WILLAS-ARRAY™
威雅利電子(集團)有限公司
Willas-Array Electronics (Holdings) Limited

FOR IMMEDIATE RELEASE

Willas-Array delivers healthy top line despite strong macroeconomic headwinds

- *Diversified portfolio of three primary growth segments and six secondary segments enables the Group to seize opportunities across all sectors at the opportune time. Maintains revenue at HK$1,782.8 million.*
- *Excluding the forex difference of both periods, the net attributable profit of the Group would have been 7.0% higher at HK$45.6 million.*

Financial Highlights in HK$'m	**6 months ended 30 September**		
	1H FY2023	**1H FY2022**	**% Change**
Revenue	**1,782.8**	1,785.9	(0.2)
Gross profit	**170.0**	171.0	(0.6)
Profit attributable to owners of the Company	**12.8**	43.5	(70.5)
Basic earnings per share (HK cents)*	**14.78**	51.09	(71.1)
NAV per share (HK cents)⁺	**781.09** (as at 30 Sept 2022)	898.34 (as at 31 Mar 2022)	(13.1)

** Basic earnings per share was computed based on 86,789,590 weighted average number of shares in 1H FY2023 and 85,207,049 weighted average number of shares in 1H FY2022.*

⁺ NAV was computed based on 87,622,049 ordinary shares as at 30 September 2022 and 85,777,049 ordinary shares as at 31 March 2022.

SINGAPORE – 14 November 2022 – Despite the strong macroeconomic headwinds, **Willas-Array Electronics (Holdings) Limited** (**"Willas-Array"**, or together with its subsidiaries, the **"Group"** or **"WAE"**) has remained in the black with net attributable profit of HK$12.8 million for the six months ended 30 September 2022 ("**1H FY2023**"). This is compared to net attributable profit of HK$43.5 million for the previous corresponding period ("**1H FY2022**").

The 1H FY2023 bottom line came on the back of a foreign exchange ("**forex**") loss of approximately HK$32.8 million, arising mainly from the depreciation of the Renminbi ("**RMB**"). By comparison, the Group recorded a forex gain of HK$0.9 million in 1H FY2022. The 1H FY2023 bottom line was also weighed by higher finance costs, due mainly to rising weighted average effective interest rate in 1H FY2023 as compared to 1H FY2022. Excluding the forex difference, the net attributable profit of the Group would have been 7.0% higher at HK$45.6 million.

Revenue came in flat at HK$1,782.8 million in 1H FY2023, compared to HK$1,785.9 million in 1H FY2022. The Group was able to maintain its top line despite challenges such as the ongoing tight supply of semiconductor chips for the Automotive and Industrial segments, and the slowdown in demand for consumer electronics.

Willas-Array's Chairman, Mr Lawrence Leung, said: *"Our diversified portfolio of three primary growth segments including Automotive, Industrial and Home Appliance, as well as our six secondary segments enables the Group to strategically seize opportunities across all sectors at the opportune time and to spread our risks. Our strong commitment to our three primary growth segments continues to yield results for us and they now constitute almost 70.0% of our total revenue. This together with the unwavering support of our suppliers enabled us to deliver a healthy set of results during the period under review. If not for the forex difference, our bottom line would have improved compared to the previous corresponding period."*

The Group's gross profit was marginally lower at HK$170.0 million in 1H FY2023, compared to HK$171.0 million in 1H FY2022. This translated to a slightly narrower gross profit margin of 9.5% in 1H FY2023 from 9.6% in 1H FY2022.

Segmental review

Although the **Industrial** segment contributed lower revenue in 1H FY2023 compared to the same period last year, it remains WAE's largest revenue generator. The segment achieved revenue of HK$465.9 million in 1H FY2023, down 15.9% from HK$553.7 million in 1H FY2022. The lower revenue contribution was due to the tight supply of certain components and slowdown in demand for consumer electronics especially in energy saving appliances, despite strong demand across many applications, such as renewable energy, motors, e-meters and high-power applications.

