CHEUNG WOH TECHNOLOGIES LTD

2018 ANNUAL REPORT

RESILIENCE

CONTENTS

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the financial year ended 28 February 2018 ("FY2018").

YEAR IN REVIEW

FY2018 has been a year testing the resilience of the Group. The Group has reported a turnover of $72.8 million, down 13.4% (or $11.3 million) from FY2017. The lower turnover was attributable to a decrease in sales in both the Hard Disk Drive ("HDD") and Precision Metal Stamping ("PMS") components segments.

Cost of sales in FY2018 has increased by 4.0% (or $2.9 million) compared to the previous financial year despite a decrease in turnover. Customer's tightened specification on Baseplates led to inventory being written off and extra sorting and rework activities. This contributed to higher materials, labour and overhead costs incurred during the year. In addition, the devastating effect of Typhoon Hato had adversely affected the operations in the Zhuhai subsidiaries. Inventories that were damaged by the heavy rainstorm were written off. Included in overhead costs was a one-time amortization expense arising from a change in useful life of toolings and fixtures in FY2018. In view of the above, the Group reported a gross loss in FY2018.

Other operating income in FY2018 increased by 55.9% (or $2.1 million). The increase was mainly due to foreign exchange gain and an increase in the sales of scrap metal. The increase was partially offset by a reduction in rental income.

Distribution and selling expenses increased by 20.4% (or $0.6 million) as a result of higher carriage outward costs incurred by the sales of Baseplates.

General and administrative expenses increased by 45.9% (or $4.2 million) in FY2018. This increase is mainly accounted for by an allowance for impairment on property, plant and equipment, as well as a write off on tools and equipment and renovation that were damaged by the typhoon.

On 31 January 2018, the Company has completed its disposal of 31.34% equity interest in Jiangsu Tysan Precision Engineering Co., Ltd group of companies ("TP Group"). For the financial periods of March 2017 to January 2018, TP Group has recorded lower revenue and higher costs resulting in lower gross and net profit. This led to a decline in the share of results of associate companies compared to FY2017. Following the disposal of TP Group, there was a loss on disposal of $0.5 million.

During the year, the Group recorded an increase in income tax expense of 17.4% (or $0.2 million). The increase was due to higher deferred tax expenses provided during the financial year. To conclude the financial performance of FY2018, the Group's loss for the financial year was $16.8 million (FY2017: Profit of $3.6 million).

FUTURE OUTLOOK

As global HDD shipment is projected to slow down, it is expected that turnover for voice coil motor plates will be affected. The replacement of air-filled HDD by helium-filled HDD which do not require air-combs for the mid-range servers will affect our air-comb business. Baseplates manufactured in our Zhuhai subsidiaries that is sold in US Dollar ("USD") will also see a profit erosion due to the appreciation of the Renminbi ("RMB") against the USD.

PMS components segment is expected to do well.

Looking ahead, the Group will continue to actively develop new products and/or markets where it sees potential growth.

DIVIDEND

Considering that the Group has made a loss for FY2018 and the uncertainties and challenges that the HDD components segment is facing, we will not be declaring dividends. However, the Group will continuously strive to improve shareholder value.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our management team and employees for their dedication; our customers and business partners for their strong support and last but not least, our shareholders for their faith in Cheung Woh, especially during such a trying financial year. The Board remains committed to the long-terms interests of the Group and to create value for Cheung Woh shareholders.

Chairman,
LAW KUNG YING

BOARD OF DIRECTORS

MR LAW KUNG YING
Chairman, Managing Director and Chief Executive Officer

Appointed to Cheung Woh's Board of Directors on 18 May 1979, Mr Law joined our Company in 1976. He is responsible for the strategic developments of our Group. He devises and implements our strategic business plans and identifies new markets, products and customers. He has an aggregate of over 40 years of experience in the metal stamping industry as well as extensive experience in sales and marketing, procurement, logistics, tool and die design and other manufacturing activities. Mr Law is currently overseeing the overall operations of the HDD Components Segment.

MR LAW KUNG MING
Executive Director

Mr Law was appointed to Cheung Woh's Board of Directors on 18 May 1979. Since Mr Law joined our Company in 1976, he has accumulated more than 40 years of experience in logistics, materials planning, production control, quality assurance and other manufacturing activities. Mr Law is currently the Managing Director of Cheung Woh Technologies (Malaysia) Sdn Bhd. He heads the sales and marketing department and is responsible for the overall operations of the Precision Metal Stamping Components Segment.

MS LAW YU CHUI
Finance and Administrative Director

Ms Law was appointed to Cheung Woh's Board of Directors on 15 February 1980. Ms Law is responsible for our Group's finance and administrative matters, which include cash flow planning, foreign exchange management, financial analysis and human resource management. She has been working with our Company since 1983.

DR CHEN YUK FU
Independent Director

Dr Chen was appointed to Cheung Woh's Board of Directors on 15 September 2000. Previously, Dr Chen was a Director of Engineering (1982-1986) and subsequently Vice President of Seagate Technology International (1986-1992). From 1992 to 1995, Dr Chen was a Senior Vice President of Conner Peripherals Inc. From 1995 to 1996, he was a Senior Vice President in charge of the external foundry of Singapore Technology Semiconductor (S) Pte Ltd. He has also served as President and Chief Executive Officer of Micropolis (S) Pte Ltd and supervised its worldwide operations from 1996 to 1997. From March 1999 to November 1999, he was the Managing Director of GS Chemistry (S) Pte Ltd. He was a Senior Director of OSI Electronics Pte Ltd from 2012 to 2014 and he is currently a Senior Advisor of One World Business Advisory Pte Ltd.

MR LIM KIAN WEE LEONARD
Independent Director

Mr Lim was appointed to Cheung Woh's Board of Directors on 30 September 2005. He is a Consultant with Singapore Law Practice, Robert Wang & Woo LLP. Called to the Singapore Bar in 1997, Mr Lim's areas of practice are in corporate commercial, litigation and conveyancing. He has worked with government bodies, quasi government bodies, financial institutions, insurance corporations and private corporations.

MR NGU KUANG HUA
Independent Director

Mr Ngu was appointed to Cheung Woh's Board of Directors on 1 May 2012. Mr Ngu has over 35 years manufacturing experience in the electronics and hard disk drive industries. He held various senior management positions including that of Vice President of Manufacturing for Conner Peripherals Inc and Vice President of Manufacturing for Seagate Technology International. He was, for six years, the President and CEO of Precision Magnetics Singapore (formerly known as Magnequench Singapore), a leading independent VCM supplier to the HDD industry. Besides Singapore, he has also held management positions in Malaysia and China for several years.

KEY MANAGEMENT PERSONNEL

MR TSUN CHIN ENG, MELVIN
Finance Manager

Mr Tsun joined our Company in January 2011. He is responsible for overseeing the accounting function of our Group and handles finance and tax related matters of the Company. He is a Certified Practicing Accountant (CPA) of CPA Australia and holds a Bachelor of Business (Accountancy) from RMIT University, Melbourne.

MR LOH YUT CHAI
Assistant General Manager

Mr Loh Yut Chai joined Cheung Woh Technologies (Malaysia) Sdn Bhd, the Company's subsidiary in Penang, as a toolmaker in 1991 and was promoted to Operations Manager before he was posted to Cheung Woh Precision (Zhuhai) Co Ltd ("CWI") in 2004. Mr Loh Yut Chai was subsequently promoted to Assistant General Manager of CWI. His scope of responsibilities include overseeing the engineering department, precision tool and die making, advanced product design, process improvements, manufacture of process automation equipment as well as production of precision cutting tools, jigs and fixtures for the subsidiaries in Zhuhai.

GROUP STRUCTURE

Cheung Woh Technologies (Malaysia) Sdn Bhd	100%
Cheung Woh Technologies (Johor) Sdn Bhd	100%
Cheung Woh Precision (Zhuhai) Co., Ltd 祥和精工（珠海）有限公司	100%
Cheung Woh Technologies (Zhuhai) Co., Ltd 祥和科技（珠海）有限公司	100%
Cheung Woh International (Macao Commercial Offshore) Company Limited 祥和国际（澳门离岸商业服务）有限公司	100%
Cheung Woh Technologies (Penang) Sdn Bhd (formerly known as Cheung Woh Properties Sdn Bhd)	100%

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW

Cheung Woh is a world class manufacturer and supplier of precision HDD components. The Group's mission is to meet the needs of its customers through continuous delivery of quality products and services, achieve growth and maximise returns to its shareholders.

Listed on the Main Board of the Singapore Exchange Securities Trading Limited in December 2002, Cheung Woh provides high-precision engineering products to the HDD, communications, electrical and electronics, semiconductor, automotive and solar energy industries. The Group's core products are:

- HDD components which include voice coil motor ("VCM") plates, air-combs and Baseplates; and
- Precision Metal Stamping ("PMS") components which include sheet metal machined parts and computer numerical controlled (CNC) machined parts, servicing local, regional and international markets.

Cheung Woh has fully integrated manufacturing facilities in Johor and Penang, Malaysia; and Zhuhai, China. The Group also has a technologically advanced in-house precision tool and die manufacturing capability. From a humble operation with around 10 staff more than 45 years ago, Cheung Woh has evolved to become a regional group employing some 2,000 staff over 3 locations.

