



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
2015

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Corporation 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
Lu Po Chan, Eugene

COMPANY SECRETARY

Leung Hon Shing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE COMMITTEE

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

AUTHORISED REPRESENTATIVES

Hon Kar Chun
Leung Hon Shing

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
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

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Intertrust Singapore Corporate Services Pte. Ltd.
3 Anson Road
#27-01 Springleaf Tower
Singapore 079909

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Corporation Information

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPANY'S WEBSITE

www.willas-array.com

STOCK CODE

Hong Kong: 854
Singapore: BDR

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 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 “HK Stock Exchange”).

The board of directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended September 30, 2015, together with the relevant comparative figures.

FINANCIAL HIGHLIGHTS

	For the six months ended September 30,		Change %
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	
Revenue	1,878,222	1,779,351	+5.6
Gross profit	175,346	150,131	+16.8
(Loss) profit before tax	(29,516)	16,218	-282.0
(Loss) profit attributable to shareholders	(39,224)	13,697	-386.4
Basic (loss) earnings per share (HK cents)	(52.02)	(Restated) 18.27	-384.8

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

The Group's sales revenue had increased by 5.6% from HK\$1,779.4 million for the six months ended September 30, 2014 ("1H FY2015") to HK\$1,878.2 million for the six months ended September 30, 2015 ("1H FY2016").

Turnover by Market Segment Analysis

(in HK\$'000)

	1H FY2016		1H FY2015		Increase (Decrease)	
		%		%		%
Telecommunications	516,741	27.5%	299,981	16.9%	216,760	72.3%
Industrial	384,181	20.5%	421,521	23.7%	(37,340)	-8.9%
Home Appliance	235,463	12.5%	278,463	15.6%	(43,000)	-15.4%
Dealer	227,121	12.1%	260,235	14.6%	(33,114)	-12.7%
Audio and Video	151,096	8.0%	136,757	7.7%	14,339	10.5%
Automotive	121,127	6.5%	118,817	6.7%	2,310	1.9%
EMS	107,429	5.7%	130,072	7.3%	(22,643)	-17.4%
Lighting	62,641	3.3%	69,254	3.9%	(6,613)	-9.5%
Others	72,423	3.9%	64,251	3.6%	8,172	12.7%
	1,878,222	100.0%	1,779,351	100.0%	98,871	5.6%

In 1H FY2016, we registered a period-on-period increase of 5.6% in revenue to HK\$1,878.2 million. Despite the economic slow down in China, we continued to leverage our competitive advantage of broad local coverage and distinctive engineering capabilities and cooperated with our strategic suppliers to seize all opportunities in the market.

Telecommunications

This segment was the largest contributor to total revenue in 1H FY2016 in line with the strong performance of the Smartphone market. Revenue from the segment was HK\$516.7 million, representing a strong growth of 72.3% as compared to same period last year. The segment benefitted from the pick up in China's 4G market since last year and continued the expansion this year. In addition, the demand for China's domestic brands continued to gain momentum and increased in worldwide market share during this period. To grow the business, we will keep improving our value-added service in this segment to provide better supply chain and field application engineer support. In addition we will introduce more new products to deepen our penetration in this segment and further strengthen our position to capture the growth opportunities in the market.

Management Discussion and Analysis

Industrial

Revenue from this segment was HK\$384.2 million, which was a decline of 8.9% compared with the same period last year. The soft demand in both domestic and export market had a negative impact on performance. In spite of the current unfavorable situation, we do believe that the prospects of this segment remain positive as many governments around the world have adopted long term energy saving policies and mandates. We believe it is therefore worthwhile for us to allocate resources to develop new applications and solutions for our Industrial segment.

Home Appliance

Revenue from this segment was HK\$235.5 million, a drop of 15.4% as compared to same period last year. After the strong growth in demand for small home appliances in the US market last year, an adjustment in the market caused demand to slow down this year. However, the scale of this segment is sizable and the domestic home appliance/white goods market in China remains stable. We are optimistic about the positive long term prospects of this segment as market players continue to develop products in line with the increasing consumer demand for a better lifestyle and the new trend of “smart” homes. We will continue the investment in this segment.

Dealer

This segment achieved revenue of HK\$227.1 million in 1H FY2016, a 12.7% decrease as compared to the same period last year. This was due to an inventory glut in the components market. Weak demand for components was further compounded by intense competition and price erosion, which made it difficult for our customers to commit to ordering inventory from us. We will monitor the credit position of our dealer partners and our inventory levels carefully to maintain a competitive position in the market.

Audio and Video

Although this segment continued to shrink overall, demand for portable audio and bluetooth speakers enjoyed a rebound this year, which led to the recovery in the sales of our 60% owned subsidiary, ValenceTech group. As such, this segment recorded an increase of 10.5% in revenue to HK\$151.1 million compared to the same period last year.

Automotive

Revenue from this segment was HK\$121.1 million, an increase of 1.9% compared with the same period last year. This was due to weak demand in the first half of this year in both exports of after-market car audio applications and China domestic car sales. Despite the downtrend, we were able to achieve a modest increase in revenue by leveraging our distinctive position in this market with our extensive local network and engineering capabilities. We have strong commitment in this segment and believe in its long term prospects.

Management Discussion and Analysis

EMS

Revenue from this segment fell 17.4% as compared to same period last year to HK\$107.4 million because of poor market sentiments. Customers had no confidence to place long-term orders, as demand from their end buyers was weak. We will consciously monitor order trends and rolling forecasts to minimize our risk in purchase and the possibility of carrying obsolete stock.

Lighting

Revenue from this segment declined 9.5% as compared to same period last year to HK\$62.6 million. Although the commercial lighting market was stable, the consumer lighting segment was very challenging. While volume of sales increased, there remained an oversupply situation, intense competition and severe price erosion. To mitigate our risks, we will monitor the credit position of our customers carefully and maintain a healthy inventory level.

