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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 of 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 10, 2023.

For and on behalf of
Willas-Array Electronics (Holdings) Limited
Leung Hon Shing
Executive Director and Company Secretary

Hong Kong, August 10, 2023

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Xie Lishu (Chairman) and Huang Shaoli; two Executive Directors, namely Hon Kar Chun (Managing Director) and Leung Hon Shing; and two Independent Non-executive Directors, namely Tang Wai Loong Kenneth and Tong Kai Cheong.

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RESPONSES TO QUERIES

FROM SINGAPORE EXCHANGE REGULATION ON THE COMPANY'S ANNOUNCEMENTS IN RELATION TO CESSATION OF DIRECTORS AND CHANGES TO THE BOARD OF DIRECTORS

Willas-Array Electronics (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has received the certain queries (collectively “**Queries**”) from Singapore Exchange Regulation (“**SGX RegCo**”) on August 4, 2023 regarding the announcements of the Company made between May 30, 2023 and August 2, 2023 (the “**Announcements**”) in relation to cessation of directors and changes to the board of directors of the Company (the “**Board**”). The Queries and the Company’s responses to the Queries are set out in full as follows.

Unless otherwise defined below, all capitalised terms used in the Company’s responses below shall have the same meanings as ascribed to them in the corresponding Announcements.

SGX RegCo’s Query 1:

*The Company had announced the cessation of all three of the Company’s independent directors (“**IDs**”). Mr. Lim Lee Meng, the lead independent director of the Company, has retired from the board on 28 July 2023, while the other two independent directors, Mr Kenneth Tang and Mr. Tong Kai Cheong will be stepping down on 30 August and 1 November 2023 respectively. We further note the resignation of Mr. Leung Hon Shing, the Company’s executive director, Chief Financial Officer (“**CFO**”) and Company Secretary, who will be stepping down on 2 Nov 2023. Please disclose:*

a. The actions and timeline targets the Company is taking to find suitable replacements for its IDs, its CFO and Company Secretary especially since the Nomination Committee now comprises only two directors, who will both be resigning;

- b. Listing Rule 221 requires the Company to appoint 2 independent directors resident in Singapore. Please disclose how the Company has complied with this requirement and the timeline it intends to appoint the 2 IDs resident in Singapore as required under Listing Rule 221;*
- c. Please disclose the process for the selection and appointment of the relevant independent directors noting that the members of the Nomination Committee will be stepping down on 30 August 2023 and 1 November 2023. Please disclose if the new Singapore based IDs will be appointed before their cessation; and*
- d. Please disclose how the Company will comply with Listing Rule 704(8) which states that “in the event of any retirement or resignation which renders the audit committee unable to meet the minimum number (not less than three) the issuer should endeavor to fill the vacancy within two months, but in any case not later than three months”; and*
- e. Without a proper functioning Audit Committee in place, how is the Company able to independently ensure and mitigate the conflicts of interest with the new controlling shareholders who are competitors of the Company. Please disclose the processes in place and who will perform the role of the Audit Committee in the absence of its members. Please also disclose why the Audit Committee members are all stepping down even before the new Audit Committee members are found and how the directors are acting in the best interest of the Company and its shareholders as a whole;*
- f. How the various Committees of the Board, namely the Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee will function and be adequately staffed, as all their members have announced their resignations from the Board.*

Company’s Response:

The Company has identified two suitable individual candidates who both are resident in Singapore and are free of any material business or financial connection with the Company. The Company intends to effect their appointments as independent directors of the Company in August 2023 before the effective date of the resignation of Mr. Tang Wai Loong Kenneth (“**Mr. Tang**”) and Mr. Tong Kai Cheong (“**Mr. Tong**”), which are August 30, 2023 and November 1, 2023 respectively. Upon the appointment of these two new independent directors, the Company will satisfy the requirement of Rule 221 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Singapore Listing Manual**”) which requires a foreign issuer to have at least two independent directors who are resident in Singapore.

The Nomination Committee, which presently consists of Mr. Tang and Mr. Tong, will act in accordance with the Terms of Reference of the Nomination Committee to assess the suitability of the appointment of the above candidates to the Board, including the determination of their independence.

In addition to the above, the Company has identified two more individuals who both possess professional accounting qualifications, that may potentially be suitable candidates as independent directors of the Company, and the Company is likewise hoping to complete their appointments before August 30, 2023. The Nomination Committee will act in accordance with the Terms of Reference of the Nomination Committee to assess the suitability of the appointment of these two candidates to the Board, including the determination of their independence.

