

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2011

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 2011. 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 30/09/2011 HK\$'000	6 months ended 30/09/2010 HK\$'000	Increase (Decrease) %
Revenue	1,786,316	1,987,205	(10.1)
Cost of sales	<u>(1,627,762)</u>	<u>(1,782,299)</u>	(8.7)
Gross profit	158,554	204,906	(22.6)
Other operating income	7,767	4,917	58.0
Distribution costs	(22,065)	(26,573)	(17.0)
Administrative expenses	(98,318)	(111,318)	(11.7)
Share of loss of jointly controlled entities	(5)	(11)	(54.5)
Finance costs	<u>(7,146)</u>	<u>(6,152)</u>	16.2
Profit before tax	38,787	65,769	(41.0)
Income tax expense	<u>(7,571)</u>	<u>(13,195)</u>	(42.6)
Profit for the period	<u>31,216</u>	<u>52,574</u>	(40.6)
Other comprehensive income:			
Exchange difference arising from translation of overseas operations	5,201	2,825	84.1
Release of exchange difference upon dissolution of overseas operations	(209)	--	NM
Other comprehensive income for the period, net of tax	<u>4,992</u>	<u>2,825</u>	76.7
Total comprehensive income for the period	<u>36,208</u>	<u>55,399</u>	(34.6)
Profit attributable to:			
Owners of the Company	30,535	50,509	(39.5)
Non-controlling interests	<u>681</u>	<u>2,065</u>	(67.0)
	<u>31,216</u>	<u>52,574</u>	(40.6)
Total comprehensive income attributable to:			
Owners of the Company	35,512	53,334	(33.4)
Non-controlling interests	<u>696</u>	<u>2,065</u>	(66.3)
	<u>36,208</u>	<u>55,399</u>	(34.6)
NM: Not meaningful			

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

	6 months ended 30/09/2011 HK\$'000	6 months ended 30/09/2010 HK\$'000
Depreciation of property, plant and equipment	5,565	4,216
Amortisation of prepaid lease payments	6	6
Share-based payment expense	212	417
(Reversal of) allowance for doubtful trade receivables	(11,993)	5,261
Allowance for inventories	18,398	7,242
Foreign exchange (gain) loss, net	(5,316)	2,864
Loss on disposal of property, plant and equipment	4	8
Research and development expenses	11,673	10,957
Net loss (gain) on fair value changes of derivative financial instruments	1,312	(3,256)
Interest income	(943)	(643)
Release of exchange difference upon dissolution of overseas operations	(209)	--

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	
	30/09/2011	31/03/2011	30/09/2011	31/03/2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	413,838	417,068	2,938	965
Restricted bank deposits	7,117	--	--	--
Short-term bank deposit	--	2,905	--	--
Trade receivables	601,934	611,563	--	--
Other receivables and prepayments	9,661	13,997	193,021	182,226
Prepaid lease payment - current	12	12	--	--
Income tax recoverable	482	88	--	--
Derivative financial instruments	--	28	--	--
Inventories	537,105	476,448	--	--
Total current assets	1,570,149	1,522,109	195,959	183,191
Non-current assets:				
Prepaid lease payment – non-current	638	644	--	--
Property, plant and equipment	176,069	166,380	--	--
Long-term deposits	777	329	--	--
Available-for-sale investments	2,001	2,001	--	--
Derivative financial instruments	224	3	--	--
Interest in jointly controlled entities	8,768	8,773	--	--
Deferred tax assets	2,934	3,512	--	--
Subsidiaries	--	--	117,470	117,470
Total non-current assets	191,411	181,642	117,470	117,470
Total assets	1,761,560	1,703,751	313,429	300,661
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	690,774	639,628	--	--
Trade payables	354,624	373,918	--	--
Other payables	49,945	52,220	8,303	8,349
Income tax payable	8,605	6,031	478	350
Derivative financial instruments	118	146	--	--
Amounts due to jointly controlled entities	8,670	8,670	--	--
Bank borrowings	72,040	81,449	--	--
Total current liabilities	1,184,776	1,162,062	8,781	8,699
Non-current liabilities:				
Bank borrowings	45,000	55,000	--	--
Derivative financial instruments	4,542	3,009	--	--
Deferred tax	2,203	2,133	--	--
Total non-current liabilities	51,745	60,142	--	--
Capital, reserves and non-controlling interests:				
Issued capital	74,544	62,000	74,544	62,000
Capital reserves	196,394	162,373	196,394	162,373
Currency translation reserve	16,624	11,647	--	--
Dividend reserve	--	38,516	--	38,516
Accumulated profits	229,240	198,510	33,710	29,073
Equity attributable to equity holders of the Company	516,802	473,046	304,648	291,962
Non-controlling interests	8,237	8,501	--	--
Total equity	525,039	481,547	304,648	291,962
Total liabilities and equity	1,761,560	1,703,751	313,429	300,661

