

**WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED**

**Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2008**

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

**Group Income Statement for the period ended 30 September 2008. These figures have not been audited.**

**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 30/09/2008 HK\$'000	6 months ended 30/09/2007 HK\$'000	Increase (Decrease) %
Revenue	1,413,155	1,309,775	7.9
Cost of sales	<u>(1,268,411)</u>	<u>(1,157,111)</u>	9.6
Gross profit	144,744	152,664	(5.2)
Other operating income	4,210	4,175	0.8
Distribution costs	(19,073)	(17,919)	6.4
Administrative expenses	(108,928)	(96,563)	12.8
Share of loss of jointly controlled entities	(577)	--	N/A
Finance costs	<u>(8,769)</u>	<u>(9,810)</u>	(10.6)
Profit before tax	11,607	32,547	(64.3)
Income tax expense	<u>(4,421)</u>	<u>(4,624)</u>	(4.4)
Profit for the period	<u>7,186</u>	<u>27,923</u>	(74.3)
Attributable to:			
Equity holders of the Company	7,874	26,163	(69.9)
Minority interests	<u>(688)</u>	<u>1,760</u>	(139.1)
	<u>7,186</u>	<u>27,923</u>	(74.3)

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

	6 months ended 30/09/2008 HK\$'000	6 months ended 30/09/2007 HK\$'000
Depreciation of property, plant and equipment	3,109	3,680
Amortisation of prepaid lease payments	51	52
Amortisation of other intangible assets	1,721	1,721
Allowance for doubtful trade receivables	6,634	5,404
Allowance for inventories	5,484	6,055
Foreign exchange gain	(2,759)	(1,550)
Loss on disposal of property, plant and equipment	491	20
Research and development expenses	11,303	11,472
Net loss on fair value changes of derivative financial instruments	1,964	1,593
Interest income	(1,494)	(2,818)

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	
	30/09/2008	31/03/2008	30/09/2008	31/03/2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	327,529	196,152	198	72
Trade receivables	492,262	428,069	--	--
Other receivables and prepayments	15,519	9,850	118,828	139,543
Prepaid lease payment - current	104	103	--	--
Income tax recoverable	2,654	2,057	--	--
Derivative financial instruments	299	2,263	--	--
Amounts due from jointly controlled entities	--	99	--	--
Inventories	352,096	414,451	--	--
<b>Total current assets</b>	<b>1,190,463</b>	<b>1,053,044</b>	<b>119,026</b>	<b>139,615</b>
<b>Non-current assets:</b>				
Prepaid lease payment - non current	4,229	4,281	--	--
Property, plant and equipment	35,294	35,971	--	--
Long-term deposits	55,962	5,486	--	--
Goodwill	6,693	6,693	--	--
Available-for-sale investments	2,001	1,190	--	--
Other intangible assets	9,997	11,119	--	--
Interest in jointly controlled entities	9,429	9,965	--	--
Subsidiaries	--	--	117,470	117,470
<b>Total non-current assets</b>	<b>123,605</b>	<b>74,705</b>	<b>117,470</b>	<b>117,470</b>
<b>Total assets</b>	<b>1,314,068</b>	<b>1,127,749</b>	<b>236,496</b>	<b>257,085</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Trust receipt loans	378,210	345,151	--	--
Trade payables	296,938	248,628	--	--
Other payables	41,627	40,247	2,857	2,183
Income tax payable	7,862	5,152	172	172
Amounts due to jointly controlled entities	54	--	--	--
Current portion of long-term borrowings	95,348	62,605	--	--
<b>Total current liabilities</b>	<b>820,039</b>	<b>701,783</b>	<b>3,029</b>	<b>2,355</b>
<b>Non-current liabilities:</b>				
Long-term borrowings	111,439	29,485	--	--
Deferred tax	1,125	3,381	--	--
<b>Total non-current liabilities</b>	<b>112,564</b>	<b>32,866</b>	<b>--</b>	<b>--</b>
<b>Capital, reserves and minority interests:</b>				
Issued capital	62,000	61,960	62,000	61,960
Capital reserves	161,463	161,432	161,463	161,432
Currency translation reserve	6,444	2,269	--	--
Dividend reserve	--	23,202	--	23,202
Accumulated profits	139,240	131,231	10,004	8,136
Equity attributable to equity holders of the Company	369,147	380,094	233,467	254,730
Minority interests	12,318	13,006	--	--
<b>Total equity</b>	<b>381,465</b>	<b>393,100</b>	<b>233,467</b>	<b>254,730</b>
<b>Total liabilities and equity</b>	<b>1,314,068</b>	<b>1,127,749</b>	<b>236,496</b>	<b>257,085</b>

