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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)

UPDATE ANNOUNCEMENT ON LITIGATION INVOLVING A WHOLLY-OWNED SUBSIDIARY

This announcement is made by the board of directors (the “Board”) of Willas-Array Electronics (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) to update the shareholders and potential investors of the Company on the development of the legal proceedings disclosed in the announcement of the Company dated July 8, 2019 (the “2019 Announcement”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”) and the Inside Information Provisions (as defined in the HK Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as well as the Listing Manual of Singapore Exchange Securities Trading Limited. Capitalized terms used in this announcement shall have the same meanings as defined in the 2019 Announcement unless the context requires otherwise.

As stated in the 2019 Announcement, legal proceedings had been initiated by Array China (an indirect wholly-owned subsidiary of the Company) in the Intermediate Court of Nanchang against (i) Shanghai Wind and Wind Technology (the “Defendants in Claim 1”); and (ii) Shanghai Wind, Wind Technology and Nanchang Zhenhua Communication Equipment Co Ltd (南昌振華通信設備有限公司) (“Nanchang Zhenhua”) separately for certain uncollected trade debts.

Update on Claim 1

During the process of trial of Claim 1 and through the mediation conducted by the Intermediate Court of Nanchang, Array China had come to a settlement with the Defendants in Claim 1 and the Intermediate Court of Nanchang had delivered a civil mediation judgment (民事調解書) dated August 9, 2019 (the “Mediation Judgment”) with the following salient settlement terms:

- (a) Wind Technology shall repay to Array China a sum of approximately USD 2,244,000 (the “Judgment Sum in Claim 1”) by installments commencing from September 2019 and ending before June 30, 2020.
- (b) If Wind Technology fails to repay any of the aforementioned installments, Array China is entitled to (i) request Wind Technology for the immediate repayment of the outstanding Judgment Sum in Claim 1 with interest payable on such amount at the rate of 6% per annum commencing from the default date until the full payment; and (ii) apply to the people’s court for the enforcement of the Mediation Judgment.
- (c) Shanghai Wind shall be jointly liable for the repayment of the Judgment Sum in Claim 1 and interest accrued thereon.

The Mediation Judgment has been served on Array China and the Defendants in Claim 1 on August 9, 2019 separately. However, the Defendants in Claim 1 have failed to perform their obligations in accordance with the Mediation Judgment.

Accordingly, Array China had applied for the enforcement of the Mediation Judgment to the Intermediate Court of Nanchang, who had accepted the application and issued to Array China the notification of acceptance on October 28, 2019 (the “Enforcement Action 1”). As of the date of this announcement, the Enforcement Action 1 has made no substantial progress in terms of the recovering of the Judgment Sum in Claim 1. Array China is currently seeking advice from PRC legal counsel on the next appropriate course of action available to it.

Update on Claim 2

Claim 2 had been heard on November 13, 2019 before the Intermediate Court of Nanchang, who had delivered a civil judgment (民事判決書) on November 18, 2019 (the “Civil Judgment”) and made, among others, the following orders:

- (a) Wind Technology shall repay to Array China a sum of approximately USD 1,483,000 (the “Judgment Sum in Claim 2”) within ten days commencing from the effective date of the Civil Judgment with interest (payable at the rate of 6% per annum commencing from February 25, 2019 until full payment of the Judgement Sum in Claim 2 is made).
- (b) Shanghai Wind (but not Nanchang Zhenhua) shall be jointly liable for the repayment of the Judgment Sum in Claim 2 and interest accrued thereon.

However, both Shanghai Wind and Wind Technology in Claim 2 had failed to perform their obligations under the Civil Judgment after the Civil Judgment had taken effect.

Accordingly, Array China had applied for the enforcement of the Civil Judgment to the Intermediate Court of Nanchang, who had accepted the application and issued to Array China the notification of acceptance on January 14, 2020 (the “Enforcement Action 2”). As of the date of this announcement, the Enforcement Action 2 has made no substantial progress in terms of the recovering of the Judgment Sum in Claim 2. Array China is currently seeking advice from PRC legal counsel on the next appropriate course of action available to it.

Financial Impact

As part of the value of the uncollected trade debts under Claim 1 would be covered by trade credit insurance purchased by the Group and the impairment loss on the uncollected debt balance under Claim 1 of approximately USD 905,000 (the “Remaining Debt under Claim 1”) had been fully recognized in the consolidated financial statements of the Group as at September 30, 2019, the Board does not consider the failure to recover the Judgment Sum in Claim 1 would have any significant financial impact on the Group.

As stated in the 2019 Announcement, the Group had recognised an impairment loss on trade receivables in the consolidated financial statements of the Group for the financial year ended March 31, 2019, which substantially covers the amount sought under Claim 2. Accordingly, the Board does not consider the failure to recover the Judgment Sum in Claim 2 would have a significant impact on the overall financial condition and/or operations of the Group.

While the Board does not consider there will be any significant impact on the overall financial condition and/or operations of the Group even if the Remaining Debt under Claim 1 and the Judgment Sum in Claim 2 could not be recovered through the Enforcement Action 1 and Enforcement Action 2 (together the “Enforcement Actions”), the Board is of the view that it is difficult to assess whether there will be any significant positive financial impact on the Group as the Enforcement Actions against Shanghai Wind and Wind Technology are still in the process of development.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above legal proceedings by way of further announcements as and when appropriate.

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

Hong Kong/Singapore, March 31, 2020

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 Iu Po Chan, Eugene.

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