

WILLAS-ARRAY ELECTRONICS (HOLDINGS) LIMITED

Half Year Financial Statement And Dividend Announcement For The Period Ended September 30, 2014

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

Group Income Statement for the period ended September 30, 2014. 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 30/09/2014 HK\$'000	6 months ended 30/09/2013 HK\$'000	Increase (Decrease) %
Revenue	1,779,351	1,628,996	9.2
Cost of sales	<u>(1,629,220)</u>	<u>(1,454,907)</u>	12.0
Gross profit	150,131	174,089	(13.8)
Other operating income	1,022	2,129	(52.0)
Distribution costs	(22,714)	(21,666)	4.8
Administrative expenses	(107,074)	(108,537)	(1.3)
Listing expenses	--	(13,108)	NM
Share of profit of associates	355	5,285	(93.3)
Other gains and losses	170	(403)	142.2
Amortisation of financial guarantee liabilities	2,465	597	312.9
Finance costs	<u>(8,137)</u>	<u>(7,936)</u>	2.5
Profit before tax	16,218	30,450	(46.7)
Income tax expense	<u>(5,134)</u>	<u>(9,044)</u>	(43.2)
Profit for the period	<u>11,084</u>	<u>21,406</u>	(48.2)
Other comprehensive income (expense):			
Exchange difference on translation of overseas operations	(1)	3,855	NM
Release of exchange difference upon dissolution of overseas operations	280	--	NM
Other comprehensive income for the period, net of tax	<u>279</u>	<u>3,855</u>	(92.8)
Total comprehensive income for the period	<u>11,363</u>	<u>25,261</u>	(55.0)
Profit (loss) attributable to:			
Owners of the Company	13,697	23,595	(41.9)
Non-controlling interests	<u>(2,613)</u>	<u>(2,189)</u>	19.4
	<u>11,084</u>	<u>21,406</u>	(48.2)
Total comprehensive income (expense) attributable to:			
Owners of the Company	13,976	27,443	(49.1)
Non-controlling interests	<u>(2,613)</u>	<u>(2,182)</u>	19.8
	<u>11,363</u>	<u>25,261</u>	(55.0)

NM: Not meaningful

Profit for the period has been arrived at or after charging (crediting):

	6 months ended 30/09/2014 HK\$'000	6 months ended 30/09/2013 HK\$'000
Depreciation of property, plant and equipment	6,019	5,835
Amortisation of prepaid lease payments	6	6
Allowance for doubtful trade receivables	9	6,559
Allowance for (reversal of) inventories	6,664	(4,318)
Foreign exchange loss (gain), net	50	(5,558)
Gain on disposal of property, plant and equipment	(26)	--
Net gain on fair value changes of derivative financial instruments	(203)	(598)
Interest income	(401)	(774)

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	
	30/09/2014	31/03/2014	30/09/2014	31/03/2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	239,805	218,977	2,522	2,925
Restricted bank deposits	7,296	7,296	--	--
Trade and bills receivables	688,902	602,266	--	--
Other receivables and prepayments - current	9,324	6,994	130,054	149,733
Prepaid lease payment - current	12	12	--	--
Income tax recoverable	--	1,338	--	168
Inventories	509,201	440,067	--	--
Total current assets	<u>1,454,540</u>	<u>1,276,950</u>	<u>132,576</u>	<u>152,826</u>
Non-current assets:				
Other receivables – non-current	--	--	49,000	49,000
Prepaid lease payment – non-current	601	607	--	--
Property, plant and equipment	156,217	157,128	--	--
Long-term deposits	288	427	--	--
Available-for-sale investments	2,001	2,001	--	--
Investments in subsidiaries	--	--	117,470	117,470
Interests in associates	86,924	59,172	5,081	2,183
Deferred tax assets	363	339	--	--
Total non-current assets	<u>246,394</u>	<u>219,674</u>	<u>171,551</u>	<u>168,653</u>
Total assets	<u><u>1,700,934</u></u>	<u><u>1,496,624</u></u>	<u><u>304,127</u></u>	<u><u>321,479</u></u>
LIABILITIES AND EQUITY				
Current liabilities:				
Trust receipt loans	686,190	440,805	--	--
Trade and bills payables	318,308	339,535	--	--
Other payables	42,051	40,663	9,717	10,701
Income tax payable	7,359	4,833	127	--
Derivative financial instruments	65	268	--	--
Financial guarantee liabilities	1,092	660	1,092	660
Bank borrowings	100,577	112,300	--	--
Total current liabilities	<u>1,155,642</u>	<u>939,064</u>	<u>10,936</u>	<u>11,361</u>
Non-current liabilities:				
Deferred tax liabilities	3,187	2,791	--	--
Capital, reserves and non-controlling interests:				
Issued capital	75,349	74,544	75,349	74,544
Capital reserves	194,486	195,716	194,486	195,716
Other reserves	277,730	287,356	23,356	39,858
Equity attributable to owners of the Company	<u>547,565</u>	<u>557,616</u>	<u>293,191</u>	<u>310,118</u>
Non-controlling interests	(5,460)	(2,847)	--	--
Total equity	<u>542,105</u>	<u>554,769</u>	<u>293,191</u>	<u>310,118</u>
Total liabilities and equity	<u><u>1,700,934</u></u>	<u><u>1,496,624</u></u>	<u><u>304,127</u></u>	<u><u>321,479</u></u>