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

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

<u>As at 30/09/2008</u>		<u>As at 31/03/2008</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0	473,558	0	407,756

**Amount repayable after one year**

<u>As at 30/09/2008</u>		<u>As at 31/03/2008</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
0	111,439	0	29,485

**Details of any collateral**

There are no secured borrowings at 30<sup>th</sup> September 2008 and 31<sup>st</sup> March 2008.

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

	<b>6 months ended 30/09/2008</b>	<b>6 months ended 30/09/2007</b>
	HK\$'000	HK\$'000
<b>Operating activities:</b>		
Profit before tax	11,607	32,547
Adjustments for:		
Depreciation expense	3,109	3,680
Amortisation of prepaid lease payments	51	52
Amortisation of other intangible assets	1,721	1,721
Interest expense	8,769	9,810
Allowance for inventories	5,484	6,055
Allowance for doubtful trade debtors	6,634	5,404
Loss on disposal of property, plant and equipment	491	20
Net loss on fair value changes of derivative financial instruments	1,964	1,593
Share of loss of jointly controlled entities	577	--
Interest income	(1,494)	(2,818)
Operating cash flows before movements in working capital	38,913	58,064
Trade receivables	(70,986)	(147,372)
Other receivables and prepayments	(5,669)	(1,413)
Inventories	56,569	(41,578)
Trade payables	48,310	27,075
Other payables	1,380	4,236
Long-term deposits	3,711	(48)
Increase in amounts due to jointly controlled entities	153	--
Cash used in operations	72,381	(101,036)
Income tax paid	(4,680)	(1,559)
Interest paid	(8,769)	(9,810)
Interest received	1,494	2,818
Net cash from (used in) operating activities	60,426	(109,587)
<b>Investing activities:</b>		
Acquisition of available-for-sale investments	(811)	--
Expenditure on capitalised development cost	(599)	(334)
Purchase of property, plant and equipment	(2,873)	(1,266)
Deposit paid for purchase of a leasehold property	(54,187)	--
Proceeds from disposal of property, plant and equipment	18	--
Net cash used in investing activities	(58,452)	(1,600)
<b>Financing activities:</b>		
Increase in trust receipt loans	33,059	111,728
Proceeds from bank borrowings	126,000	--
Repayment of bank borrowings	(11,303)	(13,030)
Dividend paid	(23,202)	(25,372)
Proceeds from exercise of share options	206	770
Net cash from financing activities	124,760	74,096
Net increase (decrease) in cash and cash equivalents	126,734	(37,091)
Cash and cash equivalents at beginning of the period	196,152	194,892
Effects of exchange rate changes on the balance of cash held in foreign currencies	4,643	(21)
<b>Cash and cash equivalents at end of the period</b>	<b>327,529</b>	<b>157,780</b>

**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 HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Currency translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 01/04/2007	61,750	81,496	75,070	5,820	(44)	25,372	107,042	12,201	368,707
Exercise of share options	210	1,182	--	(622)	--	--	--	--	770
Share options cancelled	--	--	--	(866)	--	--	866	--	--
Exchange differences arising from translation of overseas operations	--	--	--	--	98	--	--	(29)	69
Net profit for the period	--	--	--	--	--	--	26,163	1,760	27,923
Dividend paid	--	--	--	--	--	(25,372)	--	--	(25,372)
Balance at 30/09/2007	61,960	82,678	75,070	4,332	54	--	134,071	13,932	372,097
Balance at 01/04/2008	61,960	82,678	75,070	3,684	2,269	23,202	131,231	13,006	393,100
Exercise of share options	40	228	--	(62)	--	--	--	--	206
Share options cancelled	--	--	--	(135)	--	--	135	--	--
Exchange differences arising from translation of overseas operations	--	--	--	--	4,175	--	--	--	4,175
Net profit for the period	--	--	--	--	--	--	7,874	(688)	7,186
Dividend paid	--	--	--	--	--	(23,202)	--	--	(23,202)
Balance at 30/09/2008	62,000	82,906	75,070	3,487	6,444	--	139,240	12,318	381,465

