Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Willas-Array Electronics (Holdings) Limited

Security: Willas-Array Electronics (Holdings) Limited

Meeting details:
Date: 27 July 2018
Time: 9.30 a.m.
Venue: Mandarin Orchard Singapore, Grange Ballroom, Level 5, Main Tower, 333 Orchard Road, Singapore 238867

Company Description

Willas-Array Electronics (Holdings) Limited, an investment holding company, distributes electronic components for industrial, audio and video, telecommunication, home appliances, lighting, electronic manufacturing, and automotive segments. The company distributes automotive electronics, smart lighting and motor control products, smart home products, industrial electronics, security applications, wireless modules, fluorine chemical, etc. It is also involved in the provision of engineering solutions; and technical solutions, including wireless module, automotive, motor control, smart meter, white goods, power/LED lighting, and audio solutions. In addition, the company engages in the property holding activities; and provision of transportation, and management and consultancy services. It operates in Mainland China, Hong Kong, and Taiwan. Willas-Array Electronics (Holdings) Limited was founded in 1981 and is headquartered in Kwai Chung, Hong Kong.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BDR)

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1. Would the board/management help shareholders better understand the operations of the group? Specifically:

(i) **Cash flow:** Even as the group reported profit before tax of HK$132 million in 2018 and HK$46 million in 2017, the net cash used in operations was HK$(158) million in 2018 and HK$(141) million in 2017 as the group continues to invest heavily in the growth. Debtor turnover days increased from 1.9 months in 2016, to 2.4 months in 2017 and to 2.6 months in 2018. **Does the board consider it prudent to take on increasing market risks and credit risks? What guidance has the board given to management to focus on the strength of its financial position and not to be over-leveraged?**

(ii) **Inventory turnover days:** With the increased business volume, the group managed to reduce the inventory turnover days from 2.0 months to 1.7 months. **Can the group further improve its inventory turnover so as to reduce its inventory risks?**

(iii) Trade tension: Has the board/management carried out a risk assessment/scenario planning on how increased trade tension/trade war may affect the group's operations? What is the worst-case impact on the group's earnings and liquidity?

2. The "Recoverability of trade receivables" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 81). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the carrying amount of the group's trade receivables was approximately HK$878,576,000, net of allowance for doubtful debts of HK$4,450,000 as at 31 March 2018. The aging of trade receivables past due but not impaired was HK$242,619,000 as at 31 March 2018, up from HK$151,698,000 a year ago. 99% of the trade receivables past due but not impaired was past due by less than 90 days.

(i) Can management elaborate further on the internal credit scoring system used to assess the potential customer's credit quality and to determine the credit limits of customers?

(ii) For customers with trade receivables past due but not impaired as at the reporting date, how does the group evaluate if there has been a significant change in credit quality?

(iii) Can the company provide a further breakdown of the trade receivables past due but not impaired by the outstanding amounts and by segments?

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3. Mr. Jovenal R. Santiago and Mr. Wong Kwan Seng, Robert were both first appointed to the board on 14 June 2001. Accordingly, Mr. Santiago and Mr. Wong have each served on the board for more than 17 years.

Guideline 2.4 of the 2012 Code of Corporate Governance states the following:

> *The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.*

(i) **Can the nominating committee (NC) explain in greater detail if a particularly rigorous review was carried out to assess the independence of the long tenured directors?**

(ii) **If so, can the NC elaborate further on how the particularly rigorous review was carried out?**

(iii) **Can the NC also confirm that no independent director was involved in the review of his own independence?**

Notwithstanding that the NC regards the two long tenured directors as independent, Guideline 2.4 calls for the board to "also take into account the need for progressive refreshing of the Board".

(iv) **What are the board's near-term plans to refresh the board membership progressively and in an orderly manner to avoid losing institutional memory?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=243

The company's response could be found here: -----