BUSINESS REVIEW

The Group has reported turnover of $72.8 million, a decrease of 13.4% (or $11.3 million) from $84.1 million in FY2017. The lower turnover was attributable to lower sales recorded in both HDD and PMS components segments.

Despite a decrease in turnover, cost of sales increased by 4.0% (or $2.9 million) as compared to FY2017. The increase was mainly due to higher materials, labour and overhead costs incurred during the year. As a result, gross profit margin dropped compared to FY2017.

HDD COMPONENTS

Sales in this segment decreased by 15.8% (or $10.7 million) as compared to the previous financial year. The decrease was mainly caused by lower sales of air-combs and VCM plates due to a drop in customers' demands. On the other hand, there was a substantial increase in the sales of Baseplates upon completion of phasing in its manufacturing in the third quarter.

The segment reported a loss before taxation of $17.6 million as compared to $0.7 million in FY2017. The loss was attributed to four main factors. Firstly, high materials, labour and overhead costs were incurred during the initial stage of Baseplates production. Secondly, during the year, Baseplates inventories damaged by heavy rainstorm caused by Typhoon Hato were written-off ($1.3 million). Production was also disrupted due to down-time required to repair and reset machines that were damaged by the typhoon. Thirdly, customer had tightened the Baseplates specifications, which led to a substantial amount of Baseplates inventories being written-off ($1.3 million). In addition, extra sorting and rework was required for Baseplates leading to higher materials, labour and overhead costs. The additional costs were not passed on to the customer. Lastly, included in overhead cost was a one-time amortisation expense ($1.8 million) arising as a result of change in useful life of toolings and fixtures used in the manufacturing of Baseplates. The change in useful life is upon the completion of phasing in

of Baseplates and further assessment by the engineering team. This reflects a more accurate representation of the useful life for toolings and fixtures.

Besides the above factors contributing to high cost of sales, there were other one-time expenses incurred during the year that led to the segmental loss. Firstly, there was an allowance for impairment on property, plant and equipment of $3.3 million. The impairment allowance was made on helium leak testers ($0.7 million) that were no longer required due to a change in the manufacturing process of Baseplates. In addition, forging presses, high speed milling machines, robotic arms and ovens (totalling $2.6 million) were left idle as a result of reduction in customer's demand for Baseplates. Secondly, there was a write-off of tools and equipment and renovation of $1.6 million which were damaged by Typhoon Hato, identified during the annual property, plant and equipment review. Thirdly, staff cost amounting to $319K was incurred due to internal restructuring. Lastly, repair of machinery and equipment damaged by the typhoon amounted to $208K.

PRECISION METAL STAMPING COMPONENTS

Sales in this segment decreased by 3.7% (or $0.6 million) as compared to the previous financial year due to decrease in customers' demands. This segment experienced sales decrease in the Eurozone and Malaysia but it was partially offset by an increase in sales in the Middle East.

This segment reported a segment profit before taxation of $2.5 million as compared to $2.7 million in the previous financial year. The decrease was mainly due to lower sales generated.

GEARING

As at 28 February 2018, the Group's gearing ratio was at 21% (FY2017: 13%)

LIQUIDITY AND CAPITAL RESOURCES

During FY2018, the Group has net cash flow used in operating activities of $3.7 million in contrast with $13.4 million generated during FY2017. The net cash flows used in operating activities was mainly attributed to increases in inventories, trade receivables and other receivables and prepayments. It was partially offset by increases in trade and other payables.

In investing activities, the Group used $2.3 million during FY2018 as compared to $17.3 million used in FY2017. Net cash used in FY2018 was mainly used for the purchases of property, plant and equipment and advance payments made to suppliers of property, plant and equipment. It was partially offset by proceeds from disposal of investment in associate companies and dividend income received from an associate company during the year.

During FY2018, the Group has net cash flows generated from financing activities of $4.5 million as compared to $388K in FY2017. Net cash flows generated was mainly contributed by proceeds from interest-bearing loans and borrowings. This was partially offset by cash used in repayment of interest-bearing loans and borrowings and dividends paid on ordinary shares.

OPERATING AND FINANCIAL REVIEW

LIQUIDITY AND CAPITAL RESOURCES

Year ended 28 February	2018	2017	Change
	S$'000	S$'000	%
Net cash (used in)/generated from operating activities	(3,670)	13,363	n.m.
Net cash used in investing activities	(2,315)	(17,290)	(87)
Net cash generated from financing activities	4,508	388	1,062
Cash and cash equivalents at beginning of year	10,615	14,499	(27)
Cash and cash equivalents at end of year	9,041	10,615	(15)

OPERATING REVENUE

Year ended 28 February	2018	2017	Change
By business segments	S$'000	S$'000	%
HDD Components	57,107	67,797	(16)
Precision Metal Stamping Components	15,715	16,321	(4)
Total	72,822	84,118	(13)
By geographical segments			
1. Thailand	49,664	50,988	(3)
2. Malaysia	10,740	15,149	(29)
3. Singapore	2,322	4,752	(51)
4. People's Republic of China	825	4,640	(82)
5. Middle East	5,227	3,819	37
6. Europe	1,935	2,984	(35)
7. United States	1,577	1,287	23
8. Philippines	493	399	24
9. Others	39	100	(61)
Total	72,822	84,118	(13)

*n.m. – not meaningful

CORPORATE AND SOCIAL RESPONSIBILITY

PEOPLE

The Group recognizes the importance of being a socially responsible enterprise. The Group believes that as a successful business enterprise, it has to reach out to the larger community and be involved in socially responsible initiatives. Our corporate social responsibility efforts are focused on fair employment practices, the environment and volunteerism.

The Group adopts fair employment practices on top of complying with local labour law of the jurisdiction it operates in. Being an equal opportunity employer, the Group does not discriminate against gender, race, religion or age. The Group has a strict policy against the hiring of child or forced labour and a detailed procedure is in place to address whistle blowing.

The Group also places a strong emphasis on providing a safe working environment for our employees. Personal protective equipment issued to employees and regular health monitoring conducted according to safety and health guidelines are some continuous initiatives adopted by the Group. In-house training on health and safety practices are also conducted to reduce the risk of workplace accidents and to improve emergency preparedness.

ENVIRONMENT

Being environmentally responsible is also necessary as part of a socially responsible enterprise. While the Group does not produce hazardous waste, the by-products of the manufacturing processes are treated to ensure that there is no environmental pollution. Two of the subsidiaries are certified with ISO 14001 Environmental Management System. This system provides assurance to stakeholders that the environmental impact of the Group's operations are being measured and improved.

The Group also encourages employees to embrace eco-friendly practices by encouraging the use of recycled paper and using energy efficiently. Air conditioners and machines are also maintained on a regular basis to avoid energy wastage. Light emitting diode (LED) lights are also gradually replacing fluorescent tubes in factories in order to use energy more efficiently.

COMMUNITY

As part of our initiative to serve the community, the subsidiaries in Penang and Johor have organized and participated in charity events to reach out to the less fortunate.

The subsidiary in Johor has organized a donation drive within the company and collected daily necessities to support a local elderly care home. Employees delivered the items collected and spent time with the beneficiaries. Employees' family members have also participated in the event.

Employees in the Penang subsidiary were involved in a charity run organized by a local secondary school to raise funds for a school hall. The company had also donated funds and sponsored employees to attend the charity run.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Law Kung Ying (Chairman, Managing Director & CEO)
Mr Law Kung Ming
Ms Law Yu Chui
Dr Chen Yuk Fu (Lead Independent Director)
Mr Lim Kian Wee Leonard
Mr Ngu Kuang Hua

AUDIT COMMITTEE

Dr Chen Yuk Fu (Chairman)
Mr Lim Kian Wee Leonard
Mr Ngu Kuang Hua

NOMINATING COMMITTEE

Mr Ngu Kuang Hua (Chairman)
Mr Law Kung Ying
Dr Chen Yuk Fu
Mr Lim Kian Wee Leonard

REMUNERATION COMMITTEE

Mr Lim Kian Wee Leonard (Chairman)
Dr Chen Yuk Fu
Mr Ngu Kuang Hua

SHARE REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS

Ernst & Young LLP
Certified Public Accountants
Partner-in-charge:
Mr Alvin Phua
(Since financial year ended
28 February 2015)

BANKERS

DBS Bank Ltd
Malayan Banking Berhad
United Overseas Bank

COMPANY SECRETARIES

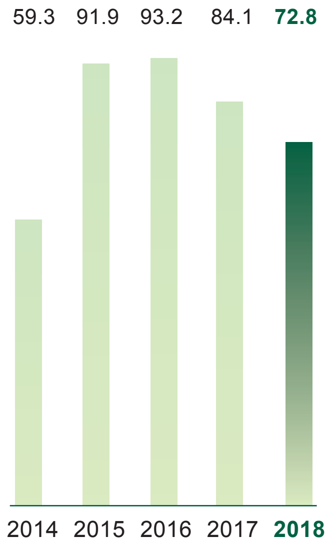
Ms Law Yu Chui, M.A.
Ms Chan Lai Yin, ACIS

