

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2013

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 2013. 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 30/09/2013 HK\$'000	6 months ended 30/09/2012 HK\$'000	Increase (Decrease) %
Revenue	1,628,996	1,667,356	(2.3)
Cost of sales	<u>(1,454,907)</u>	<u>(1,506,030)</u>	(3.4)
Gross profit	174,089	161,326	7.9
Other operating income	2,129	2,034	4.7
Distribution costs	(21,666)	(11,321)	91.4
Administrative expenses	(108,537)	(109,405)	(0.8)
Listing expenses	(13,108)	--	NM
Share of profit of associates	5,285	--	NM
Other gains and losses	(403)	(6,027)	(93.3)
Amortisation of financial guarantee liabilities	597	--	NM
Finance costs	<u>(7,936)</u>	<u>(7,583)</u>	4.7
Profit before tax	30,450	29,024	4.9
Income tax expense	<u>(9,044)</u>	<u>(7,284)</u>	24.2
Profit for the period	<u>21,406</u>	<u>21,740</u>	(1.5)
Other comprehensive income:			
Exchange difference on translation of overseas operations	3,855	(2,256)	NM
Release of exchange difference upon dissolution of overseas operations	--	--	NM
Other comprehensive income for the period, net of tax	<u>3,855</u>	<u>(2,256)</u>	NM
Total comprehensive income for the period	<u>25,261</u>	<u>19,484</u>	29.6
Profit attributable to:			
Owners of the Company	23,595	22,425	5.2
Non-controlling interests	<u>(2,189)</u>	<u>(685)</u>	219.6
	<u>21,406</u>	<u>21,740</u>	(1.5)
Total comprehensive income attributable to:			
Owners of the Company	27,443	20,169	36.1
Non-controlling interests	<u>(2,182)</u>	<u>(685)</u>	218.5
	<u>25,261</u>	<u>19,484</u>	29.6

NM: Not meaningful

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

	6 months ended 30/09/2013 HK\$'000	6 months ended 30/09/2012 HK\$'000
Depreciation of property, plant and equipment	5,835	6,164
Amortisation of prepaid lease payments	6	6
Allowance for doubtful trade receivables	6,559	2,871
(Reversal of) allowance for inventories	(4,318)	3,810
Foreign exchange (gain) loss, net	(5,558)	3,993
Gain on disposal of property, plant and equipment	--	(1)
Research and development expenses	12,428	12,354
Net gain on fair value changes of derivative financial instruments	(597)	(836)
Interest income	(774)	(1,660)
Release of exchange difference upon dissolution of overseas operations	--	--

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	
	30/09/2013	31/03/2013	30/09/2013	31/03/2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	380,838	390,395	2,631	1,816
Restricted bank deposits	7,296	7,161	--	--
Trade and bills receivables	601,608	503,125	--	--
Other receivables and prepayments	10,467	11,318	185,312	215,627
Prepaid lease payment - current	12	12	--	--
Income tax recoverable	--	62	--	--
Derivative financial instruments	--	136	--	--
Inventories	455,593	353,561	--	--
Total current assets	1,455,814	1,265,770	187,943	217,443
Non-current assets:				
Prepaid lease payment - non-current	612	619	--	--
Property, plant and equipment	160,494	162,278	--	--
Long-term deposits	1,603	1,683	--	--
Available-for-sale investments	2,001	2,001	--	--
Interest in associates	56,120	49,809	950	--
Deferred tax assets	1,812	259	--	--
Investments in subsidiaries	--	--	117,470	117,470
Total non-current assets	222,642	216,649	118,420	117,470
Total assets	1,678,456	1,482,419	306,363	334,913
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	580,209	421,473	--	--
Trade and bills payables	339,117	295,400	--	--
Other payables	46,284	38,226	12,438	9,944
Income tax payable	10,766	4,548	415	189
Derivative financial instruments	1,655	--	--	--
Financial guarantee liabilities	353	--	353	--
Bank borrowings	145,300	168,300	--	--
Total current liabilities	1,123,684	927,947	13,206	10,133
Non-current liabilities:				
Bank borrowings	--	--	--	--
Derivative financial instruments	--	2,389	--	--
Deferred tax liabilities	2,894	2,611	--	--
Total non-current liabilities	2,894	5,000	--	--
Capital, reserves and non-controlling interests:				
Issued capital	74,544	74,544	74,544	74,544
Capital reserves	195,777	196,500	195,777	196,500
Other reserves	282,488	277,177	22,836	53,736
Equity attributable to owners of the Company	552,809	548,221	293,157	324,780
Non-controlling interests	(931)	1,251	--	--
Total equity	551,878	549,472	293,157	324,780
Total liabilities and equity	1,678,456	1,482,419	306,363	334,913

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

Amount repayable in one year or less, or on demand

<u>As at 30/09/2013</u>		<u>As at 31/03/2013</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
--	725,509	--	589,773

Amount repayable after one year

<u>As at 30/09/2013</u>		<u>As at 31/03/2013</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
--	--	--	--

Details of any collateral

There are no secured borrowings as at September 30, 2013 and March 31, 2013.