Others

Revenue from this segment increased 12.7% as compared to same period last year to HK\$72.4 million. Although the absolute revenue amount is not significant in each sub-segment, it showed that some of our efforts in developing potential markets, such as renewable energy, toys and security equipment, had paid off.

Profit Margin

In 1H FY2015, there was an imbalance of supply and demand of electronic components because of the weak demand in the market, which unexpectedly turned bearish mainly due to the slowdown in China's growth. This in turn led to downward pressure on prices and a squeeze on our gross profit margin to 8.44% in 1H FY2015. However, the situation had stabilized in the second half of FY2015 and our gross profit margin has improved gradually since then. This led to an increase in gross profit margin to 9.34% in 1H FY2016.

Distribution costs

Distribution costs increased by HK\$1.3 million, or 5.5%, from HK\$22.7 million in 1H FY2015 to HK\$24.0 million in 1H FY2016. The increase in distribution costs was mainly due to more sales incentive expense which was in line with the rise in sales revenue.

Administrative expenses

Administrative expenses decreased by HK\$6.3 million, or 5.8%, from HK\$107.1 million in 1H FY2015 to HK\$100.8 million in 1H FY2016. The decrease was mainly attributable to fewer staff cost incurred following the restructuring of ValenceTech group in 2H FY2015 because of operational downsizing to an optimum level.

Management Discussion and Analysis

Other gains and losses

Other losses of HK\$9.8 million in 1H FY2016 included an exchange loss of HK\$8.8 million mainly arising from the depreciation of Chinese renminbi in August 2015 and an allowance for doubtful trade receivables of HK\$1.0 million. Other gains of HK\$0.2 million in 1H FY2015 was mainly due to a gain on fair value changes of derivative financial instruments.

Finance costs

Finance costs increased by HK\$2.1 million, or 25.5%, from HK\$8.1 million in 1H FY2015 to HK\$10.2 million in 1H FY2016. This was mainly attributable to an increase in bank borrowings.

Share of loss of associates/Impairment loss on interests in associates

Share of loss of associates in 1H FY2016 amounted to HK\$19.2 million versus share of the profit of associates of HK\$0.4 million in 1H FY2015. The loss was mainly due to stock provision made for the memory products and doubtful debts provision for the memory products debtors.

In September 2015, Toshiba decided to terminate its authorised distributorship agreement with the Group's associated company, GW Electronics Company Limited ("GW Electronics"), because of the change in business environment. Following the termination, GW Electronics downsized its operation to an optimum level to serve its remaining product lines and customers. As a result thereof, an impairment loss of HK\$45.0 million was made in 1H FY2016 in order to reflect the fair value of the interests in associates.

GW Electronics intends to continue to seek other business opportunities, such as obtaining authorised distributorship rights from other brands of electronic components. However there is no distributorship rights confirmed up to the date of this report.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

Compared to the previous year ended March 31, 2015, the increase in trust receipt loans by HK\$122.4 million was due to the increase in purchasing activity during the current financial period. Trade and bills receivables increased by HK\$71.7 million when compared to year ended March 31, 2015 due to increase in sales revenue towards the end of this period. The debtors turnover days maintained at 2.1 months.

As at September 30, 2015, the Group's current ratio (current assets/current liabilities) was 1.24 (March 31, 2015: 1.30).

Inventories

Inventories decreased from HK\$515.3 million as at March 31, 2015 to HK\$514.6 million as at September 30, 2015. The inventory turnover days decrease slightly from 2.0 months to 1.8 months.

Management Discussion and Analysis

Cash Flow

As at September 30, 2015, the Group had a working capital of HK\$303.6 million, which included a cash balance of HK\$398.2 million, compared to a working capital of HK\$324.0 million, which included a cash balance of HK\$306.0 million at March 31, 2015. The increase in cash by HK\$92.2 million was attributable to the net effect of cash inflow of HK\$203.7 million from financing activities and cash outflows of HK\$88.6 million in operating activities and HK\$28.1 million in investing activities.

Cash inflow from financing activities was attributable to an increase in trust receipt loans and bank borrowings due to increase of purchasing activities and increase in cash buffer.

Cash outflow in operating activities was mainly attributable to the net effect of increase in trade receivables and increase in operating cash inflow.

Cash outflow in investing activities was mainly attributable to a further investment in the associated company in July 2015 of HK\$24.5 million.

Borrowing and Banking Facilities

As at September 30, 2015, bank borrowings of HK\$249.0 million (March 31, 2015: HK\$169.0 million) were unsecured and repayable in quarterly or monthly installments ending in FY2018.

Bank borrowings bore interest at a weighted average effective rate of 2.92% for fixed rate borrowing and 2.29% for variable rate borrowings as at September 30, 2015.

As at September 30, 2015 trust receipt loans were unsecured, repayable within one year and bore an effective interest rate of 1.84% to 2.84% per annum. As at September 30, 2015, the Group had unutilised banking facilities of HK\$495.0 million (March 31, 2015: HK\$529.0 million).

As at September 30, 2015, trade receivables amounted to HK\$56.4 million (March 31, 2015: HK\$25.8 million) were transferred to banks by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing amounted to HK\$45.1 million (March 31, 2015: HK\$20.6 million).

Management Discussion and Analysis

Foreign Exchange Risk Management

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

Gearing Ratio

The gearing ratio as at September 30, 2015 was 157.2% (March 31, 2015: 108.3%). The gearing ratio was derived by dividing total debt (representing interest-bearing bank borrowings, trust receipt loans and bills payables) by shareholders’ equity at the end of a given period. The increase was mainly due to an increase in trust receipt loans from HK\$506.5 million to HK\$628.9 million and bank borrowings from HK\$189.6 million to HK\$294.1 million to cope with the increase in sales and cash and bank balances.

Contingent Liabilities

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. As at September 30, 2015, the aggregate banking facilities granted to the subsidiaries were HK\$1,379.9 million (March 31, 2015: HK\$1,225.3 million), of which HK\$888.7 million (March 31, 2015: HK\$699.1 million) was utilised and guaranteed by the Company.