REGISTERED OFFICE

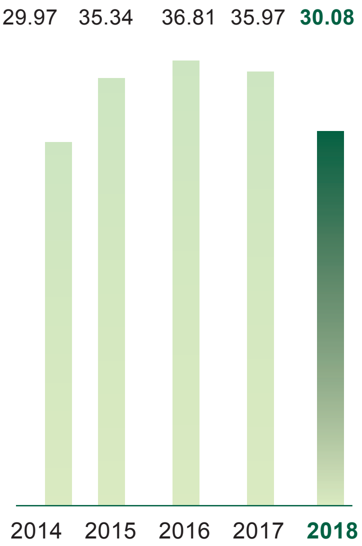
23 Tuas South Street 1
Singapore 638033
Tel: (65) 6861 8036
Fax: (65) 6861 5784
Website: www.cheungwoh.com.sg
Registration No. 197201205Z

FINANCIAL HIGHLIGHTS

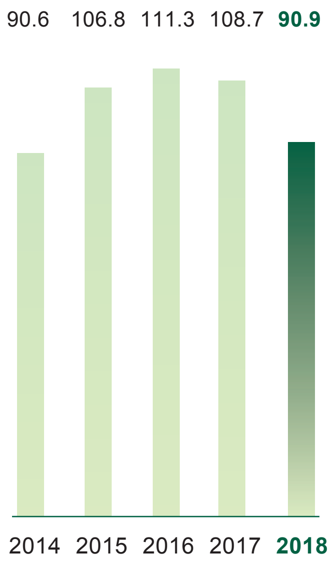
TURNOVER ($MILLION)



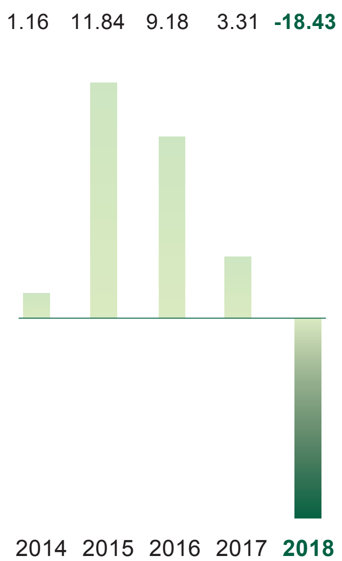
NET ASSET VALUE PER SHARE (CENTS)



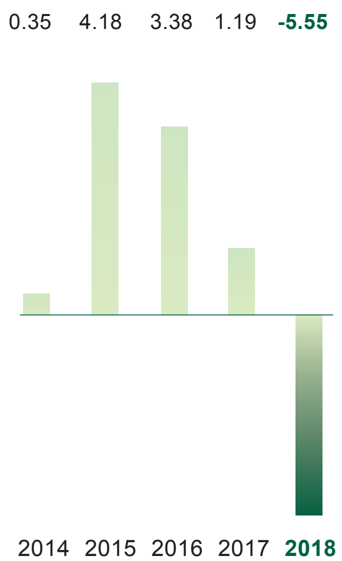
SHAREHOLDERS' FUND ($MILLION)



RETURN ON EQUITY (%)



EARNINGS PER SHARE (CENTS)



FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Cheung Woh Technologies Ltd (the ‘Company’) is continuously committed to maintaining a high standard of corporate governance and transparency within the Company and its subsidiaries in order to protect the interests of its shareholders, enhance long-term shareholder value and strengthen investors’ confidence.

This report outlines the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the ‘2012 Code’) and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited (‘SGX-ST’). The Board of Directors is pleased to report that the Company has complied with the principles and guidelines as set out in the 2012 Code, except where otherwise stated, for the financial year ended 28 February 2018.

A. BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board of Directors, besides discharging its fiduciary duties and responsibilities, works closely with Management who oversees the management of business and affairs of the Company. It provides directions and overall management of the Group to ensure that the Group’s strategies and affairs are in the interests of the Company and its shareholders. The Board collectively acknowledges its responsibility to the long-term success of the Company and makes decisions in the interests of the Company.

The primary roles of the Board include the following:–

a. Provide entrepreneurial leadership and ensure necessary resources are in place for the Company to meet its objectives;

b. Set the Company’s objectives, strategic directions and approve major corporate policies;

c. Monitor and review financial and operating performance;

d. Approve major funding and investment proposals;

e. Appoint Board of Directors and Key Management Personnel;

f. Review management performance;

g. Establish a framework of prudent and effective controls, including safeguarding of shareholders’ interest and the Company’s assets;

h. Identify key stakeholder groups and recognise that their perceptions affect the Company’s reputation;

i. Set Company’s values and standards (including ethical standards) and ensure obligations to shareholders and other stakeholders are understood and met;

j. Consider sustainability issues e.g. environmental and social factors as part of its strategic formulation.

The Board has placed in writing matters which are specifically reserved for the Board’s decision and setting clear directions to Management on matters that must be approved by the Board. Matters reserved for the Board’s decision include interested person transactions, acquisitions and disposal of assets, major investment and divestment, corporate and financial restructuring, corporate policies on

CORPORATE GOVERNANCE REPORT

key areas of operations, business updates of material nature, share issuances, dividends and other returns to shareholders. All Directors act in good faith, provide insights and consider at all times the interests of the Company.

To facilitate effective management, certain functions have been delegated to various Board Committees, namely, Audit Committee (‘AC’), Nominating Committee (‘NC’) and Remuneration Committee (‘RC’), without abdicating its responsibility. The Board Committees were formed to assist the Board in the execution of its responsibilities. The effectiveness of each committee is also closely monitored. The Board accepts that while these committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board. The roles and responsibilities of various Board Committees are set out in this report.

The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group’s quarterly results. Additional meetings will be held, as and when required, to address any significant issues that may arise. Minutes of all Board Committee and Board meetings are circulated to members for review and confirmation. These minutes also enable Directors to be kept abreast of matters discussed at such meetings. Matters arising from each meeting will be followed up and reported to the Board.

In lieu of physical meetings, written resolutions were circulated for approval by the Directors. The Company’s Constitution (the ‘Constitution’) allows Board meetings to be conducted by way of teleconferencing, provided that the requisite quorum of at least two directors is present.

Details of the frequency of the Board and Board Committee meetings held during the year, as well as the attendance of each Board member at those meetings, are disclosed below:–

	Board		**Nominating Committee**		**Remuneration Committee**		**Audit Committee**	
Name	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Executive Directors								
Law Kung Ying	4	4	2	2	–	–	–	–
Law Kung Ming	4	4	–	–	–	–	–	–
Law Yu Chui	4	4	–	–	–	–	–	–
Non-Executive and Independent Directors								
Chen Yuk Fu	4	4	2	2	2	2	4	4
Lim Kian Wee Leonard	4	4	2	2	2	2	4	4
Ngu Kuang Hua	4	4	2	2	2	2	4	4

All Directors are updated regularly on changes in Company policies. Amendments to the securities legislations, rules and regulations will be communicated to the Directors whenever there are such changes.

CORPORATE GOVERNANCE REPORT

Upon appointment, a new director is briefed on the Group's structure, businesses, operations, policies and governance practices. He has the opportunity to visit the Group's operational facilities to gain a better understanding of the Group's business operations. He will be briefed on the duties and obligations of a director and a formal letter will be provided to the newly appointed director. Depending on specific requirements, new directors may be sent for trainings and/or seminars to acquaint them on directors' duties and compliance with the relevant bodies of law and regulations in the performance of their duties. There was no new director appointed during the financial year ended 28 February 2018.

In addition, all directors are encouraged to attend trainings once in every two years for professional development. Directors may request for training in areas such as accounting, legal and industry specific knowledge and the Company will be responsible for the funding of these trainings. The Chief Executive Officer ('CEO') provides business updates on the development of the Company's products from time to time. Annually, the external auditors update the AC and the Board on new or revised financial reporting standards. When there are changes to or new regulations, Directors will attend appropriate courses and seminars to stay abreast of relevant business developments. During the year, the Finance and Administrative Director attended Risk Management Essentials, the Singapore Institute of Directors' ('SID') Directors Conference, ACRA-SGX-SID Audit Committee Seminar and the Singapore Budget 2018 Seminar. The Executive Director, Mr Law Kung Ming attended the seminar on "Private Equity vs Public Markets".

The Board also regards sustainability development as a core value of the Group and is committed to adopting sustainable practices across its businesses. The Group's Sustainability Report for 2018 is currently being developed in accordance with the SGX Sustainability Reporting Guidelines. The first report will be issued within twelve months from the end of the financial year.

Principle 2: Board Composition and Guidance

The Board comprises three Non-Executive and Independent Directors and three Executive Directors. The Company has satisfied the requirement of the 2012 Code with at least half of the Board comprising Independent Directors where the Chairman is part of the Management team and is not an independent director. There is a strong and independent element on the Board.

According to the 2012 Code, an Independent Director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the Company and Group. The independence of each Director is reviewed annually by the NC which will also ensure that the size of the Board is appropriate to conduct effective discussions and decision making. No NC member is involved in the deliberation in respect of his independence. The Board is able to exercise independent judgement on corporate affairs and provide management with a diverse and objective perspective on issues.

