

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

(Incorporated in Bermuda with Company Registration No. 28969)

PROVISION OF SUPPLEMENTARY INFORMATION IN RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2011

The Board of Directors of Willas-Array Electronics (Holdings) Limited (“the Company”, together with its subsidiaries, “the Group”) wishes to provide supplementary information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX”) in connection with the announcement made by the Company on May 26, 2011, with regard to the unaudited financial statements for the financial year ended March 31, 2011 (“FY2011”):-

1. With regard to the “Allowance for doubtful trade receivables”, the ageing for allowance for impairment on trade receivables are as follows:-

	Allowance for impairment on trade receivables HK\$'000
Within 60 days after past due	42,498
61 to 180 days after past due	729
More than 181 days after past due	2,025
Total allowance for FY2011	<u>45,252</u>

The trade receivables are assessed individually to determine whether allowance for impairment is necessary. The consideration factors include disputes with customers, long outstanding and/or slow paying debtors, etc.

Our credit control team and sales force continually liaise with our customers to ensure prompt payment or recover outstanding debts. It is important to note to date, the Group has not encountered any significant bad debt.

FY2011 was an anomaly because of the earthquake and tsunami that took place in Japan on 11 March 2011. As Japan is a dominant supplier of electronics components to manufacturers worldwide, many of our customers anticipated that the electronics supply chain would be disrupted by the earthquake and tsunami. To hedge against the anticipated supply shortage in the coming months, some of our customers made very substantial purchases of goods from the Group.

We have deliberately taken a prudent approach by making more provision for such panic purchases. This is because we believe these customers may potentially face liquidity risk if the anticipated components shortage does not materialize, resulting in inventory excess. This may in turn impact the collection of our receivables.

It is important to note that the provisions made were not for our major customers or related parties.

2. The significant increase in “Allowance for inventories” in FY2011 was due to the reverse inventories allowance of HK\$7,837,000 in FY2010. In FY2010, due to a shortage of supply of certain components, there was a sudden surge of demand of certain slow moving goods, some of which allowance had been made for. Due to the unexpected sales of these goods, the Group had to reverse inventories allowance, thus substantially decreasing the amount of total allowance of inventories for FY2010. However for FY2011, the Group had applied consistent inventories allowance provision policy on aged stock items, the result of which was an allowance of HK\$12,131,000.

3. With regard to the “Foreign exchange loss”, this item arose from the Group’s purchase of materials which are partially in Japanese Yen, the currency which has appreciated substantially against Hong Kong Dollar and Renminbi during the FY2011.

Net gain on fair value changes of derivative financial instruments arose from the year end valuation of the following derivative contracts.

Type of derivative financial instruments	Fair value as at March 31, 2011 HK\$'000	Fair value as at March 31, 2010 HK\$'000	Fair value Gain (Loss) HK\$'000
Forward foreign exchange contracts	(115)	(4,397)	4,282
Interest rate swaps	(3,009)	(2,526)	(483)
Total	<u>(3,124)</u>	<u>(6,923)</u>	<u>3,799</u>

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman
June 2, 2011