WILLAS-ARRAY™
威雅利電子(集團)有限公司
Willas-Array Electronics (Holdings) Limited

FOR IMMEDIATE RELEASE

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Willas-Array posts 1H2009 net profit of HK$7.2 million

- *Revenue up 7.9% y-o-y to HK$1.4 billion on strong sales in China*
- *Earnings and margins impacted by sale of excess inventory at lower prices due to softening global demand*
- *Healthy cash flow position – working capital of HK$370.4 million versus HK$351.3 million as at 31 March 2008*

Financial Highlights in HK$'m	6 months ended 30 September		
	1H2009	1H2008	% Change
Revenue	1,413.2	1,309.8	+7.9
Gross profit	144.7	152.7	-5.2
Profit before tax	11.6	32.5	-64.3
Profit for the period	7.2	27.9	-74.3

SINGAPORE – 14 November 2008 – Willas-Array Electronics (Holdings) Limited ("Willas-Array" or "The Group"), one of the largest Hong Kong-based distributors of electronics components in the Asia Pacific region, is holding up well in the face of a slowdown in the global electronics sector.

With its continual focus on growth in China, the Group today reported a near 8% year-on year ("y-o-y") increase in overall revenue to HK$1.41 billion for the six months ended 30 September 2008 ("1H2009"). Net profit, however, declined 74.3% to HK$7.2 million.

This was primarily attributable to the recent slowdown in the global economy which has triggered a weakening in the global consumer electronics sector, resulting in lower demand for the Group's electronics components and margin erosion.

"The Group has earlier stocked up its inventory to intensify its penetration in the China market. However, 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," explains Willas-Array's Chairman Mr Lawrence Leung.

Inventory decreased to a healthy level of HK$352.1 million as at 30 September 2008, as compared to HK$414.5 million as at 31 March 2008, while inventory turnover dropped from 2.2 months to 2 months over the same period. At the same time, gross margins shrank from 11.7% in 1H2008 to 10.2% in 1H2009.

Rising costs have also contributed to the decrease in net profits. Distribution costs increased by 6.4% y-o-y to HK$19.1 million due to increased sales and marketing activities and sales incentives required to boost revenue. Administrative costs rose by HK$12.4 million, or 12.8% y-o-y, as a result of higher headcount and increase in bank charges from bank loan arrangements and use of credit insurance services.

Commenting on the Group's 1H2009 results, Mr Leung said, "While our established market position in China has, to an extent, softened and delayed the impact of the slowdown in the US export market on the Group, we are not sheltered from the global financial crisis and its widening ripple effect. However, this challenging period has again allowed us to demonstrate our ability to weather downturns. Our sound business model has enabled us to stay nimble and respond effectively to challenges, minimizing their impact."

Based on the latest half-year results, basic earnings per share fell to 2.54 HK cents from 8.46 HK cents y-o-y. Net asset value per share decreased to 119.08 HK cents as at 30 September 2008, from 122.69 HK cents as at 31 March 2008.

Outlook

On the outlook going forward, Mr Leung cautioned of more challenging times ahead. The recent global stock market volatility and tight credit conditions arising from the US subprime mortgage crisis have worsened the slowdown in global economy. This poses a more competitive and difficult environment for the global electronic components industry.

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 of growth, as well as implementing stringent cost saving measures.

"Actions have been taken to respond to the challenges. We are sharpening our focus on material planning and inventory level monitoring, and pursuing stronger initiatives to tighten customer credit control. We have also implemented cost saving measures to reduce administrative costs," said Mr Leung.

Providing reassurance to shareholders of the management's prompt and proactive monitoring of the market situation, Mr Leung said, "While plans and actions have been deployed to manage the situation, we may not be rewarded with immediate results that commensurate with our efforts. However in the long run, Willas-Array will emerge a stronger and more resilient company than it is today. I urge our shareholders to be patient and continue to have faith in the Group as we ride through this trough together."

About Willas-Array Electronics (Holdings) Limited

Established in the early 1980s and listed on the Main Board of the Singapore Exchange in 2001, Hong Kong-based Willas-Array is principally engaged in the distribution of active and passive components for use in the audio/video, telecommunications, industrial, consumer and computer segments. Backed by long-standing relationships with over 20 reputable Principals, Willas-Array carries a wide product mix, distributing and marketing in excess of 10,000 product items which cater to over 2,000 active customers. Its main markets are in Hong Kong and China.

In China, Willas-Array has established a network of offices strategically located in Beijing, Tianjin, Qingdao, Shanghai, Chengdu, Xiamen, Zhongshan, Shenzhen and Guangzhou. It has subsidiaries in the Free Trade Zones in Shanghai and Shenzhen, both of which serve as logistics centres for the Group in North and South China respectively.

In February 2005, Willas-Array established a wholly-owned subsidiary in Taipei, Taiwan. The purpose of this subsidiary is to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.

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