

Willas-Array Electronics (Holdings) Limited
(Incorporated in Bermuda)
(Company registration number: 28969)

OPTIONS GRANTED TO MR. LEUNG CHI HANG, DANIEL PURSUANT TO THE WILLAS-ARRAY ELECTRONICS EMPLOYEES SHARE OPTION SCHEME II

This announcement relates to the grant of options to subscribe for ordinary shares of the Company ("**Options**") to Mr. Leung Chi Hang, Daniel ("**Daniel Leung**"), the General Manager for Information Technology and Logistics of Willas-Array Electronics (Holdings) Limited (the "**Company**") and together with its subsidiaries, the "**Group**", pursuant to the Willas-Array Electronics Employee Share Option Scheme II ("**ESOS II**").

Daniel Leung is the son of Mr. Leung Chun Wah ("**LCW**"), the Chairman and a controlling shareholder of the Company. He is therefore an associate of a controlling shareholder as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST Listing Manual**").

Background

The Company adopted the ESOS II on 11 June 2001. At all material times, a committee comprising directors of the Company (the "**Committee**") was duly authorised and appointed by the board of directors of the Company (the "**Board**") pursuant to the rules of the ESOS II to administer the ESOS II. Options were granted under the ESOS II in April 2002, May 2003, April 2004, November 2004 and October 2009.

On 1 September 2008, Daniel Leung was employed by the Company as the General Manager for Information Technology and Logistics, on the basis of his working experience and his educational qualifications. Daniel Leung was previously a Consultant at Accenture, a global management consulting, technology services and outsourcing firm and received his Bachelor of Science in Business Administration and Master of Business Administration from the Fisher College of Business at The Ohio State University.

On 2 October 2009, the Company made offers under the ESOS II to issue Options to several of its employees, including Daniel Leung, to recognise their contributions to the Group. At the time of the offer and grant of the Options under the ESOS II in October 2009, the Committee comprised LCW, Mr. Kwok Chan Cheung and Mr. Hung Yuk Choy. The grant of Options to Daniel Leung was in contravention of the rules of the ESOS II (which did not permit the participation of controlling shareholders of the Company and associates of such persons) and without adherence to the additional procedural requirements prescribed by the SGX-ST Listing Manual.

A summary of the Options granted to Daniel Leung is provided in the table below.

| Person to whom the Options were granted | Number of ordinary shares of the Company (the "Shares") which are the subject of Options granted⁽¹⁾ | Number of Shares which are the subject of additional Options granted⁽²⁾ | Total number of Shares which are the subject of Options granted⁽³⁾ | Number of Shares available to grantee as a % of Shares available under the ESOS II |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Daniel Leung | 805,000 | 161,000 | 966,000 | 3.04% |

Notes:

- (1) By way of a letter of offer dated 2 October 2009 (the "**Letter of Offer**"), the Company had made an offer under the ESOS II to issue Daniel Leung an Option to subscribe for and be allotted 805,000 Shares at the price of S\$0.08 for each Share (the "**Original Exercise Price**"), exercisable from 2 October 2011. By way of an acceptance form dated 12 October 2009, Daniel Leung had accepted the Option on the terms of the Letter of Offer.
- (2) Following a rights issue undertaken by the Company in April 2011 (the "**Rights Issue**"), the number of Shares which were the subject of the Option granted to Daniel Leung in October 2009 was adjusted upwards to 966,000 Shares and the Original Exercise Price was adjusted downwards to S\$0.067 for each Share.
- (3) All Options granted to Daniel Leung under the ESOS II have not been exercised and remain outstanding.

Board acted honestly and in good faith

The Board wishes to emphasise that, the Committee and the rest of the Board acted honestly and in good faith at all times in respect of the grant of Options to Daniel Leung.

At the time of the grant of Options to some of its employees (including Daniel Leung) in October 2009, the Committee had formed the view that such grants was warranted and in line with the main objectives of the ESOS II. The Committee had evaluated the performance of the relevant employees to whom offers of Options were made and the contributions of such employees to the performance of the Group. The grants were, *inter alia*, to recognise these contributions. The grant of additional Options to optionholders (including Daniel Leung) in 2011 was made as an adjustment to the Options held by such optionholders at such time, pursuant to the Rights Issue. At no time was there any intention to mislead shareholders or to hide the fact of the grant of the Options to Daniel Leung.