For the purpose of evaluating the true independence of Directors who have served beyond nine years from the date of their first appointment, the Board had considered the criteria for basis of evaluation. The evaluation criteria included the director's independent expression of views and deliberations, objective and constructive challenge to assumptions and viewpoints by Management and benefits from the presence of such director, who have over time gained valuable insight into the Group and its markets. The Board also considered the need for progressive refreshing.

Dr Chen Yuk Fu and Mr Lim Kian Wee Leonard were appointed to the Board since 15 September 2000 and 30 September 2005 respectively. Using the said criteria, the Board had rigorously reviewed

CORPORATE GOVERNANCE REPORT

and is satisfied that both Directors have remained independent in their character and judgement and can continue to discharge their duties objectively. The independence of character and judgement of both Directors are not in any way affected or impaired by the length of their service. Dr Chen and Mr Lim have constructively challenged the assumptions and viewpoints presented by Management. Each Dr Chen and Mr Lim has expressed their views independently and is actively involved in deliberations at meetings. The Board considers that their familiarity with the business will continue to contribute positively to the deliberation at the Board and Board Committees and bring valuable insight, knowledge and expertise to the Board. The Board agreed there is no need for progressive refreshing. The Board confirmed that Dr Chen Yuk Fu and Mr Lim Kian Wee Leonard are independent directors, notwithstanding the years of service. No Director is involved in the deliberation in respect of his own independence.

The NC, taking into account the scope and nature of the operations of the Company, is satisfied that the current size of the Board, the standing of the members of the Board in the business community, and their combined experience, knowledge and expertise in areas such as legal, business and finance provide for effective decision making and direction to the Company. There is an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The Board is able to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. The core competencies in areas such as legal business and management experience, industry knowledge and strategic planning experience is beneficial to the Company and Management as decisions by the Board will be enriched by a broad range of views and perspective and experience of the Directors.

While the Board does not have a diversity policy, it practices diversity in the Board and employment practices. The Board comprises one female and five male Directors. The Board does not rule out the possibility of appointing more female directors, if suitable candidates are nominated for consideration. The Board will examine the appropriateness of the size of the Board on an ongoing basis.

Non-Executive Directors review the performance of Management. Their views and opinions provide alternative perspectives to the Group’s business. No individual or small group of individuals dominates the Board’s decision making process. To facilitate a more effective check on Management, Non-Executive Directors are encouraged to meet regularly without Management’s presence. The Non-Executive Directors met on several occasions after quarterly meetings without the management’s presence.

Principle 3: Chairman and Chief Executive Officer (‘CEO’)

The Executive Chairman, being the CEO of the Group, has overall responsibility for the management and daily operations of the Group, supported by the respective Heads of Departments. The Executive Chairman also provides Board leadership and, apart from the three Independent Directors, is supported by two Executive Directors of the relevant caliber and experience necessary for the balance of authority on the Board.

The Executive Chairman sets the agenda for each Board meeting in consultation with the Executive Directors and senior managers where relevant. He promotes a culture of openness and debate at Board meetings and encourages discussion on strategic issues as well as providing updates to the Directors. The Executive Chairman is responsible for ensuring all corporate governance procedures are complied with.

CORPORATE GOVERNANCE REPORT

The role of the Chairman is not separated from that of the CEO. The Board, upon its consideration, was of the opinion that there is adequate accountability and transparency as reflected by the internal controls established within the Group. As Executive Chairman, Mr Law Kung Ying plays a pivotal role in assisting the Board in developing policies and strategies and ensuring that they are implemented effectively.

The Board is unanimous in its decision that it would currently not be in the Group's interest to effect a separation in the role of the Chairman from that of the CEO since there is a good balance of power and authority as all the Board Committees are chaired by the Independent Directors.

The Company has appointed Dr Chen Yuk Fu as Lead Independent Director. The Independent Directors meet at least once annually without the presence of other Directors and the Lead Independent Director provides feedback to the Executive Chairman after the meeting. The Lead Independent Director is available to shareholders when they have concerns and for which contact through the normal channel of the Chairman/CEO has failed to resolve or is inappropriate.

NOMINATING COMMITTEE

Principle 4: Board Membership

The NC comprises four members of whom the majority (including the Chairman) is independent. The Chairman of the NC is Mr Ngu Kuang Hua. The other members are Mr Law Kung Ying, Mr Lim Kian Wee Leonard and Dr Chen Yuk Fu, who is also the Lead Independent Director. The NC Chairman is not associated with any substantial shareholder of the Company.

The NC held two meetings during the financial year. It was established to ensure that there is a formal and transparent process for all Board appointments and re-appointments.

The NC has written terms of reference that describe its objectives, duties and responsibilities. The main functions of the NC are as follows:–

a. Consider, review and recommend to the Board any new Board appointment or re-appointment, whether of Executive or Non-Executive Director;

b. Determine annually whether or not a Director is independent;

c. Decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;

d. Where the Director has multiple directorships, ensure he is able to devote sufficient time and attention to the affairs of the Group to carry out his duties;

e. Determine the appropriate size of the Board, taking into account the scope and nature of the operations of the Group;

f. Review training and professional development programs for the Board; and

g. Review Board succession plan for Directors, in particular the Chairman/CEO.

Where new appointments are required, the NC will consider recommendations for new directors, review their qualifications and meet with such candidates before a decision is made. The NC strives to ensure that the Board has a mix of skills, attributes and abilities when recommending to the Board. In

CORPORATE GOVERNANCE REPORT

the review of the foregoing, the Board is of the view that there is an adequate process for the appointment of new directors. The Company does not have an alternate director.

The NC discussed with the Chairman/CEO on his succession plan. Both the NC and Chairman/CEO agreed that succession planning involves a process for identifying, nurturing and developing management staffs and external talents to fill each key role within the Company. This is to ensure that the best mixes of executive officers are lined up to meet the Company's strategic goals and challenges for building long-term shareholder value. The NC was updated by the Chairman/CEO on the progress of succession planning.

In accordance with the provisions of the Company's Constitution, one-third of the directors shall retire from office at every Annual General Meeting ('AGM') and a retiring director shall be eligible for re-election at the said AGM. A newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. All directors (except the Managing Director) shall retire from office at least once every three years. Both Ms Law Yu Chui and Mr Lim Kian Wee Leonard will retire at the forthcoming AGM in accordance with Article 107 of the Company's Constitution. Ms Law Yu Chui and Mr Lim Kian Wee Leonard have consented to continue in office. The NC, having assessed each of their attendance, preparedness, participation and contribution to the Board and the Company, had recommended to the Board that Ms Law Yu Chui and Mr Lim Kian Wee Leonard, Directors retiring under Article 107 of the Company's Constitution, be nominated for re-appointment at the forthcoming AGM. The Board has concurred with the NC's recommendation.

Taking into consideration the circumstances of an Independent Director as set out in the 2012 Code, the NC discharges its responsibility of determining the director's independence. On an annual basis, each Independent Director is required to submit a return as to his independence to the Company Secretaries. The NC shall review the returns and determine whether the Director is to be considered independent.

During the year, the NC has reviewed and determined that Dr Chen Yuk Fu, Mr Lim Kian Wee Leonard and Mr Ngu Kuang Hua are independent. The NC is satisfied that the respective Directors have been carrying out their duties completely.

The NC has also considered a general rule to address competing time commitments by Directors serving on multiple boards. As a general rule, each director should hold directorship in not more than three public listed companies. As at the date of this report, none of the Directors holds directorships in other public listed companies. Each NC member abstains from deliberating on his own performance and re-election as a Director.

Profile of each Director is set out under Board of Directors section of the Annual Report. The dates of initial appointment and most recent re-election, present and past directorships in other companies of the Directors are set out below.

Name	Date of First Appointment	Date of Last Re-election	Directorships in other Listed Companies	
			Present	Past
Law Kung Ying (Managing Director)	18 May 1979	13 August 2001	Nil	Nil
Law Kung Ming	18 May 1979	29 June 2017	Nil	Nil

CORPORATE GOVERNANCE REPORT

Law Yu Chui	15 February 1980	20 June 2016	Nil	Nil
Chen Yuk Fu	15 September 2000	20 June 2016	Nil	Nil
Lim Kian Wee Leonard	30 September 2005	26 June 2015	Nil	Nil
Ngu Kuang Hua	1 May 2012	29 June 2017	Nil	Nil

Details of other principal commitments of the Directors have been set out under Board of Directors section of the Annual Report.

Principle 5: Board Performance

The NC has established an appraisal process to review and assess both the effectiveness of the Board as a whole and its Board Committees; and assess the contribution of the Chairman and each Director to the effectiveness of the Board for each financial year. Each Director is to complete a questionnaire which has been updated during the year and submit it to the Board. This annual evaluation process provides an opportunity to obtain constructive feedback from each Director and to propose changes which may be made to enhance Board effectiveness and good corporate governance.

