

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Proforma Half Year Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	6 months ended 30/09/2003 HK\$'000	6 months ended 30/09/2002 HK\$'000	Increase (Decrease) %
Revenue	809,607	616,743	31.3
Cost of sales	(724,401)	(536,240)	35.1
Gross profit	85,206	80,503	5.8
Other operating income	9,637	2,167	344.7
Distribution costs	(10,991)	(8,026)	36.9
Administrative expenses	(58,861)	(52,611)	11.9
Profit from operations	24,991	22,033	13.4
Finance costs	(3,551)	(2,807)	26.5
Profit before income tax	21,440	19,226	11.5
Income tax	(5,179)	(4,294)	20.6
Profit before minority interests	16,261	14,932	8.9
Minority interests	754	441	71.0
Profit attributable to shareholders	17,015	15,373	10.7

The profit before income tax had been arrived at after charging (crediting) the following:

	6 months ended 30/9/2003 HK\$'000	6 months ended 30/9/2002 HK\$'000
Depreciation of property, plant and equipment	2,514	2,236
Allowance for doubtful trade receivables	2,491	2,162
Allowance for inventories	2,833	3,519
Foreign exchange (gain) loss	(1,517)	5,650
Loss on disposal of property, plant and equipment	168	200
Research and development expenses	2,003	2,981
Interest income	(744)	(1,421)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	30/09/2003 HK\$'000	31/03/2003 HK\$'000	30/09/2003 HK\$'000	31/03/2003 HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	133,747	148,567	274	102
Trade receivables	282,961	210,192	--	--
Other receivables and prepayments	7,702	5,348	68,147	66,098
Inventories	249,217	183,979	--	--
Total current assets	673,627	548,086	68,421	66,200
Non-current assets:				
Property, plant and equipment	38,838	36,964	--	--
Goodwill	793	--	--	--
Other investments	7,047	1,190	--	--
Deposits for acquisition of investments	--	6,248	--	--
Subsidiaries	--	--	117,470	117,470
Total non-current assets	46,678	44,402	117,470	117,470
Total assets	720,305	592,488	185,891	183,670
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	188,126	107,344	--	--
Trade payables	187,603	196,417	--	--
Other payables	28,872	19,101	16,222	2,092
Income tax payable	6,504	3,709	--	--
Current portion of long-term borrowings	32,520	16,720	--	--
Current portion of obligations under finance leases	566	697	--	--
Total current liabilities	444,191	343,988	16,222	2,092
Non-current liabilities:				
Long-term bank borrowings	35,720	12,380	--	--
Obligations under finance leases	128	346	--	--
Deferred income tax	2,861	1,861	--	--
Total non-current liabilities	38,709	14,587	--	--
Minority interests	771	2,303	--	--
Capital and reserves:				
Issued capital	53,200	53,200	53,200	53,200
Share premium	40,270	40,270	40,270	40,270
Contributed surplus	75,070	75,070	75,070	75,070
Currency translation reserve	34	82	--	--
Dividend reserve	--	11,943	--	11,943
Accumulated profits	68,060	51,045	1,129	1,095
Total equity	236,634	231,610	169,669	181,578
Total liabilities and equity	720,305	592,488	185,891	183,670

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/09/2003		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
566	220,646	697	124,064

Amount repayable after one year

As at 30/09/2003		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
128	35,720	346	12,380

