

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

## WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

### Proforma Full Year Financial Statement And Dividend Announcement

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

##### 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	2004 HK\$'000	2003 HK\$'000	Increase (Decrease) %
Revenue	1,764,712	1,270,194	38.9
Cost of sales	(1,587,103)	(1,119,713)	41.7
Gross profit	177,609	150,481	18.0
Other operating income	23,936	12,120	97.5
Distribution costs	(23,245)	(17,136)	35.7
Administrative expenses	(128,176)	(109,069)	17.5
Profit from operations	50,124	36,396	37.7
Finance costs	(6,420)	(5,644)	13.7
Profit before income tax	43,704	30,752	42.1
Income tax	(9,863)	(7,779)	26.8
Profit before minority interests	33,841	22,973	47.3
Minority interests	1,227	871	40.9
Profit attributable to shareholders	35,068	23,844	47.1

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

	2004 HK\$'000	2003 HK\$'000
Depreciation of property, plant and equipment	4,944	4,516
Amortisation of goodwill	63	--
Allowance for doubtful trade receivables	7,736	2,778
Allowance for inventories	11,319	5,878
Foreign exchange (gain) loss	(4,145)	2,401
Loss on disposal of property, plant and equipment	387	629
Research and development expenses	4,533	6,301
Write back on impairment allowance on other investments	(71)	(119)
Interest income	(1,243)	(2,471)

**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	
	31/03/2004 HK\$'000	31/03/2003 HK\$'000	31/03/2004 HK\$'000	31/03/2003 HK\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	270,126	148,567	788	102
Trade receivables	287,087	210,192	--	--
Other receivables and prepayments	8,478	5,348	120,246	66,098
Inventories	236,340	183,979	--	--
<b>Total current assets</b>	<b>802,031</b>	<b>548,086</b>	<b>121,034</b>	<b>66,200</b>
<b>Non-current assets:</b>				
Property, plant and equipment	40,963	36,964	--	--
Goodwill	730	--	--	--
Other investments	9,388	1,190	--	--
Deposits for acquisition of investments	--	6,248	--	--
Subsidiaries	--	--	117,470	117,470
<b>Total non-current assets</b>	<b>51,081</b>	<b>44,402</b>	<b>117,470</b>	<b>117,470</b>
<b>Total assets</b>	<b>853,112</b>	<b>592,488</b>	<b>238,504</b>	<b>183,670</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Trust receipt loans	200,101	107,344	--	--
Trade payables	219,665	196,417	--	--
Other payables	31,246	19,101	4,524	2,092
Income tax payable	2,620	3,709	--	--
Current portion of long-term borrowings	40,101	16,720	--	--
Current portion of obligations under finance leases	346	697	--	--
<b>Total current liabilities</b>	<b>494,079</b>	<b>343,988</b>	<b>4,524</b>	<b>2,092</b>
<b>Non-current liabilities:</b>				
Long-term bank borrowings	53,800	12,380	--	--
Obligations under finance leases	--	346	--	--
Deferred income tax	2,656	1,861	--	--
<b>Total non-current liabilities</b>	<b>56,456</b>	<b>14,587</b>	<b>--</b>	<b>--</b>
<b>Minority interests</b>	<b>271</b>	<b>2,303</b>	<b>--</b>	<b>--</b>
<b>Capital and reserves:</b>				
Issued capital	61,200	53,200	61,200	53,200
Share premium	79,856	40,270	79,856	40,270
Contributed surplus	75,070	75,070	75,070	75,070
Currency translation reserve	67	82	--	--
Dividend reserve	16,741	11,943	16,741	11,943
Accumulated profits	69,372	51,045	1,113	1,095
<b>Total equity</b>	<b>302,306</b>	<b>231,610</b>	<b>233,980</b>	<b>181,578</b>
<b>Total liabilities and equity</b>	<b>853,112</b>	<b>592,488</b>	<b>238,504</b>	<b>183,670</b>

