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**Issuer:** Willas-Array Electronics (Holdings) Limited

**Stock code:** BDR

**Meeting details:**

Date: 31 Jul 2024

Time: 9.30 a.m.

Venue: Level 3, Far East Group Building, 51 Ubi Ave 3, Singapore 408858

**Q1.** On 11 July 2024, the company announced that all the pre-conditions of the voluntary conditional cash offer by the offeror, Texin (Hongkong) Electronics Co. Limited, have been fulfilled. The offeror is ultimately beneficially and wholly owned by Shanghai YCT, a joint stock limited company established in the PRC and its shares are listed on the Shenzhen Stock Exchange (Stock Code: 301099) since 22 November 2021.

The offer for each share will be HK\$3.30 (or S\$0.566). The share offer shall be conditional upon the offeror holding more than 50% of the voting rights in the company as at the closing date.

- (i) **How was ZICO Capital Pte. Ltd. selected as the Singapore independent financial adviser? What criteria were used to ensure their independence and suitability for this role?**
- (ii) **Are the independent financial advisers (South China Capital Limited in Hong Kong and ZICO Capital Pte. Ltd. in Singapore) acting independently from each other? Will the independent board committee make distinct recommendations to shareholders in Hong Kong and Singapore, ensuring tailored and unbiased advice for each jurisdiction?**
- (iii) **When are the offer document and the board circular scheduled to be dispatched to shareholders? Have the actual dates been finalised?**

It is noted that the offer price was at a discount of approximately 58% and 50% over the audited and unaudited consolidated net asset value per share of the company of HK\$7.88 as at 31 March 2023 and HK\$6.56 as at 30 September 2023 respectively.

In addition, Texin had acquired its initial stake of 15 million shares from Max Power Assets Limited at HK\$10 per share on 30 March 2023.

- (iv) **Will the independent board committee be rigorously evaluating the offer, aided by advice from the independent financial advisers, given the significant discount to the NAV per share and the fact that Texin paid HK\$10 per share just 10 months before the 1 February Joint announcement? How will the committee ensure that shareholders' interests are fully protected?**

**Q2.** For the financial year ended 31 March 2024, the group reported revenue of HK\$2.66 billion and a loss attributable to shareholders of HK\$(169.2) million. Gearing has also increased to nearly 1x at the end of the reporting period. The FY2024 loss was so severe that it almost wiped out three years of profits from FY21 to FY23.

In the performance review, the group’s results were attributed to the global semiconductor market remaining in a downward cycle. There was also a change in control with new controlling shareholders and a refreshed executive team and board of directors since August 2023.

- (i) **Can the executive director help shareholders better understand his experience in electronic components distribution? What are the director’s roles and responsibilities and does the executive director have P&L responsibilities?** It is disclosed that the executive director was a senior manager of Shanghai YCT Electronics Group from October 2021 to July 2023 before joining the group as a financial manager in September 2023, before his appointment as executive director on 14 November 2023.

Excluding the stock provision of HK\$83.4 million, net impairment losses recognised under the expected credit loss model of HK\$7.8 million, and a net exchange loss of HK\$14.6 million, the adjusted loss attributable to owners of the company in FY2024 would have been HK\$63.4 million.

The allowance for inventories is a key audit matter (KAM) highlighted by the independent auditors in the independent auditor’s report. Significant management estimates and judgements are involved in determining the allowance for inventories. The carrying amount of the Group’s inventories was HK\$707,663,000, net of allowance for inventories of HK\$90,566,000.

Note 24 Inventories showed a single line stating that “Finished goods held for sale” was HK\$707,663,000 in 2024 (2023: HK\$586,266,000).

**24. INVENTORIES**

	2024 HK\$'000	2023 HK\$'000
Finished goods held for sale	<b>707,663</b>	586,266

(Source: company annual report)

- (ii) **How did the audit committee address the key audit matter (KAM) raised by the independent auditors regarding the allowance for inventories? What specific actions were taken to ensure the accuracy and adequacy of the allowance?**
- (iii) **What are the assumptions and findings of the inventory aging report, and how did the AC satisfy itself that the allowance was appropriate, neither excessive nor inadequate?**
- (iv) **Will management commit to including a detailed inventory aging analysis in the annual report to enhance transparency and provide shareholders with a clearer understanding of inventory management?**
- (v) **Can management help shareholders reconcile the figures of HK\$90,566,000 and HK\$83,389,000 as the actual allowance for inventories?**

