

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2012

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 2012. 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 30/09/2012 HK\$'000	6 months ended 30/09/2011 HK\$'000	Increase (Decrease) %
Revenue	1,667,356	1,786,316	(6.7)
Cost of sales	<u>(1,506,030)</u>	<u>(1,627,762)</u>	(7.5)
Gross profit	161,326	158,554	1.7
Other operating income	2,034	2,242	(9.3)
Distribution costs	(11,321)	(22,065)	(48.7)
Administrative expenses	(109,405)	(108,994)	0.4
Share of loss of jointly controlled entities	--	(5)	NM
Other gains and losses	(6,027)	16,201	(137.2)
Finance costs	<u>(7,583)</u>	<u>(7,146)</u>	6.1
Profit before tax	29,024	38,787	(25.2)
Income tax expense	<u>(7,284)</u>	<u>(7,571)</u>	(3.8)
Profit for the period	<u>21,740</u>	<u>31,216</u>	(30.4)
Other comprehensive income:			
Exchange difference arising from translation of overseas operations	(2,256)	5,201	(143.4)
Release of exchange difference upon dissolution of overseas operations	--	(209)	NM
Other comprehensive income for the period, net of tax	<u>(2,256)</u>	<u>4,992</u>	(145.2)
Total comprehensive income for the period	<u>19,484</u>	<u>36,208</u>	(46.2)
Profit attributable to:			
Owners of the Company	22,425	30,535	(26.6)
Non-controlling interests	<u>(685)</u>	<u>681</u>	(200.6)
	<u>21,740</u>	<u>31,216</u>	(30.4)
Total comprehensive income attributable to:			
Owners of the Company	20,169	35,512	(43.2)
Non-controlling interests	<u>(685)</u>	<u>696</u>	(198.4)
	<u>19,484</u>	<u>36,208</u>	(46.2)
NM: Not meaningful			

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

	6 months ended 30/09/2012 HK\$'000	6 months ended 30/09/2011 HK\$'000
Depreciation of property, plant and equipment	6,164	5,565
Amortisation of prepaid lease payments	6	6
Share-based payment expense	--	212
Allowance for (reversal of) doubtful trade receivables	2,871	(11,993)
Allowance for inventories	3,810	18,398
Foreign exchange loss (gain), net	3,993	(5,316)
(Gain) loss on disposal of property, plant and equipment	(1)	4
Research and development expenses	12,354	11,673
Net (gain) loss on fair value changes of derivative financial instruments	(836)	1,312
Interest income	(1,660)	(943)
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	
	30/09/2012	31/03/2012	30/09/2012	31/03/2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	432,898	333,258	1,527	2,422
Restricted bank deposits	7,073	27,256	--	--
Trade receivables	578,765	509,047	--	--
Other receivables and prepayments	7,091	6,861	201,678	225,646
Prepaid lease payment - current	12	12	--	--
Income tax recoverable	310	800	80	392
Derivative financial instruments	168	237	--	--
Inventories	416,887	346,661	--	--
Total current assets	1,443,204	1,224,132	203,285	228,460
Non-current assets:				
Prepaid lease payment – non-current	625	631	--	--
Property, plant and equipment	165,827	172,288	--	--
Long-term deposits	2,135	1,762	--	--
Available-for-sale investments	2,001	2,001	--	--
Interest in jointly controlled entities	8,753	8,752	--	--
Deferred tax assets	1,941	1,416	--	--
Subsidiaries	--	--	117,470	117,470
Total non-current assets	181,282	186,850	117,470	117,470
Total assets	1,624,486	1,410,982	320,755	345,930
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	571,205	306,001	--	--
Trade payables	308,646	307,093	--	--
Other payables	51,422	48,398	9,639	8,690
Income tax payable	6,318	1,794	--	--
Derivative financial instruments	--	292	--	--
Amounts due to jointly controlled entities	8,753	8,752	--	--
Bank borrowings	98,800	128,870	--	--
Total current liabilities	1,045,144	801,200	9,639	8,690
Non-current liabilities:				
Bank borrowings	45,500	65,500	--	--
Derivative financial instruments	3,192	3,805	--	--
Deferred tax	2,616	2,428	--	--
Total non-current liabilities	51,308	71,733	--	--
Capital, reserves and non-controlling interests:				
Issued capital	74,544	74,544	74,544	74,544
Capital reserves	196,658	196,722	196,658	196,722
Currency translation reserve	15,634	17,890	--	--
Accumulated profits	236,096	243,106	39,914	65,974
Equity attributable to equity holders of the Company	522,932	532,262	311,116	337,240
Non-controlling interests	5,102	5,787	--	--
Total equity	528,034	538,049	311,116	337,240
Total liabilities and equity	1,624,486	1,410,982	320,755	345,930

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

Amount repayable in one year or less, or on demand

As at 30/09/2012		As at 31/03/2012	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
--	670,005	30,570	404,301

Amount repayable after one year

As at 30/09/2012		As at 31/03/2012	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
--	45,500	--	65,500

Details of any collateral

There are no secured borrowings as at September 30, 2012.

