

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended 30 September 2005

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

Group Income Statement for the period ended 30 September 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

	6 months ended 30/09/2005 HK\$'000	[Re-stated] 6 months ended 30/09/2004 HK\$'000	Increase (Decrease) %
Revenue	1,078,996	1,069,604	0.9
Cost of sales	(974,251)	(966,867)	0.8
Gross profit	104,745	102,737	2.0
Other operating income	5,775	2,845	103.0
Distribution costs	(13,869)	(11,143)	24.5
Administrative expenses	(73,381)	(67,502)	8.7
Share-based payment expenses	(1,176)	(1,355)	(13.2)
Net loss on fair value changes of derivative financial instruments	(4,811)	--	NA
Profit from operations	17,283	25,582	(32.4)
Finance costs	(7,638)	(3,849)	98.4
Profit before income tax	9,645	21,733	(55.6)
Income tax	(3,965)	(5,148)	(23.0)
Profit for the period	5,680	16,585	(65.8)
Profit (loss) attributable to:			
Equity holders of the parent	5,767	16,991	(66.1)
Minority interests	(87)	(406)	(78.6)
	5,680	16,585	(65.8)

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

	6 months ended 30/09/2005 HK\$'000	6 months ended 30/09/2004 HK\$'000
Depreciation of property, plant and equipment	2,755	2,624
Amortisation of goodwill	--	40
Allowance for doubtful trade receivables	3,442	5,155
Allowance for inventories	6,322	3,598
Foreign exchange gain	(2,965)	(1,608)
Loss on disposal of property, plant and equipment	671	148
Research and development expenses	3,169	2,673
Interest income	(2,654)	(969)

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	
	30/09/2005 HK\$'000	[Re-stated] 31/03/2005 HK\$'000	30/09/2005 HK\$'000	[Re-stated] 31/03/2005 HK\$'000
ASSETS				
Current assets:				
Cash and bank balances	141,612	214,911	248	361
Trade receivables	397,185	291,327	--	--
Other receivables and prepayments	8,548	7,067	110,424	42,855
Derivative financial instruments	62	--	--	--
Inventories	273,144	290,990	--	--
Total current assets	820,551	804,295	110,672	43,216
Non-current assets:				
Property, plant and equipment	43,213	43,021	--	--
Other investments	17,188	17,188	--	--
Long-term deposits	1,356	1,095	--	--
Subsidiaries	--	--	117,470	202,701
Total non-current assets	61,757	61,304	117,470	202,701
Total assets	882,308	865,599	228,142	245,917
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	213,816	199,050	--	--
Trade payables	241,329	217,615	--	--
Other payables	32,100	26,613	4,325	5,867
Derivative financial instruments	1,094	--	--	--
Income tax payable	5,415	1,428	771	771
Current portion of long-term borrowings	55,954	48,564	--	--
Total current liabilities	549,708	493,270	5,096	6,638
Non-current liabilities:				
Long-term bank borrowings	20,455	52,769	--	--
Deferred income tax	111	913	--	--
Total non-current liabilities	20,566	53,682	--	--
Capital and reserves:				
Issued capital	61,710	61,710	61,710	61,710
Share premium	81,457	81,457	81,457	81,457
Contributed surplus	75,070	75,070	75,070	75,070
Currency translation reserve	469	280	--	--
Share-based compensation reserve	4,418	3,242	4,418	3,242
Dividend reserve	--	17,436	--	17,436
Accumulated profits	88,568	79,022	391	364
	311,692	318,217	223,046	239,279
Minority interests	342	430	--	--
Total equity	312,034	318,647	223,046	239,279
Total liabilities and equity	882,308	865,599	228,142	245,917

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

Amount repayable in one year or less, or on demand

As at 30/09/2005		As at 31/03/2005	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	269,770	0	247,614

Amount repayable after one year

As at 30/09/2005		As at 31/03/2005	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
0	20,455	0	52,769

Details of any collateral

There are no secured borrowings at 30th September 2005 and 31st March 2005.