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

Amount repayable in one year or less, or on demand

As at 30/09/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
32,240	730,574	33,049	688,028

Amount repayable after one year

As at 30/09/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	45,000	0	55,000

Details of any collateral

As at September 30, 2011, the Group pledged a property located in Shanghai, the People's Republic of China, with carrying value of approximately HK\$80,326,000 to secure bank borrowings granted to the Group.

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 30/09/2011	6 months ended 30/09/2010
	HK\$'000	HK\$'000
Operating activities:		
Profit before tax	38,787	65,769
Adjustments for:		
Depreciation expense	5,565	4,216
Amortisation of prepaid lease payments	6	6
Share-based payment expense	212	417
Interest expense	7,146	6,152
Allowance for inventories	18,398	7,242
(Reversal of) impairment losses recognised on receivables	(11,993)	5,261
Loss on disposal of property, plant and equipment	4	8
Net loss (gain) on fair value changes of derivative financial instruments	1,312	(3,256)
Share of loss of jointly controlled entities	5	11
Interest income	(943)	(643)
Release of exchange difference upon dissolution of overseas operations	(209)	--
Operating cash flows before movements in working capital	58,290	85,183
Trade receivables	25,758	(126,523)
Other receivables and prepayments	4,421	(4,422)
Inventories	(77,476)	(60,648)
Trade payables	(21,190)	73,132
Other payables	(2,568)	8,966
Long-term deposits	(444)	3
Restricted bank deposits	(2,454)	--
Amounts due to jointly controlled entities	--	14
Cash used in operations	(15,663)	(24,295)
Income tax paid	(4,853)	(2,391)
Interest paid	(7,146)	(6,152)
Interest received	943	643
Net cash used in operating activities	(26,719)	(32,195)
Investing activities:		
Purchase of property, plant and equipment	(10,870)	(78,252)
Decrease in short-term bank deposit	2,905	--
Proceeds from disposal of property, plant and equipment	2	--
Net cash used in investing activities	(7,963)	(78,252)
Financing activities:		
Increase in trust receipt loans	51,146	124,939
Proceeds from bank borrowings	--	114,826
Repayment of bank borrowings	(20,389)	(68,603)
Proceeds from Rights Issue	46,128	--
Proceeds from exercise of share options	420	--
Increase in restricted bank deposits	(4,663)	--
Dividend paid	(38,516)	(31,471)
Dividend paid to non-controlling interests	(960)	--
Net cash from financing activities	33,166	139,691
Net (decrease) increase in cash and cash equivalents	(1,516)	29,244
Cash and cash equivalents at beginning of the period	417,068	410,050
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,714)	2,087
Cash and cash equivalents at end of the period	413,838	441,381

