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Willas-Array 1H2016 revenue grows 5.6% to HK\$1.9 billion

<i>Financial Highlights in HK\$'m</i>	6 months ended 30 September		
	1H2016	1H2015	% Change
Revenue	1,878.2	1,779.4	5.6
Gross profit	175.3	150.1	16.8
Net (loss) profit attributable to shareholders	(39.2)	13.7	nm
(Loss) earnings per share (HK cents)*	(52.02)	18.27	nm
NAV per share (HK cents)⁺	783.29 (as at 30 Sept 2015)	878.80 (as at 31 Mar 2015)	(10.9)

* (Loss) earnings per share was computed based on 75,397,862 and 74,980,493 (restated) weighted average number of shares in 1H2016 and 1H2015 respectively.

⁺ NAV was computed based on 75,505,960 shares as at 30 September 2015 and 75,348,960 (restated) shares as at 31 March 2015.

nm: not meaningful.

SINGAPORE – 12 November 2015 – Willas-Array Electronics (Holdings) Limited (“Willas-Array” or the “Group”), one of the largest Hong Kong-based distributors of electronics components in the Asia Pacific region, generated a 5.6% year-on-year (“yoy”) increase in sales revenue of HK\$1,878.2 million in the six months ended 30 September 2015 (“1H2016”) as compared to the HK\$1,779.4 million achieved in the corresponding six months ended 30 September 2014 (“1H2015”).

Willas-Array’s core business performed better in 1H2016 as compared to 1H2015. Chairman, Mr Lawrence Leung, explained, “China’s slowing economy has had a negative impact on consumption and this made the operating environment very tough for us in the last six months. Despite this, the Group was still able to grow its topline by leveraging its

distinctive engineering capabilities and strategic partnerships with our suppliers to capture opportunities in the market. Our strategy to devote more resources to sectors that have shown potential for strong growth also paid off in the form of higher sales from these segments. We will continue to diligently monitor all our business segments so that we can respond quickly to changes in demand and achieve healthy performance.”

The healthy topline was underpinned by strong revenue growth of 72.3% yoy in the Group’s Telecommunications segment, now the largest business segment in its portfolio, accounting for 27.5% of total revenue in 1H2016. The segment’s performance was fueled by this year’s expansion of the 4G markets in China, which started to pick up last year, as well as the increase in global market share for China’s domestic smartphone brands.

The Group’s Audio and Video segment also registered double-digit revenue growth of 10.5% due to a rebound in demand for portable audio and bluetooth speakers. Despite China’s slowing appetite for cars, Willas-Array’s Automotive segment was able to achieve a modest 1.9% revenue growth by tapping on its extensive local network and engineering capabilities. However, overall revenue growth was partially offset by the decline in sales from the Group’s Industrial, Home Appliance, Dealer and EMS segments because of weaker demand for these products.

Gross profit rose in tandem by 16.8% yoy to HK\$175.3 million in 1H2016 as conditions in the electronic components market stabilised. This is a marked improvement from 1H2015 when the Group experienced downward price pressure arising from weaker demand due to the slowdown in China’s growth. Correspondingly, gross profit margin also improved from 8.44% in 1H2015 to 9.34% in 1H2016.

The Group recorded share of loss of associates of HK\$19.2 million in 1H2016 versus share of profit of associates of HK\$0.4 million for 1H2015, mainly due to stock provision made on excess inventory of memory products and provision for doubtful debts.

In September 2015, Toshiba decided to terminate its authorised distributorship agreement with the Group’s associated company, GW Electronics Company Limited (“**GW Electronics**”), because of the change in business environment. Following the termination,

GW Electronics downsized its operations to optimally serve remaining product lines and customers. This led to an impairment loss of HK\$45.0 million to reflect the fair value of the interests in associates.

Commenting on the termination of the Toshiba agreement, Mr Leung said, *“GW Electronics is actively looking for new distributorship agreements with other brands and we hope to update stakeholders in due course. In the meantime, the company will focus on growing sales of its existing product lines.”*

In addition, the Group also recognised other losses of HK\$9.8 million in 1H2016 mainly attributable to an exchange loss arising from the depreciation of Chinese renminbi in August 2015, compared to other gains of HK\$0.2 million in 1H2015.

As a result, Willas-Array registered a net loss attributable to shareholders of HK\$39.2 million in 1H2016, compared to attributable net profit of HK\$13.7 million in 1H2015. Excluding the impairment loss of HK\$45.0 million and the share of loss on associates of HK\$19.2 million, the Group would have achieved a net attributable profit of HK\$25.0 million from its core business.

As at 30 September 2015, the Group maintained a strong working capital of HK\$303.6 million, with a healthy cash balance of HK\$398.2 million.

Based on 75,397,862 weighted average shares, loss per share for 1H2016 was 52.02 HK cents compared to earnings per share of 18.27 HK cents with 74,980,493 weighted average shares in 1H2015. Net asset value per share as at 30 September 2015 was 783.29 HK cents as compared to 878.80 HK cents as at 31 March 2015.

Commenting on the Group’s outlook, Mr Leung said, *“Although the Group does not expect the macroeconomic environment to deteriorate further, we do anticipate that consumer sentiment and overall demand for electronic products will be dampened by China’s lower GDP forecast. However, we have been able to overcome many economic cycles in our 30-year history because we are constantly developing and strengthening our local network and engineering capabilities, while exercising prudence in managing our operations and maintaining a healthy liquid position.”*

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About Willas-Array Electronics (Holdings) Limited

Established in the early 1980s, listed on the Main Board of the Singapore Exchange in 2001 (SGX: BDR) and also on the Main Board of The Stock Exchange of Hong Kong in 2013 (SEHK: 854), Hong Kong-based Willas-Array is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliances, lighting, EMS and automotive segments, as well as the provision of engineering solutions.

Backed by long-standing relationships with over 20 internationally reputable principal suppliers, Willas-Array carries a wide product mix, distributing and marketing over 10,000 product items which cater to over 3,000 customers. Its main markets are in Mainland China, Hong Kong and Taiwan.

The Group's reputation is well-established among suppliers, customers and banks, many of whom are its long term partners. Its sound management policies have ensured healthy inventory and cash flow levels. The Group was generally able to achieve healthy financial results and strong profit track record period.

In China, Willas-Array has established a network of offices strategically located in Beijing, Chengdu, Chongqing, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen, and Zhongshan. It has a subsidiary in the Free Trade Zone in Shanghai which serves as a logistics centre for the Group in Northern China.

Willas-Array also has a wholly-owned subsidiary in Taipei to tap on the growing number of large electronic manufacturers in Taiwan doing business in China.

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