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

2019/20

Contents

Corporate Information

DIRECTORS

Executive Directors

Leung Chun Wah *(Chairman)*
Kwok Chan Cheung *(Deputy Chairman)*
Hon Kar Chun *(Managing Director)*
Leung Hon Shing

Independent Non-executive Directors

Jovenal R. Santiago
Wong Kwan Seng, Robert
Iu Po Chan, Eugene

COMPANY SECRETARY

Leung Hon Shing

AUDIT COMMITTEE

Jovenal R. Santiago *(Chairman)*
Wong Kwan Seng, Robert
Iu Po Chan, Eugene

REMUNERATION COMMITTEE

Iu Po Chan, Eugene *(Chairman)*
Jovenal R. Santiago
Wong Kwan Seng, Robert

NOMINATION COMMITTEE

Wong Kwan Seng, Robert *(Chairman)*
Jovenal R. Santiago
Iu Po Chan, Eugene

COMPLIANCE COMMITTEE

Iu Po Chan, Eugene *(Chairman)*
Jovenal R. Santiago
Wong Kwan Seng, Robert

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Leung Chun Wah *(Chairman)*
Kwok Chan Cheung
Iu Po Chan, Eugene

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

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

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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 Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPANY WEBSITE

www.willas-array.com

LISTING INFORMATION

Place of Listing

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

Stock Code

Hong Kong: 854
Singapore: BDR

Board Lot

Hong Kong: 1,000 shares
Singapore: 100 shares

Financial Highlights

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

The board (the "Board") of directors (the "Directors") of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group", "We" or "Our") for the six months ended September 30, 2019, together with the relevant comparative figures.

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**Change %**
Revenue	**1,672,407**	2,154,825	**–22.4**
Gross profit	**99,209**	207,210	**–52.1**
(Loss) profit before tax	**(55,558)**	14,155	**NM**
(Loss) profit attributable to owners of the Company	**(55,820)**	6,725	**NM**
Basic (loss) earnings per share (HK cents)	**(65.51)**	7.97	**NM**

NM – Not Meaningful

BUSINESS REVIEW

The Group recorded an attributable loss of HK$55.8 million for the six months ended September 30, 2019 ("1H FY2020") compared to an attributable profit of HK$6.7 million for the six months ended September 30, 2018 ("1H FY2019") mainly due to lower revenue and gross profit margin, which led to a decrease in gross profit in the period under review. The lower gross profit margin was mainly attributed to intense price competition amidst weak demand and clearance of buffer stocks created from last year.

Revenue

The Group's sales revenue decreased by 22.4% from HK$2,154.8 million in 1H FY2019 to HK$1,672.4 million in 1H FY2020 mainly due to the uncertainty in the market and weak economy sentiment. Both export and domestic markets in China continued to feel the effects of the US-China trade tensions, 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 customers and measures to clear the inventory. Additionally, the depreciation of 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.

Turnover by Market Segment Analysis

(in HK$'000)

	1H FY2020		1H FY2019		Increase (Decrease)	
		%		%		%
Industrial	**455,886**	**27.3%**	555,841	25.8%	(99,955)	(18.0%)
Home Appliance	**304,768**	**18.2%**	306,216	14.2%	(1,448)	(0.5%)
Automotive	**247,827**	**14.8%**	236,248	11.0%	11,579	4.9%
Telecommunications	**165,950**	**9.9%**	466,573	21.7%	(300,623)	(64.4%)
Dealer	**164,196**	**9.8%**	198,842	9.2%	(34,646)	(17.4%)
Audio and Video	**123,499**	**7.4%**	156,676	7.3%	(33,177)	(21.2%)
Electronic Manufacturing Services ("EMS")	**111,591**	**6.7%**	118,513	5.5%	(6,922)	(5.8%)
Lighting	**57,720**	**3.5%**	59,228	2.7%	(1,508)	(2.5%)
Others	**40,970**	**2.4%**	56,688	2.6%	(15,718)	(27.7%)
	1,672,407	**100.0%**	2,154,825	100.0%	(482,418)	(22.4%)

Industrial

The Industrial segment is still the largest revenue generator of the Group. It achieved revenue of HK$455.9 million in 1H FY2020, a drop of 18.0% as compared to the same period last year. This segment covers a wide range of applications, including switch mode power supply, LCD module, meter and energy saving products, for both export and domestic markets in China, and was impacted by the overall market sentiment. The Group will put more focus on the application for the domestic market, which it believes will drive future growth.

Home Appliance

Revenue from the Home Appliance segment was HK$304.8 million in 1H FY2020, representing a decrease of 0.5% as compared to the same period last year. The Group is optimistic that revenue can catch up to the level of the previous financial year, which was mainly dominated by the domestic demand and the increasing use of inverter function. This segment has been identified as a key area of focus and future growth.

Automotive

Revenue from the Automotive segment increased by 4.9% to HK$247.8 million in 1H FY2020 as compared to the same period last year. Although overall car sales in China declined, car makers sped up development of new features and electronics content to increase their competitiveness in the market. With our strength in both sales network and engineering capability, the Group is confident of capturing more business from this segment.

