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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 December 12, 2023.

For and on behalf of

Willas-Array Electronics (Holdings) Limited

Fan Qinsheng

Executive Director

Hong Kong, December 12, 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, Fan Qinsheng; and four Independent Non-executive Directors, namely Chong Eng Wee, Lau Chin Huat, Tso Sze Wai and Jiang Maolin.

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**RESPONSES TO QUERIES
FROM SINGAPORE EXCHANGE REGULATION ON THE COMPANY'S
ANNOUNCEMENTS IN RELATION TO THE UNAUDITED INTERIM
RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023**

Willas-Array Electronics (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has received certain queries (collectively the “**Queries**”) from Singapore Exchange Regulation (“**SGX RegCo**”) on December 6, 2023 regarding the announcement dated November 30, 2023 in relation to the unaudited interim results for the six months ended September 30, 2023 (the “**Announcement**”). 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 Announcement.

SGX RegCo’s Query 1:

Please disclose the reasons for the impairment losses for trade receivables, and the reversal of provision for impairment loss previously recognized on amount due from an associate that amounted to HK\$8.4 million in 30 September 2023. To also disclose the details of the associate that include its name, Company's shareholding interest in it and whether its shareholders, directors and key managements have any relationship with the Company's shareholders, directors and key managements.

Company's Response:

The impairment losses for trade receivables amounting to approximately HK\$9.6 million were due to expected credit losses impairment assessment on an individual basis for long overdue debtors and on a collective basis. The reversal of provision for impairment loss previously recognized on amount due from an associate was due to repayment amounting to approximately HK\$1.2 million from the associate during 1H FY2024.

The Company holds 49% shareholding interest in the abovementioned associate, GW Electronics Company Limited (“**GWE**”). Mr. Hon Kar Chun (“**Mr. Hon**”) and Mr. Leung Hon Shing (“**Mr. Leung**”), previously executive directors of the Company, were two of the directors in GWE as at September 30, 2023. Mr. Hon and Mr. Leung resigned as directors of GWE on November 2, 2023. Mr. Xie Lishu and Ms. Huang Shaoli, substantial shareholders of the Company under Hong Kong Listing Rules and controlling shareholders of the Company under the listing manual of SGX-ST as well as directors of the Company, were both appointed as two of the directors in GWE with effect from November 2, 2023. Save as disclosed above, GWE's shareholders, directors and key managements have no relationship with the Company's shareholders, directors and key management.

SGX RegCo's Query 2:

The Company reported HK\$797.7 million of Trade Receivables that comprises of 54% of the Company's current assets in 30 September 2023. Please disclose:

- (i) the Company's plans to recover the trade receivables;*
- (ii) whether they are major customer(s) and whether the Company continues to transact with these customer(s);*
- (iii) How long are the debts outstanding and in which period the sales were reported;*
- (iv) What were the actions taken to recover the trade and other receivables; and*
- (v) The Board's assessment of the recoverability of the remaining trade receivables.*

Please also explain how does the higher debtors turnover days of 3.6 months as at 30 September 2023 result in a corresponding decrease in trade receivables by HK\$8.3 million to HK\$797.7 million in 30 September 2023.

Company's Response:

- (i) The Company delegated a team (“**Credit Team**”) to follow up on the trade receivables and monitor payment from customers. Follow-up action includes sending reminders or demand letters, negotiating repayment plans with customers, and/or taking legal actions against customers with long overdue debts. Besides, the Company has also insured debts owing by certain trade debtors with credit insurance agencies with insurance coverage which was negotiated between the Company and the agencies based on the credit quality of respective debtors.

(ii) They are mainly major customers and the Company continues to transact with these customer(s).

(iii) The following table sets out the invoice aging amounts and their corresponding periods when the sales were reported:

	As at September 30, 2023 HK\$'000 (Unaudited)	Periods in which the sales reported
Within 60 days	461,938	1H FY2024
61 to 90 days	106,083	1H FY2024
91 to 180 days	211,759	1H FY2024
Over 180 days	17,957	FY 2023
Total	797,737	

(iv) The following actions have been taken to deal with the trade and other receivables: The Credit Team has closely monitored the customers and followed up with the customers on a regular basis. See also paragraph (i) above and (v) below in the Company's response to SGX RegCo's Query 2.