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

**Amount repayable in one year or less, or on demand**

As at 31/03/2004		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
346	240,202	697	124,064

**Amount repayable after one year**

As at 31/03/2004		As at 31/03/2003	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	53,800	346	12,380

**Details of any collateral**

The Group's secured borrowings at 31<sup>st</sup> March 2004 and 31<sup>st</sup> March 2003 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**

	<b>2004</b>	<b>2003</b>
	HK\$'000	HK\$'000
Cash flows from operating activities:		
Profit before income tax	43,704	30,752
Adjustments for:		
Depreciation expense	4,944	4,516
Amortisation of goodwill	63	--
Interest expense	6,420	5,644
Loss on disposal of property, plant and equipment	387	629
Allowance for doubtful trade receivables	7,736	2,778
Allowance for inventories	11,319	5,878
Write back of impairment loss on other investments	(71)	(119)
Interest income	(1,243)	(2,471)
Operating profit before working capital changes	73,259	47,607
Trade receivables	(84,631)	(52,854)
Other receivables and prepayments	(2,910)	(1,496)
Inventories	(63,680)	(91,518)
Trade payables	23,248	123,950
Other payables	12,145	5,383
Cash (used in) generated from operations	(42,569)	31,072
Dividend paid	(11,943)	(11,784)
Income tax paid	(10,377)	(4,401)
Interest paid	(6,420)	(5,644)
Interest received	1,243	2,471
Net cash (used in) generated from operating activities	(70,066)	11,714
Cash flows from investing activities:		
Deposits paid for acquisition of investments	--	(6,248)
Purchase of property, plant and equipment	(9,606)	(5,497)
Acquisition of other investments	(2,340)	(280)
Acquisition of additional shares in a subsidiary	(1,170)	--
Acquisition of a subsidiary – net of cash acquired	--	(100)
Capital contribution from minority interests	--	3,120
Proceeds from disposal of property, plant and equipment	308	654
Proceeds from capital recoupment of other investments	71	119
Net cash used in investing activities	(12,737)	(8,232)
Cash flows from financing activities:		
Increase in trust receipt loans	92,757	41,234
Repayment of bank borrowings	(27,600)	(30,698)
Repayment of obligations under finance leases	(697)	(1,335)
Proceeds from bank borrowings	92,401	--
Proceeds from placement of shares	50,400	--
Share issue expenses paid	(2,814)	--
Net cash generated from financing activities	204,447	9,201
Net effect of exchange rate changes in consolidating subsidiaries	(85)	725
Net increase in cash	121,559	13,408
Cash at beginning of the year	148,567	135,159
Cash at end of the year	270,126	148,567

**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	Share premium	Contributed surplus	Currency translation reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31/03/2002	53,200	40,270	75,070	(657)	11,784	39,144	218,811
Exchange differences arising from translation of overseas operations	--	--	--	739	--	--	739
Net profit for the year	--	--	--	--	--	23,844	23,844
Dividend paid	--	--	--	--	(11,784)	--	(11,784)
Proposed dividend	--	--	--	--	11,943	(11,943)	--
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

**COMPANY**

	Issued capital	Share premium	Contributed surplus	Currency translation reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31/03/2002	53,200	40,270	75,070	--	11,784	964	181,288
Net profit for the year	--	--	--	--	--	12,074	12,074
Dividend paid	--	--	--	--	(11,784)	--	(11,784)
Proposed dividend	--	--	--	--	11,943	(11,943)	--
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

- 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**

40,000,000 new ordinary shares were allotted during the financial year 2004 pursuant to the Placement Agreement dated 16<sup>th</sup> October 2003. Following this allotment, the issued and paid up capital of the Company has been increased from HK\$53,200,000 comprising 266,000,000 shares to HK\$61,200,000 divided into 306,000,000 ordinary shares of HK\$0.20 each.

At 31<sup>st</sup> March 2004, the total number of ordinary share options was 23,977,000 (2003: 20,636,000). 2,009,000 (2003: 388,000) 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 31<sup>st</sup> March 2003.