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

Amount repayable in one year or less, or on demand

As at 30/09/2014		As at 31/03/2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
9,777	776,990	--	553,105

Amount repayable after one year

As at 30/09/2014		As at 31/03/2014	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
--	--	--	--

Details of any collateral

As at September 30, 2014, trade receivables amounted to HK\$9,777,000 (March 31, 2014: HK\$ nil) were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing.

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 30/09/2014	6 months ended 30/09/2013
	HK\$'000	HK\$'000
Operating activities:		
Profit before tax	16,218	30,450
Adjustments for:		
Depreciation expense	6,019	5,835
Amortisation of prepaid lease payments	6	6
Interest expense	8,137	7,936
Allowance for (reversal of) inventories	6,664	(4,318)
Allowance for doubtful trade receivables	9	6,559
Gain on disposal of property, plant and equipment	(26)	--
Net gain on fair value changes of derivative financial instruments	(203)	(598)
Share of profits of associates	(355)	(5,285)
Amortisation of financial guarantee liabilities	(2,465)	(597)
Interest income	(401)	(774)
Release of exchange difference upon dissolution of overseas operations	280	--
Operating cash flows before movements in working capital	<u>33,883</u>	<u>39,214</u>
Increase in trade and bills receivables	(86,645)	(101,861)
(Increase) decrease in other receivables and prepayments	(2,330)	875
Increase in inventories	(75,798)	(96,804)
(Decrease) increase in trade and bills payables	(21,227)	43,220
Increase in other payables	561	7,469
Decrease in long-term deposits	139	83
Cash used in operations	<u>(151,417)</u>	<u>(107,804)</u>
Income tax paid	(898)	(4,039)
Interest paid	(7,311)	(7,513)
Interest received	401	774
Net cash used in operating activities	<u>(159,225)</u>	<u>(118,582)</u>
Investing activities:		
Purchase of property, plant and equipment	(5,194)	(1,450)
Withdrawal of restricted bank deposits	2,516	7,161
Placement of restricted bank deposits	(2,516)	(7,296)
Proceeds from disposal of property, plant and equipment	112	--
Capital injection to associates	(24,500)	--
Net cash used in investing activities	<u>(29,582)</u>	<u>(1,585)</u>
Financing activities:		
Dividend paid to shareholders	(25,702)	(22,855)
Proceeds from exercise of share options	1,675	--
Repayment of trust receipt loans	(829,631)	(755,673)
Proceeds from trust receipt loans	1,075,016	914,409
Repayment of bank borrowings	(108,577)	(73,000)
Proceeds from bank borrowings	96,854	50,000
Net cash from financing activities	<u>209,635</u>	<u>112,881</u>
Net increase (decrease) in cash and cash equivalents	20,828	(7,286)
Cash and cash equivalents at beginning of the period	218,977	390,395
Effects of exchange rate changes on the balance of cash held in foreign currencies	--	(2,271)
Cash and cash equivalents at end of the period	<u><u>239,805</u></u>	<u><u>380,838</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