As at September 30, 2015, the Company had also given guarantees to certain suppliers in relation to the subsidiaries’ settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were HK\$173.8 million (March 31, 2015: HK\$235.9 million).

As at September 30, 2015, the Company had given corporate guarantees (unsecured) of HK\$152.6 million (March 31, 2015: HK\$167.3 million) to its banks in respect of banking facilities granted to its associates, of which HK\$55.1 million (March 31, 2015: HK\$131.4 million) was utilised, by its associates.

Management Discussion and Analysis

STRATEGY AND PROSPECTS

Although further deterioration in the macroeconomic environment is not generally expected, the Chinese government has lowered the forecast of its GDP growth rate to 6.5% for the coming five-year plan, down from 7.0% for the current plan. The Group expects this to have a dampening effect on overall consumer sentiment, which will affect the electronics industry. As such, we expect the next 12 months to remain challenging, which means that competition in the industry will intensify further.

The Group will continue to be prudent in managing its operations while remaining its cautious stance in managing costs and maintaining a healthy liquidity position.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended September 30, 2015 (2014: HK\$ nil).

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2015, the Group had a workforce of 478 full-time employees (March 31, 2015: 480), of which 36.4% worked in Hong Kong, 59.4% in the People's Republic of China (the "PRC") and the remainder in Taiwan.

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

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

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

Disclosure of Interests

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

As at September 30, 2015, the interests and short positions of the Directors and the chief executives 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 required: (i) to be notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the HK Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "HK Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the HK Stock Exchange (the "HK Listing Rules") were as follows:

Long position in the Shares

Name of Directors/ Chief Executives	Capacity/Nature of Interest	Number of Shares Held ⁽¹⁾	Approximate Percentage of Shareholding in the Issued Shares (%)
Leung Chun Wah ⁽²⁾ ("Mr. Leung")	Interest of spouse Beneficiary of a trust	731,940 18,099,830	0.97 23.97
Kwok Chan Cheung ⁽³⁾ ("Mr. Kwok")	Interest in a controlled corporation	7,895,554	10.46
Hon Kar Chun	Beneficial owner	292,800	0.39
Leung Hon Shing	Beneficial owner	249,840	0.33

Disclosure of Interests

Notes:

- (1) This represents the number of Shares following the consolidation of every five (5) issued and unissued ordinary shares of par value HK\$0.20 each in the capital of the Company then into one (1) consolidated ordinary share of par value of HK\$1.00 each in the capital of the Company, which became effective on August 17, 2015. The consolidation was made pursuant to a resolution passed at the annual general meeting of the Company held on July 30, 2015.
- (2) Mr. Leung, being the Chairman and an Executive Director, is deemed interested in the 731,940 Shares held by his wife, Ms. Cheng Wai Yin, Susana. 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 18,099,830 Shares are held by Max Power Assets Limited (“Max Power”), with HSBC (Singapore) Nominees Pte Limited 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 trust deed.
- (3) Global Success International Limited (“Global Success”), which is wholly owned by Mr. Kwok, being the Deputy Chairman and an Executive Director, is the beneficial owner of 7,895,554 Shares. By virtue of the SFO, Mr. Kwok is deemed to be interested in all of the Shares held by Global Success.

Save as disclosed above, none of the Directors, the chief executives of the Company or their respective associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as at September 30, 2015 as recorded in the register to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the HK Stock Exchange pursuant to the HK Model Code.

Disclosure of Interests

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

As at September 30, 2015, so far as the Directors are aware, without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (as defined below), the following persons and corporations (other than a Director or the chief executive of the Company), who/which had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of Shares Held ⁽⁷⁾	Approximate Percentage of Shareholding in the Issued Shares (%)
Cheng Wai Yin, Susana ⁽¹⁾	Beneficial owner	731,940	0.97
	Interest of spouse	18,099,830	23.97
Max Power ⁽²⁾	Beneficial owner	18,099,830	23.97
HSBC Trustee ⁽²⁾	Trustee	18,099,830	23.97
Global Success ⁽³⁾	Beneficial owner	7,895,554	10.46
Yeo Seng Chong ⁽⁴⁾	Beneficial owner	260,000	0.34
	Interest of spouse	260,000	0.34
	Interest of controlled corporations	4,013,004	5.31
Lim Mee Hwa ⁽⁴⁾	Beneficial owner	260,000	0.34
	Interest of spouse	260,000	0.34
	Interest of controlled corporations	4,013,004	5.31
Yeoman Capital Management Pte Ltd ("YCMPL") ⁽⁵⁾	Beneficial owner	45,000	0.06
	Interest of controlled corporations	3,968,004	5.26
Yeoman 3-Rights Value Asia Fund ⁽⁶⁾	Beneficial owner	3,905,004	5.17
Hung Yuk Choy	Beneficial owner	5,286,918	7.00

Disclosure of Interests

Notes:

- (1) Ms. Cheng Wai Yin, Susana, the wife of Mr. Leung, the Chairman and an Executive Director, is deemed under the SFO to be interested in the Shares held by Mr. Leung. The 18,099,830 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited 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 trust deed.
- (2) The 18,099,830 Shares are held by Max Power, with HSBC (Singapore) Nominees Pte Limited 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 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 7,895,554 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 Seng Chong owns Shares directly in his own name and his wife, Ms. Lim Mee Hwa owns Shares directly in her own name. Both own equally YCMPL, a fund manager and therefore control YCMPL. YCMPL in turns has its own direct shareholding in the Company as well as its deemed interests through its clients' direct shareholdings in the Company.
- (5) YCMPL owns 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 Value Asia Fund and Yeoman Client 1.
- (6) Yeoman 3-Rights Value Asia Fund owns Shares directly in its own name.
- (7) The number of Shares held by the respective Shareholders represents the number of Shares after the consolidation of every five (5) issued and unissued ordinary shares then into one (1) consolidated ordinary share, which became effective on August 17, 2015.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or the chief executive of the Company) or corporations who/which 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 required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

Disclosure of Interests

SHARE OPTION SCHEME

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”) to grant share options to eligible employees, including the executive directors of the Group.

