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WILLAS-ARRAY
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)

DISPOSAL OF INTEREST IN SUBSIDIARY

1. INTRODUCTION

- 1.1 The board of directors (the "**Board**") of Willas-Array Electronics (Holdings) Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that Willas-Array Investments Limited ("**WIL**"), an indirect wholly-owned subsidiary of the Company, has, on November 4, 2016, entered into an agreement (the "**Sale and Purchase Agreement**") pursuant to which WIL shall dispose to ValenceTech International Limited (the "**Purchaser**") of WIL's entire interest in the issued shares of Noblehigh Enterprises Inc. ("**NEI**", together with its subsidiaries, the "**NEI Group**"), an indirect wholly-owned subsidiary of the Company (the "**Sale Shares**" and the "**Disposal**"). For the avoidance of doubt, the Purchaser is a third party not an interested person of the Company, and Chapter 9 of the Listing Manual (the "**Listing Manual**") of Singapore Securities Exchange Trading Limited (the "**SGX-ST**") is not applicable to the Disposal.
- 1.2 NEI is incorporated in the British Virgin Islands. The principal business of NEI and its subsidiaries is investment holding and design and trading of electronic components, in particular, integrated circuits, respectively. In order to produce up-to-date and market-relevant integrated circuit products for NEI Group's target market, NEI Group also undertakes extensive research and development ("**R&D**").
- 1.3 Following completion of the share transfer of the Sale Shares to the Purchaser under the laws of the British Virgin Islands, NEI and its subsidiaries shall cease to be subsidiaries of the Company.

2. RATIONALE FOR, AND BENEFITS OF, THE DISPOSAL

- 2.1 As mentioned in paragraph 1.2, the NEI Group's business involves the design of integrated circuits for the audio equipment market. Before it is able to produce up-to-date and market-relevant integrated circuit products for the NEI Group's target market, the NEI Group needs to invest substantially in R&D expenditure, which includes the hiring of specialised staff and purchasing highly specialised equipment for this purpose. Given the nature of R&D, a significant portion of such expense will be incurred upfront even before the NEI Group has any certainty as to the commercial viability of the product for its target market. Given the speed of technology obsolescence in the electronics industry, the NEI Group also has to continually incur such expenditure in order to maintain the relevance of its integrated circuit product offerings for the market.
- 2.2 The NEI Group's current integrated circuit products were designed several years ago, and are facing the mounting issue of technology obsolescence. To address this, the NEI Group presently has a number of proposed projects in the pipeline which will require said significant up-front investment in order to determine if these projects should progress to production for market (or terminated, if not commercially viable). The Board does not have any certainty or confidence that any of these proposed projects will in fact yield results or be fit-for-production, and therefore, after having assessed the situation, the Board has determined that the Company shall not continue allocating resources to finance the NEI Group's business in this respect.
- 2.3 In addition, as such projects typically have long gestation periods and sales of the audio equipment market has been shrinking in the past several years, the Board does not anticipate that the NEI Group will be likely to achieve profitability (if any) for the launch of the new product offerings in the near term and therefore the Board is not comfortable with devoting more resources in this field. Given the reasons discussed above, the Board is also of the view that the profitability of the NEI Group will be under significant pressure in future, in particular, over the next few years. The Board is therefore of the view that an exit from the NEI Group business would be in line with the Group's long term strategy.

3. KEY SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENT

Key salient terms of the Sale and Purchase Agreement include the following:

- 3.1 The cash consideration payable by the Purchaser to WIL for the Sale Shares under the Sale and Purchase Agreement (the "**Consideration**") is HK\$900,000. The Consideration was arrived at after arm's length negotiations between WIL and the Purchaser on a willing-buyer, willing-seller basis, taking into consideration the net asset value ("**NAV**") of the Sale Shares. The Company intends to use the cash proceeds received from the Disposal for general working capital purposes.

- 3.2 The Sale and Purchase Agreement provides that the Consideration shall be paid by the Purchaser in instalments as follows: (a) the first HK\$200,000 to be paid on or before date of completion (being November 4, 2016, or such other date as the parties may agree in writing); (b) the next HK\$200,000 to be paid on or before November 28, 2016; and (c) thereafter, from end of December 2016 onwards up to and including end of September 2017, the remaining amount to be paid in monthly instalments of HK\$50,000 each. The Purchaser's instalment payment obligations and all of the Purchaser's other obligations under the Sale and Purchase Agreement have been irrevocably and unconditionally personally guaranteed (without offset or deduction, both jointly and severally) by two of the individual shareholders of the Purchaser.
- 3.3 Completion of the Sale and Purchase Agreement is conditional upon all necessary consents and approvals required to be obtained on the part of each of WIL and the Purchaser respectively having been obtained.
- 3.4 The Purchaser (and its affiliates) has also undertaken to purchase from Willas-Array Electronics (Hong Kong) Limited ("**HWA**") (an indirect wholly-owned subsidiary of the Company) a certain amount of audio application specific products under the ValenceTech brand (the "**ASP Goods**") (as listed in the Sale and Purchase Agreement) at cost plus up to 3 per cent margin (or such other price negotiated between the Purchaser (and its affiliates) and HWA), and not to newly manufacture or package ASP Goods until the ASP Goods held by HWA have been sold to the Purchaser.