	Issued capital HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000 (Note)	Currency translation reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
THE GROUP								
Balance at 01/04/2013	<u>74,544</u>	<u>196,500</u>	<u>14,135</u>	<u>17,510</u>	<u>245,532</u>	<u>548,221</u>	<u>1,251</u>	<u>549,472</u>
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	23,595	23,595	(2,189)	21,406
Other comprehensive income for the period, net of income tax	-	-	-	3,848	-	3,848	7	3,855
Total	-	-	-	3,848	23,595	27,443	(2,182)	25,261
Transactions with owners, recognised directly in equity:								
Share options cancelled / lapsed	-	(723)	-	-	723	-	-	-
Dividend paid	-	-	-	-	(22,855)	(22,855)	-	(22,855)
Transfer to statutory reserve	-	-	853	-	(853)	-	-	-
Total	-	(723)	853	-	(22,985)	(22,855)	-	(22,855)
Balance at 30/09/2013	<u>74,544</u>	<u>195,777</u>	<u>14,988</u>	<u>21,358</u>	<u>246,142</u>	<u>552,809</u>	<u>(931)</u>	<u>551,878</u>
Balance at 01/04/2014	<u>74,544</u>	<u>195,716</u>	<u>16,480</u>	<u>20,756</u>	<u>250,120</u>	<u>557,616</u>	<u>(2,847)</u>	<u>554,769</u>
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	13,697	13,697	(2,613)	11,084
Other comprehensive income for the period, net of income tax	-	-	-	279	-	279	--	279
Total	-	-	-	279	13,697	13,976	(2,613)	11,363
Transactions with owners, recognised directly in equity:								
Exercise of share options	805	870	-	-	-	1,675	-	1,675
Share options lapsed	-	(2,100)	-	-	2,100	-	-	-
Dividend paid	-	-	-	-	(25,702)	(25,702)	-	(25,702)
Total	805	(1,230)	-	-	(23,602)	(24,027)	-	(24,027)
Balance at 30/09/2014	<u>75,349</u>	<u>194,486</u>	<u>16,480</u>	<u>21,035</u>	<u>240,215</u>	<u>547,565</u>	<u>(5,460)</u>	<u>542,105</u>

Note: The statutory reserve is non-distributable and was appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan under the laws and regulations of the PRC and Taiwan.

	<u>Issued capital</u> HK\$'000	<u>Capital reserves</u> HK\$'000	<u>Accumulated profits</u> HK\$'000	<u>Total</u> HK\$'000
<u>THE COMPANY</u>				
Balance at 01/04/2013	74,544	196,500	53,736	324,780
Profit for the period, representing total comprehensive income for the period	-	-	(8,768)	(8,768)
Transactions with owners, recognised directly in equity:				
Share options cancelled / lapsed	-	(723)	723	-
Dividends paid	-	-	(22,855)	(22,855)
Total	-	(723)	(22,132)	(22,855)
Balance at 30/09/2013	<u>74,544</u>	<u>195,777</u>	<u>22,836</u>	<u>293,157</u>
Balance at 01/04/2014	74,544	195,716	39,858	310,118
Profit for the period, representing total comprehensive income for the period	-	-	7,100	7,100
Transactions with owners, recognised directly in equity:				
Exercise of share options	805	870	-	1,675
Share options lapsed	-	(2,100)	2,100	-
Dividends paid	-	-	(25,702)	(25,702)
Total	805	(1,230)	(23,602)	(24,027)
Balance at 30/09/2014	<u>75,349</u>	<u>194,486</u>	<u>23,356</u>	<u>293,191</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 September 30, 2014, the Company increased its issued and paid-up share capital from HK\$74,544,000 to HK\$75,348,960 as a result of the issue of 4,024,800 ordinary shares of HK\$0.20 each at S\$0.067 per share upon the exercise by the holders of share options granted under Willas-Array Electronics Employee Share Option Scheme II.

At September 30, 2014, the total number of ordinary share options was 6,348,000 (September 30, 2013: 18,772,800). No share options (2013: 2,766,000) were cancelled upon resignation of the holders during the period while 8,160,000 (2013: 600,000) share options were lapsed upon expiry of the exercise period.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

As at September 30, 2014, the total number of issued shares of the Company was 376,744,800 ordinary shares (March 31, 2014: 372,720,000). The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on

Not applicable.

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, prepared in accordance with International Financial Reporting Standards, 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

In this current financial period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on or after April 1, 2014.

The accounting policies adopted and methods of computation used are consistent with those followed in the preparation of the Group's audited financial statements for the year ended March 31, 2014 and the adoption of these new/revised IFRSs and IFRIC does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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			
	6 months ended 30/09/2014		6 months ended 30/09/2013	
	Basic HK\$'000	Diluted HK\$'000	Basic HK\$'000	Diluted HK\$'000
Profit attributable to shareholders	13,697	13,697	23,595	23,595
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	374,902,466	374,902,466	372,720,000	372,720,000
Adjustment for potential dilutive ordinary shares	--	4,743,373	--	6,165,123
Weighted average number of ordinary shares used to compute earnings per share	374,902,466	379,645,839	372,720,000	378,885,123
Earnings per share	3.65 (HK cents)	3.61 (HK cents)	6.33 (HK cents)	6.23 (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	
	30/09/2014	31/03/2014	30/09/2014	31/03/2014
Net asset value per ordinary share based on issued share capital of the Company at the end of the period	145.34 (HK cents)	149.61 (HK cents)	77.82 (HK cents)	83.20 (HK cents)

The net asset backing per ordinary share as at September 30, 2014 is based on the issued share capital of 376,744,800 ordinary shares (March 31, 2014: 372,720,000).

