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WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

威雅利電子(集團)有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong stock code: 854)

(Singapore stock code: BDR)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the following pages for the document which has been published by Willas-Array Electronics (Holdings) Limited (the “Company”) on the website of Singapore Exchange Securities Trading Limited on August 14, 2019.

By Order of the Board

Willas-Array Electronics (Holdings) Limited

Leung Chun Wah

Chairman and Executive Director

Hong Kong, August 14, 2019

As at the date of this announcement, the Board comprises four Executive Directors, namely Leung Chun Wah (Chairman), Kwok Chan Cheung (Deputy Chairman), Hon Kar Chun (Managing Director) and Leung Hon Shing; and three Independent Non-executive Directors, namely Jovenal R. Santiago, Wong Kwan Seng, Robert and Iu Po Chan, Eugene.

FOR IMMEDIATE RELEASE

Willas-Array reports revenue of HK\$792.2 million in 1Q FY2020

Financial Highlights in HK\$'m	3 months ended 30 June		
	2019 ("1Q FY2020")	2018 ("1Q FY2019")	% Change
Revenue	792.2	1,094.4	(27.6)
Gross profit	54.6	109.7	(50.2)
(Loss) profit attributable to owners of the Company	(24.6)	7.0	NM
Basic (loss) earnings per share (HK cents)*	(28.84)	8.28	NM
NAV per share (HK cents) [†]	749.56 (as at 30 June 2019)	787.05 (as at 31 Mar 2019)	(4.8)

* Basic (loss) earnings per share was computed based on 85,207,049 and 83,975,056 (restated) weighted average number of ordinary shares in 1Q FY2020 and 1Q FY2019 respectively.

[†] NAV was computed based on 85,207,049 ordinary shares as at both 30 June 2019 and 31 March 2019 respectively.

SINGAPORE – 14 August 2019 – Willas-Array Electronics (Holdings) Limited (“Willas-Array”, the “Company”, or together with its subsidiaries, the “Group”), one of the largest Hong Kong-based distributors of electronics components in the Greater China region, has reported sales of HK\$792.2 million and a loss attributable to owners of the Company of HK\$24.6 million for the first quarter ended 30 June 2019 (“1Q FY2020”).

The Group attributed the poor showing to ongoing and escalating trade tensions between the US and China, which had been detrimental to both consumer and business sentiments, and caused sales of electronic components to fall across all its business segments.

During the quarter under review, intense price competition against significantly weakened demand and the need to clear buffer stocks carried over from the previous year, caused the Group’s gross profit margin to be eroded, declining to 6.9% as compared to the corresponding quarter a year ago (“1Q FY2019”) when it was 10.0%.

In 1Q FY2020, Willas-Array's Telecommunications segment was most affected by the adverse market conditions with sales falling 61.4% year-on-year ("YOY"). Aside from the geo-political situation, the segment felt the impact of the delay in the migration to 5G. In addition, a key customer had also lost a major project, which in turn resulted in loss of potential sales for the Group.

The Automotive segment, which has been identified as a growth driver by the Group was not spared from the deteriorating market condition. Revenue generated by the segment shrank 15.5% YOY to HK\$106.9 million in 1Q FY2020 mainly due to falling car sales in China.

The Group's two biggest revenue contributors, the Industrial and Home Appliance segments declined YOY by 22.8% and 12.0% respectively due to weaker consumer confidence and tighter cash flow in the market. All other segments were also negatively affected by weak demand in both export and domestic markets and recorded double-digit declines in sales.

Commenting on the 1Q FY2020 results, **Willas-Array's Chairman, Mr Lawrence Leung, said:** *"The US-China trade dispute, which had affected our performance in FY2019 continued to weigh heavily on us in this current financial year. Both export and domestic demand in our key China market remained weak in 1Q FY2020. Against this backdrop, many of our customers sought to maintain production but with reduced buffer inventory levels. At the same time, customers were unwilling to place long-term future orders.*

"Under such conditions, the Group had to deal with the short-term nature of new orders, while managing the level of existing buffer inventory from previous orders."

The Group expects the remaining quarters of this financial year to be challenging. China's economy continued to show signs of slower growth as its trade dispute with the US took a toll on trade, manufacturing and consumer confidence. In the second quarter (April to June) of 2019, China's economy grew 6.2%, its slowest growth rate since 1992¹.

¹ "China economy reports lowest GDP growth on record for second quarter as US trade war bites", by Sydney Leng for The South China Morning Post, 15 July 2019
(<https://www.scmp.com/economy/china-economy/article/3018580/china-economy-reports-lowest-gdp-record-second-quarter-us>)

Mr Leung said: *“With no near-term resolution in sight, a prolonged dispute will be devastating to the global economy. In view of such conditions, Willas-Array has taken steps to weather the storm. We will continue to be prudent in managing our operations and costs, and to support long term growth by sustaining a healthy liquidity position.*

“While we scale back on unnecessary expenses, we will continue to invest in the Automotive segment because we believe there is long term potential growth in vehicle applications as the electronic content in cars continue to rise.”

As at 30 June 2019, the Group had a working capital of HK\$363.2 million, which included a cash balance of HK\$294.9 million.

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, Chengdu, 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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