Under ESOS II, an option can be exercised, except in certain special circumstances:

- (1) after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at the market price; and
- (2) after the second anniversary of the date of grant and will expire on the tenth anniversary of such date of grant in the case of an option granted with the exercise price set at a discount to the market price.

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

ESOS II expired on June 10, 2011 and the unexercised options granted under the 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, 2015 (the “Period”) and the share options exercised, lapsed and cancelled during the Period were as follows:

Name or Category of participants	Date of grant	Number of underlying shares comprised in share options					Balance as at September 30, 2015	Adjusted exercise price per share (Before share consolidation) ⁽¹⁾	Exercise period
		Balance as at April 1, 2015	Exercised during the Period	Adjusted during the Period ⁽¹⁾	Lapsed during the Period	Cancelled during the Period			
Other employees in aggregate	October 2, 2009	4,968,000	(785,000)	(3,346,400)	–	–	836,600	\$S0.335 (\$S0.067)	October 2, 2011 to October 1, 2019

Note (1): The exercise price and the number of underlying Shares comprised in the outstanding ESOS II options were adjusted pursuant to the consolidation of every five (5) issued and unissued ordinary shares of par value of HK\$0.20 each then into one (1) consolidated ordinary share of par value of HK\$1.00 each, which became effective on August 17, 2015.

Disclosure of Interests

None of the holders of outstanding share options granted under ESOS II are Directors.

The closing price of the Company's shares immediately before the date on which the options were exercised was S\$0.180.

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. No options have been granted under ESOS III since its adoption. ESOS III will expire on July 29, 2023.

Under ESOS III, the period for the exercise of an option will commence after the first anniversary of the date of grant and will expire on the tenth anniversary of such date of grant.

The vesting period of ESOS III is one year from and including the date of grant.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended September 30, 2015, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

COMPLIANCE WITH HONG KONG CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. The Board considers that during the six months ended September 30, 2015, the Company has complied with the code provisions of the Corporate Governance Code (the "HK CG Code") as contained in Appendix 14 to the HK Listing Rules except for the following:

- (i) Code provision A.4.1 of the HK CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive Directors (the "INEDs") is appointed for a specific term. This constitutes a deviation from the above code provision; and
- (ii) All the Directors except the managing director of the Company (the "Managing Director") are subject to retirement by rotation at each annual general meeting (the "AGM") under the Bye-Laws of the Company (the "Bye-Laws"). This constitutes a deviation from code provision A.4.2 of the HK CG Code, which requires that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In the event of any conflict between the HK Listing Rules and the Bye-Laws, the Company would comply with the more onerous provisions. Therefore, all Directors (including the Managing Director) will be subject to retirement by rotation at each AGM at least once every three years for good corporate governance and in compliance with the HK CG Code. As such, the Board considers that sufficient measures are in place to ensure the Company's corporate governance practices relating to the appointment, retirement and re-election of Directors (including the INEDs).

COMPLIANCE WITH HONG KONG MODEL CODE

The Company has adopted the HK Model Code as set out in Appendix 10 to the HK Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standards as set out in the HK Model Code throughout the six months ended September 30, 2015.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the HK CG Code and the 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 Lu Po Chan, Eugene. The Group's unaudited interim results and this interim report for the six months ended September 30, 2015 have been reviewed by the Audit Committee.

Report on Review of Condensed Consolidated Financial Statements



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

INTRODUCTION

We have reviewed the condensed consolidation 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 48, which comprises the condensed consolidated statement of financial position as of September 30, 2015 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 Main Board Listing 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 12, 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2015

	Notes	For the six months ended September 30,	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	1,878,222	1,779,351
Cost of sales		(1,702,876)	(1,629,220)
Gross profit		175,346	150,131
Other operating income		1,954	1,022
Distribution costs		(23,965)	(22,714)
Administrative expense		(100,817)	(107,074)
Share of (loss) profit of associates		(19,202)	355
Impairment loss recognised in respect of interests in associates		(45,000)	–
Other gains and losses		(9,773)	170
Amortisation of financial guarantee liabilities	20	2,154	2,465
Finance costs		(10,213)	(8,137)
(Loss) profit before tax		(29,516)	16,218
Income tax expenses	5	(8,321)	(5,134)
(Loss) profit for the period	6	(37,837)	11,084
Other comprehensive (expense) income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas operations		(7,811)	(1)
Release of exchange differences upon dissolution of overseas operations		(51)	280
Other comprehensive (expense) income for the period, net of tax		(7,862)	279
Total comprehensive (expense) income for the period		(45,699)	11,363

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2015

		For the six months ended September 30,	
	Note	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(Loss) profit attributable to:			
Owners of the Company		(39,224)	13,697
Non-controlling interests		1,387	(2,613)
		<u>(37,837)</u>	<u>11,084</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(47,066)	13,976
Non-controlling interests		1,367	(2,613)
		<u>(45,699)</u>	<u>11,363</u>
(Loss) earnings per share			(Restated)
– Basic (HK cents)	8	<u>(52.02)</u>	<u>18.27</u>
– Diluted (HK cents)		<u>(52.02)</u>	<u>18.04</u>

Condensed Consolidated Statement of Financial Position

As at September 30, 2015

	Notes	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		398,225	305,955
Restricted bank deposits		4,878	2,516
Trade and bills receivables	9	645,168	573,421
Other receivables and prepayment – current		10,444	8,678
Prepaid lease payments – current		12	12
Derivative financial instruments		–	20
Income tax recoverable		–	452
Inventories		514,584	515,274
Total current assets		1,573,311	1,406,328
Non-current assets			
Prepaid lease payments – non-current		587	594
Property, plant and equipment	11	260,934	272,711
Long-term deposits		1,335	1,125
Available-for-sale investments		2,001	2,001
Interests in associates	13	44,275	82,498
Deferred tax assets	12	471	413
Total non-current assets		309,603	359,342
Total assets		1,882,914	1,765,670