Telecommunications

The Telecommunications segment contributed sales of HK$166.0 million in 1H FY2020, with a significant drop of 64.4% as compared to the same period last year. The weakening of the smartphone market was due to the saturation of the 4G market even as consumers held back their purchases in anticipation of the launch of the 5G telecommunication products. Additionally, one of the Group's key customers lost a project, which impacted its revenue and the buffer stock in this segment. The Group will carefully monitor the potential risk arising from the uncertainty and volatility of mobile application.

Dealer

The revenue from this segment was HK$164.2 million in 1H FY2020, a drop of 17.4% as compared to the same period last year. Under the current uncertainty in the market, dealers were very cautious in joining the stock program and sensitive to the price. The depreciation in RMB greatly impacted the buying power in this segment. The Group expects its customers in this segment to take some time to regain confidence in the stability of the market.

Audio and Video

Revenue from the Audio and Video segment was HK$123.5 million in 1H FY2020, a decrease of 21.2% as compared to the same period last year due to poor demand from both the US and Europe. 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.

EMS

This segment recorded a 5.8% decrease in revenue in 1H FY2020 as compared to the same period last year to HK$111.6 million. The EMS factories adjusted their strategy to survive in the market in both service and pricing. The Group intends to support the efforts of its customers to secure more orders to maintain the revenue in this segment.

Lighting

Revenue from this segment continued its decline in 1H FY2020, falling 2.5% as compared to the same period last year to HK$57.7 million. Customers had put more focus on domestic demand and high-end applications, especially in high power and smart Internet of Things. This has the potential to generate more opportunities for the Group's products.

Others

Because of the overall weakness in customer demand, revenue from this segment fell by 27.7% in 1H FY2020 as compared to the same period last year to HK$41.0 million particularly in the Toys and Health Care application.

Gross Profit Margin

The Group's gross profit margin decreased from 9.6% in 1H FY2019 to 5.9% in 1H FY2020. The ongoing US-China trade tensions had resulted in weak consumer and business sentiments and greatly impacted market confidence from last year. The fall in gross profit margin was mainly attributed to price competition amidst a weak demand situation and clearance of buffer stocks created from last year.

Distribution Costs

Distribution costs decreased by HK$8.7 million, or 36.1%, from HK$24.1 million in 1H FY2019 to HK$15.4 million in 1H FY2020. The decrease was mainly due to lower sales incentive expense, which was in line with the decrease in sales revenue. Furthermore, the Group has tightened the overseas travelling and entertainment expenses in 1H FY2020.

Administrative Expenses

Administrative expenses decreased by HK$16.4 million, or 14.3%, from HK$114.7 million in 1H FY2019 to HK$98.3 million in 1H FY2020. This was mainly due to (i) cost control measures introduced in 1H FY2020, (ii) a decrease in staff costs due to lower average headcount and (iii) the absence of premises and warehouse removal expenses incurred in 1H FY2019 for the renovation and relocation of a warehouse in Hong Kong.

Other Gains and Losses

Other losses of HK$16.7 million in 1H FY2020 (1H FY2019: HK$34.1 million) were due to exchange loss mainly arising from the depreciation of RMB.

Impairment Losses, Net of Reversal

Impairment losses of HK$6.7 million in 1H FY2020 (1H FY2019: nil) represented the impairment losses on trade receivables.

Finance Costs

Finance costs decreased by HK$2.6 million, or 11.7%, from HK$21.9 million in 1H FY2019 to HK$19.3 million in 1H FY2020. The decrease in finance costs was mainly due to decreases in average trust receipt loans and bank borrowings as compared to the same period last year but was slightly offset by an increase in average interest rate. Certain rental expenses of HK$0.3 million were reclassified to finance costs in accordance with the application of International Financial Reporting Standard 16 *Leases* from April 1, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

As compared to the previous financial year ended March 31, 2019, trust receipt loans decreased by HK$39.7 million. Trade payables increased from HK$310.9 million as at March 31, 2019 to HK$324.6 million as at September 30, 2019. The decrease in trust receipt loans was mainly due to the decrease in inventories level as at September 30, 2019. Trade receivables as at September 30, 2019 increased by HK$78.1 million when compared to those as at March 31, 2019, due to an increase in sales revenue towards the end of the period under review, and the debtors turnover days increased from 2.5 months to 2.9 months.

As at September 30, 2019, the Group's current ratio (current assets divided by current liabilities) was 1.25 (March 31, 2019: 1.29).

Inventories

Inventories decreased from HK$689.9 million as at March 31, 2019 to HK$437.2 million as at September 30, 2019. The inventory turnover days decreased from 2.5 months to 1.7 months.

Cash Flow

As at September 30, 2019, the Group had a working capital of HK$313.3 million, which included a cash balance of HK$231.5 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$66.0 million was primarily attributable to the net effect of cash outflows of HK$3.2 million in investing activities and HK$195.7 million in financing activities and inflow of HK$135.7 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 the net effect of a decrease in inventories but was partially offset by an increase in trade receivables. Decrease in inventories was due to clearance of buffer stocks while increase in trade receivables was due to the increased sales revenue towards the end of the current interim period when compared with the sales revenue towards March 31, 2019.

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 September 30, 2019, fixed-rate bank borrowings of HK$185.0 million (March 31, 2019: HK$225.0 million) were unsecured and repayable in quarterly or half-yearly installments ending in the financial year of 2020. The unsecured fixed-rate bank borrowings were denominated in HKD while secured fixed-rate bank borrowings as at September 30, 2019 of HK$10.9 million (March 31, 2019: HK$44.6 million) were denominated in RMB.