As at March 31, 2012, the Group pledged a property located in Shanghai, the People's Republic of China, with carrying value of approximately HK\$79,878,000 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 30/09/2012	6 months ended 30/09/2011
	HK\$'000	HK\$'000
Operating activities:		
Profit before tax	29,024	38,787
Adjustments for:		
Depreciation expense	6,164	5,565
Amortisation of prepaid lease payments	6	6
Share-based payment expense	--	212
Interest expense	7,583	7,146
Allowance for inventories	3,810	18,398
Allowance for (reversal of) doubtful trade receivables	2,871	(11,993)
(Gain) loss on disposal of property, plant and equipment	(1)	4
Net (gain) loss on fair value changes of derivative financial instruments	(836)	1,312
Share of loss of jointly controlled entities	--	5
Interest income	(1,660)	(943)
Release of exchange difference upon dissolution of overseas operations	--	(209)
Operating cash flows before movements in working capital	46,961	58,290
Trade receivables	(74,434)	25,758
Other receivables and prepayments	(247)	4,421
Inventories	(74,222)	(77,476)
Trade payables	1,959	(21,190)
Other payables	3,138	(2,568)
Long-term deposits	(376)	(444)
Restricted bank deposits	--	(2,454)
Cash used in operations	(97,221)	(15,663)
Income tax paid	(2,584)	(4,853)
Interest paid	(7,583)	(7,146)
Interest received	1,660	943
Net cash used in operating activities	(105,728)	(26,719)
Investing activities:		
Purchase of property, plant and equipment	(1,446)	(10,870)
Decrease in short-term bank deposit	--	2,905
Proceeds from disposal of property, plant and equipment	1	2
Net cash used in investing activities	(1,445)	(7,963)
Financing activities:		
Increase in trust receipt loans	265,204	51,146
Proceeds from bank borrowings	24,416	--
Repayment of bank borrowings	(74,299)	(20,389)
Proceeds from rights issue	--	46,128
Proceeds from exercise of share options	--	420
Decrease (increase) in restricted bank deposits	20,183	(4,663)
Dividend paid	(29,499)	(38,516)
Dividend paid to non-controlling interests	--	(960)
Net cash from financing activities	206,005	33,166
Net increase (decrease) in cash and cash equivalents	98,832	(1,516)
Cash and cash equivalents at beginning of the period	333,258	417,068
Effects of exchange rate changes on the balance of cash held in foreign currencies	808	(1,714)
Cash and cash equivalents at end of the period	432,898	413,838

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	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
Balance at 01/04/2011	62,000	82,906	75,070	4,397	11,647	237,026	473,046	8,501	481,547
Profit for the period	--	--	--	--	--	30,535	30,535	681	31,216
Other comprehensive income for the period, net of income tax	--	--	--	--	4,977	--	4,977	15	4,992
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
Balance at 01/04/2012	74,544	117,027	75,070	4,625	17,890	243,106	532,262	5,787	538,049
Profit for the period	--	--	--	--	--	22,425	22,425	(685)	21,740
Other comprehensive income for the period, net of income tax	--	--	--	--	(2,256)	--	(2,256)	--	(2,256)
Total comprehensive income for the period	--	--	--	--	(2,256)	22,425	20,169	(685)	19,484
Share options cancelled	--	--	--	(64)	--	64	--	--	--
Dividend paid	--	--	--	--	--	(29,499)	(29,499)	--	(29,499)
Balance at 30/09/2012	74,544	117,027	75,070	4,561	15,634	236,096	522,932	5,102	528,034

COMPANY

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 01/04/2011	62,000	82,906	75,070	4,397	67,589	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	<u>74,544</u>	<u>116,910</u>	<u>75,070</u>	<u>4,414</u>	<u>33,710</u>	<u>304,648</u>
Balance at 01/04/2012	74,544	117,027	75,070	4,625	65,974	337,240
Total comprehensive income for the period	--	--	--	--	3,375	3,375
Share options cancelled	--	--	--	(64)	64	--
Dividend paid	--	--	--	--	(29,499)	(29,499)
Balance at 30/09/2012	<u>74,544</u>	<u>117,027</u>	<u>75,070</u>	<u>4,561</u>	<u>39,914</u>	<u>311,116</u>

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

At 30th September 2012, the total number of ordinary share options was 22,738,800 (30th September 2011: 29,866,800). 240,000 (2011: 300,000) share options were cancelled upon resignation of the holders during the period while 6,888,000 (2011: 7,238,400) share options were lapsed upon expiry of the exercise 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 2012, the total number of issued shares of the Company was 372,720,000 ordinary shares (31st March 2012: 372,720,000). 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 2012.