- 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**

<b>Group Figures</b>		
<b>Earnings per ordinary share</b>	<b>2004</b>	<b>2003</b>
(i) Based on weighted average number of ordinary shares in issue	12.39 (HK cents)	8.96 (HK cents)
(ii) On a fully diluted basis	12.25 (HK cents)	8.96 (HK cents)

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$35,068,000 (2003: HK\$23,844,000) divided by the weighted average number of 282,986,301 (2003: 266,000,000) ordinary shares in issue during the year.

The diluted earnings per share for 2004 is calculated based on the weighted average number of 286,230,221 ordinary shares of the Company, after adjusting for 3,243,920 potential dilutive shares.

No dilution to the earnings per share because the exercise prices of the Company's options were higher than the average market price for the shares in 2003.

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**

<b>Net asset value per ordinary share</b>	<b>Group Figures</b>		<b>Company Figures</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Based on issued share capital of the Company at the end of the year	98.79 (HK cents)	87.07 (HK cents)	76.46 (HK cents)	68.26 (HK cents)

The net asset backing per ordinary share as at 31<sup>st</sup> March 2004 is based on the issued share capital of 306,000,000 (2003: 266,000,000) ordinary shares at that date.

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 negative impact of the uncertain economic and business outlook foreseen in the early part of the financial year 2004 had not been as severe as expected. This came about partly due to the gradual improvement of consumer sentiment following the containments of a prolonged conflict in Iraq and the SARS epidemic and partly due to the fruitful results of our Group's expansion scheme in China. This expansion model embraced broadening of customer base and the expansion of the territorial coverage and product segments. Our China market had thus posted a strong sales growth of 110.9% from HK\$254.2 million for 2003 to HK\$536.0 million for 2004. Overall we achieved a growth of 38.9% in turnover to HK\$1.76 billion (2003:HK\$1.27 billion).

With this planned growth of scale, together with the competitive environment of the component industry, gross margins have come under pressure. The Group's overall gross margins decreased from 11.8% for the financial year 2003 to 10.1% for 2004.

Distribution costs increased by 35.7% from HK\$17.1 million to HK\$23.2 million for financial years 2003 and 2004 respectively. The increase in distribution costs were attributable to increased sales incentive for boosting sales and to the transportation charge increase, which corresponded to the higher sales.

The Company was able to contain the increase in administrative expenses at a rate of 17.5%, which is substantially less than the corresponding rate of increase in sales revenue of 38.9%. 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, training costs for the implementation of SAP system and the increased provision for doubtful debts and inventories along with the increase in sales.

Other operating income increased was mainly attributable to commission income of HK\$21.3 million (2003: HK\$8.6 million) received from our major principal as an incentive rebate for achieving certain sales target.

Finance charges increased as a result of more bank borrowings raised to finance the inventories increase and the proportionate increase of receivables as a result of the increase of sales.

During the year, the Company derived an exchange gain due to the favourable movements of Japanese Yen and US dollar against Hong Kong dollar. Comparatively, the Company incurred an exchange loss for the financial year 2003 due to the sudden surge of Japanese Yen against Hong Kong dollar.

## **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 2003. The debtors turnover has maintained 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 remained stable at the level of about 2 months.

Goodwill arose from the acquisition of an additional 20% interest in a non-wholly owned subsidiary from its minority shareholder and is amortised over its estimated economic life of 10 years.

Long-term borrowings represent bank loans of HK\$93.9 million which provides us a long-term financing to meet our expansion in the PRC and South Korea markets.

### **Cash Flow**

At 31<sup>st</sup> March 2004, the Group had a working capital of HK\$308.0 million, which included a cash balance of HK\$270.1 million, compared to a working capital of HK\$204.1 million, which included a cash balance of HK\$148.6 million at 31<sup>st</sup> March 2003. The increase in cash by HK\$121.5 million was attributable to a cash outflow of HK\$70.1 million from operating activities and a cash inflow of HK\$204.4 million from financing arrangements.