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 30/09/13	6 months ended 30/09/12
	HK\$'000	HK\$'000
Operating activities:		
Profit before tax	30,450	29,024
Adjustments for:		
Depreciation expense	5,835	6,164
Amortisation of prepaid lease payments	6	6
Interest expense	7,937	7,583
(Reversal of) allowance for inventories	(4,318)	3,810
Allowance for doubtful trade receivables	6,559	2,871
Gain on disposal of property, plant and equipment	--	(1)
Net gain on fair value changes of derivative financial instruments	(597)	(836)
Share of profits of associates	(5,285)	--
Amortisation of financial guarantee liabilities	(597)	--
Interest income	(774)	(1,660)
Release of exchange difference upon dissolution of overseas operations	--	--
Operating cash flows before movements in working capital	<u>39,216</u>	<u>46,961</u>
Increase in trade and bills receivables	(101,861)	(74,434)
Decrease (increase) in other receivables and prepayments	875	(247)
Increase in inventories	(96,804)	(74,222)
Increase in trade and bills payables	43,220	1,959
Increase in other payables	7,469	3,138
Increase (decrease) in long-term deposits	83	(376)
Cash used in operations	<u>(107,802)</u>	<u>(97,221)</u>
Income tax paid	(4,039)	(2,584)
Interest paid	(7,514)	(7,583)
Interest received	774	1,660
Net cash used in operating activities	<u>(118,581)</u>	<u>(105,728)</u>
Investing activities:		
Purchase of property, plant and equipment	(1,450)	(1,446)
(Increase) decrease in restricted bank deposits	(135)	20,183
Proceeds from disposal of property, plant and equipment	--	1
Net cash (used in) from investing activities	<u>(1,585)</u>	<u>18,738</u>
Financing activities:		
Dividend paid to shareholders	(22,855)	(29,499)
Repayment of trust receipt loans	(755,674)	(623,513)
Proceeds from trust receipt loans	914,409	888,717
Repayment of bank borrowings	(73,000)	(74,299)
Proceeds from bank borrowings	50,000	24,416
Net cash from financing activities	<u>112,880</u>	<u>185,822</u>
Net (decrease) increase in cash and cash equivalents	(7,286)	98,832
Cash and cash equivalents at beginning of the period	390,395	333,258
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2,271)	808
Cash and cash equivalents at end of the period	<u><u>380,838</u></u>	<u><u>432,898</u></u>

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 HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Statutory Reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 01/04/2012	74,544	117,027	75,070	4,625	13,380	17,890	229,726	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	<u>74,544</u>	<u>117,027</u>	<u>75,070</u>	<u>4,561</u>	<u>13,380</u>	<u>15,634</u>	<u>222,716</u>	<u>522,932</u>	<u>5,102</u>	<u>528,034</u>
Balance at 01/04/2013	74,544	117,027	75,070	4,403	14,135	17,510	245,532	548,221	1,251	549,472
Profit for the period	--	--	--	--	--	--	23,595	23,595	(2,189)	21,406
Other comprehensive income for the period, net of income tax	--	--	--	--	--	3,848	--	3,848	7	3,855
Total comprehensive income for the period	--	--	--	--	--	3,848	23,595	27,443	(2,182)	25,261
Share options cancelled	--	--	--	(723)	--	--	723	--	--	--
Dividend paid	--	--	--	--	--	--	(22,855)	(22,855)	--	(22,855)
Transfer to statutory reserve	--	--	--	--	853	--	(853)	--	--	--
Balance at 30/09/2013	<u>74,544</u>	<u>117,027</u>	<u>75,070</u>	<u>3,680</u>	<u>14,988</u>	<u>21,358</u>	<u>246,142</u>	<u>552,809</u>	<u>(931)</u>	<u>551,878</u>

COMPANY

	Issued capital	Share premium	Contributed surplus	Share options reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>
Balance at 01/04/2013	74,544	117,027	75,070	4,403	53,736	324,780
Total comprehensive income for the period	--	--	--	--	(8,768)	(8,768)
Share options cancelled	--	--	--	(723)	723	--
Dividend paid	--	--	--	--	(22,855)	(22,855)
Balance at 30/09/2013	<u>74,544</u>	<u>117,027</u>	<u>75,070</u>	<u>3,680</u>	<u>22,836</u>	<u>293,157</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 2013, the total number of ordinary share options was 18,772,800 (30th September 2012: 22,738,800). 2,766,000 (2012: 240,000) share options were cancelled upon resignation of the holders during the period while 600,000 (2012: 6,888,000) 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 2013, the total number of issued shares of the Company was 372,720,000 ordinary shares (31st March 2013: 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 2013.

