

Wah Lee Industrial Corp. (3010.TT)

2012 Q1 Management Report

May 25, 2012



IR Contact
Alex Tu
+886-2-2715-2087 ext.22061
alextu@wahlee.com

Wah Lee Consolidated Entities include Wah Lee Taiwan and subsidiaries in China, Japan, Korea, and Singapore.

Company Profile

As a Technology Solutions Integrator, Wah Lee provides a full range of integrated solutions including high quality materials, equipments, supply chain services and engineering consulting to high technology industries covering semiconductor, computer/communications (C/C), flat panel display, printed circuit board, and green energy opto-electronics industries. The company has sustained its long-term growth by continually expanding its products and services into new advanced technologies and through collaborative partnerships with world leading material suppliers. To maximize its shareholders' value, the company also expands its business scope by bringing new products in more applications to its customers. Traded on the Taiwan Stock Exchange (ticker: 3010.TT), its current capital is NT\$2.3 billion and the market capitalization is about US\$310 million.

Safe Harbor Notice

Wah Lee Industrial Corp. (the Company) has made forward-looking statements in this report. The forward-looking statements contain information regarding, among other things, the Company's financial condition, future expansion plans and business strategies. The Company has based these forward-looking statements on its current expectations and projections about future events. Although the Company believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about it.

The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur and the actual result could differ materially from those anticipated in these forward-looking statements.

Audited 2012 Q1 Consolidated Results Announcement

1Q12 sales posted strong QoQ growth of 10.3% from the bottom of 4Q11

Audited 2012 Q1 consolidated sales reached NT\$7.73 billion, a 10.3% QoQ growth from 4Q last year. The significant sales growth was derived from the following two areas:

1. Strong demands from solar sector in 1Q12: Green Energy showed strong QoQ of 114.8% with solar wafer demands surging in 1Q12 due to customers trying to meet German government's subsidy deadline and react to the anti-dumping and anti-subsidy effects of US government against China solar players.
2. Contribution from new products in FPD segment, including T-con IC and color resist: Benefiting from the recovery of panel demands, FPD sector poised a QoQ growth of 17.7% with significant contribution from new products, T-con IC and color resist.
3. Detailed QoQ growth by segment is following:

NT:000	C/C	FPD	Semi	PCB	Green	others	total
1Q12	2,837,543	1,277,308	1,198,674	563,178	1,430,545	426,851	7,734,099
4Q11	2,659,207	1,085,662	1,183,334	890,104	665,894	527,100	7,011,300
QoQ	6.7%	17.7%	1.3%	-36.7%	114.8%	-19.0%	10.3%

1Q12 EPS of reached NT\$1.04

Consolidated 1Q12 gross profit reached NT\$684.2 million, a significant growth from 4Q11's NT\$423.9 million. 1Q12 gross margin of 8.7% was lower than our annual forecast but higher than 4Q11's 6.1% as solar wafer sales surged in Q1. Operating profit reached NT\$232.6 million with operating margin of 3.0%. Non-operating profit contributed NT\$74.9 million to the overall bottom line but is expected to grow QoQ as Q1 tends to be the slower quarter out of the year. The company's pretax profit for 1Q12 totaled NT\$307.5 million. Net profit after tax less minority interests was NT\$241.2 million and EPS was NT\$1.04 based on 231.4 million outstanding shares.

Wah Lee's Board will propose a cash dividend of \$2.3 per share to AGM on June 5th

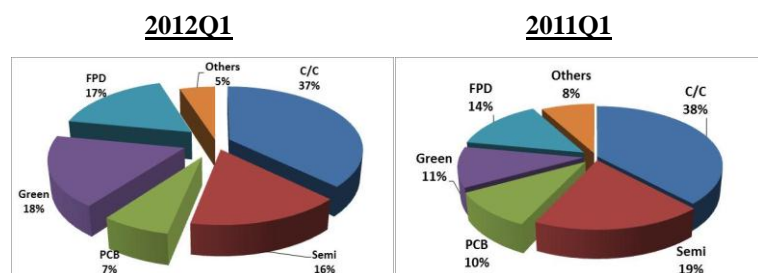
Out of the FY2011 EPS of \$4.12, Wah Lee's board of directors has decided to submit for approval in the AGM on June 5 to distribute \$2.3 per share of cash dividend to shareholders. The amount of cash dividend has been decided based on a consistent payout ratio of 50~60% of the company's earnings each year. The cash yield of the dividend based on recent share price is nearly 6%.

Wah Lee attended a non-deal roadshow trip to Hong Kong and Singapore in April

Wah Lee was invited by HSBC to go to Hong Kong and Singapore for a NDR during late April and we received very positive feedback from investors.

Table 1 – Sales % by Industry for 2011 Q1

	C/C	FPD	Semi	PCB	Green	others	total
%	36.7%	16.5%	15.5%	7.3%	18.5%	5.5%	100%

Consolidated sales breakdown (2012Q1 vs. 2011Q1)**Table 2 – Audited income statements (in NT\$ million)**

Consolidated	1Q12	4Q11	QoQ
Sales	7,734.1	7,011.3	10.3%
Operating Profit	232.6	36.1	545.1%
Non-Op Profit	74.9	12.4	505.0%
L-T investment	81.3	-19.8	510.7%
Others	-10.4	32.2	-132.3%
Pre-Tax Income	307.5	48.4	534.9%
After Tax Profit	241.2	25.4	849.4%
EPS *	1.04	0.11	849.4%

* Both years' after tax EPS are based on outstanding capital of 231.40 million shares.

Table 3 – Consolidated Financial Ratios

	1Q 2012	1Q 2011
Current Ratio	163%	159%
Quick Ratio	128%	117%
Net Debt/Equity	21.1%	30.2%
A/R days	95.4	85.8
Inventory days	42.2	43.2
A/P days	59.7	55.2
Cash conversion days	77.9	73.8

Wah Lee is the leading supplier of key chemicals used in high end IC manufacturing in Taiwan. With new inventions of 3C application products and increasing demands from China and other emerging markets, Computer/Communication, semiconductor, and PCB sectors will remain the cash cows for Wah Lee's business and FPD and green energy sectors will provide growth momentum for Wah Lee in the next few years, with new products like T-con IC, touch panel controller, and color resist in FPD, and solar, LED, and LiFePO4 battery materials in green energy.

As sales picked up from the bottoming out in 4Q11, 1Q12 sales grew 10.3% QoQ. Gross profit and Operating Profit both recovered from the low point in 4Q11 due to one time inventory valuation write-off. Non-Op also showed much improvement due to 4Q11's one-time asset write-off generated from Chang Wah Electromaterial's investment company's closing of one of its COF production line.

In conclusion, the company's consolidated 1Q12 after tax profit reached \$241.2M, which grew by 849.4% QoQ. EPS for 1Q12 was NT\$1.04.

Current and quick ratios at the end of 1Q12 both maintained at satisfactory levels. The company's net debt to equity ratio was reduced mainly because short term borrowing was reduced and more cash was reserved in 1Q12. As a result, the company now has a gearing ratio of 21.1%. AR, inventory, and AP days were maintained at their reasonable levels in 1Q12, so was the cash conversion cycle days.