Condensed Consolidated Statement of Financial Position

As at September 30, 2015

	Notes	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Trust receipt loans	14	628,873	506,466
Trade and bills payables	15	298,205	347,440
Other payables		39,927	36,544
Income tax payable		8,389	1,436
Derivative financial instruments		–	92
Financial guarantee liabilities	20	193	730
Bank borrowings	16	294,149	189,610
Total current liabilities		1,269,736	1,082,318
Non-current liabilities			
Deferred tax liabilities	12	24,966	25,774
Capital, reserves and non-controlling interests			
Issued capital	17	75,506	75,349
Capital reserves		194,481	194,343
Other reserves		321,447	392,475
Equity attributable to owners of the Company		591,434	662,167
Non-controlling interests		(3,222)	(4,589)
Total equity		588,212	657,578
Total liabilities and equity		1,882,914	1,765,670
Net current assets		303,575	324,010
Total assets less current liabilities		613,178	683,352

Condensed Consolidated Statements of Changes in Equity

For the period ended September 30, 2015

	Issued capital HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000 (Note)	Revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at April 1, 2014 (Audited)	74,544	195,716	16,480	-	20,756	250,120	557,616	(2,847)	554,769
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	13,697	13,697	(2,613)	11,084
Other comprehensive income for the period, net of income tax	-	-	-	-	279	-	279	-	279
Total	-	-	-	-	279	13,697	13,976	(2,613)	11,363
Transactions with owners, recognised directly in equity:									
Exercise of share options	805	870	-	-	-	-	1,675	-	1,675
Share options lapsed	-	(2,100)	-	-	-	2,100	-	-	-
Dividend paid (Note 7)	-	-	-	-	-	(25,702)	(25,702)	-	(25,702)
Total	805	(1,230)	-	-	-	(23,602)	(24,027)	-	(24,027)
Balance at September 30, 2014 (Unaudited)	75,349	194,486	16,480	-	21,035	240,215	547,565	(5,460)	542,105
Balance at April 1, 2015 (Audited)	75,349	194,343	16,525	96,619	20,758	258,573	662,167	(4,589)	657,578
Total comprehensive (expense) income for the period:									
Profit for the period	-	-	-	-	-	(39,224)	(39,224)	1,387	(37,837)
Other comprehensive expense for the period, net of income tax	-	-	-	-	(7,842)	-	(7,842)	(20)	(7,862)
Total	-	-	-	-	(7,842)	(39,224)	(47,066)	1,367	(45,699)
Transactions with owners, recognised directly in equity:									
Exercise of share options	157	138	-	-	-	-	295	-	295
Dividend paid (Note 7)	-	-	-	-	-	(23,962)	(23,962)	-	(23,962)
Total	157	138	-	-	-	(23,962)	(23,667)	-	(23,667)
Balance at September 30, 2015 (Unaudited)	75,506	194,481	16,525	96,619	12,916	195,387	591,434	(3,222)	588,212

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

Condensed Consolidated Statement of Cash Flows

For the period ended September 30, 2015

	For the six months ended September 30,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities:		
(Loss) profit before tax	(29,516)	16,218
Adjustments for:		
Depreciation expense	7,421	6,019
Amortisation of prepaid lease payments	7	6
Interest expense	10,213	8,137
Allowance for inventories	1,367	6,664
Allowance for doubtful trade receivables	1,017	9
Gain on disposal of property, plant and equipment	(10)	(26)
Net gain on fair value changes of derivative financial instruments	(72)	(203)
Share of loss (profit) of associates	19,202	(355)
Impairment loss recognised in respect of interests in associates	45,000	–
Amortisation of financial guarantee liabilities	(2,154)	(2,465)
Interest income	(458)	(401)
Release of exchange difference upon dissolution of overseas operations	(51)	280
Operating cash flows before movements in working capital	51,966	33,883
Increase in trade and bills receivables	(80,149)	(86,645)
Increase in other receivables and prepayment	(1,802)	(2,330)
Increase in inventories	(2,590)	(75,798)
Decrease in trade and bills payables	(48,499)	(21,227)
Increase in other payables	2,788	561
(Increase) decrease in long-term deposits	(214)	139
Cash used in operations	(78,500)	(151,417)
Income tax paid	(1,368)	(898)
Interest paid	(9,194)	(7,311)
Interest received	458	401
Net cash used in operating activities	(88,604)	(159,225)

Condensed Consolidated Statement of Cash Flows

For the period ended September 30, 2015

	For the six months ended September 30,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Investing activities:		
Purchase of property, plant and equipment	(1,249)	(5,194)
Withdrawal of restricted bank deposits	2,638	2,516
Placement of restricted bank deposits	(5,000)	(2,516)
Proceeds from disposal of property, plant and equipment	11	112
Capital injection to associates	(24,500)	(24,500)
Net cash used in investing activities	<u>(28,100)</u>	<u>(29,582)</u>
Financing activities:		
Dividend paid to shareholders	(23,962)	(25,702)
Proceeds from exercise of share options	295	1,675
Repayment of trust receipt loans	(1,009,303)	(829,631)
Proceeds from trust receipt loans	1,131,710	1,075,016
Repayment of bank borrowings	(171,725)	(108,577)
Proceeds from bank borrowings	276,682	96,854
Net cash from financing activities	<u>203,697</u>	<u>209,635</u>
Net increase in cash and cash equivalents	86,993	20,828
Cash and cash equivalents at beginning of the period	305,955	218,977
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>5,277</u>	<u>–</u>
Cash and cash equivalents at end of the period	<u>398,225</u>	<u>239,805</u>

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

1. BASIS OF PREPARATION

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is at 24/F, Wyler Centre Phase 2, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. The ordinary shares of the Company are listed on the Main Board of Singapore Exchange Securities Trading Limited and on 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.