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	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Balance at 01/04/2011	62,000	82,906	75,070	4,397	11,647	38,516	198,510	473,046	8,501	481,547
Total comprehensive income for the period	--	--	--	--	4,977	--	30,535	35,512	696	36,208
Proceeds from Rights Issue	12,400	33,728	--	--	--	--	--	46,128	--	46,128
Proceeds from the exercise of share options	144	276	--	--	--	--	--	420	--	420
Exercise of share options	--	--	--	(117)	--	--	117	--	--	--
Recognition of share-based payment	--	--	--	212	--	--	--	212	--	212
Share options cancelled	--	--	--	(78)	--	--	78	--	--	--
Dividend paid	--	--	--	--	--	(38,516)	--	(38,516)	--	(38,516)
Dividend paid to non- controlling interests	--	--	--	--	--	--	--	--	(960)	(960)
Balance at 30/09/2011	74,544	116,910	75,070	4,414	16,624	--	229,240	516,802	8,237	525,039

COMPANY

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
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

Balance at 01/04/2011	62,000	82,906	75,070	4,397	38,516	29,073	291,962
Total comprehensive income for the period	--	--	--	--	--	4,442	4,442
Proceeds from Rights Issue	12,400	33,728	--	--	--	--	46,128
Proceeds from the exercise of share options	144	276	--	--	--	--	420
Exercise of share options	--	--	--	(117)	--	117	--
Recognition of share-based payment	--	--	--	212	--	--	212
Share options cancelled	--	--	--	(78)	--	78	--
Dividend paid	--	--	--	--	(38,516)	-	(38,516)
Balance at 30/09/2011	74,544	116,910	75,070	4,414	--	33,710	304,648

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

On 8th April, 2011, the Company issued 62,000,000 new ordinary shares ("Rights Shares") in the capital of the Company pursuant to a renounceable non-underwritten rights issue on the basis of one (1) Rights Share for every five (5) existing ordinary shares in the capital of the Company. The right issue was over-subscribed and the Company has raised a net proceed of approximately HK\$44.8 million.

As announced on 12th May 2011 in connection with the Rights Issue, the number and exercise price of the the unexercised share options have been adjusted as follows:

ESOS	Date of grant	Exercise period	Original number of options	Number of options after adjusting for the Rights Issue	Original exercise price per share	Exercise price per share after adjusting for the Rights Issue
ESOS I	14 Jun 2001	14 Jun 2002 to 13 Jun 2011	6,032,000	7,238,400	S\$0.280	S\$0.233
ESOS II	11 Apr 2002	11 Apr 2004 to 10 Apr 2012	5,740,000	6,888,000	S\$0.180	S\$0.015
ESOS II	6 May 2003	6 May 2005 to 5 May 2013	1,100,000	1,320,000	S\$0.110	S\$0.092
ESOS II	17 Apr 2004	17 Apr 2006 to 16 Apr 2014	9,450,000	11,340,000	S\$0.180	S\$0.150
ESOS II	18 Nov 2004	18 Nov 2006 to 17 Nov 2014	350,000	420,000	S\$0.145	S\$0.121
ESOS II	2 Oct 2009	2 Oct 2011 to 1 Oct 2019	9,099,000	10,918,800	S\$0.080	S\$0.067
			31,771,000	38,125,200		

The above adjustments have been reviewed by the Company's auditors and they confirmed that the adjusted exercise price and number of the unexercised options are in accordance with the rules of the Willas-Array Electronics Employee Share Option Scheme ("ESOS").

During the the six months ended 30th September 2011, the Company increased its issued and paid-up share capital as a result of the issue of 720,000 ordinary shares of HK\$0.20 each at S\$0.092 per share upon the exercise by the holders of share options granted under ESOS II.

At 30th September 2011, the total number of ordinary share options was 29,866,800 (30th September 2010: 31,771,000). 300,000 (2010: 100,000) 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 2011, the total number of issued shares of the Company was 372,720,000 ordinary shares (31st March 2011: 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 2011.

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 2011 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

Not applicable.