Details of any collateral

The Group's secured borrowings at 30th September 2003 and 31st March 2003 are in respect of assets acquired under finance lease arrangements.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	6 months ended 30/09/2003 HK\$'000	6 months ended 30/09/2002 HK\$'000
Cash flows from operating activities:		
Profit before income tax	21,440	19,226
Adjustments for:		
Depreciation expense	2,514	2,236
Interest expense	3,551	2,807
Loss on disposal of property, plant and equipment	168	200
Allowance for doubtful trade receivables	2,491	2,162
Allowance for inventories	2,833	3,519
Interest income	(744)	(1,421)
Operating profit before working capital changes	<u>32,253</u>	<u>28,729</u>
Trade receivables	(75,260)	(68,940)
Other receivables and prepayments	(2,354)	(3,284)
Inventories	(68,071)	(67,464)
Trade payables	(8,814)	79,108
Other payables	9,771	5,544
Cash used in operations	<u>(112,475)</u>	<u>(26,307)</u>
Dividend paid	(11,943)	(11,784)
Income tax paid	(1,384)	(443)
Interest paid	(3,551)	(2,807)
Interest received	744	1,421
Net cash used in operating activities	<u>(128,609)</u>	<u>(39,920)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,841)	(3,293)
Acquisition of other investments	--	(280)
Acquisition of additional shares in a subsidiary	(1,170)	--
Capital contribution from minority interests	--	2,340
Proceeds from disposal of property, plant and equipment	263	650
Net cash used in investing activities	<u>(5,748)</u>	<u>(583)</u>
Cash flows from financing activities:		
Increase in trust receipt loans	80,782	54,087
Repayment of bank borrowings	(8,360)	(22,338)
Repayment of obligations under finance leases	(349)	(827)
Proceeds from bank borrowings	47,500	--
Net cash generated from financing activities	<u>119,573</u>	<u>30,922</u>
Net effect of exchange rate changes in consolidating subsidiaries	(36)	506
Net decrease in cash	<u>(14,820)</u>	<u>(9,075)</u>
Cash at beginning of the period	<u>148,567</u>	<u>135,159</u>
Cash at end of the period	<u><u>133,747</u></u>	<u><u>126,084</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP

	Issued capital	Share premium	Contributed surplus	Currency translation reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31/03/2002	53,200	40,270	75,070	(657)	11,784	39,144	218,811
Exchange differences arising from translation of overseas operations	--	--	--	507	--	--	507
Net profit for the period	--	--	--	--	--	15,373	15,373
Dividend paid	--	--	--	--	(11,784)	--	(11,784)
Balance at 30/09/2002	53,200	40,270	75,070	(150)	--	54,517	222,907
Balance at 31/03/2003	53,200	40,270	75,070	82	11,943	51,045	231,610
Exchange differences arising from translation of overseas operations	--	--	--	(48)	--	--	(48)
Net profit for the period	--	--	--	--	--	17,015	17,015
Dividend paid	--	--	--	--	(11,943)	--	(11,943)
Balance at 30/09/2003	53,200	40,270	75,070	34	--	68,060	236,634

COMPANY

	Issued capital	Share premium	Contributed surplus	Currency translation reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31/03/2002	53,200	40,270	75,070	--	11,784	964	181,288
Net profit for the period	--	--	--	--	--	44	44
Dividend paid	--	--	--	--	(11,784)	--	(11,784)
Balance at 30/09/2002	53,200	40,270	75,070	--	--	1,008	169,548
Balance at 31/03/2003	53,200	40,270	75,070	--	11,943	1,095	181,578
Net profit for the period	--	--	--	--	--	34	34
Dividend paid	--	--	--	--	(11,943)	--	(11,943)
Balance at 30/09/2003	53,200	40,270	75,070	--	--	1,129	169,669

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There has been no change in the Company's issued share capital in the current financial period. The number of issued and fully paid up ordinary shares at 30th September 2003 and 30th September 2002 were 266,000,000 at HK\$0.20 each.

At 30th September 2003, the total number of ordinary share options was 24,056,000 (At 30th September 2002: 20,791,000). 1,930,000 share options were cancelled upon resignation of the holders during the period.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter) must be set out

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The accounting policies adopted and methods of computation used are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31st March 2003.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Group Figures

Earnings per ordinary share	6 months ended 30/09/2003	6 months ended 30/09/2002
(i) Based on weighted average number of ordinary shares in issue	6.40 (HK cents)	5.78 (HK cents)
(ii) On a fully diluted basis	6.34 (HK cents)	N/A

The basic earnings per share for the six months ended 30th September 2003 and 30th September 2002 are both calculated based on 266,000,000 ordinary shares in issue during the respective periods.

The diluted earnings per share for the six months ended 30th September 2003 is calculated based on the enlarged share capital of 268,369,849 ordinary shares of the Company, after adjusting for 2,369,849 potential dilutive shares.