The principal activity of the Company is that of investment holding and the Group are 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 (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current reporting period, the Group has applied, for the first time, new Interpretations and certain amendments to the International Financial Reporting Standards ("IFRSs") issued by the IASB that are mandatory effective for the current reporting period.

The accounting policies adopted and methods of computation used are consistent with those followed in the preparation of the Group's audited financial statements for the year ended March 31, 2015 and the adoption of these new and revised IFRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance are principally categorised into two key operating segments, (i) trading of electronic components and (ii) trading and designing integrated circuits, in which for trading of electronic components segment, it will further be disaggregated by geographical locations for CODM review.

The Group's reportable segments are as follows:

- (i) Trading of electronic components
 - Southern China Region
 - Northern China Region
 - Taiwan
- (ii) Trading and designing integrated circuits

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

3. SEGMENT INFORMATION (continued)

For the six months ended September 30, 2015 (Unaudited)

	Trading of electronic components				Trading and designing integrated circuits	Elimination	Total
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue							
Sales – external	1,008,460	826,648	39,692	1,874,800	3,422	–	1,878,222
Sales – inter-company	178,623	151,934	1,412	331,969	8,782	(340,751)	–
Net sales	1,187,083	978,582	41,104	2,206,769	12,204	(340,751)	1,878,222
Cost of sales	1,094,333	908,068	35,890	2,038,291	5,469	(340,884)	1,702,876
Gross profit	92,750	70,514	5,214	168,478	6,735	133	175,346
Segment result	22,921	8,062	676	31,659	3,281	133	35,073
Unallocated other revenue							447
Amortisation of financial guarantee liabilities							2,154
Unallocated corporate expenses							(2,988)
Share of loss of associates							(19,202)
Impairment loss recognised in respect of interests in associates							(45,000)
Loss before tax							(29,516)
Income tax expenses							(8,321)
Loss for the period							(37,837)
Non-controlling interests							(1,387)
Loss attributable to owners of the Company							(39,224)

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

3. SEGMENT INFORMATION (continued)

For the six months ended September 30, 2014 (Unaudited)

	Trading of electronic components				Trading and designing integrated circuits	Elimination	Total
	Southern China Region HK\$'000	Northern China Region HK\$'000	Taiwan HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue							
Sales – external	1,040,531	685,668	51,262	1,777,461	1,890	–	1,779,351
Sales – inter-company	209,707	123,906	5,217	338,830	12,341	(351,171)	–
Net sales	1,250,238	809,574	56,479	2,116,291	14,231	(351,171)	1,779,351
Cost of sales	1,162,142	755,584	50,868	1,968,594	11,387	(350,761)	1,629,220
Gross profit	88,096	53,990	5,611	147,697	2,844	(410)	150,131
Segment result	14,873	4,515	1,220	20,608	(6,128)	(410)	14,070
Unallocated other revenue							460
Amortisation of financial guarantee liabilities							2,465
Unallocated corporate expenses							(1,132)
Share of profit of associates							355
Profit before tax							16,218
Income tax expenses							(5,134)
Profit for the period							11,084
Non-controlling interests							2,613
Profit attributable to owners of the Company							13,697

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

3. SEGMENT INFORMATION (continued)

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

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

4. RELATED COMPANY TRANSACTIONS

Some of the Company's transactions and arrangements are between members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, repayable on demand, interest-free and expected to be settled in cash unless stated otherwise.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its associates; please refer to Note 20 to the condensed consolidated financial statements.

The Group entered into the following transactions with associates:

	For the six months ended September 30,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Sales of electronics components	470	1,868
Other income	413	413
Commission paid	–	135
Purchases of electronics components	15,063	36,693

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

4. RELATED COMPANY TRANSACTIONS (continued)

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

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Associates		
– trade receivables aged less than 60 days	206	–
– other receivables (Note)	1	1
– trade payables aged less than 30 days	(382)	(5,984)

Note: Amounts are unsecured, interest-free and repayable on demand.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the periods were as follows:

	For the six months ended September 30,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short-term benefits	8,976	8,779
Post-employment benefits	661	590
Other long-term benefits	623	623
	10,260	9,992

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

5. INCOME TAX EXPENSES

	For the six months ended September 30,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
The income tax charge comprises:		
Current Tax		
– Hong Kong	7,540	3,649
– PRC Enterprise Income Tax	378	282
– Other jurisdictions	511	558
	8,429	4,489
Underprovision in prior periods		
– PRC Enterprise Income Tax	330	226
– Other jurisdictions	14	47
	344	273
Deferred tax		
Current period (<i>Note 12</i>)	(452)	372
	8,321	5,134

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

Under the Law of the People's of Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT law, the tax rate of the PRC subsidiaries is 25%. The tax rate of the Taiwan subsidiary is 17%. Income taxes for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdictions.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

6. (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,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Directors' fees:		
Directors of the Company	501	554
Directors of the subsidiaries	3	5
Directors' remuneration: <i>(Note)</i>		
Directors of the Company	5,217	4,954
Directors of the subsidiaries	113	353
Audit fees paid to auditors		
Auditors of the Company	1,237	1,172
Other auditors	68	50
Non-audit fees paid to auditors		
Auditors of the Company	278	276
Other auditors	–	–
Staff costs (excluding directors' remuneration) <i>(Note)</i>	66,491	69,219
Amortisation of prepaid lease payments	7	6
Cost of inventories recognised as expenses	1,702,876	1,629,220
Depreciation of property, plant and equipment	7,421	6,019
Gain on disposal of property, plant and equipment	(10)	(26)
Net foreign exchange loss	8,838	50
Net gain on fair value changes of derivative financial instruments	(72)	(203)
Allowance for doubtful trade receivables	1,017	9
Interest income from bank deposits	(458)	(401)
Allowance for inventories	1,367	6,664

Note: During the six months ended September 30, 2015 and 2014, there are cost of defined contribution plans amounting to approximately HK\$8,610,000 and HK\$8,443,000 respectively, included in staff costs and directors' remuneration.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

7. DIVIDENDS

During the six months ended September 30, 2015, a final dividend of HK6.347 cents per share was distributed to the shareholders in respect of the year ended March 31, 2015 (2014: final dividend of HK6.822 cents per share). The aggregate amount of the final dividend distributed and paid in the current period amounted to approximately HK\$23,962,000 (2014: HK\$25,702,000).

