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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)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of Willas-Array Electronics (Holdings) Limited dated December 1, 2023 (the “**Announcement**”) on the continued connected transactions in relation to the Master Supply Framework Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

This announcement is published for the purpose of providing supplemental information on the continuing connected transactions in relation to the Master Supply Framework Agreement.

PRICING BASIS

As disclosed in the Announcement, the prices of semiconductor electronic component products provided by the Group as the supplier to Shanghai YCT Group as the purchaser are not fixed and determined on a cost-plus basis, which is determined by the direct costs of the semiconductor electronic component products acquired by the Group plus a profit margin to be agreed upon. The Company estimates the gross profit margin of the continuing connected transactions to be in the range of approximately 6.9% to 16.6%, with reference to the (i) the gross profit margin of previous transactions of supplying similar semiconductor electronic component products to other independent third parties; (ii) the expected market demand and level of competition during the term of the Master Supply Framework Agreement; and (iii) with reference to the credit terms at which such products are supplied.

INTERNAL CONTROL PROCEDURES

In addition to the internal control policies disclosed in the Announcement, the sales team shall be responsible for monitoring the market price movements and reviewing the gross profit margin (by comparing selling prices of similar semiconductor electronic component products sold to other customers of the Group which are independent third parties for every sales order) to ensure the prices of the purchase orders are in line with the pricing policies. The purchase orders will then be submitted to the general manager of the marketing department (the “**General Manager**”) for approval. The General Manager shall determine whether the terms of the continuing connected transactions are fair and reasonable and conducted in accordance with the Master Supply Framework Agreement and assess the Group’s capacity to undertake the purchase orders.

To ensure the continuing connected transactions contemplated under the Master Supply Framework Agreement would not exceed the annual cap, each relevant department shall nominate a senior manager/staff to be the responsible person (the “**Responsible Person(s)**”) to report to the company secretary of the Company (the “**Company Secretary**”) on a monthly basis the amount of continuing connected transactions incurred. In the event that the Responsible Person receives any information that the approved annual cap may be exceeded, such information will also be reported, alongside with the proposed response (i.e. revision of the annual cap(s)) to the Company Secretary, which such information shall be compiled and presented to the Board for deliberation and approval, and the Company will comply with the relevant announcement and/or shareholders’ approval requirements in accordance with the Hong Kong Listing Rules.

REASONS AND BENEFITS OF ENTERING INTO THE MASTER SUPPLY FRAMEWORK AGREEMENT

As the Company is seeking new opportunities to expand its sales channels and improve its inventory levels in order to cope with the competitive market environment, it was brought to the attention of the Board during its meeting discussions that there is possible interest from Shanghai YCT Group to purchase semiconductor electronic component products sourced by the Group. Upon receiving such interest from Shanghai YCT Group, Mr. Xie Lishu and Ms. Huang Shaoli (the “**Abstained Directors**”) pursuant to their non-competition undertakings provided in favour of the Company as disclosed in the announcement dated May 19, 2023, have recused themselves from participating in the discussions and abstained from voting on resolutions of the Board for approving the Master Supply Framework Agreement and the transactions contemplated thereunder and shall not participate in the management of such transactions. The members of the Board who do not have interest in the transactions (the “**Independent Board**”) were responsible for reviewing and approving the entry into the Master Supply Framework Agreement.

As there were no historical transactions between the Group and Shanghai YCT Group, it was proposed by Shanghai YCT Group to initially commit to a shorter agreement term to allow parties to observe market developments and assess/monitor whether the transactions conducted are satisfactory to the parties. The Independent Board, having considered the information made available, also noted that it is normal industry practice that new customers may request a shorter agreement term. The Company shall constantly assess and monitor the transactions contemplated under the Master Supply Framework Agreement and based on the (i) outcome of such transactions; (ii) prevailing market conditions; and (iii) the financial position of the Group, decide whether to extend and/or revise the terms of the Master Supply Framework Agreement accordingly.

As mentioned above, the Abstained Directors have provided non-competition undertakings in favour of the Company effective upon their appointment. In accordance with the non-competition undertaking:

- (i) each Abstained Director has recused himself/herself from participating in the discussions and abstained from voting on the resolutions of the Board for approving entry into the Master Supply Framework Agreement and transactions contemplated thereunder;
- (ii) the Independent Board was responsible for deciding, in the absence of the Abstained Directors, regarding the transactions contemplated under the Master Supply Framework Agreement; and
- (iii) the independent non-executive Directors have been provided the financial information and other information and professional advice they have requested in relation to the Master Supply Framework Agreement in order to make an informed decision.

The Company expects that the entering into Master Supply Framework Agreement between the Group and Shanghai YCT Group may (i) improve the Group's financial position; and (ii) allow the Group to explore new sales channels for its semiconductor electronic component products.

Based on the assessment by the Independent Board, the Board (less the Abstained Directors) considers that the Abstained Directors have complied with the non-competition undertakings and that the terms of the Master Supply Framework Agreement and the proposed annual cap are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

By Order of the Board
Willas-Array Electronics (Holdings) Limited
Fan Qinsheng
Executive Director

Hong Kong/Singapore, December 14, 2023

As at the date of this announcement, the Board comprises two non-executive Directors, namely Xie Lishu (Chairman) and Huang Shaoli; one executive Director, namely Fan Qinsheng; and four independent non-executive Directors, namely Chong Eng Wee, Lau Chin Huat, Tso Sze Wai and Jiang Maolin.

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