

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2010

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 2010. 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 30/09/2010 HK\$'000	6 months ended 30/09/2009 HK\$'000	Increase (Decrease) %
Revenue	1,987,205	1,328,099	49.6
Cost of sales	(1,782,299)	(1,187,212)	50.1
Gross profit	204,906	140,887	45.4
Other operating income	4,917	4,192	17.3
Release of exchange difference upon dissolution of overseas operations	--	2,263	NM
Distribution costs	(26,573)	(12,695)	109.3
Administrative expenses	(111,318)	(92,910)	19.8
Share of loss of jointly controlled entities	(11)	(200)	(94.5)
Finance costs	(6,152)	(4,686)	31.3
Profit before tax	65,769	36,851	78.5
Income tax expense	(13,195)	(3,953)	233.8
Profit for the period	52,574	32,898	59.8
Other comprehensive income (loss):			
Exchange difference arising from translation of overseas operations	2,825	(703)	501.8
Release of exchange difference upon dissolution of overseas operations	--	(2,263)	NM
Other comprehensive income (loss) for the period, net of tax	2,825	(2,966)	195.2
Total comprehensive income for the period, net of tax	55,399	29,932	85.1
Profit attributable to:			
Owners of the Company	50,509	31,356	61.1
Non-controlling interests	2,065	1,542	33.9
	52,574	32,898	59.8
Total comprehensive income attributable to:			
Owners of the Company	53,334	28,390	87.9
Non-controlling interests	2,065	1,542	33.9
	55,399	29,932	85.1
NM: Not meaningful			

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

	6 months ended 30/09/2010 HK\$'000	6 months ended 30/09/2009 HK\$'000
Depreciation of property, plant and equipment	4,216	11,440
Amortisation of prepaid lease payments	6	6
Share-based payment expense	417	--
Allowance for (reversal of) doubtful trade receivables	5,261	(607)
Allowance for (reversal of) inventories	7,242	(2,466)
Foreign exchange loss (gain), net	2,864	(1,972)
Loss on disposal of property, plant and equipment	8	198
Research and development expenses	10,957	9,517
Net (gain) loss on fair value changes of derivative financial instruments	(3,256)	717
Interest income	(643)	(409)
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	
	30/09/2010	31/03/2010	30/09/2010	31/03/2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	441,381	410,050	836	964
Trade receivables	660,581	539,524	--	--
Other receivables and prepayments	24,847	20,425	136,075	162,124
Prepaid lease payment - current	12	12	--	--
Income tax recoverable	88	131	43	43
Derivative financial instruments	211	--	--	--
Inventories	522,180	468,839	--	--
Total current assets	1,649,300	1,438,981	136,954	163,131
Non-current assets:				
Prepaid lease payment – non-current	650	656	--	--
Property, plant and equipment	159,917	82,681	--	--
Long-term deposits	1,407	3,586	--	--
Available-for-sale investments	2,001	2,001	--	--
Derivative financial instruments	--	44	--	--
Interest in jointly controlled entities	8,784	8,795	--	--
Deferred tax assets	3,199	2,664	--	--
Subsidiaries	--	--	117,470	117,470
Total non-current assets	175,958	100,427	117,470	117,470
Total assets	1,825,258	1,539,408	254,424	280,601
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	669,398	544,459	--	--
Trade payables	469,262	396,130	--	--
Other payables	52,767	43,803	6,337	5,723
Income tax payable	17,994	7,937	--	--
Derivative financial instruments	57	4,441	--	--
Amounts due to jointly controlled entities	8,670	8,656	--	--
Current portion of long-term borrowings	44,824	60,752	--	--
Total current liabilities	1,262,972	1,066,178	6,337	5,723
Non-current liabilities:				
Long-term borrowings	115,301	53,150	--	--
Derivative financial instruments	3,821	2,526	--	--
Deferred tax	1,265	--	--	--
Total non-current liabilities	120,387	55,676	--	--
Capital, reserves and non-controlling interests:				
Issued capital	62,000	62,000	62,000	62,000
Capital reserves	161,956	161,569	161,956	161,569
Currency translation reserve	7,678	4,853	--	--
Dividend reserve	--	31,471	--	31,471
Accumulated profits	201,524	150,985	24,131	19,838
Equity attributable to equity holders of the Company	433,158	410,878	248,087	274,878
Non-controlling interests	8,741	6,676	--	--
Total equity	441,899	417,554	248,087	274,878
Total liabilities and equity	1,825,258	1,539,408	254,424	280,601

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

Amount repayable in one year or less, or on demand

As at 30/09/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
3,488	710,734	0	605,211

Amount repayable after one year

As at 30/09/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
30,500	84,801	0	53,150

Details of any collateral

The property in Shanghai, China was pledged to a bank to obtain a mortgage loan.