The peer-to-peer assessment provides holistic picture of the strengths and weaknesses of each director and their contribution to the effectiveness of the Board, as well as to obtain an objective view of individual director performance. The review includes leadership, communication skills, and strategy and risk management. Factors taken into consideration for the assessment of the Board as a whole includes the contribution to the development of strategies and effective risk management, response to problems and crisis and the evaluation that underpins the Board's effectiveness in providing timely information. The assessment of the contribution of the Chairman encompasses effective leadership and communication with shareholders and the Board. Each of the Board Committees is assessed for its effectiveness to address the matters delegated under the Terms of Reference and timely resolution of issues. The findings of each evaluation was analysed and provided to the Board. The NC has assessed the findings and is of the view that the performance of the Board as a whole has been satisfactory. Each Director continues to contribute effectively to the Board and is able to discharge responsibilities in the Board Committees without any issue of time commitment. The performance and contribution by the Chairman is satisfactory. Results of the performance evaluation were reported to the Board.

Each member of the NC abstains from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

Principle 6: Access to Information

A calendar of meetings is scheduled for the Board a year in advance. In order to ensure that the Board is able to fulfill its responsibilities, prior to each meeting, management provides the Board with complete, adequate and timely information to enable them to have a comprehensive understanding of the affairs and issues that require the Board's decision, and reports on material operations and financial matters of the Group.

CORPORATE GOVERNANCE REPORT

Important matters concerning the Group are also put to the Board of Directors for approval by way of circular resolutions in writing and/or discussions from time to time. All directors have separate and independent access to senior management and to the Company Secretaries.

The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings and assist the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and ensures the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and Listing Manual of the SGX-ST are complied with. The Company Secretaries work with the Chairman of the Board and Board Committees in advance for them to suggest items for the agenda and/or review of the relevance of the items in the proposed agenda. The Company Secretaries advise the Board on all governance matters. They assist with professional development, as required. The Company Secretaries also act as the primary channel of communication between the Company and the SGX-ST. The appointment and the removal of the Company Secretaries is a matter reserved for the Board as a whole.

Should Directors, whether as a group or individual, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

B. REMUNERATION MATTERS REMUNERATION COMMITTEE

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises three members, all of whom are Non-Executive Directors and independent of management and free from any business or relationships, which may materially interfere with the exercise of their independent judgement. The Chairman of the RC is Mr Lim Kian Wee Leonard. The other members are Dr Chen Yuk Fu and Mr Ngu Kuang Hua.

The RC has written terms of reference with its objectives, duties and responsibilities set out therein. The responsibilities of the RC are as follows:

a. Recommend to the Board a framework of remuneration for the Board of Directors, Key Management Personnel and managers who are related to Directors, CEO or Substantial Shareholders;

b. Determine specific remuneration packages for each Director and Key Management Personnel; and

c. Report to the Board of Directors the summary of the work performed by the committee in carrying out their duties.

The RC held two meetings during the financial year. The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors, key management and persons occupying managerial position who are related to Directors and substantial shareholders.

The RC recommends to the Board the remuneration package to ensure that it is competitive and sufficient to attract, retain and motivate directors and key management personnel of the required experience and expertise to run the Group successfully. A proportion of such remuneration is linked to performance of the Group as well as individual incumbent. No RC member or any director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him, except for providing information and documents specifically requested by the RC to assist in its deliberation.

Directors' fees are recommended by the RC and submitted for endorsement by the Board. Directors' fees are subject to approval by shareholders at the AGM.

No remuneration consultants were engaged by the Company in FY2018. However, the RC may seek professional advice on remuneration matters as and when necessary. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the RC.

Principle 8: Level and Mix of Remuneration

In setting the remuneration packages of the Executive Directors and Key Management Personnel, the RC takes into account the prevailing economic situation and link rewards to the performance of the Group and individual.

The remuneration of the Executive Directors and Key Management Personnel consists of a fixed salary and a variable performance bonus, which is designed to align the Executive Directors' and Key Management Personnel's interests with that of the shareholders.

There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Director and Key Management Personnel.

The Independent and Non-Executive Directors do not have any service agreements with the Company. Non-Executive Directors are paid a fixed fee, which have to be approved by the shareholders at every AGM. The Board concurred with the RC that the proposed directors' fee for the financial year ended 28 February 2018 is appropriate and not excessive, taking into consideration factors such as the level of contribution by the Directors, effort and time spent for serving on the Board and Board Committees, as well as responsibilities and obligations assumed by the Directors. The Independent and Non-Executive Directors do not receive any other remuneration from the Company.

The Company does not have any share-based compensation scheme or any long term incentive scheme in place. The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from Executive Directors and key management personnel in exceptional cases of misstatement of financial results, or misconduct resulting in financial loss to the Company as the variable performance bonus of the Executive Directors and key management personnel are moderate during the year.

Principle 9: Disclosure on Remuneration

a) Directors and Key Management Personnel

The Company has not fully disclosed the remuneration of each individual director and the CEO on a named basis as recommended by the 2012 Code due to the confidentiality and commercial sensitivity inherent in remuneration matters. The Board is of the opinion that the full disclosure would not be in the interest of the Company. The remuneration of the Directors was disclosed in percentage according to remuneration component. A breakdown of the remuneration of the Directors in percentage terms showing the level and mix for the FY2018 is set out below:–

CORPORATE GOVERNANCE REPORT

Name of Directors	Breakdown of Remuneration in percentage (%)			
	Fee (%)	Fixed (%)	Bonuses (%)	Total (%)
Above S$500,000 to S$750,000				
Law Kung Ying	-	92	8	100
Above S$250,000 to S$500,000				
Law Kung Ming	-	76	24	100
Law Yu Chui	-	82	18	100
Within S$250,000				
Chen Yuk Fu	100	-	-	100
Lim Kian Wee Leonard	100	-	-	100
Ngu Kuang Hua	100	-	-	100

A breakdown of the remuneration of the key management personnel in percentage terms showing the level and mix for FY2018 is set out below:–

Name of Key Management Personnel	Breakdown of Remuneration in percentage (%)		
	Fixed (%)	Bonuses (%)	Total (%)
Below S$250,000			
Loh Yut Chai	100	-	100
Melvin Tsun Chin Eng	100	-	100

The Company disclosed the remuneration of only two Key Management Personnel, as there were only two Key Management Personnel (who are also not directors) whom the Company has identified as Key Management Personnel. Accordingly, the names and remuneration in bands of S$250,000 with a breakdown of salary and bonus in percentage terms of the two Key Management Personnel were disclosed in the table above. The Company does not disclose on a named basis the remuneration of at least the top five key management personnel (who are not directors or the CEO) as recommended in the Code 2012 but remuneration was disclosed in bands of S$250,000 in order to prevent poaching of key management personnel. Total remuneration paid to Key Management Personnel was S$344,000.

The aggregate termination benefits paid to a key management personnel (who is not director or the CEO) for the FY2018 was S$218,000.

b) Immediate Family Members of Director, CEO or Substantial Shareholder

There were three employees who are immediate family members of Director, CEO or Substantial Shareholder of the Company and whose remuneration exceeds S$50,000 for the financial year ended

CORPORATE GOVERNANCE REPORT

28 February 2018. The details of such employees and their remuneration in incremental bands of S$50,000 are as follows:–

Name	Relationship with the Director, CEO or Substantial Shareholder	Breakdown of Remuneration in Percentage (%)		
		Fixed (%)	**Bonuses (%)**	**Total (%)**
Above S$150,000 to S$200,000				
Law Tak Heem	1. Son of Mr Law Kung Ying, Managing Director, CEO and Substantial Shareholder of the Company.	100	-	100
	2. Nephew of Mr Law Kung Ming, Executive Director and Substantial Shareholder of the Company.			
	3. Nephew of Ms Law Yu Chui, Finance and Administrative Director and Substantial Shareholder of the Company.			
	4. Grandson of Mdm Lee Hang Ngok, a Substantial Shareholder of the Company.			
Tan Hai Yin	1. Son of Ms Law Yu Chui, Finance and Administrative Director and Substantial Shareholder of the Company.	100	-	100
	2. Nephew of Mr Law Kung Ying, Managing Director, CEO and Substantial Shareholder of the Company.			
	3. Nephew of Mr Law Kung Ming, Executive Director and Substantial Shareholder of the Company.			
	4. Grandson of Mdm Lee Hang Ngok, a Substantial Shareholder of the Company.			
Above S$50,000 to S$100,000				
Tan Hai Ting	1. Daughter of Ms Law Yu Chui, Finance and Administrative Director and Substantial Shareholder of the Company.	100	-	100
	2. Niece of Mr Law Kung Ying, Managing Director, CEO and Substantial Shareholder of the Company.			
	3. Niece of Mr Law Kung Ming, Executive Director and Substantial Shareholder of the Company.			
	4. Granddaughter of Mdm Lee Hang Ngok, a Substantial Shareholder of the Company.			

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accepts that it is accountable to the shareholders while the Management is accountable to the Board.

The Board provides the shareholders with a balanced and understandable assessment of the Company's and Group's performance, financial position and business prospects and such other price-sensitive information, when required, in compliance with the statutory requirements and the listing manual of SGX-ST. Financial results and annual reports will be issued within the prescribed period.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

CORPORATE GOVERNANCE REPORT

The Management recognizes the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with a continual flow of relevant information on a timely basis so that the Board may effectively discharge its duties. All members of the Board are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Principle 11: Risk Management and Internal Controls

The Board recognizes the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests, Company's assets and determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

The system of internal controls is supplemented by the Company's internal auditors' annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance control and risk management. Any material non-compliance or failure in internal controls and recommendations for improvements are reported to the AC.