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

	6 months ended 30/09/2005	[Re-stated] 6 months ended 30/09/2004
	HK\$'000	HK\$'000
Cash flows from operating activities:		
Profit before income tax	9,645	21,733
Adjustments for:		
Depreciation expense	2,755	2,624
Amortisation of goodwill	--	40
Share-based payment expense	1,176	1,355
Net loss on fair value changes of derivative financial instruments	4,811	--
Interest expense	7,638	3,849
Loss on disposal of property, plant and equipment	671	148
Allowance for doubtful trade receivables	3,442	5,155
Allowance for inventories	6,322	3,598
Interest income	(2,654)	(969)
Operating profit before working capital changes	<u>33,806</u>	<u>37,533</u>
Trade receivables	(109,338)	(57,686)
Other receivables and prepayments	(2,053)	(785)
Inventories	11,494	(145,700)
Trade payables	23,714	43,344
Other payables	5,487	3,120
Long-term deposits	(261)	181
Cash used in operations	<u>(37,151)</u>	<u>(119,993)</u>
Dividend paid	(17,436)	(16,850)
Income tax paid	(208)	(251)
Interest paid	(7,638)	(3,849)
Interest received	2,654	969
Net cash used in operating activities	<u>(59,779)</u>	<u>(139,974)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,820)	(4,245)
Purchase of other investments	--	(7,800)
Proceeds from disposal of property, plant and equipment	202	6
Net cash used in investing activities	<u>(3,618)</u>	<u>(12,039)</u>
Cash flows from financing activities:		
Increase in trust receipt loans	14,766	54,779
Proceeds from bank borrowings	--	30,000
Proceeds from exercise of share options	--	2,111
Repayment of bank borrowings	(24,924)	(24,947)
Repayment of obligations under finance leases	--	(218)
Net cash (used in) generated from financing activities	<u>(10,158)</u>	<u>61,725</u>
Net effect of exchange rate changes in consolidating subsidiaries	256	439
Net decrease in cash	<u>(73,299)</u>	<u>(89,849)</u>
Cash at beginning of the period	<u>214,911</u>	<u>270,126</u>
Cash at end of the period	<u><u>141,612</u></u>	<u><u>180,277</u></u>

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	Share-based compensation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 01/04/2004	61,200	79,856	75,070	67	--	16,741	69,372	271	302,577
Effect of adopting FRS 102	--	--	--	--	360	--	(360)	--	--
	<u>61,200</u>	<u>79,856</u>	<u>75,070</u>	<u>67</u>	<u>360</u>	<u>16,741</u>	<u>69,012</u>	<u>271</u>	<u>302,577</u>
Proceeds from the exercise of share options	510	1,601	--	--	--	--	--	--	2,111
Exchange differences arising from translation of overseas operations	--	--	--	432	--	--	--	--	432
Acquisition from minority interests	--	--	--	--	--	--	--	47	47
Recognition of share-based payment	--	--	--	--	1,355	--	--	--	1,355
Net profit for the period	--	--	--	--	--	--	16,991	(406)	16,585
Dividend paid	--	--	--	--	--	(16,741)	(109)	--	(16,850)
Balance at 30/09/2004	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>499</u>	<u>1,715</u>	<u>--</u>	<u>85,894</u>	<u>(88)</u>	<u>306,257</u>
Balance at 01/04/2005	61,710	81,457	75,070	280	--	17,436	82,264	430	318,647
Effect of adopting FRS 102	--	--	--	--	3,242	--	(3,242)	--	--
Effect of adopting FRS 39	--	--	--	--	--	--	3,779	--	3,779
	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>280</u>	<u>3,242</u>	<u>17,436</u>	<u>82,801</u>	<u>430</u>	<u>322,426</u>
Exchange differences arising from translation of overseas operations	--	--	--	189	--	--	--	(1)	188
Recognition of share-based payment	--	--	--	--	1,176	--	--	--	1,176
Net profit for the period	--	--	--	--	--	--	5,767	(87)	5,680
Dividend paid	--	--	--	--	--	(17,436)	--	--	(17,436)
Balance at 30/09/2005	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>469</u>	<u>4,418</u>	<u>--</u>	<u>88,568</u>	<u>342</u>	<u>312,034</u>