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 30/09/2010	6 months ended 30/09/2009
	HK\$'000	HK\$'000
Operating activities:		
Profit before tax	65,769	36,851
Adjustments for:		
Depreciation expense	4,216	11,440
Amortisation of prepaid lease payments	6	6
Share-based payment expense	417	--
Interest expense	6,152	4,686
Allowance for (reversal of) inventories	7,242	(2,466)
Allowance for (reversal of) doubtful trade debtors	5,261	(607)
Loss on disposal of property, plant and equipment	8	198
Net (gain) loss on fair value changes of derivative financial instruments	(3,256)	717
Share of loss of jointly controlled entities	11	200
Interest income	(643)	(409)
Release of exchange difference upon dissolution of overseas operations	--	(2,263)
Operating cash flows before movements in working capital	85,183	48,353
Trade receivables	(126,523)	(204,599)
Other receivables and prepayments	(4,422)	(13,196)
Inventories	(60,648)	(56,425)
Trade payables	73,132	216,684
Other payables	8,966	5,844
Long-term deposits	3	440
Increase in amounts due to jointly controlled entities	14	11
Cash used in operations	(24,295)	(2,888)
Income tax paid	(2,391)	(1,527)
Interest paid	(6,152)	(4,686)
Interest received	643	409
Net cash used in operating activities	(32,195)	(8,692)
Investing activities:		
Purchase of property, plant and equipment	(78,252)	(1,825)
Deposit paid for leasehold improvements	--	(1,583)
Proceeds from disposal of property, plant and equipment	--	50
Net cash used in investing activities	(78,252)	(3,358)
Financing activities:		
Increase in trust receipt loans	124,939	107,996
Proceeds from bank borrowings	114,826	--
Repayment of bank borrowings	(68,603)	(36,082)
Advance from jointly controlled entities	--	6,170
Dividend paid	(31,471)	--
Net cash from financing activities	139,691	78,084
Net increase in cash and cash equivalents	29,244	66,034
Cash and cash equivalents at beginning of the period	410,050	303,714
Effects of exchange rate changes on the balance of cash held in foreign currencies	2,087	(541)
Cash and cash equivalents at end of the period	441,381	369,207

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	Accumulate d profits	Attributable to equity holders	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 01/04/2009	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
Balance at 01/04/2010	62,000	82,906	75,070	3,593	4,853	31,471	150,985	410,878	6,676	417,554
Total comprehensive income for the period	--	--	--	--	2,825	--	50,509	53,334	2,065	55,399
Recognition of share-based payment	--	--	--	417	--	--	--	417	--	417
Share options cancelled	--	--	--	(30)	--	--	30	--	--	--
Dividend paid	--	--	--	--	--	(31,471)	--	(31,471)	--	(31,471)
Balance at 30/09/2010	62,000	82,906	75,070	3,980	7,678	--	201,524	433,158	8,741	441,899

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 01/04/2009	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
Balance at 01/04/2010	62,000	82,906	75,070	3,593	31,471	19,838	274,878
Total comprehensive income for the period	--	--	--	--	--	4,263	4,263
Recognition of share-based payment	--	--	--	417	--	--	417
Share options cancelled	--	--	--	(30)	--	30	--
Dividend paid	--	--	--	--	(31,471)	-	(31,471)
Balance at 30/09/2010	62,000	82,906	75,070	3,980	--	24,131	248,087

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 30th September 2010, the total number of ordinary share options was 31,771,000 (30th September 2009: 23,940,000). 100,000 (2009: 36,000) 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 30th September 2010, the total number of issued shares of the Company was 310,000,000 ordinary shares (31st March 2010: 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

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 Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on or after 1st April 2010.

Except for the adoption of the Amendment to IAS17 – Classification of leases of land and buildings, 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 31st March 2010 and 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.

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

As part of Improvements to IFRSs issued in 2009 by IASB, IAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group classified leasehold land as operating leases and presented leasehold land as prepaid land lease payments in the consolidated statement of financial position. The amendment has removed such a requirement.

In accordance with the transitional provisions of IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information which existed at the inception of the leases.

