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## **Willas-Array achieves strong turnaround with net profit of HK\$31.4 million for 1H2010**

- *Turnaround from a full year loss of HK\$19.7 million in FY2009*
- *1H FY2010 profit attributable to shareholders of HK\$31.4 million quadruples earnings of HK\$7.9 million in 1H FY2009*
- *Firmly demonstrates the rewards from strong financial discipline and strategy in China*

<b>Financial Highlights in HK\$m</b>	<b>6 months ended 30 September</b>		
	<b>1H2010</b>	<b>1H2009</b>	<b>% Change</b>
<b>Revenue</b>	<b>1,328.1</b>	<b>1,413.2</b>	<b>-6.0%</b>
<b>Gross profit</b>	<b>140.9</b>	<b>144.7</b>	<b>-2.7%</b>
<b>Profit before tax</b>	<b>36.9</b>	<b>11.6</b>	<b>+217.5%</b>
<b>Profit attributable to shareholders</b>	<b>31.4</b>	<b>7.9</b>	<b>+298.2%</b>

**SINGAPORE – 13 November 2009 – 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, today reported a strong turnaround with net profit attributable to shareholders of HK\$31.4 million for the first six months ended 30 September 2009 (“1H2010”). This compares with a full year loss of HK\$19.7 million in FY2009.

Compared with profit attributable to shareholders of HK\$7.9 million attained in corresponding period last year (“1H2009”), the Group has quadrupled its earnings in 1H2010 to HK\$31.4 million.

While revenue for the period under review dipped marginally by 6.0% to HK\$1.3 billion from HK\$1.4 billion previously, gross profit margin rose from 10.2% in 1H2009 to 10.6% in the current period. This, coupled with the remarkable four-fold surge in net profit year-on-year, underscores the rewards of the Group's strong financial discipline and China strategy.

In recent years, Willas-Array has focused its resources in expanding its market presence in China, investing significant amount in sales and marketing activities and expanding headcount, even at a time of global economic slowdown last year. This is because the Management holds firm in its belief that there are immense opportunities in China amidst the weak business climate.

Mr Lawrence Leung, Chairman of Willas-Array said, "The Chinese government's 4 trillion yuan stimulus package has created a real domestic demand for consumer products, and the positive effects have filtered down to many industries, including the electronic components market. We have always been mindful that the vast China market is our growth driver and it is important that we continue to stay close to our customers, maintain a wide product offering and provide a range of creative product solutions to cater to their needs.

"In the past six months, the global market has shown signs of a recovery and China is one of the first few markets to rebound. We have witnessed a proportionately larger increase in sales orders from our China customers in 1H2010 as compared to those from the rest of the world, and this has minimised the impact of the economic slowdown on our sales. We believe that this is just the beginning and foresee reaping greater rewards from our China strategy. We remain confident of the immense opportunities that China holds for us."

Reflecting the Group's efforts in maintaining an optimal level of inventory by clearing excess stock before and during the economic crisis, overall gross margin for 1H2010 rose to 10.6%, from 10.2% in the year-ago period.

Explained Mr Leung, "The deliberate price reductions which we implemented last year to clear the excess inventory were no longer required in 1H2010. We have enjoyed relatively stable margins due to a reduction in supply of certain components as some suppliers downsized their operations in view of the downturn. This supply reduction has, to an

extent, eliminated the earlier price competitions, resulting in healthier and more stable margins for us.”

In anticipation of a worldwide credit crunch in early 2009, the Management of Willas-Array had, since late 2007, gradually secured additional financing and credit facilities. As at 30 September 2009, the Group had a working capital of HK\$332.1 million, which included a cash balance of HK\$369.2 million, as compared to a working capital of HK\$285.4 million and cash balance of HK\$303.7 million as at 31 March 2009.

The strong cash position and working capital has enabled the Group to benefit from a market turnaround, as its financial strength enabled it to be amongst the firsts to act when demand for consumer electronics picked up in the last six months.

Based on the latest set of half-year results, earnings per share for 1H2010 was 10.11 HK cents, up from 2.54 HK cents in 1H2009. Net asset value per share as at 30 September 2009 stood at 119.67 HK cents, as compared to 110.51 HK cents as at 31 March 2009.

### **Stringent cost controls**

Despite the improvement in its financial performance, Willas-Array remains steadfast with its stringent cost controls, which yielded positive results this period.

The Group has significantly scaled down its overall expenses and improved its cost efficiency in 1H2010. Distribution costs decreased by 33.4% from HK\$19.1 million in 1H2009 to HK\$12.7 million in 1H2010, while administrative expenses fell by HK\$16.0 million or 14.7%, from HK\$108.9 million to HK\$92.9 million over the same period. These demonstrate the effectiveness of the Group’s cost efficiency measures, such as curtailments on travelling and non-direct operating expenses, which were introduced during the last financial year.

“In spite of the marginal drop in our revenue, we were able to quadruple our profit. This is not an easy task and goes to show our commitment to our turnaround plans,” said Mr Leung.

### **Outlook**

Notwithstanding the positive signs of a global economic recovery, the Group warns of uncertain times ahead.

“The world economy may not be out of the woods yet. As a Group, we need to continue to stay close to our customers as well as proactively monitor and respond to the changing market situation. It is imperative that we continue to sharpen our material and resource planning, as well as tighten cost, credit and inventory controls. At the same time, we will continue to maintain a healthy liquidity position, and be agile to capitalise on avenues to further grow our presence in China, whose economy is one of the fastest growing in the world.

“We are cautiously optimistic of our business outlook, barring unforeseen circumstances. We have made great strides in strengthening our business and managing the uncertainties, and will continue to stay the course in the coming periods,” concluded Mr Leung.

***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.*

*Willas-Array also has a wholly-owned subsidiary in Taipei to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.*

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