As at September 30, 2019, fixed-rate bank borrowings bore interest at a weighted average effective rate of 4.61% per annum while variable-rate bank borrowings bore interest at a weighted average effective rate of 3.47% per annum. The variable-rate bank borrowings were denominated in USD and HKD.

As at September 30, 2019, trust receipt loans were unsecured and repayable within one year and bore interest rates ranging from 3.48% to 4.82% per annum. As at September 30, 2019, the Group had unutilised banking facilities of HK$812.6 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 September 30, 2019		As at March 31, 2019	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
114,034	**737,320**	209,147	816,998

Amount repayable after one year

As at September 30, 2019		As at March 31, 2019	
Secured	**Unsecured**	Secured	Unsecured
HK$'000	**HK$'000**	HK$'000	HK$'000
–	**–**	–	–

As at September 30, 2019, the Group's trade receivables amounted to HK$129.2 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 a secured borrowings amounting to HK$114.0 million, of which HK$103.1 million was variable-rate borrowings while HK$10.9 million was fixed-rate borrowings (March 31, 2019: HK$173.5 million, of which HK$128.9 million was variable-rate borrowings while HK$44.6 million was fixed-rate borrowings).

Foreign Exchange Risk Management

The Group operates in Hong Kong, the People's Republic of 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, 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 September 30, 2019 was 105.6% (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$851.4 million.

STRATEGY AND PROSPECTS

China's economy continued its slowdown in the third quarter (July to September) of 2019, with growth at 6.0% between July and September, compared to 6.2% in the second quarter (April to June). This was its slowest rate in the past 27 years.

Although talks are ongoing to resolve the US-China trade dispute, the Group expects the trade tension and the resulting implementation of tariffs to continue. With no near-term resolution in sight, a prolonged dispute will certainly worsen the global economy.

In view of the considerable downside risks and certain headwinds in the macro-environment, the Group will continue to be prudent in managing its operations and sustaining a healthy liquidity position in order to support the long-term growth.

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

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended September 30, 2019 (1H FY2019: nil). No dividend has been declared for 1H FY2020 as the Group intends to retain cash for the business operations.

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2019, the Group had a workforce of 438 (March 31, 2019: 467) full-time employees, of which 34.0% worked in Hong Kong, 62.3% in the PRC and the remainder in Taiwan.

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

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, 2019, the interests and short positions of the Directors and the 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 of the Company (the "Shares")

	Number of Shares Held					
Name of Directors/ Chief Executive	**Personal interests (held as beneficial owner)**	**Family interests (interest of spouse)**	**Corporate interests (interest in a controlled corporation)**	**Other interests (beneficiary of a trust)**	**Total**	**Approximate percentage of total shareholding in the Company [3]** (%)
Leung Chun Wah [1] ("Mr. Leung")	1,230,130	805,134	–	19,909,813	21,945,077	25.76
Kwok Chan Cheung [2] ("Mr. Kwok")	37,400	–	8,685,109	–	8,722,509	10.24
Hon Kar Chun	322,080	–	–	–	322,080	0.38
Leung Hon Shing	274,824	–	–	–	274,824	0.32

Notes:

(1) Mr. Leung, being the chairman of the Board (the "Chairman") and an executive Director (the "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. He and his family members are the ultimate beneficiaries of a discretionary trust, of which HSBC International Trustee Limited ("HSBC Trustee") is the trustee. The 19,909,813 Shares are held by Max Power Assets Limited ("Max Power"), with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the relevant trust deed. By virtue of the SFO, Mr. Leung is deemed to be interested in all of the Shares held by Max Power.

(2) Global Success International Limited ("Global Success") which is wholly owned by Mr. Kwok, the deputy Chairman (the "Deputy Chairman") and an Executive Director, 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.

(3) The percentage represents the total number of the Shares interested divided by the number of issued Shares as at September 30, 2019 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2019, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (i) notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the SEHK pursuant to the HK Model Code.

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

As at September 30, 2019, 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 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

	Number of Shares Held					
Name of Shareholders	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Corporate interests (interest of controlled corporations)	Other interests (trustee)	Total	Approximate percentage of total shareholding in the Company [7] (%)
Ms. Cheng [1]	805,134	21,139,943	–	–	21,945,077	25.76
Max Power [2]	19,909,813	–	–	–	19,909,813	23.37
HSBC Trustee [2]	–	–	–	19,909,813	19,909,813	23.37
Global Success [3]	8,685,109	–	–	–	8,685,109	10.19
Yeo Seng Chong [4] ("Mr. Yeo")	330,000	550,000	6,939,684	–	7,819,684	9.18
Lim Mee Hwa [4] ("Ms. Lim")	550,000	330,000	6,939,684	–	7,819,684	9.18
Yeoman Capital Management Pte Ltd [5] ("YCMPL")	82,500	–	6,857,184	–	6,939,684	8.14
Yeoman 3-Rights Value Asia Fund [6] ("Yeoman 3-Rights")	6,719,684	–	–	–	6,719,684	7.89
Hung Yuk Choy	5,614,309	–	–	–	5,614,309	6.59

Notes:

(1) Ms. Cheng, the wife of Mr. Leung, the Chairman and an Executive Director, is deemed under the SFO to be interested in the Shares held beneficially and deemed to be held by Mr. Leung. The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the relevant trust deed.