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 2013 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 30/09/2013		6 months ended 30/09/2012	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	23,595	23,595	22,425	22,425
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	372,720,000	372,720,000	372,720,000	372,720,000
Adjustment for potential dilutive ordinary shares	--	6,165,123	--	5,611,316
Weighted average number of ordinary shares used to compute earnings per share	372,720,000	378,885,123	372,720,000	378,331,316
Earnings per share	6.33 (HK cents)	6.23 (HK cents)	6.02 (HK cents)	5.93 (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	
	30/09/2013	31/03/2013	30/09/2013	31/03/2013
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	148.32 (HK cents)	147.09 (HK cents)	78.65 (HK cents)	87.14 (HK cents)

The net asset backing per ordinary share as at 30th September 2013 is based on the issued share capital of 372,720,000 ordinary shares (31st March 2013: 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 Group's sales revenue had dropped by 2.3% from HK\$1,667.4 million for the six months ended 30th September 2012 to HK\$1,629.0 million for the same period in 2013. The decrease in sales revenue was primarily due to the gradual transfer of Toshiba-related business to GW Electronics Company Limited, which was established in November 2012 and commenced operation in January 2013.

For the six months period this year, due to the improvement of our stock quality owing to stabilizing market conditions where we were no longer required to offer highly competitive pricing for clearance of our inventories and thus our margin had increased, period-on-period, from 9.68% to 10.69% for the six months ended 30th September 2013.

Distribution costs increased by 91.4% from HK\$11.3 million for the six months ended 30th September 2012 to HK\$21.7 million for the same period in 2013. The increase in distribution costs were mainly attributable to the reversal of sales incentive provision for sales people as a result of the decline in sales in last period versus a normal accrued sales incentive for the same period in 2013.

Administrative expenses stood at a similar level of HK\$108.5 million for the six months ended 30th September 2013 (HK\$109.4 million for the same period in 2012).

Other losses of HK\$0.4 million for the six months ended 30th September 2013 were mainly due to an exchange gain offset by an allowance for doubtful trade receivables made while other losses of HK\$6.0 million for the same period in 2012 were mainly attributable to an exchange loss and an allowance for doubtful trade receivables.

Finance costs increased slightly by HK\$0.3 million, or 4.7%, from HK\$7.6 million for the six months ended 30th September 2012 to HK\$7.9 million for the same period in 2013.

Listing expenses of HK\$13.1 million for the six months ended 30th September 2013 refers to the expenses incurred up to date for the dual primary listing exercise in Hong Kong Stock Exchange Limited. Total amount of the listing expenses are expected to be recognised in the full financial year ending March 31, 2014.

Share of profit of associates of HK\$5.3 million refers to the investment in an associated company named GW Electronics Company Limited ("Joint Venture") in November 2012 to engage in the distribution of Toshiba brand electronic components in the PRC and Hong Kong. This Joint Venture is 49% and 51% owned respectively by the Company and G.M.I. Technology Inc. ("G.M.I."), a company listed on the Taiwan Stock Exchange.

Financial Position

Compared to previous year ended 31st March 2013, the increase in trust receipt loans and trade payables by HK\$202.5 million were due to the increase in purchasing activity in the current financial period. Trade debtors increased by HK\$98.5 million when compared to year ended 31st March 2013 was due to increase in sales revenue towards the end of this period. The debtors turnover days increased slightly from 1.9 months to 2.2 months.

Inventories increased from HK\$353.6 million as at 31st March 2013 to HK\$455.6 million as at 30th September 2013. Our inventory turnover days increased from 1.5 months to a more normal turnover period of 1.9 months over the same period in 2013.

Cash Flow

As at 30th September 2013, the Group had a working capital of HK\$332.1 million, which included a cash balance of HK\$380.8 million, compared to a working capital of HK\$337.8 million, which included a cash balance of HK\$390.4 million at 31st March 2013. The decrease in cash by HK\$9.6 million was attributable to the net effect of cash inflow of HK\$112.9 million from financing activities and cash outflows of HK\$118.6 million in operating activities and HK\$1.6 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 2013.

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 macro-economic environment to remain challenging. The US economic recovery is expected to continue, but it is likely to remain slow. Without the immediate solution to Europe's sovereign debt crisis, we expect the economic uncertainties in Europe to continue. Volatility in raw material prices, foreign currency fluctuations, rising staff cost and inflation in China would have an adverse impact on the economic recovery. The market is also marked by intense competition. Hence the recovery is expected to be uncertain.

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 2013.

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(5) 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 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Leung Chun Wah, Chairman
Kwok Chan Cheung, Deputy Chairman and Managing Director

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman

14th November 2013