

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

**Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2009**

**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 2009. 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 30/09/2009 HK\$'000	6 months ended 30/09/2008 HK\$'000	Increase (Decrease) %
Revenue	1,328,099	1,413,155	(6.0)
Cost of sales	(1,187,212)	(1,268,411)	(6.4)
Gross profit	140,887	144,744	(2.7)
Other operating income	4,192	4,210	(0.4)
Release of exchange difference upon dissolution of overseas operations	2,263	--	NM
Distribution costs	(12,695)	(19,073)	(33.4)
Administrative expenses	(92,910)	(108,928)	(14.7)
Share of loss of jointly controlled entities	(200)	(577)	(65.3)
Finance costs	(4,686)	(8,769)	(46.6)
Profit before tax	36,851	11,607	217.5
Income tax expense	(3,953)	(4,421)	(10.6)
Profit for the period	32,898	7,186	357.8
Other comprehensive (loss) income:			
Exchange difference arising from translation of overseas operations	(703)	4,175	(116.8)
Release of exchange difference upon dissolution of overseas operations	(2,263)	--	NM
Other comprehensive (loss) income for the period, net of tax	(2,966)	4,175	(171.0)
Total comprehensive income for the period, net of tax	29,932	11,361	163.5
Profit (loss) attributable to:			
Owners of the Company	31,356	7,874	298.2
Minority interests	1,542	(688)	324.1
	32,898	7,186	357.8
Total comprehensive income (loss) attributable to:			
Owners of the Company	28,390	12,049	135.6
Minority interests	1,542	(688)	324.1
	29,932	11,361	163.5

NM: Not meaningful

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

	6 months ended 30/09/2009 HK\$'000	6 months ended 30/09/2008 HK\$'000
Depreciation of property, plant and equipment	11,395	3,109
Amortisation of prepaid lease payments	51	51
Amortisation of other intangible assets	--	1,721
(Reversal of) allowance for doubtful trade receivables	(607)	6,634
(Reversal of) allowance for inventories	(2,466)	5,484
Foreign exchange gain, net	(1,972)	(2,759)
Loss on disposal of property, plant and equipment	198	491
Research and development expenses	9,517	11,303
Net loss on fair value changes of derivative financial instruments	717	1,964
Interest income	(409)	(1,494)
Release of exchange difference upon dissolution of overseas operations	(2,263)	--

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	
	30/09/2009 HK\$'000	31/03/2009 HK\$'000	30/09/2009 HK\$'000	31/03/2009 HK\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	369,207	303,714	682	470
Trade receivables	490,863	285,811	--	--
Other receivables and prepayments	23,217	10,020	126,341	123,442
Prepaid lease payment - current	104	103	--	--
Income tax recoverable	897	1,020	42	42
Derivative financial instruments	243	4	--	--
Inventories	293,810	234,939	--	--
<b>Total current assets</b>	<b>1,178,341</b>	<b>835,611</b>	<b>127,065</b>	<b>123,954</b>
<b>Non-current assets:</b>				
Prepaid lease payment - non-current	4,126	4,178	--	--
Property, plant and equipment	75,924	85,731	--	--
Long-term deposits	2,239	1,096	--	--
Available-for-sale investments	2,001	2,001	--	--
Interest in jointly controlled entities	8,815	9,015	--	--
Deferred tax assets	1,472	2,244	--	--
Subsidiaries	--	--	117,470	117,470
<b>Total non-current assets</b>	<b>94,577</b>	<b>104,265</b>	<b>117,470</b>	<b>117,470</b>
<b>Total assets</b>	<b>1,272,918</b>	<b>939,876</b>	<b>244,535</b>	<b>241,424</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Trust receipt loans	323,981	215,986	--	--
Trade payables	362,391	145,707	--	--
Other payables	38,128	32,284	5,234	4,701
Income tax payable	3,293	626	--	--
Amounts due to jointly controlled entities	8,668	2,486	--	--
Current portion of long-term borrowings	109,817	153,075	--	--
<b>Total current liabilities</b>	<b>846,278</b>	<b>550,164</b>	<b>5,234</b>	<b>4,701</b>
<b>Non-current liabilities:</b>				
Long-term borrowings	47,336	40,160	--	--
Derivative financial instruments	956	--	--	--
Deferred tax	100	1,236	--	--
<b>Total non-current liabilities</b>	<b>48,392</b>	<b>41,396</b>	<b>--</b>	<b>--</b>
<b>Capital, reserves and minority interests:</b>				
Issued capital	62,000	62,000	62,000	62,000
Capital reserves	161,401	161,401	161,401	161,401
Currency translation reserve	4,452	7,418	--	--
Dividend reserve	--	--	--	--
Accumulated profits	143,127	111,771	15,900	13,322
<b>Equity attributable to equity holders of the Company</b>	<b>370,980</b>	<b>342,590</b>	<b>239,301</b>	<b>236,723</b>
Minority interests	7,268	5,726	--	--
<b>Total equity</b>	<b>378,248</b>	<b>348,316</b>	<b>239,301</b>	<b>236,723</b>
<b>Total liabilities and equity</b>	<b>1,272,918</b>	<b>939,876</b>	<b>244,535</b>	<b>241,424</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 30/09/2009</u>		<u>As at 31/03/2009</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	433,798	0	369,061