(2) The 19,909,813 Shares are held by Max Power, with HSBC as its nominee. The entire issued share capital of Max Power is held by HSBC Trustee in its capacity as trustee of the discretionary trust. By virtue of the SFO, HSBC Trustee is deemed to be interested in all of the Shares held by Max Power. Mr. Leung and his family members are the ultimate beneficiaries of the discretionary trust. The trustee is required to obtain the consent of Mr. Leung in any disposal and acquisition of Shares by Max Power except under certain exceptional conditions as stipulated in the relevant trust deed.

(3) Global Success, which is wholly owned by Mr. Kwok, being the Deputy Chairman and an Executive Director, 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 330,000 Shares directly in his own name and his wife Ms. Lim owns 550,000 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. Each of Mr. Yeo and Ms. Lim is 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 6,719,684 Shares and 137,500 Shares, respectively.

(6) Yeoman 3-Rights owns 6,719,684 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, 2019 (i.e. 85,207,049 Shares).

Save as disclosed above, as at September 30, 2019, 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 SCHEMES

The Company had on June 11, 2001 adopted the Willas-Array Electronics Employee Share Option Scheme II ("ESOS II") and on July 30, 2013 adopted the Willas-Array Electronics Employee Share Option Scheme III ("ESOS III") (collectively, the "Share Option Schemes") 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 II

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

The vesting period of the share options granted under ESOS II is two years from and including the date of grant.

ESOS II expired on June 10, 2011 and the unexercised share options granted under ESOS II will continue to be valid and exercisable subject to the provisions of ESOS II within their respective exercise periods.

Particulars of the share options outstanding under ESOS II at the beginning and at the end of the financial period for the six months ended September 30, 2019 ("1H FY2020") and the share options granted, exercised, lapsed and cancelled during 1H FY2020 were as follows:

		Number of underlying Shares comprised in share options							
Category of participants	Date of grant	Balance as at April 1, 2019	Granted during 1H FY2020	Exercised during 1H FY2020	Lapsed during 1H FY2020	Cancelled during 1H FY2020	Balance as at September 30, 2019	Exercise price per Share	Exercise period
Employees in aggregate	October 2, 2009	1,760	–	–	–	–	1,760	S$0.305	October 2, 2011 to October 1, 2019

None of the holders of outstanding share options granted under ESOS II (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; and (ii) was granted any option entitling him/her to subscribe for Shares exceeding the respective percentage of the total number of the issued Shares in the 12-month period up to and including the date of grant as stated in ESOS II.

ESOS III

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.

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.

Particulars of the share options outstanding under ESOS III at the beginning and at the end of 1H FY2020 and the share options granted, exercised, lapsed and cancelled during 1H FY2020 were as follows:

		Number of underlying Shares comprised in share options							
Category of participants	Date of grant	Balance as at April 1, 2019	Granted during 1H FY2020	Exercised during 1H FY2020	Lapsed during 1H FY2020	Cancelled during 1H FY2020	Balance as at September 30, 2019	Exercise price per Share	Exercise period
Employees in aggregate	July 17, 2017	990,000	–	–	–	(82,500)	907,500	HK$3.91	July 18, 2018 to July 17, 2027

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; and (ii) was granted any option entitling him/her to subscribe for Shares exceeding the respective percentage of the total number of the issued Shares in the 12-month period up to and including the date of grant as stated in ESOS III.

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

During the six months ended September 30, 2019, 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 six months ended September 30, 2019, 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 the appointment, retirement and re-election of Directors (including independent non-executive Directors (the "INEDs")).

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 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, 2019.

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 unaudited interim results and this interim report for the six months ended September 30, 2019 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 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 21 to 56, which comprises the condensed consolidated statement of financial position as of September 30, 2019 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. The directors of the Company are responsible for the preparation and 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, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 International Auditing and Assurance Standards Board. 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

November 14, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2019

	Notes	For the six months ended September 30, 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	3	**1,672,407**	2,154,825
Cost of sales		**(1,573,198)**	(1,947,615)
Gross profit		**99,209**	207,210
Other income		**1,619**	1,620
Distribution costs		**(15,388)**	(24,080)
Administrative expenses		**(98,290)**	(114,661)
Other gains and losses		**(16,698)**	(34,061)
Impairment losses, net of reversal	11	**(6,700)**	–
Finance costs		**(19,310)**	(21,873)
(Loss) profit before tax		**(55,558)**	14,155
Income tax expense	4	**(262)**	(7,430)
(Loss) profit for the period	5	**(55,820)**	6,725
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
– Gain on revaluation of leasehold land and building transferred to investment property		**7,355**	–
– Income tax relating to gain recognised in other comprehensive income		**(5,018)**	–
		2,337	–
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(14,403)**	(21,962)
Other comprehensive expense for the period		**(12,066)**	(21,962)
Total comprehensive expense for the period attributable to owners of the Company		**(67,886)**	(15,237)
(Loss) earnings per share			
– Basic (HK cents)		**(65.51)**	7.97
– Diluted (HK cents)		**(65.51)**	7.89