The Group's second largest revenue contributing segment, **Automotive**, continued to pull in the strongest performance. Revenue from the segment increased 28.8% to HK$451.8 million in 1H FY2023, from HK$350.8 million in 1H FY2022. The segment continued to benefit from the Chinese government's robust support for the development of new energy vehicles as part of the country's strategy to achieve carbon neutrality. The Group was able to meet the production requirements of its key customers in China with the strong support of its key suppliers.

Meanwhile, the **Home Appliance** segment – which is the Group's third largest revenue generating segment – recorded sales of HK$301.9 million in 1H FY2023, down 14.4% from HK$352.5 million in 1H FY2022. Demand for home appliances was impacted by the weak global consumer electronics market, which affected export sales, and the slower domestic demand owing to the cooling measures implemented in China's property market.

Other segments, however, were mixed. The Telecommunications, Audio and Video, and Electronic Manufacturing Services segments recorded higher year-on-year ("**YOY**") revenue growth of 38.0%, 6.9% and 43.0%, respectively. On the other hand, the segments that recorded YOY revenue declines were the Group's Dealer (down 18.4% YOY), Lighting (down 2.6% YOY) and Others (down 45.6% YOY).

The Group's net asset value per share stood at 781.09 HK cents as at 30 September 2022, compared to 898.34 HK cents as at 31 March 2022. Earnings per share in 1H FY2023 was 14.78 HK cents, compared to 51.09 HK cents in 1H FY2022.

As at 30 September 2022, the Group had a working capital of HK$434.7 million, which included a cash balance of HK$363.2 million, compared to a working capital of HK$499.4 million, which included a cash balance of HK$327.7 million, as at March 31, 2022. The increase in cash by HK$35.5 million was primarily attributable to the net effect of cash inflow of HK$183.5 million generated from financing activities and cash outflow of HK$136.3 million used in operating activities. Net gearing ratio increased to 71.8% as at 30 September 2022 (31 March 2022: 37.0%) mainly due to an increase in trust receipt loans and bank borrowings and a decrease in shareholders' equity.

Outlook

The Group expects the next 12 months to remain challenging, especially in China. Risks of recession have increased significantly as economic activity is feared to wane, following the tightening of monetary policies by central banks across the globe. Moreover, inflationary pressures remain high, no thanks to rising energy prices and volatile material prices exacerbated by ongoing geopolitical tensions.

At the same time, the global chip shortage is quickly waning after a two-year boom triggered by tight supply and high demand. The reversal is driven by the cancellation of orders for semiconductor chips given a significant weakening of demand for consumer electronics, such as personal computers and smartphones.[1]

Mr Leung said: *"We foresee a challenging macroeconomic environment going forward, which could likely dampen market sentiment. Moreover, the changing demand and supply dynamics of semiconductor chips does not bode well for the industry. Still, we are confident about the long-term prospects of our business given the robust support from the Chinese government for the key growth industries.*

"To that end, the Group will continue to focus on the Home Appliances, Industrial and Automotive segments by investing more resources. The Group will also work closely with its suppliers and customers to achieve a win-win situation for all stakeholders. In addition, the Group will prudently manage its cash flow to ensure it has sufficient working capital."

[1] The Straits Times article "The sudden reversal of the global chip shortage" dated 26 October 2022.

About Willas-Array Electronics (Holdings) Limited

Established in the early 1980s, and listed on the Main Board of Singapore Exchange Securities Trading Limited in 2001 (SGX: BDR) and also on the Main Board of The Stock Exchange of Hong Kong Limited in 2013 (SEHK: 854), Hong Kong-based Willas-Array Electronics (Holdings) Limited ("Willas-Array" and together with its subsidiaries, the "Group") is principally engaged in the distribution of electronic components for use in the industrial, audio and video, telecommunications, home appliance, lighting, electronic manufacturing services 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 has strong profit track record period.

In mainland China, Willas-Array has established a network of offices strategically located in Beijing, Chongqing, Guangzhou, Qingdao, Shanghai, Shenzhen, Xiamen and Zhongshan. It has a wholly-owned 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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