**Amount repayable after one year**

<u>As at 30/09/2009</u>		<u>As at 31/03/2009</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	47,336	0	40,160

**Details of any collateral**

There are no secured borrowings at 30<sup>th</sup> September 2009 and 31<sup>st</sup> March 2009.

**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 30/09/2009</b>	<b>6 months ended 30/09/2008</b>
	HK\$'000	HK\$'000
<b>Operating activities:</b>		
Profit before tax	36,851	11,607
Adjustments for:		
Depreciation expense	11,395	3,109
Amortisation of prepaid lease payments	51	51
Amortisation of other intangible assets	--	1,721
Interest expense	4,686	8,769
(Reversal of) allowance for inventories	(2,466)	5,484
(Reversal of) allowance for doubtful trade debtors	(607)	6,634
Loss on disposal of property, plant and equipment	198	491
Net loss on fair value changes of derivative financial instruments	717	1,964
Share of loss of jointly controlled entities	200	577
Interest income	(409)	(1,494)
Release of exchange difference upon dissolution of overseas operations	(2,263)	--
Operating cash flows before movements in working capital	48,353	38,913
Trade receivables	(204,599)	(70,986)
Other receivables and prepayments	(13,196)	(5,669)
Inventories	(56,425)	56,569
Trade payables	216,684	48,310
Other payables	5,844	1,380
Long-term deposits	440	3,711
Increase in amounts due to jointly controlled entities	11	153
Cash (used in) from operations	(2,888)	72,381
Income tax paid	(1,527)	(4,680)
Interest paid	(4,686)	(8,769)
Interest received	409	1,494
Net cash (used in) from operating activities	(8,692)	60,426
<b>Investing activities:</b>		
Acquisition of available-for-sale investments	--	(811)
Expenditure on capitalised development cost	--	(599)
Purchase of property, plant and equipment	(1,825)	(2,873)
Deposit paid for leasehold improvements	(1,583)	--
Deposit paid for purchase of a leasehold property	--	(54,187)
Proceeds from disposal of property, plant and equipment	50	18
Net cash used in investing activities	(3,358)	(58,452)
<b>Financing activities:</b>		
Increase in trust receipt loans	107,996	33,059
Proceeds from bank borrowings	--	126,000
Repayment of bank borrowings	(36,082)	(11,303)
Advance from jointly controlled entities	6,170	--
Dividend paid	--	(23,202)
Proceeds from exercise of share options	--	206
Net cash from financing activities	78,084	124,760
Net increase in cash and cash equivalents	66,034	126,734
Cash and cash equivalents at beginning of the period	303,714	196,152
Effects of exchange rate changes on the balance of cash held in foreign currencies	(541)	4,643
<b>Cash and cash equivalents at end of the period</b>	<b>369,207</b>	<b>327,529</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	Share premium	Contributed surplus	Share options reserve	Currency translation reserve	Dividend reserve	Accumulated profits	Attributable to equity holders	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 01/04/2008	61,960	82,678	75,070	3,684	2,269	23,202	131,231	380,094	13,006	393,100
Total comprehensive income for the period	--	--	--	--	4,175	--	7,874	12,049	(688)	11,361
Exercise of share options	40	228	--	(62)	--	--	--	206	--	206
Share options cancelled	--	--	--	(135)	--	--	135	--	--	--
Dividend paid	--	--	--	--	--	(23,202)	--	(23,202)	--	(23,202)
Balance at 30/09/2008	62,000	82,906	75,070	3,487	6,444	--	139,240	369,147	12,318	381,465
Balance at 01/04/2009	62,000	82,906	75,070	3,425	7,418	--	111,771	342,590	5,726	348,316
Total comprehensive income for the period	--	--	--	--	(2,966)	--	31,356	28,390	1,542	29,932
Balance at 30/09/2009	62,000	82,906	75,070	3,425	4,452	--	143,127	370,980	7,268	378,248