Condensed Consolidated Statement of Financial Position

As at September 30, 2019

	Notes	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**262,946**	279,355
Right-of-use assets	8	**17,959**	–
Prepaid lease payments - non-current		**–**	544
Investment property	8	**8,523**	–
Club debentures		**2,001**	2,001
Interest in an associate		**–**	–
Financial assets measured at fair value through other comprehensive income		**–**	–
Long-term deposits		**15,663**	16,514
Deferred tax assets	9	**1,978**	1,972
Restricted bank deposits		**2,203**	–
Total non-current assets		**311,273**	300,386
Current assets			
Inventories		**437,198**	689,898
Trade receivables	10	**846,546**	768,428
Other receivables, deposits and prepayments		**11,027**	10,019
Prepaid lease payments - current		**–**	12
Income tax recoverable		**11,898**	12,201
Derivative financial instruments		**1,246**	31
Restricted bank deposits		**4,405**	4,673
Cash and cash equivalents		**231,465**	297,498
Total current assets		**1,543,785**	1,782,760
Total assets		**1,855,058**	2,083,146

Condensed Consolidated Statement of Financial Position

As at September 30, 2019

	Notes	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	13	**324,612**	310,863
Other payables		**37,840**	34,776
Contract liabilities		**5,191**	8,604
Income tax payable		**737**	2,927
Trust receipt loans	14	**552,320**	591,998
Bank borrowings	15	**299,034**	434,147
Derivative financial instruments		**7**	540
Lease liabilities		**10,759**	–
Total current liabilities		**1,230,500**	1,383,855
Net current assets		**313,285**	398,905
Total assets less current liabilities		**624,558**	699,291
Capital and reserves			
Share capital	16	**85,207**	85,207
Reserves		**500,486**	585,413
Equity attributable to owners of the Company		**585,693**	670,620
Non-current liabilities			
Deferred tax liabilities	9	**31,723**	28,671
Lease liabilities		**7,142**	–
Total non-current liabilities		**38,865**	28,671
Total liabilities and equity		**1,855,058**	2,083,146

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Capital reserves HK$'000	Statutory reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Currency translation reserve HK$'000	Financial assets measured at fair value through other comprehensive income reserve HK$'000	Other reserve HK$'000 *(Note ii)*	Accumulated profits HK$'000	Total HK$'000
At April 1, 2018 (Audited)	76,341	197,794	18,134	109,032	20,969	(16,448)	(3,561)	313,797	716,058
Total comprehensive income (expense) for the period:									
Profit for the period	–	–	–	–	–	–	–	6,725	6,725
Other comprehensive expense for the period	–	–	–	–	(21,962)	–	–	–	(21,962)
Total	–	–	–	–	(21,962)	–	–	6,725	(15,237)
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
Issuance of new shares under the bonus issue	7,746	(7,746)	–	–	–	–	–	–	–
Dividend paid *(Note 6)*	–	–	–	–	–	–	–	(32,534)	(32,534)
Transfer of statutory reserve	–	–	312	–	–	–	–	(312)	–
Total	8,866	(2,940)	312	–	–	–	–	(32,846)	(26,608)
At September 30, 2018 (Unaudited)	85,207	194,854	18,446	109,032	(993)	(16,448)	(3,561)	287,676	674,213
At April 1, 2019 (Audited)	**85,207**	**193,551**	**19,580**	**121,941**	**3,861**	**(16,448)**	**(3,561)**	**266,489**	**670,620**
Total comprehensive income (expense) for the period:									
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(55,820)**	**(55,820)**
Other comprehensive income (expense) for the period	**–**	**–**	**–**	**2,337**	**(14,403)**	**–**	**–**	**–**	**(12,066)**
Total	**–**	**–**	**–**	**2,337**	**(14,403)**	**–**	**–**	**(55,820)**	**(67,886)**
Transactions with owners, recognised directly in equity:									
Share options cancelled	**–**	**(92)**	**–**	**–**	**–**	**–**	**–**	**92**	**–**
Dividend paid *(Note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,041)**	**(17,041)**
Transfer of statutory reserve	**–**	**–**	**298**	**–**	**–**	**–**	**–**	**(298)**	**–**
Total	**–**	**(92)**	**298**	**–**	**–**	**–**	**–**	**(17,247)**	**(17,041)**
At September 30, 2019 (Unaudited)	**85,207**	**193,459**	**19,878**	**124,278**	**(10,542)**	**(16,448)**	**(3,561)**	**193,422**	**585,693**

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 respective 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2019

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	**135,705**	(194,209)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(839)**	(8,661)
Deposit paid for acquisition of property, plant and equipment	**–**	(11,985)
Placement of restricted bank deposits	**(2,326)**	–
Proceeds from disposal of property, plant and equipment	**–**	5
	(3,165)	(20,641)
Net cash (used in) generated from financing activities		
Dividend paid to shareholders	**(17,041)**	(32,534)
Proceeds from exercise of share options	**–**	4,816
Repayments of trust receipt loans	**(1,095,675)**	(1,557,765)
Proceeds from trust receipt loans	**1,055,997**	1,687,024
Repayments of bank borrowings	**(510,662)**	(296,748)
Proceeds from bank borrowings	**376,940**	384,440
Repayments of lease liabilities	**(5,224)**	–
	(195,665)	189,233
Net decrease in cash and cash equivalents	**(63,125)**	(25,617)
Cash and cash equivalents at beginning of the period	**297,498**	327,050
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	**(2,908)**	(5,224)
Cash and cash equivalents at end of the period	**231,465**	296,209