The directors of the Company have determined that no interim dividend will be proposed for the six months ended September 30, 2015.

8. (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 data:

	For the six months ended September 30,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share ((loss) profit for the period attributable to owners of the Company)	(39,224)	13,697

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

8. (LOSS) EARNINGS PER SHARE (continued)

	For the six months ended September 30,	
	2015 '000 (Unaudited)	2014 '000 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	75,398	74,980
Effect of potential dilutive ordinary shares:		
Options	N/A	949
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>75,398</u>	<u>75,929</u>

The computation of diluted loss per share for the period ended September 30, 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

Weighted average number of ordinary shares, potential dilutive ordinary shares, basic and diluted (loss) earnings per share were stated after taking into account the effect of the share consolidation that took place on August 17, 2015. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior period.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

9. TRADE AND BILLS RECEIVABLES

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Trade receivables	646,950	577,017
Less: allowance for doubtful debts	(26,304)	(26,727)
Net trade receivables	620,646	550,290
Bills receivables	24,522	23,131
	645,168	573,421

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

The average credit period on sales of goods is 60 days (March 31, 2015: 60 days). The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period.

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Less than 60 days	469,103	391,291
61 to 90 days	111,679	111,096
Over 90 days	39,864	47,903
	620,646	550,290

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

9. TRADE AND BILLS RECEIVABLES (continued)

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

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Less than 60 days	14,270	18,892
61 to 180 days	10,252	4,239
	<u>24,522</u>	<u>23,131</u>

10. TRANSFER OF FINANCIAL ASSETS

As at September 30, 2015, trade receivables amounted to approximately HK\$56,436,000 (March 31, 2015: HK\$25,762,000), were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing amounted to approximately HK\$45,149,000 (March 31, 2015: HK\$20,610,000). These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,249,000 (2014: HK\$5,194,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$1,000 (2014: HK\$86,000), resulting in a gain of approximately HK\$10,000 (2014: HK\$26,000).

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

12. DEFERRED TAX

The following are major deferred tax assets (liabilities) recognised and movements thereon during the current and preceding reporting periods:

	Revaluation of leasehold land and buildings HK\$'000	Accelerated tax depreciation HK\$'000	Allowance HK\$'000	Undistributed profits of subsidiaries HK\$'000	Total HK\$'000
THE GROUP					
Balance at March 31, 2014 (Audited)	–	(1,108)	1,447	(2,791)	(2,452)
(Charge) credit to profit or loss	–	(273)	(188)	89	(372)
Balance at September 30, 2014 (Unaudited)	–	(1,381)	1,259	(2,702)	(2,824)
Credit to profit or loss		106	958	1,094	2,158
Charge to other comprehensive income	(24,695)	–	–	–	(24,695)
Balance at March 31, 2015 (Audited)	(24,695)	(1,275)	2,217	(1,608)	(25,361)
Credit (charge) to profit or loss	413	113	(273)	199	452
Effect of foreign currency exchange differences	414	–	–	–	414
Balance at September 30, 2015 (Unaudited)	(23,868)	(1,162)	1,944	(1,409)	(24,495)

Under the new enterprise income tax law in the PRC and implementation regulations issued by the State Council, withholding tax at 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by the PRC subsidiary from January 1, 2008 onwards.

Under the Income Tax Act prescribed by the Ministry of Finance of Taiwan, dividends paid to non-resident shareholders shall be subject to withholding tax at a rate of 20%. Also, a 10% surtax is imposed on any current year earnings that remain undistributed by the end of the following year. 50% of the surtax paid can be used as a tax credit to offset against the future withholding tax payable upon dividend distribution under calculations prescribed under Article 61-1 of Enforcement Rules of Income Tax Act.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

12. DEFERRED TAX (continued)

As the Group does not expect to distribute dividends out of the earnings from its Taiwan subsidiaries in the next twelve months from the end of the reporting period, it has accrued 10% surtax as at September 30, 2015 accordingly.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC and Taiwan subsidiaries amounting to approximately HK\$22,927,000 (March 31, 2015: HK\$30,667,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 statements of financial position purposes:

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Deferred tax assets	471	413
Deferred tax liabilities	(24,966)	(25,774)
	<u>(24,495)</u>	<u>(25,361)</u>

Subject to the agreement by the tax authorities, at September 30, 2015, the Group has unutilised tax losses of approximately HK\$49,387,000 (March 31, 2015: HK\$42,395,000) available for offset against future profits. None of such losses as at September 30, 2015 (March 31, 2015: HK\$ nil) has been recognised as a deferred tax asset due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

13. INTERESTS IN ASSOCIATES

	At September 30, 2015 HK\$'000	At March 31, 2015 HK\$'000
Cost of interests in associates	98,000	73,500
Deemed capital contribution (Note)	9,107	7,490
Share of post-acquisition reserves:		
Post-acquisition (loss) profits	(17,752)	1,450
Translation reserve	(80)	58
	<hr/>	<hr/>
	89,275	82,498
Impairment	(45,000)	–
	<hr/>	<hr/>
	44,275	82,498
	<hr/> <hr/>	<hr/> <hr/>

Note: Deemed capital contribution represents the fair value of financial guarantee contracts granted to the associate at initial recognition (Note 20).

14. TRUST RECEIPT LOANS

The trust receipt loans are unsecured, bear effective interest ranging from 1.84% to 2.84% (March 31, 2015: 1.83% to 2.79%) per annum and are repayable within one year.

At the end of September 30, 2015, the Group's trust receipt loans with carrying amount of approximately HK\$79,573,000 (March 31, 2015: HK\$12,884,000) are required to comply with certain loan covenants.