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

Cash flows from financing activities increased as there were long-term bank loans raised and the placement of 40,000,000 shares of the Company during the year.

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

The current announced results are in line with the prospect statement previously disclosed to the shareholders in the half year announcement.

### **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 current market conditions has improved as compared to the same period last year. With the ongoing migration of manufacturing activities to China, along with the gradual improvement of global economy, the electronics industry is expected to see improvements in the coming months.

We are currently in the final stage of formulating a 3-year growth plan. 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 unforeseeable circumstances, we are optimistic about the prospects for the next 12 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\$0.05461 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\$0.0449 per ordinary share (equivalent to S\$0.01)
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 27<sup>th</sup> July 2004, will be payable on 24<sup>th</sup> August 2004.

**(d) Books closure date**

NOTICE IS HEREBY GIVEN that the Share Transfer books and Register of Members of the Company will be closed on 10<sup>th</sup> August 2004 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 6<sup>th</sup> August 2004 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.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**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**  
**(a) Geographical Segments**

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 31<sup>st</sup> March 2004 and 2003 are presented below:

	Hong Kong		People's Republic of China ("PRC")		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Revenue</b>								
Sales of goods	1,088,969	954,358	536,039	254,206	139,704	61,630	1,764,712	1,270,194
<b>Result</b>								
Segment result	55,229	60,252	15,317	880	(5,320)	(2,328)	65,226	58,804
Other operating income							23,936	12,120
Unallocated corporate expenses							(39,038)	(34,528)
Profit from operations							50,124	36,396
Finance costs							(6,420)	(5,644)
Profit before income tax							43,704	30,752
Income tax							(9,863)	(7,779)
Profit before minority interests							33,841	22,973
Minority interests							1,227	871
Profit attributable to shareholders							35,068	23,844
<b>Other information</b>								
Capital additions	7,818	1,918	1,222	3,579	566	1,149	9,606	6,646
Depreciation and amortisation	3,953	3,760	657	508	397	248	5,007	4,516
Other non-cash expenses	10,738	5,616	5,043	2,583	3,274	457	19,055	8,656
<b>Balance sheet</b>								
<b>Assets</b>								
Segment assets	387,654	277,454	144,103	82,871	32,634	40,755	564,391	401,080
Unallocated corporate assets							288,721	191,408
Total assets							853,112	592,488
<b>Liabilities</b>								
Segment liabilities	195,247	154,722	205,171	113,658	49,037	53,254	449,455	321,634
Unallocated corporate liabilities							101,080	36,941
Total liabilities							550,535	358,575

(b) Business Segments

As the operations of the Group are in trading of electronics components, the assets and revenue of the Group as at 31<sup>st</sup> March 2004 and 31<sup>st</sup> March 2003 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 significantly by 110.9% to HK\$536.0 million as a result of our expansion scheme in that region. Segment profit also increased drastically from HK\$0.9 million to HK\$15.3 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 126.7% from HK\$61.6 million to HK\$139.7 million was mainly attributable to the increase in sales in South Korea brought about by the establishment of another company in late March 2003. This newly established company did not contribute any sales to this segment last year. The initial start-up costs in South Korea resulted in a loss for that segment for current year.

**15. A breakdown of sales**

**Group**

		2004 HK\$'000	2003 HK\$'000	Increase/ (Decrease) %
(a)	Sales reported for first half year	809,607	616,743	31.3
(b)	Operating profit after tax before deducting minority interests reported for first half year	16,261	14,932	8.9
(c)	Sales reported for second half year	955,105	653,451	46.2
(d)	Operating profit after tax before deducting minority interests reported for second half year	17,580	8,041	118.6

**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	16,741	11,943
Preference	0	0
Total:	16,741	11,943

**BY ORDER OF THE BOARD**

**Leung Chun Wah  
Chairman**

26/05/2004