**COMPANY**

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 01/04/2007	61,750	81,496	75,070	5,820	25,372	3,035	252,543
Exercise of share options	210	1,182	--	(622)	--	--	770
Share options cancelled	--	--	--	(866)	--	866	--
Net profit for the period	--	--	--	--	--	789	789
Dividend paid	--	--	--	--	(25,372)	--	(25,372)
Balance at 30/09/2007	61,960	82,678	75,070	4,332	--	4,690	228,730
Balance at 01/04/2008	61,960	82,678	75,070	3,684	23,202	8,136	254,730
Exercise of share options	40	228	--	(62)	--	--	206
Share options cancelled	--	--	--	(135)	--	135	--
Net profit for the period	--	--	--	--	--	1,733	1,733
Dividend paid	--	--	--	--	(23,202)	--	(23,202)
Balance at 30/09/2008	62,000	82,906	75,070	3,487	--	10,004	233,467

- 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**

During the six months ended 30<sup>th</sup> September 2008, the Company increased its issued and paid-up share capital from HK\$61,960,000 to HK\$62,000,000 as a result of the issue of 200,000 ordinary shares of HK\$0.20 each at S\$0.18 per share upon the exercise by the holders of share options granted under Willas-Array Electronics Employee Share Option Scheme II.

At 30<sup>th</sup> September 2008, the total number of ordinary share options was 24,714,000 (30<sup>th</sup> September 2007: 27,900,000). 886,000 (2007: 1,456,000) 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 financial statements for the year ended 31<sup>st</sup> March 2008.

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**

	<b>Group Figures</b>			
	<b>6 months ended 30/09/2008</b>		<b>6 months ended 30/09/2007</b>	
	<b>Basic HK\$'000</b>	<b>Diluted HK\$'000</b>	<b>Basic HK\$'000</b>	<b>Diluted HK\$'000</b>
Profit attributable to shareholders	7,874	7,874	26,163	26,163
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares	309,897,268	309,897,268	309,199,180	309,199,180
Adjustment for potential dilutive ordinary shares	--	492,950	--	972,442
Weighted average number of ordinary shares used to compute earnings per share	309,897,268	310,390,218	309,199,180	310,171,622
<b>Earnings per share</b>	<b>2.54 (HK cents)</b>	<b>2.54 (HK cents)</b>	<b>8.46 (HK cents)</b>	<b>8.44 (HK cents)</b>

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**

	<u>Group Figures</u>		<u>Company Figures</u>	
	<u>30/09/2008</u>	<u>31/03/2008</u>	<u>30/09/2008</u>	<u>31/03/2008</u>
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	119.08 (HK cents)	122.69 (HK cents)	75.31 (HK cents)	82.22 (HK cents)

The net asset backing per ordinary share as at 30<sup>th</sup> September 2008 is based on the issued share capital of 310,000,000 ordinary shares (31<sup>st</sup> March 2008: 309,800,000).

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**

#### Business Review

The recent slowdown in world economy has weakened the global electronics sector. Nevertheless, with our continual focus on growth in China, sales expansion in the region has helped to increase our overall revenue by 7.9% to HK\$1,413.2 million (2007: HK\$1,309.8 million).

The Group has earlier stocked up its inventory to intensify its penetration in the China market. The recent global financial crisis has caused many electronic manufacturers to take a more prudent stance and reduce or delay their electronics components orders. To maintain an optimal inventory level as well as healthy cash flow and reserves, we have made a deliberate move to clear the excess inventory by selling the components at a lower price, which in turn affected profit margins. Gross margin had thus decreased from 11.66% for the six months ended 30<sup>th</sup> September 2007 to 10.24% for the same period in 2008.

Distribution costs increased by 6.4% from HK\$17.9 million for the six months ended 30<sup>th</sup> September 2007 to HK\$19.1 million for the same period in 2008. The increase in distribution costs were attributable to increased sales incentive for boosting sales and increased sales and marketing activities in a tough and difficult market environment.

