

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Full Year Financial Statement And Dividend Announcement For The Year Ended 31 March 2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

Group Income Statement for the year ended 31 March 2005. 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

	2005 HK\$'000	2004 HK\$'000	Increase (Decrease) %
Revenue	2,043,852	1,764,712	15.8
Cost of sales	(1,853,483)	(1,587,103)	16.8
Gross profit	190,369	177,609	7.2
Other operating income	21,420	23,936	(10.5)
Distribution costs	(21,185)	(23,245)	(8.9)
Administrative expenses	(142,298)	(128,176)	11.0
Profit from operations	48,306	50,124	(3.6)
Finance costs	(8,528)	(6,420)	32.8
Profit before income tax	39,778	43,704	(9.0)
Income tax	(9,244)	(9,863)	(6.3)
Profit before minority interests	30,534	33,841	(9.8)
Minority interests	(96)	1,227	(107.8)
Profit attributable to shareholders	30,438	35,068	(13.2)

The profit before income tax had been arrived at after charging (crediting) the following:

	2005 HK\$'000	2004 HK\$'000
Depreciation of property, plant and equipment	5,322	4,944
Amortisation of goodwill	99	63
Allowance for doubtful trade receivables	11,197	7,736
Allowance for inventories	9,573	11,319
Impairment loss on goodwill	1,449	--
Foreign exchange gain	(6,655)	(4,145)
Loss on disposal of property, plant and equipment	443	387
Research and development expenses	5,068	4,533
Write back on impairment allowance on other investments	--	(71)
Interest income	(2,490)	(1,243)

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	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	214,911	270,126	361	788
Trade receivables	291,327	287,087	--	--
Other receivables and prepayments	8,162	8,478	41,155	52,539
Inventories	290,990	236,340	--	--
Total current assets	805,390	802,031	41,516	53,327
Non-current assets:				
Property, plant and equipment	43,021	40,963	--	--
Goodwill	--	730	--	--
Other investments	17,188	9,388	--	--
Subsidiaries	--	--	202,701	185,177
Total non-current assets	60,209	51,081	202,701	185,177
Total assets	865,599	853,112	244,217	238,504
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	199,050	200,101	--	--
Trade payables	217,615	219,665	--	--
Other payables	26,613	31,246	7,409	4,524
Income tax payable	1,428	2,620	771	--
Current portion of long-term borrowings	48,564	40,101	--	--
Current portion of obligations under finance leases	--	346	--	--
Total current liabilities	493,270	494,079	8,180	4,524
Non-current liabilities:				
Long-term bank borrowings	52,769	53,800	--	--
Deferred income tax	913	2,656	--	--
Total non-current liabilities	53,682	56,456	--	--
Minority interests	430	271	--	--
Capital and reserves:				
Issued capital	61,710	61,200	61,710	61,200
Share premium	81,457	79,856	81,457	79,856
Contributed surplus	75,070	75,070	75,070	75,070
Currency translation reserve	280	67	--	--
Dividend reserve	17,436	16,741	17,436	16,741
Accumulated profits	82,264	69,372	364	1,113
Total equity	318,217	302,306	236,037	233,980
Total liabilities and equity	865,599	853,112	244,217	238,504

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

Amount repayable in one year or less, or on demand

As at 31/03/2005		As at 31/03/2004	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	247,614	346	240,202

Amount repayable after one year

As at 31/03/2005		As at 31/03/2004	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	52,769	0	53,800