Mr. Tang and Mr. Tong will continue to serve on the Audit Committee until August 30, 2023 and November 1, 2023 respectively. In respect of the reasons for Mr. Tang and Mr. Tong's resignations, please see the response to SGX RegCo's Query 4, below. The Company has adopted certain measures to avoid or mitigate the conflicts of interest with the new controlling shareholders of the Company, including but not limited to those set out in the Company's announcement dated May 19, 2023, titled "Changes to the Board and Board Committee Composition" (the "**May 19 Announcement**"). The Company will implement further measures as and when appropriate.

With the foregoing appointments of the four new independent directors in August 2023 (prior to Mr. Tang and Mr. Tong ceasing to be directors of the Company), it is expected that all the committees which have been established by the Board (namely, the Audit Committee, Nomination Committee, Remuneration Committee, Compliance Committee, and Employee Share Option Committee) will be adequately constituted. As with the existing practice of the Company, and to ensure an appropriate additional check and balance on the management and the Board, the incoming independent directors will be appointed to the three key Board committees (namely, the Audit Committee, Nomination Committee and Remuneration Committee). Thereafter, the Company will comply with Rule 704(8) of the Singapore Listing Manual, which provides that in the event of any retirement or resignation which renders the Audit Committee unable to meet the minimum number of directors (i.e. not less than three), the Company should endeavor to fill the vacancy within two months, but in any case, not later than three months. In addition, the outgoing independent directors, Mr. Tang and Mr. Tong, will conduct the appropriate handover of duties to facilitate the onboarding of the incoming independent directors, and to ensure that the Company will during the transition period have a functioning Audit Committee to carry out its duties.

In respect of the new CFO and Company Secretary, The Company is still presently looking for suitable replacements and intends to appoint the new CFO and Company Secretary by September 2023. Please also refer to the Company's responses to SGX RegCo's Query 2 below in relation to the Company's plans on how the finance function of the Company will be headed if no suitable CFO is appointed by Mr. Leung Hon Shing's effective date of resignation on November 2, 2023.

SGX RegCo's Query 2:

Noting that Mr. Leung Hon Shing, the Company's executive director, Chief Financial Officer ("CFO") and Company Secretary, will be stepping down on 2 Nov 2023, please disclose who will be heading the Finance function and how the Company will be able to meet the requirements under Listing Rule 103(1) in terms of the minimum standards of quality, operations, management experience and expertise in relation to the Board and to the Finance Function;

Company’s Response:

In the event that no new CFO is appointed at the time Mr. Leung Hon Shing (“**Mr. Leung**”) steps down, Ms. Kwok Siu Ling (“**Ms. Kwok**”) and Mr. Chan Fan Cheong (“**Mr. Chan**”) will be heading the finance function until the new CFO is appointed.

Ms. Kwok is presently the Financial Controller of the Group. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She joined the Company in 2007 and in her role as Financial Controller of the Group has undertaken a broad portfolio in the Company, and her scope of work includes managing the Group’s accounting, forecasting and budgeting and taxation matters and monitoring the Group’s internal controls. In carrying out her role, she works closely with the Board, the Company’s internal auditors and external auditors and ensures compliance with regulatory bodies. Ms. Kwok has also been assisting the CFO in corporate governance matters and preparing financial and related reports to the Board and the Audit Committee. Prior to joining the Company, she worked in a major subsidiary of one of the largest companies listed on the Main Board of The Stock Exchange of Hong Kong Limited and a local accounting firm, from which she gained extensive accounting, financial planning and analysis and auditing experience.

Mr. Chan is presently the General Manager of Risk Management of the Group. He obtained a master’s degree in professional accounting from the Open University of Hong Kong. He joined the Company in 2002 and his scope of work includes managing the Group’s financial management and risk management. Prior to joining the Company, he worked in a global electronic components’ distribution company, from which he gained extensive credit control and risk management experience.

Therefore, the Company believes that it will be able to maintain the appropriate standards of quality, operations, management experience and expertise in relation to its Finance function, in compliance with Rule 103(1) of the Singapore Listing Manual.

SGX RegCo’s Query 3:

In its announcement dated 2 August 2023 relating to the resignation of Mr. Leung Hon Shing, the Company stated that “[Mr. Leung] had tried his best efforts to bridge the communication gap with the new leadership... in view of the lack of alignment with the new leadership, he has difficulty in discharging his duties effectively.” Please disclose:

- a. Details on what the “communication gap” refers to and the “best efforts” and actions that Mr. Leung has taken to bridge this gap;*
- b. Details on what the “lack of alignment with the new leadership” refers to and how this has made it difficult for Mr. Leung to discharge his duties effectively, and specify clearly the duties that Mr. Leung finds difficult to discharge.*

c. Why the above do not constitute “unresolved differences in opinion on material matters with the Board”, in particular, considering that they make it difficult for the duties of the CFO and Company Secretary to be discharged effectively.