COMPANY

	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 01/04/2004	61,200	79,856	75,070	--	--	16,741	1,113	233,980
Effect of adopting FRS 102	--	--	--	--	360	--	--	360
	<u>61,200</u>	<u>79,856</u>	<u>75,070</u>	<u>--</u>	<u>360</u>	<u>16,741</u>	<u>1,113</u>	<u>234,340</u>
Proceeds from the exercise of share options	510	1,601	--	--	--	--	--	2,111
Recognition of share-based payment	--	--	--	--	1,355	--	--	1,355
Net profit for the period	--	--	--	--	--	--	23	23
Dividend paid	--	--	--	--	--	(16,741)	(109)	(16,850)
Balance at 30/09/2004	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>--</u>	<u>1,715</u>	<u>--</u>	<u>1,027</u>	<u>220,979</u>
Balance at 01/04/2005	61,710	81,457	75,070	--	--	17,436	364	236,037
Effect of adopting FRS 102	--	--	--	--	3,242	--	--	3,242
	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>--</u>	<u>3,242</u>	<u>17,436</u>	<u>364</u>	<u>239,279</u>
Recognition of share-based payment	--	--	--	--	1,176	--	--	1,176
Net profit for the period	--	--	--	--	--	--	27	27
Dividend paid	--	--	--	--	--	(17,436)	--	(17,436)
Balance at 30/09/2005	<u>61,710</u>	<u>81,457</u>	<u>75,070</u>	<u>--</u>	<u>4,418</u>	<u>--</u>	<u>391</u>	<u>223,046</u>

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 six months ended 30th September 2005, there was no change in the Company's issued share capital.

At 30th September 2005, the total number of ordinary share options was 34,769,000 (30th September 2004: 36,248,000). 768,000 (2004: 429,000) share options were cancelled upon resignation of the holders during the period.

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 2005, except for the adoption of the following new Singapore Financial Reporting Standards ("FRS") that became effective for the financial year beginning on or after 1st January 2005.

FRS 39	- Financial Instruments: Recognition and Measurement
FRS 102	- Share-based Payment

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

The impacts of the changes in accounting policies are as follows:

FRS 39

FRS 39 defines a derivative as a financial instrument or other contract within the scope of the standard:

- Whose value changes in response to the change in an underlying variables such as an interest rate, commodity or security price, foreign exchange rate, or index;
- That requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and
- That is settled at a future date.

Derivatives are recognised at fair value on the balance sheet. Unrealised gains and losses arising from changes in the fair value are recognised in the income statement in the year in which they arise.

In accordance with the transitional provisions of FRS 39, previously unrecognised derivatives brought onto the balance sheet and cumulative adjustments to financial assets and liabilities as a result of adopting FRS 39 for the first time are adjusted one-off to the beginning retained earnings. Restatement of prior year's financial statements is not required. On 1st April 2005, forward exchange contracts with a positive fair value of HK\$3,779K were recognised as derivative financial instruments and resulting in an increase in equity.

With the adoption of FRS 39, profit attributable to shareholders for the period ended 30th September 2005 has been decreased by HK\$1,032K.

FRS 102

FRS 102 requires share options to employees granted after 22nd November 2002 and had not vested by 1st April 2005 to be measured at fair value at the date of grant and recognised as expense in the income statement over the vesting period with a corresponding increase in equity.

Previously, the grant of share options to employees did not result in any charge in the income statement. The Group and the Company recognised an increase in share capital and share premium when the options were exercised.

With the adoption of FRS 102, profits attributable to shareholders have been decreased by HK\$1,176K and HK\$1,355K for the period ended 30th September 2005 and 30th September 2004 respectively.

SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Effects on income statements:

	6 months ended 30/09/2005 HK\$'000	6 months ended 30/09/2004 HK\$'000
FRS 39 – Financial Instruments: Recognition and Measurement	4,811	--
FRS 102 – Share-based payment	1,176	1,355
Decrease in profit for the period	<u>5,987</u>	<u>1,355</u>

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			
	6 months ended 30/09/2005		6 months ended 30/09/2004	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	5,767	5,767	16,991	16,991
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	308,550,000	308,550,000	307,472,951	307,472,951
Adjustment for potential dilutive ordinary shares	--	1,148,832	--	4,368,817
Weighted average number of ordinary shares used to compute earnings per share	308,550,000	309,698,832	307,472,951	311,841,768
Earnings per share	1.87 (HK cents)	1.86 (HK cents)	5.53 (HK cents)	5.45 (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	
	30/09/2005	31/03/2005	30/09/2005	31/03/2005
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	101.02 (HK cents)	103.13 (HK cents)	72.29 (HK cents)	77.55 (HK cents)

The net asset backing per ordinary share as at 30th September 2005 is based on the issued share capital of 308,550,000 ordinary shares (31st March 2005: 308,550,000).