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 30/09/2011		6 months ended 30/09/2010	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	30,535	30,535	50,509	50,509
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	370,122,826	370,122,826	320,689,655	320,689,655
Adjustment for potential dilutive ordinary shares	--	7,847,453	--	3,494,883
Weighted average number of ordinary shares used to compute earnings per share	370,122,826	377,970,279	320,689,655	324,184,538
Earnings per share	8.25 (HK cents)	8.08 (HK cents)	15.75 (HK cents)	15.58 (HK cents)

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**

	Group Figures		Company Figures	
	30/09/2011	31/03/2011	30/09/2011	31/03/2011
	Net asset value per ordinary share based on issued share capital of the Company at the end of the period	138.66 (HK cents)	152.60 (HK cents)	81.74 (HK cents)

The net asset backing per ordinary share as at 30th September 2011 is based on the issued share capital of 372,720,000 ordinary shares (31st March 2011: 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 Japanese electronic components manufacturers responded swiftly to the damaged factories caused by the earthquake and the ensuing tsunami in March 2011. The production capacity of these factories have been restored to almost the pre-tsunami level. As a result, overall supply of electronic components had been stabilized briefly after the disaster. However on the demand side, economic slowdown caused by the Europe's sovereign debts crisis had worsen the already weakened consumers' sentiment. Thus the Group's sales revenue dropped by 10.1% from HK\$1,987.2 million for the six months ended 30th September 2010 to HK\$1,786.3 million for the same period in 2011.

The sufficient supply of electronic components together with the decreased demand of the same due to the depressed economic environment cited above have imposed an intense price pressure on the electronic components market. These resulted in the decrease in gross margin from 10.31% for the six months ended 30th September 2010 to 8.88% for the six months ended 30th September 2011.

Other operating income increased by HK\$2.9 million. It was mainly attributable to more exchange gain than the same period last year.

Distribution costs decreased by 17.0% from HK\$26.6 million for the six months ended 30th September 2010 to HK\$22.1 million for the same period in 2011. The decrease in distribution costs were mainly attributable to the reduction of sales incentive provision for sales people as a result of decline in sales.

Administrative expenses decreased by 11.7% from HK\$111.3 million for the six months ended 30th September 2010 to HK\$98.3 million for the same period in 2011. The decrease was mainly due to the reversal of allowance for doubtful trade receivables for the current period.

Finance costs increased by HK\$0.9 million, or 16.2%, from HK\$6.2 million for the six months ended 30th September 2010 to HK\$7.1 million for the same period in 2011. It was mainly due to increase of trust receipt loans and increase in interest rate when compared to the same period of prior year.

Financial Position

Compared to previous year ended 31st March 2011, the increase in trust receipt loans and trade payables by HK\$31.9 million were due to the increase in purchasing activity in the current financial period. Trade debtors decreased by HK\$9.6 million when compared to year ended 31st March 2011 due to decrease in sales revenue in this period. The debtors turnover days increased slightly from 2.0 months to 2.1 months.

Inventories increased from HK\$476.4 million as at 31st March 2011 to HK\$537.1 million as at 30th September 2011. Our inventory turnover days increased from 1.7 months to 2.0 months over the same period.

Cash Flow

As at 30th September 2011, the Group had a working capital of HK\$385.4 million, which included a cash balance of HK\$413.8 million, compared to a working capital of HK\$360.0 million, which included a cash balance of HK\$417.1 million at 31st March 2011. The decrease in cash by HK\$3.3 million was attributable to the net effect of cash inflow of HK\$33.2 million from financing activities and cash outflows of HK\$26.7 million in operating activities and HK\$8.0 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 proceeds from a rights issue exercise on the basis of 1-for-5 existing shares held.

Cash outflow in operating activities was mainly attributable to the increase in inventories due to slow down of sales activities towards the end of the period under review.

Cash outflow in investing activities was mainly attributable to the renovation of the Hong Kong office.

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 2011.

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

The recent flood in Thailand forced some of the electronic components suppliers to close their factories and production came to a halt. This has disrupted the global electronics supply chain of certain electronic components and the recovery of which would depend on how fast these suppliers can restore the damaged factories. Besides the supply disruptions of electronic components, other factors such as volatility in raw material prices, foreign currency fluctuations, rippling effects of the faltering US economy, troubled sovereign debt issues of Europe, rising staff cost and inflation in China, all these 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.

The Company will continue to be prudent in managing the operations while maintaining healthy liquidity position.

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 2011.

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 2011 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

14th November 2011