4. ILLUSTRATIVE FINANCIAL EFFECTS OF THE DISPOSAL

- 4.1 **For illustrative purposes only**, the financial effects of the Disposal as set out below are prepared based on the latest audited consolidated financial results of the Group for the financial year ended March 31, 2016 ("**FY2016**") (the "**Audited FY2016 Results**") and are subject to the following key assumptions:
- (a) the effect of the Disposal on the Group's consolidated loss per share in the capital of the Company ("**Share**") ("**LPS**") is based on the assumption that the Disposal had been effected at the beginning of FY2016; and
 - (b) the effect of the Disposal on the Group's consolidated NTA per Share is based on the assumption that the Disposal had been effected at the end of FY2016.
- 4.2 The illustrative financial effects set out below are theoretical in nature and for illustrative purposes only, and are therefore not indicative of the actual or potential financial performance, financial position or earnings of the Group after the completion of the Disposal:
- (a) *LPS*

Based on the assumptions in paragraph 4.1 above, the Group's consolidated LPS would increase from HK94.90 cents to HK98.01 cents as a result of the Disposal.

(b) *NTA per Share*

Based on the assumptions in paragraph 4.1 above, the Group's consolidated NTA per Share would increase from HK735.39 cents to HK745.48 cents as a result of the Disposal.

4.3 The book value, net tangible asset ("**NTA**") value and NAV value attributable to the Sale Shares for the FY2016 are all negative HK\$7,620,000. There is no available open market value for the Sale Shares and no independent valuation has been conducted on NEI Group.

4.4 The Disposal will result in a negligible gain on disposal of approximately HK\$12,000, being the excess of the Consideration over the book value attributable to the Sale Shares.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

5.1 Based on the Audited FY2016 Results, the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006⁽¹⁾	Bases	Relative Figure (%)
(a)	NAV attributable to the Sale Shares, compared with the Group's NAV	-1.4 ⁽²⁾
(b)	Net profits attributable to the Sale Shares, compared with the Group's net loss	-6.7 ⁽³⁾
(c)	Consideration for the Disposal, compared with the Company's market capitalisation as at November 3, 2016	0.4%

Notes:

(1) *Rules 1006(d) and 1006(e) are not relevant to the Disposal.*

(2) *The NAV attributable to the Sale Shares as at March 31, 2016 is negative HK\$7,620,000. Based on the Audited FY2016 Results, the NAV of the Group was HK\$552,213,000.*

(3) *The net profits attributable to the Sale Shares in FY2016 is HK\$3,905,000. Based on the Audited FY2016 Results, the net loss of the Group was HK\$57,951,000.*

(4) *The Company's market capitalisation is S\$44,548,516 (approximately HK\$249,717,000 based on an illustrative exchange rate of S\$1: HK\$5.6055), which was computed based on 75,505,960 Shares (the Company has no treasury shares) multiplied by the volume weighted average price of the Shares on the SGX-ST on November 3, 2016 of S\$0.590.*

As the relative figures computed on the bases set out in Rules 1006(a) and 1006(b) of the Listing Manual are in the negative, in accordance with Rule 1007(1) of the Listing Manual, the Company has consulted the SGX-ST on the applicability of Chapter 10 of the Listing Manual to the Disposal. Following the Company's consultation with the SGX-ST, the SGX-ST has advised that the Disposal constitutes a "discloseable transaction" under Chapter 10 of the Listing Manual and that the Company will not be required to seek approval from Shareholders for the Disposal at a general meeting of Shareholders.

6. DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or (to the best of the knowledge of the Directors) controlling Shareholders has any interest, direct or indirect, in the Disposal.

No person is proposed to be appointed to the Board of the Company in connection with the Disposal, and no Director's service contract is proposed to be entered into by the Company with any person in connection with the Disposal.

7. DOCUMENTS FOR INSPECTION

A copy of the Sale and Purchase Agreement will be available for inspection at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, during normal business hours for a period of three (3) months from the date of this announcement.

By Order of the Board
Willas-Array Electronics (Holdings) Limited
Leung Chun Wah
Chairman and Executive Director

Hong Kong/Singapore, November 4, 2016

As at the date of this announcement, the Board comprises four Executive Directors, namely Leung Chun Wah (Chairman), Kwok Chan Cheung (Deputy Chairman), Hon Kar Chun (Managing Director) and Leung Hon Shing; and three Independent Non-executive Directors, namely Jovenal R. Santiago, Wong Kwan Seng, Robert and Lu Po Chan, Eugene.