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*" 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 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 IASB, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2019.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new accounting policies

Property, plant and equipment

If an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at the date of change in use between carrying amounts of the property and the related leasehold land and the fair value is treated in the same way as a revaluation in accordance with IAS 16 *Property, Plant and Equipment*. On the subsequent sale or retirement, the relevant revaluation reserve will be transferred directly to accumulated profits.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Taxation

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Leases

The Group as lessor

Rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRS Standards issued by the IASB which are mandatorily effective for the Group for the preparation of the Group's condensed consolidated financial statements for the period beginning on April 1, 2019:

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 new and amendments to IFRS Standards in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

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

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of car park, staff quarter and office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment property and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and lease payment made at or before commencement date for land use rights.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use asset that meet the definition of investment property is presented within "investment property".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that is classified and accounted for as investment property.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and the exercise price of a purchase option reasonably certain to be exercised by the Group.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

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. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

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. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. 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.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at April 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

The Group has not elected to apply revaluation model to the right-of-use assets that relate to the class of leasehold lands, warehouse and office in which the Group currently applies revaluation model. 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%.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

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

	Note	**At April 1, 2019** HK$'000 (Unaudited)
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
– Warehouse		19,040
– Office		410
		20,006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

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

	Notes	**Carrying amounts previously reported at March 31, 2019** HK$'000 (Audited)	**Adjustments** HK$'000 (Unaudited)	**Carrying amounts under IFRS 16 at April 1, 2019** HK$'000 (Unaudited)
Non-current assets				
Right-of-use assets	(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)

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 condensed consolidated financial statements upon the application of IFRS 16.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRS Standards (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended September 30, 2019, movements in working capital have been computed based on opening statement of financial position as at April 1, 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Types of goods or service:		
Sales of electronic components	**1,672,407**	2,154,825
Market segments of the customers:		
Industrial	**455,886**	555,841
Home appliance	**304,768**	306,216
Automotive	**247,827**	236,248
Telecommunications	**165,950**	466,573
Dealer	**164,196**	198,842
Audio and video	**123,499**	156,676
Electronic manufacturing services	**111,591**	118,513
Lighting	**57,720**	59,228
Others	**40,970**	56,688
Total	**1,672,407**	2,154,825

3. REVENUE AND SEGMENT INFORMATION (continued)

B. Segment information

The Group is engaged in the trading of electronic components. Information reported to the board of directors of the Company (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 and finance costs are excluded from segment results.

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

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, 2019 (Unaudited)

	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	860,441	763,706	48,260	1,672,407	–	1,672,407
Sales – inter-company	251,700	197,103	665	449,468	(449,468)	–
	1,112,141	960,809	48,925	2,121,875	(449,468)	1,672,407
Cost of sales	(1,065,039)	(914,306)	(43,380)	(2,022,725)	449,527	(1,573,198)
Gross profit/ segment results	47,102	46,503	5,545	99,150	59	99,209
Other income						1,619
Distribution costs						(15,388)
Administrative expenses						(98,290)
Other gains and losses						(16,698)
Impairment losses, net of reversal						(6,700)
Finance costs						(19,310)
Loss before tax						(55,558)
Income tax expense						(262)
Loss attributable to owners of the Company						(55,820)

3. REVENUE AND SEGMENT INFORMATION (continued)

B. Segment information (continued)

Six months ended September 30, 2018 (Unaudited)

	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	1,097,168	1,005,278	52,379	2,154,825	–	2,154,825
Sales – inter-company	289,557	191,557	395	481,509	(481,509)	–
	1,386,725	1,196,835	52,774	2,636,334	(481,509)	2,154,825
Cost of sales	(1,273,807)	(1,111,362)	(43,998)	(2,429,167)	481,552	(1,947,615)
Gross profit/ segment results	112,918	85,473	8,776	207,167	43	207,210
Other income						1,620
Distribution costs						(24,080)
Administrative expenses						(114,661)
Other gains and losses						(34,061)
Finance costs						(21,873)
Profit before tax						14,155
Income tax expense						(7,430)
Profit attributable to owners of the Company						6,725

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

	For the six months ended September 30, 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
The income tax charge comprises:		
Current tax:		
– Hong Kong	**115**	2,453
– PRC Enterprise Income Tax (the "EIT")	**1,031**	3,462
– Taiwan	**292**	1,157
	1,438	7,072
(Over) under provision in respect of prior period:		
– PRC EIT	**–**	44
– Taiwan	**(28)**	(23)
	(28)	21
Deferred tax:		
– Current period *(Note 9)*	**(1,148)**	337
	262	7,430
Income tax recognised in the other comprehensive income:		
Deferred tax *(Note 9)*		
Arising on other comprehensive income		
– Gain on revaluation of leasehold land and building transferred to investment property	**(5,018)**	–

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of assessable profits, and the remaining profits at 16.5%. Subsidiaries of the Company incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% for the six months ended September 30, 2019.