Details of any collateral

The Group's secured borrowings at 31st March 2004 are in respect of assets acquired under finance lease arrangements.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	2005	2004
	HK\$'000	HK\$'000
Cash flows from operating activities:		
Profit before income tax	39,778	43,704
Adjustments for:		
Depreciation expense	5,322	4,944
Amortisation of goodwill	99	63
Interest expense	8,528	6,420
Loss on disposal of property, plant and equipment	443	387
Allowance for doubtful trade receivables	11,197	7,736
Allowance for inventories	9,573	11,319
Write back of impairment loss on other investments	--	(71)
Impairment loss on goodwill	1,449	--
Interest income	(2,490)	(1,243)
Operating profit before working capital changes	73,899	73,259
Trade receivables	(15,437)	(84,631)
Other receivables and prepayments	(248)	(2,910)
Inventories	(64,223)	(63,680)
Trade payables	(2,050)	23,248
Other payables	(4,633)	12,145
Cash used in operations	(12,692)	(42,569)
Dividend paid	(16,851)	(11,943)
Income tax paid	(11,615)	(10,377)
Interest paid	(8,528)	(6,420)
Interest received	2,490	1,243
Net cash used in operating activities	(47,196)	(70,066)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,018)	(9,606)
Purchase of other investments	(7,800)	(2,340)
Purchase of additional shares in a subsidiary	(780)	(1,170)
Proceeds from disposal of property, plant and equipment	351	308
Proceeds from capital recoupment of other investments	--	71
Net cash used in investing activities	(16,247)	(12,737)
Cash flows from financing activities:		
(Decrease) increase in trust receipt loans	(1,051)	92,757
Proceeds from bank borrowings	60,000	92,401
Proceeds from exercise of share options	2,111	--
Proceeds from placement of shares	--	50,400
Repayment of bank borrowings	(52,568)	(27,600)
Repayment of obligations under finance leases	(346)	(697)
Share issue expenses	--	(2,814)
Net cash generated from financing activities	8,146	204,447
Net effect of exchange rate changes in consolidating subsidiaries	82	(85)
Net (decrease) increase in cash	(55,215)	121,559
Cash at beginning of the year	270,126	148,567
Cash at end of the year	214,911	270,126

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	Currency translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 31/03/2003	53,200	40,270	75,070	82	11,943	51,045	231,610
Proceeds from placement of shares	8,000	42,400	--	--	--	--	50,400
Share issue expenses	--	(2,814)	--	--	--	--	(2,814)
Exchange differences arising from translation of overseas operations	--	--	--	(15)	--	--	(15)
Net profit for the year	--	--	--	--	--	35,068	35,068
Dividend paid	--	--	--	--	(11,943)	--	(11,943)
Proposed dividend	--	--	--	--	16,741	(16,741)	--
Balance at 31/03/2004	61,200	79,856	75,070	67	16,741	69,372	302,306
Proceeds from the exercise of share options	510	1,601	--	--	--	--	2,111
Exchange differences arising from translation of overseas operations	--	--	--	213	--	--	213
Net profit for the year	--	--	--	--	--	30,438	30,438
Dividend paid	--	--	--	--	(16,741)	(110)	(16,851)
Proposed dividend	--	--	--	--	17,436	(17,436)	--
Balance at 31/03/2005	61,710	81,457	75,070	280	17,436	82,264	318,217

COMPANY

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Currency translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 31/03/2003	53,200	40,270	75,070	--	11,943	1,095	181,578
Proceeds from placement of shares	8,000	42,400	--	--	--	--	50,400
Share issue expenses	--	(2,814)	--	--	--	--	(2,814)
Net profit for the year	--	--	--	--	--	16,759	16,759
Dividend paid	--	--	--	--	(11,943)	--	(11,943)
Proposed dividend	--	--	--	--	16,741	(16,741)	--
Balance at 31/03/2004	61,200	79,856	75,070	--	16,741	1,113	233,980
Proceeds from the exercise of share options	510	1,601	--	--	--	--	2,111
Net profit for the year	--	--	--	--	--	16,797	16,797
Dividend paid	--	--	--	--	(16,741)	(110)	(16,851)
Proposed dividend	--	--	--	--	17,436	(17,436)	--
Balance at 31/03/2005	61,710	81,457	75,070	--	17,436	364	236,037

- 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**

During the financial year, the Company increased its issued and paid-up share capital from HK\$61,200,000 to HK\$61,710,000 as a result of the issue of 2,550,000 ordinary shares of HK\$0.20 each at S\$0.18 per share upon the exercise by the holders of share options granted under Willas-Array Electronics Employee Share Option Scheme II.

At 31st March 2005, the total number of ordinary share options was 35,537,000 (2004: 23,977,000). 2,490,000 (2003: 2,009,000) share options were cancelled upon resignation of the holders during the year.

- 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**

The accounting policies adopted and methods of computation used are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31st March 2004.

