

FOR IMMEDIATE RELEASE

Willas-Array chalks FY2023 earnings of HK\$2.7 million and HK\$3,135.4 million in sales

- *Top line performance impacted by slowdown in consumer electronics market; partially offset by double-digit revenue growth from the Automotive segment.*
- *Remains positive about industry prospects due to rising demand for electric vehicles, which have higher electronics content than internal combustion engine vehicles.*

<i>Financial Highlights in HK\$'m</i>	12 months ended 31 March		
	FY2023	FY2022	% Change
Revenue	3,135.4	3,425.8	- 8.5
Gross profit	278.7	334.8	- 16.8
Gross profit margin (%)	8.9	9.8	- 0.9% pt
Profit attributable to owners of the Company	2.7	82.2	- 96.7
Basic earnings per share (HK cents)*	3.11	96.33	- 96.8
NAV per share (HK cents) ⁺	788.10 (as at 31 Mar 2023)	898.34 (as at 31 Mar 2022)	- 12.3

* Basic earnings per share was computed based on 87,204,679 and 85,325,912 weighted average number of ordinary shares in FY2023 and FY2022 respectively.

⁺ NAV was computed based on 87,622,049 and 85,777,049 ordinary shares as at 31 March 2023 and 31 March 2022 respectively.

SINGAPORE – 30 May 2023 – Willas-Array Electronics (Holdings) Limited (“Willas-Array”, the “Group” or “WAE”), one of the largest Hong Kong-based distributors of electronics components in the Greater China region, has achieved net attributable profit of HK\$2.7 million for the year ended 31 March 2023 (“**FY2023**”), down 96.7% from HK\$82.2 million the year before (“**FY2022**”). This translated to earnings per share of HK3.11 cents in FY2023, down 96.8% from HK96.33 cents in FY2022.

The lower bottom line was mainly attributed to a decline in sales during the year, as well as a foreign exchange loss of approximately HK\$32.4 million, which was incurred mainly from the depreciation of the Renminbi. An increase in finance costs – arising from the higher weighted average effective interest rate in FY2023 as compared to FY2022 – also impacted the Group’s bottom line. Excluding the foreign exchange loss, the Group would have achieved net attributable profit of HK\$35.1 million in FY2023.

The Group’s revenue fell 8.5% to HK\$3,135.4 million in FY2023, from HK\$3,425.8 million in FY2022. The decline was due to a slowdown in the consumer electronics market, which worsened in the second half of FY2023. In particular, domestic demand and exports were impacted by an increasing inflationary and higher interest rate environment, exacerbated by China’s lockdown measures, which lasted until early 2023.

Performance Review

Despite the weaker FY2023 results, the **Automotive** segment continued to be the star of the Group as it overtook the **Industrial** segment to become the Group’s largest revenue generator.

In FY2023, the **Automotive** segment posted revenue of HK\$845.2 million, up 18.9%, from HK\$710.8 million in FY2022. Revenue from this segment contributed 27.0% of WAE’s total revenue in FY2023, up from 20.7% of total revenue in FY2022. The segment’s stellar performance was driven by high crude oil prices and the support from the Chinese government in pursuing carbon neutrality, which accelerated the transition to electric vehicles (“EVs”) – a trend that is expected to continue. As the electronic content in EVs is much higher compared to traditional internal combustion engine vehicles, the Group intends to commit more resources to capture the opportunities in this space.

Meanwhile, the **Industrial** segment recorded revenue contribution of HK\$758.2 million in FY2023, down 25.0% from HK\$1,010.4 million in FY2022. The segment, which is the Group’s second largest revenue contributor, was impacted by a decline in exports and overall domestic demand in the second half of FY2023. This was despite the strong domestic demand for certain applications including high-power application, renewable energy and energy storage products. To match this trend, the Group will manage price pressures and ensure it has sufficient inventory to cater to the demand.

Although the **Home Appliance** segment remained the third largest revenue contributor to the Group, it recorded revenue of HK\$568.0 million in FY2023, down 14.0% from HK\$660.8 million in FY2022. Demand from this segment was impacted by the weak global consumer electronics market, which affected export sales, as well as slower domestic demand for home appliances because of the cooling measures implemented in mainland China’s property market.

Nevertheless, the Group will continue investing resources in this segment as it expects demand for home appliances to experience a rebound in tandem with the property market, which has shown higher levels of activity following the easing of cooling measures at the start of 2023. Moreover, the Chinese government's economic and business policies remain supportive of domestic consumption, especially for large home appliances.

The Electronic Manufacturing Services (“EMS”) segment is another bright spot. The segment leapfrogged to become the Group's fourth largest revenue generator as it recorded revenue contribution of HK\$245.1 million in FY2023, up 50.2% from HK\$163.2 million in FY2022. This boosted the segment's contribution to 7.8% of total revenue in FY2023, up from 4.8% of total revenue in FY2022. The improved performance was mainly due to revenue from a project secured in the first half of FY2023. The Group will continue to strengthen its sales network in Greater China to secure new projects and opportunities.

The Group's five other segments – **Telecommunications, Audio and Video, Dealer, Lighting and Others** – also recorded lower revenue. The decline in the contributions was primarily due to weak demand.

Willas-Array's Managing Director, Mr Alvin Hon, said: *“While the global shortage of semiconductor chips is no longer a significant issue, the overall demand has been impacted by the challenging macroeconomic environment – except for some that continue to grow from strength to strength.*

“We intend to carefully invest our resources in key growth segments, such as Home Appliances, Industrial and Automotive, as they continue to receive ongoing support from the Chinese government. We will also work closely with our suppliers and customers to achieve mutually beneficial outcomes for all stakeholders.”

As at 31 March 2023, the Group had a working capital of HK\$430.1 million, which included a cash balance of HK\$317.2 million, compared to a working capital of HK\$499.4 million, which included a cash balance of HK\$327.7 million as at 31 March 2022. The decrease in cash by HK\$10.5 million was primarily attributable to the net effect of cash outflow of HK\$184.1 million used in operating activities and cash inflow of HK\$181.6 million generated from financing activities. Net gearing ratio as at 31 March 2023 was 78.6% as compared to 37.0% as at 31 March 2022 due to the increases in trust receipt loans and bank borrowings and a decrease in shareholders' equity.

Outlook

The ongoing geopolitical tensions in Eastern Europe and between the US and China have caused energy and raw material prices to stay elevated and volatile. To tame inflation, major central banks around the world have maintained their hawkish monetary policy. As a result, economic activity is expected to remain subdued with a possible recession on the cards.

Against this backdrop, the end consumer sentiment and demand for consumer electronics are expected to remain weak. This has led to significantly lower demand for semiconductor chips as compared to the height of the COVID-19 pandemic era when demand for consumer electronics was fueled by lockdown conditions that required people to work from home and study at home.

While the Group expects the next 12 months to be challenging, it remains optimistic about the long-term prospects and sustainability of the business environment in mainland China as the Chinese government is expected to put in place expedient support measures to stabilise the country's economy.

Mr Hon said: *“While key growth segments, such as Home Appliances, Industrial and Automotive, will be our focus going forward, we will also strive to develop new applications in collaboration with our partners so that our mutual goals can be achieved. We will also remain prudent in managing operations and expenditure as well as closely monitor our liquidity position to sustain long term growth.”*

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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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For more information, please contact:

August Consulting Pte Ltd

Wrisney Tan, wrisneytan@august.com.sg

Jeffrey Tan, jeffreytan@august.com.sg

Tel: +65 6733 8873