**COMPANY**

	Issued capital	Share premium	Contributed surplus	Share options reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 01/04/2008	61,960	82,678	75,070	3,684	23,202	8,136	254,730
Total comprehensive income for the period	--	--	--	--	--	1,733	1,733
Exercise of share options	40	228	--	(62)	--	--	206
Share options cancelled	--	--	--	(135)	--	135	--
Dividend paid	--	--	--	--	(23,202)	--	(23,202)
Balance at 30/09/2008	62,000	82,906	75,070	3,487	--	10,004	233,467
Balance at 01/04/2009	62,000	82,906	75,070	3,425	--	13,322	236,723
Total comprehensive income for the period	--	--	--	--	--	2,578	2,578
Balance at 30/09/2009	62,000	82,906	75,070	3,425	--	15,900	239,301

**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 is no change in the Company's share capital for the period under review.

At 30<sup>th</sup> September 2009, the total number of ordinary share options was 23,940,000 (30<sup>th</sup> September 2008: 24,714,000). 36,000 (2008: 886,000) share options were cancelled upon resignation of the holders during the period.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

As at 30<sup>th</sup> September 2009, the total number of issued shares of the Company was 310,000,000 ordinary shares (31<sup>st</sup> March 2009: 310,000,000). The Company has no treasury shares.

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on**

Not applicable.

**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**

Except for the change in depreciation method as stated in paragraph 5, 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 2009.

In this current financial period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1<sup>st</sup> April 2009. The adoption of these new/revised IFRSs and IFRIC 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.

IAS 1 – Presentation of Financial Statements (Revised) has changed the basis for preparation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other standards.

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

To better reflect the economic benefit brought about by the plant and equipment in use, it would be more appropriate to change the depreciation method of plant and equipment from reducing balance to straight line effective from 1st April 2009:

	<u>Previous depreciation method</u>	<u>New depreciation method</u>
Motor vehicles	20%, reducing balance	20%, straight line
Plant and equipment	15%, reducing balance	20%, straight line
Furniture and fixtures	15%, reducing balance	20%, straight line
Computer	15%, reducing balance	33 <sup>1/3</sup> %, straight line

The effect of the change of depreciation method had led to an increase of HK\$8.8 million for the six months ended 30<sup>th</sup> September 2009.

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

	<u>Group Figures</u>			
	<u>6 months ended 30/09/2009</u>		<u>6 months ended 30/09/2008</u>	
	<u>Basic HK\$'000</u>	<u>Diluted HK\$'000</u>	<u>Basic HK\$'000</u>	<u>Diluted HK\$'000</u>
Profit attributable to shareholders	31,356	31,356	7,874	7,874
	<u>No. of shares</u>	<u>No. of shares</u>	<u>No. of shares</u>	<u>No. of shares</u>
Weighted average number of ordinary shares	310,000,000	310,000,000	309,897,268	309,897,268
Adjustment for potential dilutive ordinary shares	--	--	--	492,950
Weighted average number of ordinary shares used to compute earnings per share	310,000,000	310,000,000	309,897,268	310,390,218
<b>Earnings per share</b>	<b>10.11 (HK cents)</b>	<b>10.11 (HK cents)</b>	<b>2.54 (HK cents)</b>	<b>2.54 (HK cents)</b>

The disclosure of diluted earnings per share for 6 months ended 30<sup>th</sup> September 2009 is equivalent to the basic earnings per share as the share options granted are anti-dilutive.



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>30/09/2009</u>	<u>31/03/2009</u>	<u>30/09/2009</u>	<u>31/03/2009</u>
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	119.67 (HK cents)	110.51 (HK cents)	77.19 (HK cents)	76.36 (HK cents)

The net asset backing per ordinary share as at 30<sup>th</sup> September 2009 is based on the issued share capital of 310,000,000 ordinary shares (31<sup>st</sup> March 2009: 310,000,000).

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 effect of 2008 world economic crisis, which started during the second half of the previous financial year, had persisted till the early part of the current reporting period. The resulting curtailment of orders from manufacturers had led to an overall decrease in demand for components. However such a decrease had been subsequently countered by the stimulus program implemented by the Chinese government. The program had benefited the Company positively, evident from the growing sales contribution from China. As a result, the negative impact of the crisis on the Company's sales had been minimized. Overall sales for the first six-month period of FY2010 was only slightly affected and decreased by 6.0% to HK\$1,328.1 million (2008: HK\$1,413.2 million).