- 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				
	2005		2004	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	30,438	30,438	35,068	35,068
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	308,010,000	308,010,000	282,986,301	282,986,301
Adjustment for potential dilutive ordinary shares	--	2,974,028	--	3,243,920
Weighted average number of ordinary shares used to compute earnings per share	308,010,000	310,984,028	282,986,301	286,230,221
Earnings per share	9.88 (HK cents)	9.79 (HK cents)	12.39 (HK cents)	12.25 (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	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004
Net asset value per ordinary share based on issued share capital of the Company at the end of the year	103.13 (HK cents)	98.79 (HK cents)	76.50 (HK cents)	76.46 (HK cents)

The net asset backing per ordinary share as at 31st March 2005 is based on the issued share capital of 308,550,000 ordinary shares (2004: 306,000,000).

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

With the gradual recovery of global economy in the beginning of the financial year ended 31st March 2005, the demand in electronic products had increased and had propelled the revival of the electronics industry worldwide. This revival, together with our effort in executing our growth plan, had led us to achieve a significant growth of 32.1% in turnover for the first half of this financial year. However, the subsequent imbalance demand and supply of electronics products had caused the built up of inventories for the industry. The imbalance situation was further affected by the macro economic measures adopted by the Chinese government to moderate the overheated economic growth. As a result, our sales in the second half year slowed down dramatically and hence overall we achieved an annual growth of 15.8% in turnover to HK\$2,043.9 million (2004: HK\$1,764.7 million).

Despite a 15.8% increase in turnover, gross margin had decreased from 10.1% for the financial year ended 2004 to 9.3% for 2005. The decrease was attributable to the pricing pressure arising from the competitive environment of the component industry. In addition, the Group had increased the purchasing activities during the first half of financial year in order to meet customer demand as anticipated by the market and to prepare for the possible supply shortages. However this anticipated demand did not materialize and as a result it had led us to reduce the inventories at a lower margin.

The Group was able to contain the increase in administrative expenses at a rate of 11.0%, which is less than the corresponding rate of increase in sales revenue of 15.8%. This moderate increase was achieved through the cost savings measures introduced during the year. Nevertheless, overall administrative expenses increased were due to the increase in number of staff for the expansion scheme in China and the increased provision for doubtful debts.

Other operating income decreased was mainly attributable to lower commission income of HK\$14.8 million (2004: HK\$21.3 million) received from our major principal as an incentive rebate for achieving certain sales target.

Financial Position

The increase in trade receivables was mainly attributable to the increase in sales in the current financial year when compared to the financial year 2004. The debtors turnover has been stable at the level of about 2 months.

The increase in inventories was due to purchase of inventories to accommodate increased sales for the coming months. Despite the higher inventory level, our stock holding period has been stable at the level of about 2 months.

The increase in other investment refers to an investment of HK\$7.8 million, representing an equity interest of 7.4% in a company which specialised in smart card solutions including software and hardware development.

Cash Flow

At 31st March 2005, the Group had a working capital of HK\$312.1 million, which included a cash balance of HK\$214.9 million, compared to a working capital of HK\$308.0 million, which included a cash balance of HK\$270.1 million at 31st March 2004. The decrease in cash by HK\$55.2 million was principally attributable to a cash outflow of HK\$47.2 million from operating activities, a cash outflow of HK\$16.2 million from investing activities and a cash inflow of HK\$8.1 million from financing activities.

Cash outflow from operating activities was mainly attributable to an increase of trade receivables and inventories.

Cash outflow from investing activities was due to investment in a company which specialised in smart card solutions and the implementation cost of SAP system.

Cash inflow from financing activities increased as there were long-term bank loans raised to finance our growth in China.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The currently announced results are in line with the prospect statement previously disclosed to the shareholders in the half year announcement for the financial period ended 30th September 2004.

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

The Chinese government's macro economic control measures which commenced in early 2004 will continue in 2005. High and volatile oil prices together with expected increases in interest rates will have impact on the overall economy.

In spite of the market uncertainties, we will continue with our 3-year growth plan and move on with our expansion program in China including hiring of staff and provision of training. The essence of this plan is to strive for sales growth by means of market expansion, industry breadth and depth, and human resource management.