In prior financial year, the Management worked with the internal auditors, Crowe Horwath First Trust Risk Advisory Pte. Ltd. to review the risk management systems and controls and identify key risks. The risks identified have been summarised in a Risk Register. The Risk Register is updated by the Management regularly as a monitoring mechanism. During the year, the AC and the Board discussed on the updates to the Risk Register. Management continues to work with the internal auditors to implement risk management policies, processes, assessment and mitigation of risks.

The external auditors, Messrs Ernst & Young LLP, have during the course of their audit, considered key internal controls relevant to the preparation of the financial statements, as laid out in their audit plan. No non-compliance and internal control weaknesses were noted during their audit and the auditors' recommendations are reported to the AC.

Based on the work performed by the internal and external auditors and reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC, are of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 28 February 2018. The Board is satisfied with the adequacy and effectiveness of the internal control and risk management systems.

The Group regularly reviews and improves its business and operational activities by taking into account risk management perspective. The Group seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The internal auditors will be tasked to regularly review all significant control policies and procedures and highlight all significant matters to the senior management, the AC and the Board.

The system of internal controls provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls could provide absolute assurance against the occurrence of material misstatement, human errors, losses, fraud and other irregularities.

The Board has received assurance from the CEO and Finance and Administrative Director that (i) the financial statements as at 28 February 2018 give a true and fair view of the Company's operations and

CORPORATE GOVERNANCE REPORT

finances and financial records have been properly maintained; and (ii) the effectiveness of the Company's risk management and internal control systems.

Principle 12: Audit Committee

The AC comprises three members, all of whom are Independent and Non-Executive Directors. All members have relevant accounting or related financial management expertise or experience.

The Chairman of the AC is Dr Chen Yuk Fu. The other members are Mr Lim Kian Wee Leonard and Mr Ngu Kuang Hua. The AC, which has written terms of reference approved by the Board with objectives and duties and responsibilities set out therein. The AC performs the following functions:

a. Review significant financial reporting issues and judgements so as to ensure integrity of the financial statements and announcements relating thereto;

b. Review with external auditors the audit plan, their evaluation of the system of internal controls, their audit reports and their management letters and management's response;

c. Review quarterly and full year financial statements before submission to the Board for its approval;

d. Review the assistance given by the management to external auditors;

e. Review the independence and objectivity of the external auditors;

f. Review the nature and extent of non-audit services performed by external auditors;

g. Examine the scope of internal audit procedures and the results of the internal audit;

h. Ensure that a review of the effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management, is conducted at least annually;

i. Ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;

j. Review Interested Person Transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX- ST; and

k. Consider the appointment/re-appointment of the external auditors and approve the audit fees.

The AC held four meetings during the financial year. These meetings were attended by the Board of Directors and Finance Manager. Separate sessions with the external and internal auditors were held without the presence of management at least once annually. As at the date of this report, the AC has met once with the external and internal auditors without management's presence.

The AC has reviewed and noted that there was no non-audit service provided by the external auditors during the current financial year. The AC is satisfied with the independence and objectivity of the external auditors and that the external auditors are able to meet the audit requirements and statutory obligation of the Company. The AC is pleased to recommend to the Board the re-appointment of Messrs Ernst & Young LLP as external auditors of the Company for shareholders' approval at the forthcoming AGM. The AC shall continue to monitor the scope, cost effectiveness and objectivity of the

CORPORATE GOVERNANCE REPORT

external auditors. Details of the audit fees paid to the external auditors are found in the notes to the financial statements of the Annual Report.

The Company has engaged suitable auditing firms for its foreign-incorporated subsidiaries and associate company. The Board and AC are satisfied that the appointment of different auditors for its foreign-incorporated subsidiaries and associate company would not compromise the standard and effectiveness of the audit of the Company. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual. The external auditors of the Company attend all AC Meetings. The AC is kept abreast of changes to accounting standards and issues which may have an impact to the financial statements in the report from the external auditors.

No former partner or Director of the Company's existing auditing firm is a member of the AC.

The Company has adopted a whistle blowing policy to provide well-defined and accessible channels in the Group through which employees may raise concerns about the possible improprieties in financial reporting or other matters to either human resource department or even approach the Independent Directors.

The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any non-compliance matter is brought to its attention. There was no reported incident pertaining to whistle blowing for the financial year ended 28 February 2018.

Principle 13: Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the auditing firm.

The Company has engaged Crowe Horwath First Trust Risk Advisory Pte. Ltd. ('Crowe Horwath') to provide internal audit services to the Company. Crowe Horwath carried out its function according to the Singapore Standard of Auditing set by the Institute of Singapore Chartered Accountants.

Crowe Horwath reviewed key internal controls in selected areas as advised by the AC. After the review, Crowe Horwath reported their findings together with recommendations on areas of improvement to the AC for approval. The Internal Auditor has unfettered access to all the Company's documents and records, including access to the AC. The Internal Auditors' primary line of reporting is the AC Chairman.

The AC has reviewed annually and is satisfied that the Company's internal audit function is adequately resourced and has appropriate standing within the Company.

Principle 14: Shareholder Rights

The Shareholders are treated fairly and equitably to facilitate exercise of shareholders' rights. Notice of general meeting of shareholders is issued at least 14 clear days before the scheduled date of such meeting.

The Board will review its Constitution from time to time. Where amendment to its Constitution is required to align the relevant provision with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

CORPORATE GOVERNANCE REPORT

Shareholders of the Company have the opportunity to participate effectively in the vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

The Board is mindful of the obligations to provide timely information and full disclosure of material information to shareholders in accordance with the statutory requirement and the listing manual of SGX-ST. Information is communicated to shareholders on a timely basis. All material information and financial results are released through SGXNET, media and analyst briefing. Media and analyst briefing would be attended by key management.

All shareholders of the Company will receive the annual report and notice of AGM. The Notice of AGM is also advertised in newspapers and announced via SGXNET. Information on major new initiatives of the Company is also disseminated via SGXNET.

The Company's website at www.cheungwoh.com.sg provides corporate information and its latest annual report. The Company does not practice selective disclosure. Price-sensitive information is first publicly released via SGXNET, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Company does not have a fixed and written dividend policy. Declaration of dividend will be published in the financial results and dividend announcements via SGXNET. The form, frequency and amount of dividend declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. Considering that the Group has made a loss for FY2018 and the uncertainties and challenges that the HDD components segment is facing, the Board did not intend to declare dividend in FY2018.

Principle 16: Conduct of Shareholder Meetings

The Company will be holding its forthcoming AGM on 26 June 2018. Shareholders are encouraged to participate at general meetings and have the opportunity to communicate their views affecting the Company. A shareholder who is a relevant intermediary can appoint more than two proxies to attend the AGM.

Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear days before the meeting. There are separate resolutions at general meetings on each separate issue. Each item of special business included in the notice will be accompanied by a full explanation of the effects of a proposed resolution.

Shareholders have the opportunity to participate actively in the general meetings of shareholders. The Board welcomes questions from shareholders who have an opportunity to raise questions or share their views regarding the proposed resolutions and the Company's business and affairs, either informally or formally before or at the AGM.

CORPORATE GOVERNANCE REPORT

The Chairman of the Board Committees, Directors and external auditors will be present and available at the general meeting to attend to the queries/questions from shareholders. All resolutions will be voted by poll in the presence of independent scrutineers and the detailed results will be released to the public via SGXNET after the meeting. Voting in absentia by mail, email or fax has not been implemented for the time bring due to concerns relating to issues of authentication of shareholder's identity information and other related security issues. Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and Management. These minutes would be available to shareholders upon their request.

E. DEALINGS IN SECURITIES

The Group has set out procedures with respect to dealings in securities by the Company and its officers and it is disseminated to all Directors and employees of the Group who have access to price-sensitive and confidential information. The Company and its officers should not deal in the Company's shares on short term considerations or during the periods commencing 2 weeks prior to the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full year results and ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

F. INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

During the year, there was no interested person transaction or material contract entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Director or controlling shareholder.

G. WHISTLE BLOWING POLICY

The whistle blowing policy of the Group serves to encourage and provide a good channel for employees to report and to raise, in good faith and in confidence, concerns about possible improprieties in financial reporting, criminal activities, failure to comply with the laws and regulations, any suspected wrongdoing of fraud or other matters. A well-defined process ensures independent investigation of such matters and the assurance that employees will be protected to the extent possible from reprisals. Under the policy, employees may report their concerns to either the human resource department or even approach the Independent Directors.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Cheung Woh Technologies Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 28 February 2018.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2018 and the financial performance, changes in equity and cash flows of the Group for the year then ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Law Kung Ying
Law Kung Ming
Law Yu Chui
Chen Yuk Fu
Lim Kian Wee Leonard
Ngu Kuang Hua

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), interests in the shares of the Company and its subsidiaries as stated below:

	Direct interest		**Deemed interest**	
Name of directors and entity in which a director has interests	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Law Kung Ying	10,419,600	10,419,600	–	–
Law Kung Ming	10,419,600	10,419,600	–	–
Law Yu Chui	10,419,600	10,419,600	189,609,600	190,405,000
Ngu Kuang Hua	501,400	501,400	–	–
Chen Yuk Fu	100,000	100,000	–	–

DIRECTORS' STATEMENT

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 March 2018.

