
Foreign exchange forward contracts	Assets - HK\$4,974,000	Assets - nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Liabilities - HK\$68,000	Liabilities - HK\$579,000				

There were no transfers between the different levels of the fair value hierarchy during the six months ended September 30, 2022.

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



**WILLAS-ARRAY**

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