4. INCOME TAX EXPENSE (continued)

For the six months ended September 30, 2018, one of the subsidiaries of the Company in Hong Kong was subjected to Hong Kong profits tax at the rate of 8.25% for the first HK$2 million of assessable profits, and the remaining profits at 16.5%. The Company and the other subsidiaries of the Company incorporated in Hong Kong were subjected to Hong Kong profits tax at the rate of 16.5%.

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%.

5. (LOSS) PROFIT FOR THE PERIOD

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

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**–**	6
Cost of inventories recognised as expenses *(Note i)*	**1,573,198**	1,947,615
Depreciation of property, plant and equipment	**7,139**	6,430
Depreciation of right-of-use assets	**4,853**	–
Directors' emoluments *(Note ii)*	**5,496**	6,078
Loss on disposal of property, plant and equipment	**68**	46
Audit fees paid to auditors		
Auditor of the Company	**1,102**	1,067
Other auditors	**75**	92
Non-audit fees paid to auditor		
Auditor of the Company	**444**	331
Staff costs (excluding directors' emoluments) *(Note ii)*	**59,263**	74,961
Net foreign exchange loss *(Note iii)*	**18,378**	33,986
Net (gain) loss on fair value changes of derivative financial instruments	**(1,748)**	29
Share-based payment expenses	**–**	1,110
Interest income from bank deposits	**(1,293)**	(816)

5. (LOSS) PROFIT FOR THE PERIOD (continued)

Notes:

(i) During the six months ended September 30, 2019 and 2018, the amount included allowance for inventories amounting to HK$18,824,000 and HK$1,685,000, respectively. The increase in allowance for inventories is mainly due to the weak market demand in current interim period.

(ii) During the six months ended September 30, 2019 and 2018, there were cost of defined contribution plans amounting to HK$9,291,000 and HK$9,629,000, respectively, included in staff costs and directors' emoluments.

(iii) During the six months ended September 30, 2019 and 2018, there were net foreign exchange loss amounting to HK$18,378,000 and HK$33,986,000, respectively, due to the depreciation of Renminbi.

6. DIVIDENDS

During the six months ended September 30, 2019, a final dividend of HK20.0 cents per share was declared and paid to the shareholders in respect of the year ended March 31, 2019 (2018: final dividend of HK42.0 cents per share). The aggregate amount of the final dividend paid in the current interim period amounted to HK$17,041,000 (2018: HK$32,534,000).

The Board has resolved not to declare any interim dividend for the six months ended September 30, 2019 (2018: nil).

7. (LOSS) EARNINGS PER SHARE

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

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(55,820)**	6,725

	For the six months ended September 30,	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**85,207**	84,419
Effect of dilutive potential ordinary shares:		
Share options	**–**	803
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**85,207**	85,222

The computation of diluted loss per share for the six months ended September 30, 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 period.

The weighted average number of ordinary shares, dilutive potential ordinary shares as well as basic and diluted (loss) earnings per share have been adjusted for the effect of the Bonus Issue (as defined in Note 16) on August 28, 2018.

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

During the current interim period, the Group paid HK$839,000 (2018: HK$8,661,000) 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 (2018: HK$51,000), resulting in a loss of HK$68,000 (2018: HK$46,000).

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by the directors of the Company at the end of both interim periods. In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings at the end of both interim periods that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in both interim periods.

During the current interim period, the Group entered into several lease agreements for the use of office for two years which the Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK$3,362,000 of right-of-use asset and HK$3,362,000 lease liability.

During the current interim period, a property located in the PRC was transferred to "investment property" and a revaluation gain of leasehold land and building transferred to investment property of HK$7,355,000 was recognised in other comprehensive income at the date of transfer.

The fair value of the Group's investment property at the date of transfer and September 30, 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, a firm of independent qualified professional valuer not connected to the Group.

The valuation of the investment property, which falls under level 3 of the fair value hierarchy, has been arrived at by using direct comparison method by reference to market evidence of transaction prices for similar properties in the same location and conditions.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AND RIGHT-OF-USE ASSETS (continued)

In estimating the fair value of the investment property, the highest and best use of the investment property is their current use. The key inputs used in valuing the residential units is market unit rate taking into account the recent transaction prices for comparable properties and adjusted for size, view and floor level of property and timing of comparable transactions. The weighted average market unit rate adopted is HK$5,825 per square foot. A significant increase in market unit rate would result in a significant increase in the fair value and vice versa.

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

9. DEFERRED TAX

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

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Deferred tax assets	**1,978**	1,972
Deferred tax liabilities	**(31,723)**	(28,671)
	(29,745)	(26,699)

10. TRADE RECEIVABLES

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Trade receivables	**866,178**	781,407
Less: allowance for credit losses	**(19,632)**	(12,979)
	846,546	768,428

As at September 30, 2019, total bills received amounting to HK$60,700,000 (March 31, 2019: HK$90,564,000) are held by the Group for settlement of trade receivables, of which certain bills were further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

The Group allows an average credit period of 66 days (March 31, 2019: 65 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:

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Within 60 days	**563,773**	456,723
61 to 90 days	**138,516**	160,002
Over 90 days	**144,257**	151,703
	846,546	768,428

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

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of		
– Trade receivables	**6,700**	–

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, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2019.