No diluted earnings per share for the six months ended 30th September 2002 has been presented because the exercise prices of the Company's options were higher than the average market price for the shares for that period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

Net asset value per ordinary share	Group Figures		Company Figures	
	30/09/2003	31/3/2003	30/09/2003	31/3/2003
Based on issued share capital of the Company at the end of the year	88.96 (HK cents)	87.07 (HK cents)	63.79 (HK cents)	68.26 (HK cents)

The net asset backing per ordinary share as at 30th September 2003 and 31st March 2003 are both based on the issued share capital of 266,000,000 ordinary shares at that date.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The electronics industry had encountered a set back during the better part of first half of our financial year. First the war in Iraq had dampened the orders for consumer electronics products from the world, in particular, the United States. Second, SARS epidemic had further deterred the demand for consumer products across the board. Many manufacturers had reduced production capacities while some even suspended certain production lines. However, despite these negative impacts, our Group still managed to increase the revenue for the first six months ended 30th September 2003, year-on-year basis, by HK\$192.9 million or 31.3% to HK\$809.6 million. The increase in sales was partly due to the gradual improvement of consumer sentiment in the aftermath of both incidents and partly due to the fruitful results of our Group's expansion scheme in China. This expansion model embraced broadening of customer base and the expansion of the territorial coverage and product segments. Our China market had thus posted a strong sales growth of 63.3% from HK\$137.8 million for the six months ended 30th September 2002 to HK\$225.1 million for the same period in 2003.

With this planned growth of scale, together with the competitive environment of the component industry, gross margins have come under pressure. The Group's overall gross margins

decreased from 13.1% for the six months ended 30th September 2002 to 10.5% for the same period in 2003.

Distribution costs and administrative expenses increased by 15.2% from HK\$60.6 million to HK\$69.9 million for the first six months of 2002 and 2003 respectively. The increase in distribution costs was attributable to increased sales incentive for boosting sales and to the transportation charge increase, which corresponded to the higher sales. The administrative expenses increased were due to the increase of staff for the expansion scheme in China. Also included in the increase was the continuous training program for staff development as well as the training costs for the implementation of SAP.

Other operating income increased was mainly attributable to a commission income of HK\$5.8 million received from our major principal as an incentive rebate for achieving certain sales target.

Finance charges increased as a result of higher medium-term borrowings to finance the inventories increase and the proportionate increase of receivables as a result of the increase of sales.

The Company incurred an exchange loss in the prior period due to the sudden surge of Japanese Yen against Hong Kong dollar. However, in the current period the Company had derived an exchange gain by hedging of the currency in anticipation of the rise of the Yen.

Balance Sheet

The increase in trade receivables was mainly attributable to the increase in sales turnover in the current financial period when compared to the financial year 2003. The debtors turnover has maintained stable at the level of about 2 months.

The increase in inventories was due to purchase of inventories to accommodate increased sales for the coming months. Despite the higher inventory level, our stock holding period has remained stable at the level of about 2 months.

Goodwill refers to the goodwill on consolidation arising from the acquisition of a 20% interest in a non-wholly owned subsidiary from a minority shareholder.

Long-term borrowings represent a 3-year bank loan of HK\$47.5 million which provides us a long-term financing to meet our expansion in the PRC and South Korea markets.

Cash Flow Statement

At 30th September 2003, the Company had working capital of HK\$229.4 million, which included a cash balance of HK\$133.7 million, compared to working capital of HK\$204.1 million, which included a cash balance of HK\$148.6 million at 31st March 2003. The decrease in cash by HK\$14.8 million was attributable to a cash outflow of HK\$128.6 million from operating activities and a cash inflow of HK\$119.6 million from financing arrangements.

Cash outflow from operating activities amounting to HK\$128.6 million was mainly attributable to an increase of trade receivables and dividend paid to shareholders during the six months ended 30th September 2003.

Cash flows from financing activities increased as there was a long-term bank loan raised during the six months ended 30th September 2003.

9. Where a forecast, or a prospect statement, has been previously disclosed to

shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

With the ongoing migration of manufacturing activities to China, along with the gradual improvement of global economy, the electronics industry is expected to see improvement in the coming months. By maintaining our continuous emphasis on China market, together with our effort in implementing our growth strategy, we look forward to a healthy increase in our business volume for the coming six month period. However, with the recent sharp increase of Japanese Yen rate against Hong Kong dollar, we anticipate to face another fresh round of pressure on gross margin. Nevertheless, measures have been taken to counter such pressures so that the negative effect will be kept to a minimum.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared for the six months ended 30th September 2003.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman

27/11/2003