By virtue of Section 7 of the Act, Law Yu Chui is deemed to have interests in all the subsidiaries of the Company.

Except as disclosed in this statement, no other director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Options

There is presently no option scheme on unissued shares of the Company or any subsidiaries at the end of the financial year.

Audit committee

The Audit Committee ("AC") comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Committee are:

Chen Yuk Fu	(Chairman)
Ngu Kuang Hua	(Non-executive Director)
Lim Kian Wee Leonard	(Non-executive Director)

The AC carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors.

- Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors.

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors.

- Met with the internal and external auditors and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC.

- Reviewed the legal regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators.

- Reviewed the cost effectiveness and the independence and objectivity of the external auditors.

DIRECTORS' STATEMENT

Audit committee (cont'd)

- Reviewed the nature and extent of non-audit services provided by the external auditors.
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors and reviewed the scope and results of the audit.
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate.
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external and internal auditors, without the presence of the Company's management at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report as set out in the Annual Report of the Company.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Law Kung Ying
Director

Law Yu Chui
Director

22 May 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Cheung Woh Technologies Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 28 February 2018, the statement of changes in equity of the Group and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 28 February 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Write-down of inventories

As of 28 February 2018, the carrying amounts of inventories and allowance for inventory obsolescence amounted to $14,928,000 and $416,000 respectively. The Group is principally involved in providing high-precision engineering products to the hard disk drive, communications, electrical and electronics, semiconductor and automotive industries. The Group operates in an industry where there are only few major customers and the products are subject to rapid technological changes.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Key audit matters (cont'd)

Write-down of inventories (cont'd)

The Group purchases raw materials and plans their production based on customers' order forecast. However, actual sales order from customers may deviate from their initial forecast due to unexpected change in end user demand.

In addition, as disclosed in Note 9, there were write off during the financial year as a result of natural disaster and tighten specifications from customers.

The determination whether a write-down of inventories is required involved management to exercise high level of judgement in estimating the future demand for the products and on the physical conditions of the inventories. As such, we identify this as key audit matter.

Our audit procedures amongst others, include the following:

- We obtained an understanding of how management plan their production volume based on customers' forecasts
- Where the actual sales orders were materially lower than the customers' initial forecast, we obtained explanations from the management the reasons for the variances and checked if the related inventories were subsequently sold
- We assessed if there were excess inventories that were not recoverable as at year end and evaluated if these inventories require write-down
- We obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assessed adequacy of allowance for slow-moving and obsolete inventories to their respective net realisable value ("NRV")
- We attended the year-end stock take to observe the existence of inventories and reviewed management's reconciliations of the variances between actual and book quantities
- We assessed the adequacy of the disclosures related to inventories in Notes 2.29 and 9 to the consolidated financial statements

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

22 May 2018

BALANCE SHEETS

AS AT 28 FEBRUARY 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	70,497	70,546	1,581	1,570
Investment properties	4	2,525	2,591	2,525	2,591
Intangible assets	5	122	117	122	109
Investments in subsidiaries	6	–	–	44,397	44,397
Investments in associates	7	–	18,133	–	15,662
Deferred tax assets	8	191	199	122	148
		73,335	91,586	48,747	64,477
Current assets					
Inventories	9	14,928	11,954	–	–
Trade receivables	10	22,129	16,434	–	–
Amount due from associate	11	–	93	–	–
Other receivables	12	11,560	2,339	22,270	2,137
Other current assets	13	2,097	3,276	215	173
Cash and bank balances	14	9,184	10,745	5,795	920
		59,898	44,841	28,280	3,230
Total assets		133,233	136,427	77,027	67,707
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	15	11,129	5,632	62	65
Other payables	16	9,167	5,141	607	561
Amount due to associate	11	–	244	–	–
Interest-bearing loans and borrowings	17	16,237	10,231	9,770	1,784
Income tax payable		52	142	–	–
		36,585	21,390	10,439	2,410
Net current assets		23,313	23,451	17,841	820
Non-current liabilities					
Interest-bearing loans and borrowings	17	2,627	4,063	–	–
Deferred tax liabilities	8	3,108	2,273	–	–
		5,735	6,336	–	–
Total liabilities		42,320	27,726	10,439	2,410
Net assets		90,913	108,701	66,588	65,297
Equity attributable to owners of the Company					
Share capital	18	50,200	50,200	50,200	50,200
Treasury shares	19	(1,923)	(1,923)	(1,923)	(1,923)
Revenue reserve	20	46,827	63,887	18,311	17,020
Statutory reserve	21	1,219	1,219	–	–
Foreign currency translation reserve	22	(5,410)	(4,682)	–	–
Total equity		90,913	108,701	66,588	65,297
Total equity and liabilities		133,233	136,427	77,027	67,707

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

		Group	
	Note	**2018**	**2017**
		$'000	$'000
Turnover	23	72,822	84,118
Cost of sales		(75,806)	(72,883)
Gross (loss)/profit		(2,984)	11,235
Other operating income	24	5,811	3,728
Distribution and selling expenses		(3,798)	(3,155)
General and administrative expenses		(13,414)	(9,195)
Other expense	7	(543)	–
Finance costs	25	(635)	(529)
Share of results of associates		(120)	2,430
(Loss)/profit before taxation	26	(15,683)	4,514
Income tax expense	27	(1,075)	(916)
(Loss)/profit for the year attributable to the owners of the Company		(16,758)	3,598
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation loss		(728)	(2,980)
Other comprehensive income for the year		(728)	(2,980)
Total comprehensive income for the year attributable to the owners of the Company		(17,486)	618
(Loss)/Earnings per share (cents per share)			
Basic and diluted	28	(5.55)	1.19

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	Attributable to equity owners of the Company						
Group	Share capital (Note 18) $'000	Treasury shares (Note 19) $'000	Revenue reserve (Note 20) $'000	Statutory reserve (Note 21) $'000	Foreign currency translation reserve (Note 22) $'000	Total other reserves $'000	Total equity attributable to equity owners of the Company $'000
Balance as at 28 February 2017	50,200	(1,923)	63,887	1,219	(4,682)	(3,463)	108,701
Total comprehensive income							
Loss for the year	–	–	(16,758)	–	–	–	(16,758)
Other comprehensive income for the year	–	–	–	–	(728)	(728)	(728)
Total comprehensive income for the financial year	–	–	(16,758)	–	(728)	(728)	(17,486)
Contributions by and distributions to owners							
Dividends paid on ordinary shares (Note 29)	–	–	(302)	–	–	–	(302)
Total contributions by and distributions to owners	–	–	(302)	–	–	–	(302)
Balance as at 28 February 2018	50,200	(1,923)	46,827	1,219	(5,410)	(4,191)	90,913
Balance as at 29 February 2016	50,200	(1,923)	63,511	1,170	(1,702)	(532)	111,256
Total comprehensive income							
Profit for the year	–	–	3,598	–	–	–	3,598
Other comprehensive income for the year	–	–	–	–	(2,980)	(2,980)	(2,980)
Total comprehensive income for the financial year	–	–	3,598	–	(2,980)	(2,980)	618
Contributions by and distributions to owners							
Dividends paid on ordinary shares (Note 29)	–	–	(3,173)	–	–	–	(3,173)
Total contributions by and distributions to owners	–	–	(3,173)	–	–	–	(3,173)
Others							
Transfer from revenue reserve to statutory reserve	–	–	(49)	49	–	49	–
Balance as at 28 February 2017	50,200	(1,923)	63,887	1,219	(4,682)	(3,463)	108,701

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	Group	
	2018	**2017**
	$'000	$'000
Cash flow from operating activities		
(Loss)/profit before taxation	(15,683)	4,514
Adjustments for:		
Amortisation and depreciation	10,362	9,091
Impairment loss on property, plant and equipment	3,263	–
Unrealised exchange gain, net	(49)	(277)
Interest expense	635	529
Inventories written-off	2,637	1,215
Allowance for /(write-back of) inventories obsolescence, net	44	(100)
Loss on disposal of investments in associates	543	–
Loss on termination of club membership	8	–
Gain on strike-off of a subsidiary	(11)	–
Share of results of associates	120	(2,430)
Interest income	(35)	(43)
Write-down of inventories	–	76
Write-off of property, plant and equipment	1,600	10
Loss on disposal of property, plant and equipment	4	59
Operating cash flows before changes in working capital	3,438	12,644
(Increase)/decrease in:		
Inventories	(5,448)	(1,658)
Trade receivables	(6,173)	3,536
Amount due from associate	93	(90)
Other receivables and prepayments	(2,236)	(325)
(Decrease)/increase in:		
Trade payables	4,823	57
Other payables	2,774	(34)
Amount due to associate	–	(154)
Cash flow (used in)/generated from operations	(2,729)	13,976
Interest received	35	43
Interest paid	(635)	(529)
Income tax paid/refund, net	(341)	(127)
Net cash flow (used in)/generated from operating activities	(3,670)	13,363
Cash flow from investing activities		
Purchase of property, plant and equipment	(8,520)	(16,672)
Advance payments to suppliers of property, plant and equipment	(2,672)	(2,151)
Proceeds from disposal of property, plant and equipment	4	652
Additions to intangible assets	(23)	(55)
Proceeds from disposal of investment in a quoted equity	–	1
Proceeds from disposal of investment in associate companies	5,578	–
Dividend income received from associate	3,318	935
Net cash flow used in investing activities	(2,315)	(17,290)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	Group	
	2018	**2017**
	$'000	$'000
Cash flow from financing activities		
Repayment of interest-bearing loans and borrowings	(22,349)	(16,398)
Decrease in cash and cash equivalents subject to restrictions	(5)	(5)
Dividends paid on ordinary shares	(302)	(3,173)
Proceeds from interest-bearing loans and borrowings	27,164	19,964
Net cash flow generated from financing activities	4,508	388
Net decrease in cash and cash equivalents	(1,477)	(3,539)
Cash and cash equivalents at beginning of financial year	10,615	14,499
Effect of exchange rate changes on cash and cash equivalents	(97)	(345)
Cash and cash equivalents at end of financial year (Note 14)	9,041	10,615