During the current interim period, the Group provided impairment allowance of HK$6,700,000 for trade receivables.

12. TRANSFER OF FINANCIAL ASSETS

The following were the Group's trade receivables as at September 30, 2019 that 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$114,034,000 (March 31, 2019: HK$173,491,000). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

As at September 30, 2019 (Unaudited)

	Trade receivables discounted to banks with full recourse HK$'000	**Bills receivables discounted to banks with full recourse HK$'000**	**Total HK$'000**
Carrying amount of transferred assets	**118,318**	**10,889**	**129,207**
Carrying amount of associated liabilities	**(103,145)**	**(10,889)**	**(114,034)**
Net position	**15,173**	**–**	**15,173**

12. TRANSFER OF FINANCIAL ASSETS (continued)

As at March 31, 2019 (Audited)

	Trade receivables discounted to banks with full recourse HK$'000	Bills receivables discounted to banks with full recourse HK$'000	Total HK$'000
Carrying amount of transferred assets	147,510	44,549	192,059
Carrying amount of associated liabilities	(128,942)	(44,549)	(173,491)
Net position	18,568	–	18,568

The directors of the Company consider that the carrying amounts of the receivables approximate their fair values.

Finance costs recognised for trade receivables and bills receivables discounted to banks for the period ended September 30, 2019 are HK$1,990,000 and HK$244,000 (2018: HK$1,394,000 and nil), respectively, which are included in finance costs.

13. TRADE PAYABLES

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

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Within 30 days	**242,125**	248,991
31 to 60 days	**82,487**	61,872
	324,612	310,863

14. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear interest ranging from 3.48% to 4.82% (March 31, 2019: 2.98% to 5.06%) per annum and are repayable within one year.

At September 30, 2019, the Group's trust receipt loans with carrying amount of HK$269,788,000 (March 31, 2019: HK$157,891,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods.

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of HK$376,940,000 (2018: HK$384,440,000).

In addition, the Group repaid bank loans of HK$510,662,000 (2018: HK$296,748,000) during the current interim period.

At September 30, 2019, the Group's bank borrowings with carrying amount of nil (March 31, 2019: HK$35,656,000) are required to comply with certain loan covenants. The Group has complied with the loan covenants for both periods.

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

	As at September 30, 2019 (Unaudited)	As at March 31, 2019 (Audited)
Weighted average effective interest rate:		
– fixed-rate borrowings	**4.61%**	4.54%
– variable-rate borrowings	**3.47%**	3.83%

16. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$1.0 each		
Authorised:		
At April 1, 2018 (Audited), September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	120,000	120,000
Issued and paid up:		
At April 1, 2018 (Audited)	76,341	76,341
Exercise of share options	1,120	1,120
Issue of bonus shares *(Note)*	7,746	7,746
At September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	**85,207**	**85,207**

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.

17. SHARE-BASED PAYMENTS

The Company had 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. 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, 2019.

ESOS II

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

	Number of share options
Outstanding at April 1, 2018 (Audited)	1,600
Adjustment on Bonus Issue during the period *(Note)*	160
Outstanding at September 30, 2018 (Unaudited), April 1, 2019 (Audited) and September 30, 2019 (Unaudited)	**1,760**

17. SHARE-BASED PAYMENTS (continued)

ESOS III

During the six months ended September 30, 2018, 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.

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

	Number of share options
Outstanding at April 1, 2018 (Audited)	3,080,000
Exercised during the period	(1,120,000)
Adjustment on Bonus Issue during the period *(Note)*	196,000
Outstanding at September 30, 2018 (Unaudited)	2,156,000
Cancelled during the period	(1,166,000)
Outstanding at April 1, 2019 (Audited)	990,000
Cancelled during the period	(82,500)
Outstanding at September 30, 2019 (Unaudited)	**907,500**

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.

During the six months ended September 30, 2018, share-based payment expense of HK$1,110,000 was recognised in profit or loss.

18. CAPITAL COMMITMENT

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	–	396

19. RELATED COMPANY TRANSACTIONS

Transactions and balances with an associate

At the end of the reporting periods, the Group had the following balances with an associate:

	As at September 30, 2019 HK$'000 (Unaudited)	As at March 31, 2019 HK$'000 (Audited)
Other receivables from an associate *(Note)*	**532**	532

Note: Amounts are unsecured, interest-free and repayable on demand. Full impairment on amount due from an associate of HK$532,000 (March 31, 2019: HK$532,000) had been provided during the year ended March 31, 2017.

19. RELATED COMPANY TRANSACTIONS (continued)

Compensation of directors and key management personnel

The emoluments of directors and other members of key management during the six months ended September 30, 2019 and 2018 were as follows:

	For the six months ended September 30,	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**8,099**	10,033
Post-employment benefits	**693**	693
Other long-term benefits	**623**	623
Share-based payments	**–**	54
	9,415	11,403

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

20. 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).

20. 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

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.

The management of the Group reports the findings to the directors of the Company semi-annually 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)
	September 30, 2019 (Unaudited)	March 31, 2019 (Audited)		
Foreign currency forward contracts	**Assets - HK$1,246,000** **Liabilities - HK$7,000**	Assets - HK$31,000 Liabilities - HK$540,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfer between the different levels of the fair value hierarchy during the six months period ended September 30, 2019.

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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