Our effort in clearing excess inventory before and during the crisis had enabled us to maintain an optimal level of inventory and as such, the deliberate price reductions which were practised during the previous year were no longer necessary. In fact, many suppliers had, in view of the crisis, downsized their operations and thus reduced the supply of certain components. This reduction of supply had created a temporary shortage, which to an extent, eased the earlier price competitions which eroded our margin. Accordingly, this had resulted in an improved and more stable margin as compared to the same period last year. Thus overall gross margin had increased from 10.24% for the six months ended 30<sup>th</sup> September 2008 to 10.61% for the same period in 2009.

Distribution costs decreased by 33.4% from HK\$19.1 million for the six months ended 30<sup>th</sup> September 2008 to HK\$12.7 million for the same period in 2009. The decrease in distribution costs were attributable to drastic cost cutting measures such as curtailments of traveling and other non-direct operating expenses which had been implemented since the second half of previous financial year.

Administrative expenses decreased by HK\$16.0 million, from HK\$108.9 million for the six months ended 30<sup>th</sup> September 2008 to HK\$92.9 million for the same period in 2009. The decrease was mainly attributable to the stringent cost savings measures which had been introduced shortly after the beginning of the global financial crisis.

Finance costs decreased by HK\$4.1 million, from HK\$8.8 million for the six months ended 30<sup>th</sup> September 2008 to HK\$4.7 million for the same period in 2009. It was mainly due to the relatively reduced volume of purchases when compared to the same period of prior year and thus smaller volume of trust receipt loans and factoring activities.

#### **Financial Position**

The increase in trade receivables by HK\$205.1 million, trust receipt loans by HK\$108.0 million and trade payables by HK\$216.7 million were due to the increase in sales and purchasing activities in the current financial period as compared to the financial year ended 31<sup>st</sup> March 2009. The debtors turnover increased from 1.5 months to 2.2 months.

Inventories increased from HK\$234.9 million as at 31<sup>st</sup> March 2009 to HK\$293.8 million as at 30<sup>th</sup> September 2009. Our inventory turnover has maintained at approximately 1.5 months.

The increase in other receivables and prepayments was mainly due to the deposit payment of HK\$11.7 million to a supplier for the purchase of inventories.

The decrease in bank borrowings was due to the repayment of bank loans of HK\$36.1 million during the period.

#### **Cash Flow**

As at 30<sup>th</sup> September 2009, the Group had a working capital of HK\$332.1 million, which included a cash balance of HK\$369.2 million, compared to a working capital of HK\$285.4 million, which included a cash balance of HK\$303.7 million at 31<sup>st</sup> March 2009. The increase in cash by HK\$66.0 million was principally attributable to the net effect of cash inflow of HK\$78.1 million from financing activities and cash outflows of HK\$8.7 million in operating activities and HK\$3.4 million in investing activities.

Cash inflow from financing activities was mainly attributable to increase in trust receipt loans due to increase of purchasing activities during the period.

Cash outflow in operating activities was mainly attributable to the increase in trade receivables and inventories to cope with the increasing sales activities during the period.

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

Not applicable. No prospect statement was previously disclosed in the full year announcement for the financial year ended 31<sup>st</sup> March 2009.

**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**

Although the Company has achieved satisfactory results for the first six months ended 30<sup>th</sup> September 2009, which to a great extent was due to the stimulus program by the Chinese government, there are mixed signs as to whether the global economy is emerging from the financial crisis. The overall electronics market will remain cautious due to poor visibility of the global economy. Hence the recovery is expected to be uncertain and thus marked by intense price competition.

Barring unforeseeable circumstances, the Company is positive on the business outlook and will continue to be prudent in managing the operations while maintaining healthy liquidity position. We will continue to monitor the market situation and proactively look out for further opportunities in China.

## 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 2009.

**13. Interested Person Transactions**

No interested person transactions were entered into during the period under review.

**14. Negative assurance confirmation on interim financial results under Rule 705(4) of the Listing Manual**

On behalf of the Board of Directors of the Company, we confirm that, to the best of our 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 2009 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Leung Chun Wah, Chairman  
Vichai Phaisalakani, Executive Director

**BY ORDER OF THE BOARD**

**Leung Chun Wah**  
**Chairman**

13<sup>th</sup> November 2009

**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 2009 to be false or misleading.

**On behalf of the Board**



**Leung Chun Wah**  
Chairman



**Vichai Phaisalakani**  
Director

13<sup>th</sup> November 2009