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

The Group's sales revenue had increased by 9.2% from HK\$1,629.0 million for the six months ended September 30, 2013 ("1H FY2014") to HK\$1,779.4 million for the six months ended September 30, 2014 ("1H FY2015").

There was an imbalance of supply and demand of electronic components because of the weak demand in the market, which unexpectedly turned bearish in 1H FY2015 mainly due to the slowdown in China's growth. This in turn led to downward pressure on prices and a squeeze on our gross profit margin which declined from 10.69% in 1H FY2014 to 8.44% in 1H FY2015.

Distribution costs increased by 4.8% from HK\$21.7 million for 1H FY2014 to HK\$22.7 million for 1H FY2015. The increase in distribution costs was mainly due to higher promotional expenses which was in line with the rise in sales revenue.

Administrative expenses decreased slightly by HK\$1.4 million, or 1.3%, from HK\$108.5 million for 1H FY2014 to HK\$107.1 million for 1H FY2015.

Other gains of HK\$0.2 million for 1H FY2015 were mainly due to a gain on fair value changes of derivative financial instruments while other losses of HK\$0.4 million for 1H FY2014 were mainly due to an exchange gain offset by an allowance for doubtful trade receivables made.

Finance costs increased by HK\$0.2 million, or 2.5%, from HK\$7.9 million for 1H FY2014 to HK\$8.1 million for 1H FY2015.

Listing expenses of HK\$13.1 million for 1H FY2014 refers to the expenses incurred in the dual primary listing exercise on the Hong Kong Stock Exchange. Total listing expenses amounting to HK\$26.1 million were recognised in the full financial year ending March 31, 2014.

Share of the profit of associates decreased significantly from HK\$5.3 million for 1H FY2014 to HK\$0.4 million for 1H FY2015. Unlike the booming market in 2013 for memory products on which the associate company was focusing, the market demand became stagnant from mid-2014 while we have piled up certain inventories to meet the forecast demand. As a result, a stock provision was made for the slow moving inventories resulting in a significant drop in net profit of the associated company.

Financial Position

Compared to previous year ended March 31, 2014, the increase in trust receipt loans by HK\$245.4 million was due to the increase in purchasing activity during the current financial period. Trade and bills receivables increased by HK\$86.6 million when compared to year ended March 31, 2014 due to increase in sales revenue towards the end of this period. The debtors turnover days increased from 2.3 months to 2.4 months.

Inventories increased from HK\$440.1 million as at March 31, 2014 to HK\$509.2 million as at September 30, 2014. Our inventory turnover days remained at 1.9 months.

Cash Flow

As at September 30, 2014, the Group had a working capital of HK\$298.9 million, which included a cash balance of HK\$239.8 million, compared to a working capital of HK\$337.9 million, which included a cash balance of HK\$219.0 million at March 31, 2014. The increase in cash by HK\$20.8 million was attributable to the net effect of cash inflow of HK\$209.6 million from financing activities and cash outflows of HK\$159.2 million in operating activities and HK\$29.6 million in investing activities.

Cash inflow from financing activities was attributable to an increase in trust receipt loans due to increase of purchasing activities during the period.

Cash outflow in operating activities was mainly attributable to the increase in inventories and trade receivables towards the end of the period under review.

Cash outflow in investing activities was mainly attributable to a further investment in the associated company in May 2014 of HK\$24.5 million. After this injection, we still maintain a 49% stake in the associated company. Till now, the associated company had a share capital of HK\$150 million, with the Company's share of contribution of HK\$73.5 million.

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

Not applicable. No prospect statement was previously disclosed in the full year announcement for the financial year ended March 31, 2014.

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

Given the present business outlook, we expect that the slower growth in China and the slow recovery of the European market would still prevail and the operating environment for the Group is expected to remain challenging.

The Group will continue to be prudent in managing its operations while maintaining a healthy liquidity position.

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 September 30, 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No general mandate has been obtained from its shareholders for interested person transactions.

14. Negative assurance confirmation on interim financial results under Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group's unaudited interim financial results for the six months ended September 30, 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Leung Chun Wah, Chairman
Kwok Chan Cheung, Deputy Chairman

BY ORDER OF THE BOARD

Leung Chun Wah
Chairman

November 14, 2014