12. (LOSS) PROFIT FOR THE YEAR		KEY AUDIT MATTER – continued	
(Loss) profit for the year has been arrived at or after charging:			
	2024	2023	
	HK\$'000	HK\$'000	
Cost of inventories recognised as expenses (Note i)	2,564,486	2,856,756	
Depreciation of property, plant and equipment	14,857	14,975	
Depreciation of right-of-use assets	7,928	7,944	
Directors' emoluments (Note 13)	5,067	7,841	
Audit fees			
– Paid to auditor of the Company	761	727	
– Paid to other auditors	2,056	2,020	
Non-audit fees			
– Paid to auditor of the Company	230	220	
– Paid to other auditors	739	762	
Staff costs (excluding directors' emoluments) (Note ii)	102,512	119,886	
Notes:			
(i)	During the year ended March 31, 2024, the amount included allowance for inventories amounting to HK\$83,389,000 (2023: reversal of allowance for inventories amounting to HK\$1,000,000).		


**KEY AUDIT MATTER – continued**

**Key audit matter**

**Allowance for inventories – continued**

The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that are obsolete and estimated the net realisable value for those items based on latest selling price.

As disclosed in Note 24 to the consolidated financial statements, as at March 31, 2024, the carrying amount of the Group's inventories was HK\$1,663,000, net of allowance for inventories of HK\$90,566,000



- (vi) **Is there a potential risk that the allowance for inventories could be reversed in the future? What circumstances could lead to such a reversal, and how would it affect the group's financial position given that there is an ongoing voluntary cash offer?**

**Q3.** At the annual general meeting scheduled to be held on 31 July 2024, the company is seeking shareholders' approval to re-elect four independent directors, namely Mr Chong Eng Wee<sup>1</sup>, Mr Lau Chin Huat<sup>2</sup>, Mr Tso Sze Wai<sup>3</sup> and Dr Jiang Maolin<sup>4</sup>.

Additional information on retiring directors seeking re-election can be found in the circular dated 8 July 2024<sup>5</sup>. The circular can be accessed at the following URL:  
<https://links.sgx.com/FileOpen/eWAE-20240705-Circular.ashx?App=Announcement&FileID=808936>

- (i) **Would the nomination committee (NC) elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the nominations and appointments of the independent directors, as required in the SGX template?**
- (ii) **Can the NC clarify if the new controlling shareholders had any influence on the nomination and selection of the independent directors, and if so, how this aligns with the company's commitment to maintaining an independent and effective board?**

In particular, ordinary resolution 3 pertains to the re-election of Mr Chong Eng Wee, who serves as the lead independent director, chairman of the nomination committee, as well as member of the audit committee, remuneration committee and compliance committee. Mr Chong Eng Wee is the managing director of a Chevalier Law LLC, partner of Nixon Peabody CWL, director of Heatec Jietong Holdings Limited, AJJ Medtech Holdings, China Yuanbang Property Holdings Limited and Polaris Limited.

- (iii) **Did the NC consider establishing guidelines on a reasonable and maximum number of directorships and principal commitments for directors, in line with the Practice Guidance dated 11 January 2023 to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore?**

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<sup>1</sup> <https://links.sgx.com/1.0.0/corporate-announcements/HNQ5KE967OMFNBW7/8abb4b602c7a875cc66c4e5cc4296bb0809e0027a7bc1ba7faffba7305d7c60e>

<sup>2</sup> <https://links.sgx.com/1.0.0/corporate-announcements/FTB8LVEKCBQEM00C/d11405e3d87afb15a4045047fa585ad39883fd7811524f4eceed75a6bb194a93>

<sup>3</sup> <https://links.sgx.com/1.0.0/corporate-announcements/MGFSG8BJJ9K093DZ/6b75fafd11fc4322a553e5e2b92b8cdf3dfa2e3ffff2c5469fba21979ea7b889>

<sup>4</sup> <https://links.sgx.com/1.0.0/corporate-announcements/SK4QX1LM9SKKUZA4/bb399b188c75799fab8302ee4b540946f867fcfd6bc9c1f4742a0805fd1e8c7>

<sup>5</sup>

- (iv) **As the lead independent director and NC chairman, does Mr Chong Eng Wee believe that his numerous roles are optimal, or could his multiple commitments lead to perceptions of overboarding?**
  
- (v) **If re-elected, would Mr. Chong Eng Wee be willing to reassess his other commitments to ensure full dedication to his board responsibilities, particularly during this critical period of significant losses and challenging market conditions for the group?**

*Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.*

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