Company’s Response:

The Company understands from Mr. Leung the following:

- a. The “communication gap” referred to by Mr. Leung mainly relates to the wide difference in views between Mr. Leung and Mr. Xie Lishu (“**Mr. Xie**”) on (i) the implementation of conflict of interest measures within the Board and within the Group; and (ii) the maintenance of good corporate governance practices and procedures in accordance with the code provisions of the Hong Kong Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities and the Singapore Code of Corporate Governance 2018, in light of the fact that Mr. Xie and Ms. Huang Shaoli (“**Mrs. Xie**”), who are the non-executive directors of the Board, together are running another business which is a competing business with the Company (the “**Competing Business**”). Please refer to the May 19 Announcement for further details.
- b. In Mr. Leung’s view, the starting point of the differences in opinions related to the appointment of Mr. Xie and Mrs. Xie as directors of the Company. Despite the fact that Mr. Xie and Mrs. Xie have been running the Competing Business and that Mr. Leung had explained to Mr. Xie that it would be in the best interest of the shareholders of the Company for Mr. Xie and Mrs. Xie to be appointed as non-executive directors of the Board (instead of executive directors) to avoid actual or potential conflict of interests when they are discharging their duties as directors of the Company, Mr. Xie sought and insisted shortly after becoming the substantial shareholder of the Company that Mr. Xie and Mrs. Xie were to be appointed as executive directors of the Board. The Nomination Committee unanimously declined to accept this request and instead recommended Mr. Xie and Mrs. Xie be appointed as non-executive directors of the Company with Mr. Xie being appointed as chairman of the Board.
- c. Further, on separate occasions in June and July 2023, it was brought to Mr. Leung’s attention that Mr. Xie and Mrs. Xie have taken initiatives to intervene in the daily operations of the Group in various areas. In this respect, Mr. Leung recalled that he had sincerely reminded and explained with his best effort to Mr. Xie that non-executive directors should not be involved in daily operations, and Mr. Xie and Mrs. Xie should observe the non-competition requirements and other obligations under the Undertaking as described in the May 19 Announcement. The aforementioned interventions were eventually guarded as Mr. Leung (together with other senior management) have taken or caused to be taken corresponding measures in a timely manner. The implementation of those measures, from Mr. Leung’s perspective, created a bigger conflict between Mr. Xie and Mr. Leung.

Since then, Mr. Xie had expressed on various occasions, including in a monthly board meeting between executive directors and non-executive directors, that Mr. Leung had no alignment with him and he just could not communicate with Mr. Leung. As such, Mr. Leung found it difficult to work smoothly and effectively with Mr. Xie.

- d. Mr. Leung has been standing firm in his professional viewpoint to ensure the Company's compliance with applicable laws and regulations (including the listing rules) on all occasions. Mr. Leung is of the view that the Board is still able to operate and manage the business of the Company, however, it has become difficult for Mr. Leung to work smoothly and effectively with Mr. Xie following the foregoing events. As such, Mr. Leung believes that it is an appropriate time juncture to step down from his roles and for the Board to appoint suitable candidates to take on his roles.

In response to Mr. Leung's account above, the Company receives from Mr. Xie the following statements as a reply:

To date, I do not have any conflict of interest with the Company that have not already been addressed, and I am concerned with the current competitiveness of the Company in the industry. I hope to enhance the competitiveness of the Company through the Board and based on my knowledge of the industry.

SGX RegCo's Query 4:

In its announcement dated 31 May 2023 relating to the resignation of Mr. Kenneth Tang and dated 1 August 2023 relating to the resignation of Mr. Tong Kai Cheong, the Company stated that he "resigned due to his belief that the Company's next phase of development should be helmed by a refreshed Board after recent significant shareholding and leadership change of the Company". Please explain and provide details what the next "phase of development" involves. Please also explain why it requires a refreshed Board to helm this and why the current Board is unable or unwilling to perform its duty to oversee this.