Daniel Leung was employed on the basis of his working experience and educational qualifications and he acts independently of LCW at all times. Accordingly, Daniel Leung has been treated as an employee of the Group since his employment by the Company and it was overlooked by the Committee and the Board that he was an associate of LCW. Accordingly, it had been inadvertently disclosed in the Company's annual reports for the financial years ended 31 March 2009, 2010, 2011 and 2012 that there were no participants to the Willas-Array Electronics Employee Share Option Scheme I and the ESOS II who are controlling shareholders of the Company and their associates.

Discovery of the error

In March 2013, the Company announced its intention to seek a dual primary listing of its Shares on the main board of the Stock Exchange of Hong Kong Limited. Such an exercise would involve the amendment of its bye-laws and the adoption of a Chinese name as its secondary name. Accordingly, the Company had intended to seek shareholders' approval for such proposals, as well as approvals for the adoption of a share buy-back mandate and a new employee share option scheme, at a special general meeting to be held at a later time.

In the course of preparing the shareholders' circular in respect of these corporate exercises, it was brought to the Company's attention that the rules of the ESOS II restricted the participation of controlling shareholders and their associates in the scheme. The relevant rules in the SGX-ST Listing Manual (in particular Rules 845 and 853) governing the grant of Options to such persons under a share option scheme were also brought to the attention of the Company. It was at this stage that the Company realised that the grants of Options to Daniel Leung was neither authorised by the rules of the ESOS II nor were they granted in accordance with the relevant rules in the SGX-ST Listing Manual.

Upon discovering the error, the Company immediately sought legal advice on the rectification of the erroneous grant of the Options. In the meantime, Daniel Leung was requested not to exercise any of his outstanding Options.

Proposal to rectify the situation

Following legal advice on the matter, the Board has decided to embark on a course of action so as to restore the Company back to as close a position as possible as if the erroneous grant of Options had not taken place. This is notwithstanding the fact that the Committee was of the view, at the relevant time, that Daniel Leung deserved the benefits conferred on him through the grant.

Daniel Leung has also expressed his willingness to co-operate with the Company to put into effect its proposal to rectify the situation.

Outstanding Options

The Company intends to cancel all outstanding Options held by Daniel Leung as a result of the erroneous grant. This will be effected by way of a deed dated 21 May 2013 entered into by the Company and Daniel Leung acknowledging the rescission of the agreement between them relating to the Options granted to Daniel with neither party having any rights against the other in respect thereof.

Additional internal controls procedures

The Board takes the lapse in its oversight very seriously. In this regard, the Board intends to put in place additional procedures to tighten its internal controls over the grant of options under its employee share option schemes to ensure that such lapses will not recur. In particular, the Board intends to implement the following procedures going forward:

- (a) maintaining a register of the Company's controlling shareholders based on the disclosure of interest notifications received by the Company;
- (b) seeking a confirmation from any person to whom an offer of options may potentially be made under any of its employee share option scheme, that such person is not an associate of the Company's controlling shareholders; and
- (c) if it is contemplated that an offer of options may be made to an associate of a controlling shareholder and such person or the relevant controlling shareholder is a member of the Committee, that member of the Committee shall abstain from making any decision on the offer or grant of options to himself or his associate, as the case may be.

Conclusion

The Board deeply regrets the lapses in compliance with the rules of the ESOS II and the SGX-ST Listing Manual. It is of the view that the proposal to rectify the erroneous grant of Options and the proposal to implement additional internal controls, as described above, are in the best interests of the Company and that they do not prejudice the Company or its minority shareholders. Going forward, the Board will also consider the implementation of further appropriate measures to tighten its internal controls to ensure that such lapses will not recur.

BY ORDER OF THE BOARD

LEUNG Chun Wah
Chairman
Date: 21 May 2013