Leasehold land that qualifies the finance lease classification has been reclassified from “prepaid lease payment” to “property, plant and equipment” retrospectively. The adjustments in respect of the comparative figures are as follows:

	31/03/2010 Originally stated HK\$'000	Adjustments HK\$'000	31/03/2010 Restated HK\$'000
Property, plant and equipment	79,171	3,510	82,681
Prepaid lease payment – non-current	4,074	(3,418)	656
Prepaid lease payment– current	104	(92)	12
	<u>83,349</u>	<u>-</u>	<u>83,349</u>

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			
	6 months ended 30/09/2010		6 months ended 30/09/2009	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	50,509	50,509	31,356	31,356
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	310,000,000	310,000,000	310,000,000	310,000,000
Adjustment for potential dilutive ordinary shares	--	3,615,397	--	--
Weighted average number of ordinary shares used to compute earnings per share	310,000,000	313,615,397	310,000,000	310,000,000
Earnings per share	16.29 (HK cents)	16.11 (HK cents)	10.11 (HK cents)	10.11 (HK cents)

The disclosure of diluted earnings per share for 6 months ended 30th 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>30/09/2010</u>	<u>31/03/2010</u>	<u>30/09/2010</u>	<u>31/03/2010</u>
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	139.73 (HK cents)	132.54 (HK cents)	80.03 (HK cents)	88.67 (HK cents)

The net asset backing per ordinary share as at 30th September 2010 is based on the issued share capital of 310,000,000 ordinary shares (31st March 2010: 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 Group's sales revenue for the six months ended 30th September 2010 was HK\$1,987.2 million, representing an increase of 49.6% from HK\$1,328.1 million for the corresponding period in last year. In recent years, the Group has focused its resources in expanding its market presence in China, investing significantly in sales and marketing activities and keeping its headcount strong, even at the time of global economic slowdown in 2008. We have now benefited from these investments and thus we could respond swiftly to the rebound in market demand in the period under review and achieved substantial sales growth.

The gross margin stood at 10.31% for the six months ended 30th September 2010 compared to 10.61% of the corresponding period.

Distribution costs increased by 109.3% from HK\$12.7 million for the six months ended 30th September 2009 to HK\$26.6 million for the same period in 2010. The increase in distribution costs were attributable to increased sales and marketing activities and increased sales incentive for boosting such sales.

Administrative expenses increased by HK\$18.4 million, or 19.8%, from HK\$92.9 million for the six months ended 30th September 2009 to HK\$111.3 million for the same period in 2010. The increase was far less than the increase in corresponding rate of increase in sales revenue of 49.6% due in part to the stringent cost control in the past periods.

Finance costs increased by HK\$1.5 million, from HK\$4.7 million for the six months ended 30th September 2009 to HK\$6.2 million for the same period in 2010. It was mainly due to more trust receipt loans raised to cope with an increased volume of purchases when compared to the same period of prior year.

Financial Position

Compared to previous year ended 31st March 2010, the increase in trade receivables by HK\$121.1 million, trust receipt loans by HK\$124.9 million and trade payables by HK\$73.1 million were due to the increase in sales and purchasing activities in the current financial period. The debtors turnover days decreased from 2.2 months to 2.0 months.

Inventories increased from HK\$468.8 million as at 31st March 2010 to HK\$522.2 million as at 30th September 2010. Our inventory turnover days decreased from 2.2 months to 1.8 months over the same period.

The increase in property, plant and equipment was mainly due to the payment of HK\$76.5 million for the purchase of an office in Shanghai, China. The property was partially financed by a bank loan of HK\$34.2 million.

Cash Flow

As at 30th September 2010, the Group had a working capital of HK\$386.3 million, which included a cash balance of HK\$441.4 million, compared to a working capital of HK\$372.8 million, which included a cash balance of HK\$410.1 million at 31st March 2010. The increase in cash by HK\$31.3 million was principally attributable to the net effect of cash inflow of HK\$139.7 million from financing activities and cash outflows of HK\$32.2 million in operating activities and HK\$78.3 million in investing activities.

Cash inflow from financing activities was attributable to increase in trade receipt loans due to increase of purchasing activities during the period and bank loan raised for the purchase of an office in Shanghai, China.

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.

Cash outflow in investing activities was mainly attributable to the purchase of an office in Shanghai, China.

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 31st March 2010.

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 30th September 2010, there are mixed signs as to whether the global economy has emerged from the financial crisis. Despite improvement in business conditions in China, volatility in raw material prices, rising staff cost in China and foreign currency fluctuations would have an adverse impact on the economic recovery. Hence the recovery is expected to be uncertain and the market is marked by intense 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 30th September 2010.

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 30th September 2010 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

12th November 2010