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

In 2004 the Chinese government implemented the macroeconomic measures to moderate the overheated economy. The economy has gradually slowed down and the consumer sentiment has also weakened. Nevertheless, with our increased sales and marketing effort as committed in the 3-year growth plan, our sales for the first six months ended 30th September 2005 has recorded HK\$1,079.0 million, i.e. 0.9% increase as compared with the same period of last year which was HK\$1,069.6 million.

There was a slight increase in gross margin from 9.61% for the six months ended 30th September 2004 to 9.71% for the same period of 2005. There has been pressure on the gross margins since the second half of last year. The Group's competitive pricing strategy amidst the general market downturn and intense competition in the PRC's electronics market led to a low gross margin for the first four months of the period under review. However this negative effect was more than offset by the unexpected surge in demand from the export-sales customers in the last two months of the first half year, thus slightly increased the overall margin for the first half year as compared with that of last year.

The increase in distribution costs to HK\$13.9 million, as compared with that of last year of HK\$11.1 million, was mainly due to the increase in sales and marketing activities in a tough and difficult market environment, especially in China.

Administrative expenses increased by HK\$5.9 million, from HK\$67.5 million for the six months ended 30th September 2004 to HK\$73.4 million for the same period of 2005. The increase was due to the rise in staff costs as a result of hiring more staff and salary increment, more rental expenses for renting more warehouse space and expanding our Shanghai Office, and the set up cost of Taiwan Office.

Finance costs increased by HK\$3.8 million, from HK\$3.8 million for the six months ended 30th September 2004 to HK\$7.6 million for the same period of 2005. It was mainly attributable to the rise in interest rates.

The increase in other operating income was mainly due to higher bank interest income from the increased interest rates and the higher commission income 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 as compared with that of 2005. The debtors turnover period was maintained at the level of about 2 months.

The stock holding period was also maintained at about 2 months while the inventories level was reduced slightly from HK\$291.0 million as at 31st March 2005 to HK\$273.1 million as at 30th September 2005.

Cash Flow

As at 30th September 2005, the Group had a working capital of HK\$270.8 million, which included a cash balance of HK\$141.6 million, compared to a working capital of HK\$311.0 million, which included a cash balance of HK\$214.9 million at 31st March 2005. The decrease in cash by HK\$73.3 million was principally attributable to a cash outflow of HK\$59.8 million from operating activities, another HK\$3.6 million from investing activities and HK\$10.2 million from financing activities.

Cash outflow from operating activities was mainly attributable to an increase of trade receivables along with the increase in sales in the current period when compared with that of 2005.

The Group did not raise any bank loans during the period which resulted in a cash outflow from financing activities in the current period.

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 full year announcement for the financial year ended 31st March 2005.

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 commenced in early 2004 will go further into the second half of the financial year 2006. Rising interest rates, higher and volatile oil prices together with further increase in material prices will further dampen the global economy.

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

Looking forward, we will be leveraging our strengths, capability and experience in the electronic component distribution industry, as well as maintaining our emphasis on China market. Barring any unforeseeable circumstances, we still remain positive with our business prospects even though we anticipate challenging market conditions for the coming six months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

Name of Dividend :	Not applicable
Dividend Type :	Not applicable
Dividend Rate :	Not applicable
Par value of shares :	Not applicable
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?
None.

Name of Dividend :	Not applicable
Dividend Type :	Not applicable
Dividend Rate :	Not applicable
Par value of shares :	Not applicable
Tax Rate :	Not applicable

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared for the six months ended 30th September 2005.

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**

Not applicable.

- 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**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman

14th November 2005