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 2012 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 30/09/2012		6 months ended 30/09/2011	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	22,425	22,425	30,535	30,535
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	372,720,000	372,720,000	370,122,826	370,122,826
Adjustment for potential dilutive ordinary shares	--	5,611,316	--	7,847,453
Weighted average number of ordinary shares used to compute earnings per share	372,720,000	378,331,316	370,122,826	377,970,279
Earnings per share	6.02 (HK cents)	5.93 (HK cents)	8.25 (HK cents)	8.08 (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	
	30/09/2012	31/03/2012	30/09/2012	31/03/2012
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	140.30 (HK cents)	142.80 (HK cents)	83.47 (HK cents)	90.48 (HK cents)

The net asset backing per ordinary share as at 30th September 2012 is based on the issued share capital of 372,720,000 ordinary shares (31st March 2012: 372,720,000).

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 weakened consumers' sentiment, which was caused by the Europe's sovereign debts crisis, continued in the current period. However, with the effort of our sales and marketing workforce, we had been able to minimize the negative impact of the downturn. Despite such efforts, the Group's sales revenue still dropped by 6.7% from HK\$1,786.3 million for the six months ended 30th September 2011 to HK\$1,667.4 million for the same period in 2012.

For the six months ended 30th September 2011, there was an intense price pressure on the electronic components market due to the surplus supply and the decrease in demand. However for the six months period this year, situation had been stabilized and thus our margin had increased, period-on-period, from 8.88% to 9.68% for the six months ended 30th September 2012.

Distribution costs decreased by 48.7% from HK\$22.1 million for the six months ended 30th September 2011 to HK\$11.3 million for the same period in 2012. The decrease in distribution costs were mainly attributable to the reduction of sales incentive provision for sales people as a result of the decline in sales.

Administrative expenses stood at a similar level of HK\$109.4 million for the six months ended 30th September 2012 (HK\$109.0 million for the same period in 2011).

Other losses of HK\$6.0 million for the six months ended 30th September 2012 were mainly due to an exchange loss and an allowance for doubtful trade receivables versus other gains of HK\$16.2 million for the same period in 2011 which were mainly attributable to an exchange gain and the reversal of allowance for doubtful trade receivables.

Finance costs increased by HK\$0.5 million, or 6.1%, from HK\$7.1 million for the six months ended 30th September 2011 to HK\$7.6 million for the same period in 2012. 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 2012, the increase in trust receipt loans and trade payables by HK\$266.8 million were due to the increase in purchasing activity in the current financial period. Trade debtors increased by HK\$69.7 million when compared to year ended 31st March 2012 due to increase in sales revenue towards the end of this period. The debtors turnover days increased slightly from 1.9 months to 2.1 months.

Inventories increased from HK\$346.7 million as at 31st March 2012 to HK\$416.9 million as at 30th September 2012. Our inventory turnover days increased from 1.4 months to a more normal turnover period of 1.7 months over the same period in 2012.

Cash Flow

As at 30th September 2012, the Group had a working capital of HK\$398.1 million, which included a cash balance of HK\$432.9 million, compared to a working capital of HK\$422.9 million, which included a cash balance of HK\$333.3 million at 31st March 2012. The increase in cash by HK\$99.6 million was attributable to the net effect of cash inflow of HK\$206.0 million from financing activities and cash outflows of HK\$105.7 million in operating activities and HK\$1.4 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.

Cash outflow in operating activities was mainly attributable to the increase in inventories and trade receivables towards the end of the period under review.

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 2012.

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

Looking ahead, we expect that the economic uncertainties and the current slowdown in economic growth in Mainland China, caused by the sovereign debt crisis in Europe and the continuing sluggish US economy, will remain in the near future and will continue to cause a drag on consumer confidence in the short to medium term. Together with volatility in raw material prices, foreign currency fluctuations, 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 its operations while maintaining a 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 2012.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No general mandate has been obtained from its shareholders for interested person transactions.

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 2012 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 2012