Company's Response:

The reasons informed by Mr. Tang and Mr. Tong to the Company relating to their respective resignation are quoted directly as follows:

Mr. Tang's statements:

I tendered my resignation as a director on May 30, 2023. This was after the new controlling shareholder was appointed as a director and as chairman of the Board on May 20, 2023. My resignation is effective three months later, on August 30, 2023. As of now, I remain a director of the Company and intend to discharge all my functions and duties as an independent director of the Company, chairman of the Nomination Committee, and as a member of the Audit Committee, Remuneration Committee, and Compliance Committee until August 30, 2023.

Two changes took place: (i) a change of the controlling shareholder of the Company (being the single largest shareholder of the Company) and (ii) a change in the leadership of the Company. The new controlling shareholder had acquired his controlling stake from the founder of the Company. It is clear that this event marks a new chapter in the Company's development. Indeed, in his chairman's statement in the Annual Report 2022/23, the new chairman has stated that he will take the Company to the next level of growth, and from the message of the previous chairman (who is also the founder of the Company) in that same annual report, it is also clear that this change of controlling ownership and leadership is a passing of the baton to the next generation to take the Group onward to the next lap. This will be the next phase of the Company's development.

The new controlling shareholder and chairman is new to the Company but he is an experienced industry player in China, with more than two decades of experience in the electronics industry. He is also the chairman of a listed company in China in this industry. He will have his own ideas on the direction and strategy that the Company should pursue going forward to improve and grow the Company, and how this should be carried out. What this would entail will have to be deliberated by, decided on and overseen by the Board in due course under the leadership of the new chairman; suffice to say for now that any new direction or strategy will involve change. This is even more pertinent given the current challenges facing the electronics industry.

It is my view that, practically and realistically, for such change to happen more meaningfully and effectively, new directors with new ideas, outlook and experiences are needed. This is because they will be better able to bring fresh perspectives and energy, uninfluenced and less constrained by past thinking and practices, to lead and effect such change and helm future growth, and to constructively challenge existing views held by the Board and management. This can only be achieved through Board renewal, hence my decision to step down from the Board.

Mr. Tong's statements:

Through my tenure as director of the Company, I am of the view that the Company had been a well-balanced company with emphasis in both financial and regulatory management and sales. I understand that the new controlling shareholder is more sales focused. Therefore, I anticipate that the Company may experience a change in corporate culture to becoming more sales oriented. This is what I meant as "next phase of development".

In addition, Mr. Xie and Mrs. Xie are native Mandarin speakers. After their appointments to the Board, Mandarin has become the main communication language. Naturally, it is likely that directors who are proficient in Mandarin may be appointed to fill up the vacancies on the board. The directors would ideally have to be fluent in Mandarin in order to communicate effectively in the board meetings. This is what I meant by the "refreshed board". As I am not a fluent Mandarin speaker, I find myself difficult in communicating effectively in the board meetings.

SGX RegCo's Query 5:

Please disclose if there will be any significant material changes in the Company's business profile, including the nature of its business, which require so much of the board to announce their resignations within a few months and the Board's basis of opinion for needing such a significant overhaul of directors.

Company's Response:

As at the date of this announcement, the Company does not anticipate that there will be significant material changes in the Company's business profile, including the nature of its business in the near future.

SGX RegCo's Query 6:

Please disclose the details of the new substantial shareholder, Texin (Hong Kong) Electronics Co. Limited ("Texin"), including:

- a. Size of the Company by employee count;*
- b. Nature of the business and markets it operates in; and*
- c. Whether any conflicts of interest between Texin and the Company may arise due to the nature of its business.*

Company's Response:

The Company understands from Mr. Xie and Mrs. Xie, being the current directors of Texin, the following information in relation to Texin, which has not been independently verified by the Company:

- a. Texin has about 90 employees
- b. Distribution of electronic components for automotive industry and operate in the Peoples's Republic of China.

Based on the information currently available to the Company, the Company is not presently aware of any actual or potential material conflict of interest between Texin and the Company, which has not already been avoided or mitigated (as the case may be) by the measures so far taken by the management of the Company.

Texin is wholly owned by Kunshan Archer Electronics Co. Ltd, which is in turn wholly owned by Shanghai YCT Electronics Group Co. Ltd, which is a company listed on the ChiNext Board of the Shenzhen Stock Exchange since November 2021.

By Order of the Board
Willas-Array Electronics (Holdings) Limited
Leung Hon Shing
Executive Director and Company Secretary

Hong Kong/Singapore, August 10, 2023

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Xie Lishu (Chairman) and Huang Shaoli; two Executive Directors, namely Hon Kar Chun (Managing Director) and Leung Hon Shing; and two Independent Non-executive Directors, namely Tang Wai Loong Kenneth and Tong Kai Cheong.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.