Administrative expenses increased by HK\$12.4 million, from HK\$96.6 million for the six months ended 30<sup>th</sup> September 2007 to HK\$108.9 million for the same period in 2008. The increase was mainly attributable to the increase in number of staff, salary increment, and the increase in bank charges arising from bank loan arrangements and use of credit insurance services.



Finance costs decreased slightly by HK\$1.0 million, from HK\$9.8 million for the six months ended 30<sup>th</sup> September 2007 to HK\$8.8 million for the same period in 2008. It was mainly attributable to the drop in interest rates despite more bank loans were raised.

#### **Financial Position**

The increase in trade receivables was mainly attributable to the increase in sales in the current financial period as compared to the financial year ended 31<sup>st</sup> March 2008. The debtors turnover has maintained at approximately 2 months.

Inventories decreased from HK\$414.5 million as at 31<sup>st</sup> March 2008 to HK\$352.1 million as at 30<sup>th</sup> September 2008. With the softening of the consumer electronics market, orders have been delayed and thus we made a deliberate move to clear the excess inventory during the period under review. Our inventory turnover has decreased from 2.2 months to 2 months over the same period.

The increase in long term deposits was mainly due to the deposit payment of HK\$54.2 million for the purchase of an office in Shenzhen, China.

The increase in bank borrowings was due to the drawdown of bank loans of HK\$126.0 million which acts as a cushion for maintaining a healthy cash position in anticipation of the credit crunch as a result of the global subprime issue.

#### **Cash Flow**

As at 30<sup>th</sup> September 2008, the Group had a working capital of HK\$370.4 million, which included a cash balance of HK\$327.5 million, compared to a working capital of HK\$351.3 million, which included a cash balance of HK\$196.2 million at 31<sup>st</sup> March 2008. The increase in cash by HK\$131.4 million was principally attributable to the net effect of a cash inflow of HK\$60.4 million from operating activities and HK\$124.8 million from financing activities and a cash outflow of HK\$58.5 million in investing activities.

Cash inflow for operating activities was mainly attributable to the decrease in inventories as we deliberately cleared our excess inventory in the current period.

Cash inflow from financing activities was mainly attributable to increased bank loans raised to achieve a healthy liquidity position for the Group.

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

The currently announced results are in line with the business updates on interim performance for six months ended 30<sup>th</sup> September 2008 as announced on 15<sup>th</sup> October 2008.

**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**

Recent global stock market volatility and tight credit conditions arising from the US subprime mortgage crisis have worsened the slowdown in global economy. In response, measures have been taken to mitigate the impact. Actions being taken include close monitoring of inventory level, tightening of credit to customers and cost saving measures.

Notwithstanding the uncertain global economic outlook, the Group remains committed to alleviating the impact of the current softening of the economy by continuing to look for business opportunities and avenues for growth, as well as implementing stringent cost controls.

## 11. Dividend

### **(a) Current Financial Period Reported On**

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

Name of Dividend :	Not applicable
Dividend Type :	Not applicable
Dividend Rate :	Not applicable
Par value of shares :	Not applicable
Tax Rate :	Not applicable

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

Name of Dividend :	Not applicable
Dividend Type :	Not applicable
Dividend Rate :	Not applicable
Par value of shares :	Not applicable
Tax Rate :	Not applicable

### **(c) Date payable**

Not applicable.

### **(d) Books closure date**

Not applicable.

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

No dividend has been declared for the six months ended 30<sup>th</sup> September 2008.

**BY ORDER OF THE BOARD**

**Leung Chun Wah  
Chairman**

14<sup>th</sup> November 2008

**CONFIRMATION BY THE BOARD OF DIRECTORS**

Pursuant to Rule 705(4) of the SGX-ST Listing Manual, we, Leung Chun Wah and Vichai Phaisalakani, being two Directors of Willas-Array Electronics (Holdings) Limited (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group's unaudited interim financial results for the six months ended 30<sup>th</sup> September 2008 to be false or misleading.

**On behalf of the Board**



**Leung Chun Wah**  
Chairman



**Vichai Phaisalakani**  
Director

14<sup>th</sup> November 2008