(v) (a) The Company has internal controls and monitoring mechanisms related to trade receivables. The Credit Team is responsible for determining credit limits and credit approvals for each of the relevant customers. Credit limits and credit assessments are reviewed on a regular basis, including reviewing the aging of receivables, analysing historical collection patterns, and considering credit risk factors such as customer creditworthiness and economic conditions. (b) The Credit Team monitors and follows up with the relevant customers on an on-going basis. (c) In addition, the Company performs individual impairment assessment under ECL model on trade receivables that are credit-impaired. Except for trade receivables that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Company's internal credit ratings, the aging and/or past due status of respective trade receivables. (d) The management of the Company reviews the assessment of impairment losses based on the information from the Credit Team. (e) Based on the above, the Board deemed that a thorough assessment of the recoverability of the remaining trade receivables has been conducted and considered the impairment losses to be accurate. The Board is of the opinion that the remaining trade receivables are very likely to be recoverable.

The debtor turnover days can be calculated by dividing the average trade receivables by sales and then multiplying it by the number of days. The higher debtor turnover days are due to lower sales in 1H FY2024. Meanwhile, there was also a decrease in trade receivables by HK\$8.3 million to HK\$797.7 million. The decrease is mainly attributed to lower sales and impairment losses on trade receivables amounting to approximately HK\$9.6 million.

SGX RegCo's Query 3:

The Company stated under Note 9 that 31-60 days trade payables increased by 26% to HK\$161.7 million as at 30 September 2023. Please disclose the reason for the increase considering that the Company's cost of sales had declined by 19.6% to HK\$1,297.5 million as at 30 September 2023, as well as whether the counterparties are related parties.

Company's Response:

The increase in 31-60 days trade payables of HK\$161.7 million is mainly attributable to an increase in the gross amount of inventories by approximately HK\$55.8 million to HK\$650.2 million before allowances for inventory provision amounting to approximately HK\$44.4 million as at September 30, 2023 compared to HK\$594.4 million before allowances for inventory provision amounting to approximately HK\$8.1 million as at March 31, 2023. However, the decline in cost of sales by 19.6% is mainly due to decrease in sales in 1H FY2024.

SGX RegCo's Query 4:

Given the Group's significant liabilities of HK\$1,174.3 million and cash and cash equivalents of only \$58 million and noting that the Company incurred losses of \$95.2 million in 1H2024, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of HK\$1,145.0 million, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

- (i) The Board has conducted an assessment of the Company's current assets in relation to its short-term liabilities of HK\$1,145.0 million. This assessment takes into account various factors, including the Company's cash flow projections, liquidity position, and ability to generate additional funds such as unutilised banking facilities amounting to approximately HK\$273.0 million as at September 30, 2023.

Based on the Board's assessment, the Company believes that its current assets, including cash and cash equivalents and unutilised banking facilities, are adequate to meet its short-term liabilities. The management has also implemented measures to improve cash flow, manage working capital, and explore other potential funding sources to ensure the Company's ability to fulfill its payment obligations.

- (ii) The Company recognises the importance of fulfilling its significant payment obligations in the next 12 months. To address these obligations, the management has developed appropriate strategies and actions, which include:

Cash flow management: The Company is focused on optimising cash flow through stringent expense management, efficient collection of receivables, reducing purchases and inventories, and monitoring of working capital requirements.

Financing arrangements: The management is actively exploring financing options to secure additional funding if necessary. This involves negotiations with existing lenders, seeking new sources of capital, and/or considering alternative financing arrangements.

Debt repayment plans: the Company has devised specific debt repayment plans to fulfill its obligations, and closely monitored the repayment obligations and constantly communicated with the suppliers and banks for the debts repayment. As the date of this reply, the Company is on track to fulfilling these obligations.

SGX RegCo's Query 5:

The Company mentioned that finance costs mainly comprises interest expenses on inter alia, trust receipt loans, had increased by 113.7% to HK\$31.6 million in 1H FY2024. However, the Company further stated that trust receipt loans had decreased 39% to HK\$456.5 million in 30 September 2023. Please explain the discrepancy.

Company's Response:

Although the trust receipt loans had decreased to HK\$456.5 million as at September 30, 2023, interest expenses for the trust receipts loans were approximately HK\$21.5 million for 1H FY2024 compared to HK\$10.3 million for 1H FY2023. Such increase in interest expenses was mainly due to the weighted average effective interest rates for the trust receipts loans of 7.75% as at September 30, 2023 compared to 4.85% as at September 30, 2022, representing 59.8% increase in the weighted average effective interest rate.

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

Hong Kong/Singapore, December 12, 2023

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