The Group has complied with the loan covenants for both periods.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

15. TRADE AND BILLS PAYABLES

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Trade payables	291,244	326,650
Bills payables	6,961	20,790
	<u>298,205</u>	<u>347,440</u>

Bills payables of the Group are aged within 30 days (March 31, 2015: 60 days).

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

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
Less than 30 days	250,165	298,703
31 to 60 days	40,988	27,871
Over 60 days	91	76
	<u>291,244</u>	<u>326,650</u>

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

16. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$276,682,000 (2014: HK\$96,854,000).

In addition, the Group repaid bank loans of approximately HK\$171,725,000 (2014: HK\$108,577,000) during the period.

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

	As at September 30, 2015	As at March 31, 2015
Weighted average effective interest rate:		
– fixed rate borrowings	2.92 %	3.08%
– variable rate borrowings	2.29 %	2.43%

The fair values of the Group's borrowings approximate their carrying amounts.

At the reporting date, the carrying amounts of the Group's borrowings denominated in currencies other than the respective group entities' functional currencies are set out below:

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 HK\$'000 (Audited)
United States dollars	45,149	20,610

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At April 1, 2014, September 30, 2014 and April 1, 2015		
– Ordinary shares of HK\$0.2 each	600,000	120,000
Share consolidation (<i>Note</i>)	(480,000)	–
	<hr/>	<hr/>
At September 30, 2015		
– Ordinary shares of HK\$1.0 each	120,000	120,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and paid up:		
At April 1, 2014		
– Ordinary shares of HK\$0.2 each	372,720	74,544
Exercise of share options	4,025	805
	<hr/>	<hr/>
At September 30, 2014, and April 1, 2015		
– Ordinary shares of HK\$0.2 each	376,745	75,349
Exercise of share options	785	157
Share consolidation (<i>Note</i>)	(302,024)	–
	<hr/>	<hr/>
At September 30, 2015		
– Ordinary shares of HK\$1.0 each	75,506	75,506
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

18. SHARE-BASED PAYMENTS

The Company had adopted the Willas-Array Electronics Employee Share Option Scheme II and the Willas-Array Electronics Employee Share Option Scheme III to grant share options to eligible employees, including the Executive Directors of the Company and its subsidiaries. Details of the share options schemes were disclosed in the Group's annual financial statements for the year ended March 31, 2015.

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

	Number of share options
Outstanding at April 1, 2014 (Audited)	18,532,800
Exercised during the period	(4,024,800)
Lapsed during the period	(8,160,000)
	<hr/>
Outstanding at September 30, 2014 (Unaudited)	6,348,000
Lapsed during the period	(420,000)
Cancelled during the period	(960,000)
	<hr/>
Outstanding at April 1, 2015 (Audited)	4,968,000
Exercised during the period	(785,000)
Consolidated during the period (<i>Note</i>)	(3,346,400)
	<hr/>
Outstanding at September 30, 2015 (Unaudited)	836,600
	<hr/> <hr/>

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

During the period ended September 30, 2015, share options holders exercised part of their share options and acquired 785,000 shares of HK\$0.20 each of the Company at an exercise price of S\$0.067 per share on August 4, 2015. The closing price of the Company's shares immediately before the date on which the options were exercised was S\$0.180.

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

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

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	September 30, 2015	March 31, 2015		
Foreign currency forward contracts	N/A	Assets – HK\$20,000 Liabilities – HK\$92,000	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 Level 1 and 2 for the Group during the six months period ended September 30, 2015.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

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 directors consider that the carrying amount of financial assets and liabilities recognized in the condensed consolidated financial statements approximate their fair values.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates and yield curves derived from quoted exchange rates or interest rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

20. CONTINGENT LIABILITIES

The Company had given corporate guarantees (unsecured) to its banks in respect of banking facilities granted to its subsidiaries. At September 30, 2015, the aggregate banking facilities granted to the subsidiaries were approximately HK\$1,379,875,000 (March 31, 2015: HK\$1,225,255,000) of which HK\$888,742,000 (March 31, 2015: HK\$699,145,000) was utilised and guaranteed by the Company.

At September 30, 2015, the Company had also given guarantees to certain suppliers in relation to the subsidiaries' settlement of the respective payables. The aggregate amounts payable to these suppliers under guarantee were approximately HK\$173,816,000 (March 31, 2015: HK\$235,867,000).

At September 30, 2015, the Company had given corporate guarantees (unsecured) of approximately HK\$152,640,000 (March 31, 2015: HK\$167,340,000) to its banks in respect of banking facilities granted to its associates, of which HK\$55,110,000 (March 31, 2015: HK\$131,393,000) banking facilities have been utilized by its associates.

At September 30, 2015, an amount of HK\$193,000 (March 31, 2015: HK\$730,000) has been recognised in the condensed consolidated statement of financial position of the Group as a liability.

Notes to the Condensed Consolidated Financial Statements

For the period ended September 30, 2015

20. CONTINGENT LIABILITIES (continued)

The movement of guarantee liabilities are shown as below:

	HK\$'000
At April 1, 2014 (Audited)	660
Recognition of fair values of financial guarantee contracts	2,897
Amortisation of financial liabilities	(2,465)
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At September 30, 2014 (Unaudited)	1,092
Recognition of fair values of financial guarantee contracts	2,410
Amortisation of financial liabilities	(2,772)
	<hr/>
At April 1, 2015 (Audited)	730
Recognition of fair values of financial guarantee contracts	1,617
Amortisation of financial liabilities	(2,154)
	<hr/>
At September 30, 2015 (Unaudited)	193
	<hr/> <hr/>

Financial guarantee contracts are initially recognised at fair value and calculated by using the default risk method for the banking facilities obtained by the associates. The fair values were based on certain key assumptions on credit strength of the borrowers and default rate. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

21. CAPITAL COMMITMENTS

	As at September 30, 2015 HK\$'000 (Unaudited)	As at March 31, 2015 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	–	598
	<hr/>	<hr/>



WILLAS-ARRAY

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