By maintaining our continuous emphasis on China market, together with our effort in implementing our growth strategy and carrying on the continual cost savings program, barring any unforeseeable circumstances, we are positive with our overall growth although we anticipate challenging market conditions for the next twelve months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes.

Name of Dividend :	First & Final
Dividend Type :	Cash
Dividend Rate :	HK\$0.05651 per ordinary share (equivalent to S\$0.012)
Par value of shares :	HK\$0.20 each
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? Yes.

Name of Dividend :	First & Final
Dividend Type :	Cash
Dividend Rate :	HK\$0.05461 per ordinary share (equivalent to S\$0.012)
Par value of shares :	HK\$0.20 each
Tax Rate :	Not applicable

(c) Date payable

The proposed first and final dividend, if approved by shareholders of the Company at the Annual General Meeting to be held on 28th July 2005, will be payable on 23rd August 2005.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer books and Register of Members of the Company will be closed on 8th August 2005 on which day no share transfer will be effected. Duly completed transfers received by the Company's Share Transfer Agent, Compact Administrative Services Pte Limited of 6 Shenton Way, #28-09, DBS Building Tower Two, Singapore 068809 up to the close of business at 5.00 pm on 5th August 2005 will be registered to determine shareholders' entitlements to the proposed dividend.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

The Group reports its primary segment information on geographic location of the customers which is organised in accordance with their parent company's country of origin and the details for the financial year ended 31st March 2005 and 2004 are presented below:

	Hong Kong		People's Republic of China ("PRC")		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
Sales of goods	1,176,671	1,088,969	689,498	536,039	177,683	139,704	2,043,852	1,764,712
Result								
Segment result	53,235	55,229	19,971	15,317	(4,055)	(5,320)	69,151	65,226
Other operating income							21,420	23,936
Unallocated corporate expenses							(42,265)	(39,038)
Profit from operations							48,306	50,124
Finance costs							(8,528)	(6,420)
Profit before income tax							39,778	43,704
Income tax							(9,244)	(9,863)
Profit before minority interests							30,534	33,841
Minority interests							(96)	1,227
Profit attributable to shareholders							30,438	35,068
Other information								
Capital additions	13,674	7,818	1,277	1,222	867	566	15,818	9,606
Depreciation and amortisation	4,214	3,953	779	657	428	397	5,421	5,007
Other non-cash expenses	11,649	10,738	8,260	5,043	2,310	3,274	22,219	19,055
Balance sheet								
Assets								
Segment assets	413,651	387,654	175,743	144,103	35,111	32,634	624,505	564,391
Unallocated corporate assets							241,094	288,721
Total assets							865,599	853,112
Liabilities								
Segment liabilities	198,475	195,247	201,366	205,171	41,319	49,037	441,160	449,455
Unallocated corporate liabilities							105,792	101,080
Total liabilities							546,952	550,535

(b) Business Segments

As the operations of the Group are in trading of electronics components, the assets and revenue of the Group as at 31st March 2005 and 31st March 2004 and for the financial years then ended are respectively deployed in and derived from this business segment.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Business Segments

For detail review of performance by the business segments, please refer to paragraph 8.

Geographical Segments

Sales to PRC increased by 28.6% to HK\$689.5 million as a result of our expansion scheme in that region. Segment profit also increased correspondingly from HK\$15.3 million to HK\$20.0 million this year.

Segment sales to other areas represents sales to areas other than Hong Kong and the PRC. The increase in this segment by 27.2% from HK\$139.7 million to HK\$177.7 million was mainly attributable to the increase in sales in South Korea. The operations in South Korea are still in the investing stage and thus had not been able to make direct contribution to the group for the financial year ended 2005.

15. A breakdown of sales

Group

		2005 HK\$'000	2004 HK\$'000	Increase/ (Decrease) %
(a)	Sales reported for first half year	1,069,604	809,607	32.1
(b)	Operating profit after tax before deducting minority interests reported for first half year	17,940	16,261	10.3
(c)	Sales reported for second half year	974,248	955,105	2.0
(d)	Operating profit after tax before deducting minority interests reported for second half year	12,594	17,580	(28.4)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend		
	Latest Full Year HK\$'000	Previous Full Year HK\$'000
Ordinary	17,436	16,741
Preference	0	0
Total:	17,436	16,741

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman

25th May 2005