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

1. Corporate information

Cheung Woh Technologies Ltd (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore, and is listed on the Singapore Exchange Securities Trading Limited.

The immediate and ultimate holding company is Nexsuss Holdings Pte Ltd, a company incorporated and domiciled in the Republic of Singapore.

The registered office and principal place of business of the Company is located at 23 Tuas South Street 1, Singapore 638033.

The principal activity of the Company is that of investment holding and trading. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 March 2018.

The Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 March 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Considerations*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

* As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 March 2018. Upon adoption of SFRS(I) on 1 March 2018, the SFRS(I) equivalent of the above standards that are effective on 1 March 2018 will be adopted at the same time.

The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

<u>SFRS(I)15 *Revenue from Contracts with Customers*</u>

SFRS(I)15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I)15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I)15 based on currently available information and expects no significant impact to the revenue. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I)15 in 2018.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

SFRS(I)15 *Revenue from Contracts with Customers* *(cont'd)*

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedient:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 March 2017.

The Group expects the following impact upon adoption of SFRS(I)15:

- The Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. Under SFRS(I)15, the Group estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. Considering the prompt turnaround for sales return, the Group expects that the adoption of SFRS(I)15 will not have significant impact to the financial performance or position of the Group.

SFRS(I)9 *Financial Instruments*

SFRS(I)9 introduces new requirements for classification and measurement of financial assets and impairment of financial assets, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I)9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I)9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I)9 in 2018.

Impairment

SFRS(I)9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Trade receivables arised mainly from major customers and repayable within 90 days' terms. Considering there was no trade receivables determined to be impaired historically, upon application of the expected credit loss model, the Group does not expect material impact on the results.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

SFRS(I)16 *Leases*

SFRS(I)16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 March 2019.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I)16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 March 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I)16 and assessing the possible impact of adoption. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

Except for SFRS(I)16, the directors expect that the adoption of the SFRS(I) will have no material impact on the financial statements in the year of initial application.

2.4 ***Foreign currency***

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in the profit or loss.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign subsidiaries are translated into SGD at the rate of exchange ruling at the end of reporting period and their profit or loss are translated at the average exchange rates for the financial year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 ***Basis of consolidation and business combinations***

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) ***Business combinations***

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.5 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combinations (cont'd)***

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in statement of comprehensive income.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of comprehensive income on the acquisition date.

2.6 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.7 ***Associates***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.7 ***Associates (cont'd)***

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.8 ***Property, plant and equipment, and depreciation***

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of a property, plant and equipment begins when it is available for use and is calculated on a straight-line method over their estimated useful lives as follows:

Leasehold land and buildings	-	20 to 60 years (lease period)
Tools and equipment	-	5 years
Renovation	-	3 to 5 years
Plant and machinery	-	10 years
Furniture, fittings and office equipment	-	3 to 5 years
Motor vehicles	-	5 years
Computers	-	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.8 ***Property, plant and equipment, and depreciation (cont'd)***

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the financial year the asset is de-recognised.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.9 ***Investment properties***

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise leasehold land and building of the Company, that is leased out to earn rental income.

Investment properties are initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Depreciation is calculated using the straight-line method over its estimated useful lives of 60 years (lease period).

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.10 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets include club memberships and patent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.10 ***Intangible assets (cont'd)***

(a) ***Club memberships***

Club memberships are measured on initial recognition at cost. Following initial recognition, club memberships are carried at cost less any accumulated amortisation and any accumulated impairment losses. The estimated useful lives of club memberships are assessed to be 20 to 99 years and are reviewed annually to determine whether the useful life assessment continues to be supportable.

(b) ***Patent***

Patent relates to the technical know-how of manufacturing base plates.

Following initial recognition, patent is carried at cost less any accumulated amortisation and any accumulated impairment losses. Patent is amortised on a straight-line basis over their estimated economic useful lives of 20 years and assessed for impairment whenever there is an indication that these intangible assets may be impaired.

2.11 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

– Trade and other receivables and amount due from an associate
– Cash and bank balances

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

2.13 ***Impairment of financial assets***

The Group assess at each end of reporting period whether there is any objective evidence a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 ***Impairment of financial assets (cont'd)***

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.14 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.15 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.16 ***Financial liabilities (cont'd)***

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the statement of comprehensive income over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.18 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.20 ***Leases***

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(c). Contingent rents are recognised as revenue in the period which they are earned.

2.21 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.21 ***Revenue (cont'd)***

(c) ***Rental income***

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight line basis.

2.22 ***Employee benefits***

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The national pension schemes for Singapore, Malaysia and China are Central Provident Fund, Employees Provident Fund and Social Security Fund respectively. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement***

Employees' entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) ***Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

2.23 ***Income taxes***

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.23 ***Income taxes (cont'd)***

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unutilised tax losses, to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unutilised tax losses can be utilised except:

– Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.23 ***Income taxes (cont'd)***

(b) ***Deferred tax***

Deferred taxes relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax***

Revenue, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

2.24 ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

2.25 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.26 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

2. Summary of significant accounting policies (cont'd)

2.29 ***Significant accounting estimates and judgements***

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) ***Key sources of estimation uncertainty***

Management is of the opinion that there is no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

(b) ***Judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Write-down of inventories

The allowance for inventories obsolescence relates mainly to raw materials and finished goods. The related work-in-progress are manufactured only upon receipt of customer order. A review is made periodically on allowance for inventories obsolescence. In addition, as disclosed in Note 9, there were write off during the financial year as a result of natural disaster and tightened specifications from customers. The determination whether a write-down of inventories is required involved management to exercise high level of judgement in estimating the future demand for the products and on the physical conditions of the inventories. Possible changes in the judgement could result in revisions to the carrying amount of inventories. As at 28 February 2018, the carrying amount of the inventories of the Group is $14,928,000 (2017: $11,954,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

3. Property, plant and equipment

Group	Leasehold land and buildings $'000	Tools and equipment $'000	Renovation $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost								
Balance as at 29 February 2016	23,031	10,459	3,746	95,379	1,891	1,937	979	137,422
Additions	5,464	3,391	1,476	9,874	517	203	75	21,000
Disposals/write-offs	(106)	(238)	–	(3,587)	(145)	(169)	(133)	(4,378)
Translation differences	(1,133)	(568)	(241)	(4,058)	(106)	(77)	(39)	(6,222)
Balance as at 28 February 2017 and 1 March 2017	27,256	13,044	4,981	97,608	2,157	1,894	882	147,822
Additions	345	3,085	1,040	7,730	165	128	88	12,581
Disposals/write-offs	–	(8)	–	(4,364)	(6)	–	(10)	(4,388)
Translation differences	1,004	428	242	3,277	89	68	40	5,148
Balance as at 28 February 2018	28,605	16,549	6,263	104,251	2,405	2,090	1,000	161,163
Accumulated depreciation and impairment loss								
Balance as at 29 February 2016	4,540	5,655	2,115	59,149	1,196	1,311	847	74,813
Depreciation charge for the year	573	1,647	590	5,792	195	157	65	9,019
Disposals/write-offs	(31)	(233)	–	(2,967)	(144)	(149)	(133)	(3,657)
Translation differences	(207)	(292)	(116)	(2,150)	(58)	(44)	(32)	(2,899)
Balance as at 28 February 2017 and 1 March 2017	4,875	6,777	2,589	59,824	1,189	1,275	747	77,276
Depreciation charge for the year	804	1,997	935	6,000	319	166	65	10,286
Disposals/write-offs	–	(8)	–	(2,758)	(5)	–	(9)	(2,780)
Impairment	–	655	–	2,608	–	–	–	3,263
Translation differences	167	253	148	1,915	57	46	35	2,621
Balance as at 28 February 2018	5,846	9,674	3,672	67,589	1,560	1,487	838	90,666
Net carrying amount								
Balance as at 28 February 2017	22,381	6,267	2,392	37,784	968	619	135	70,546
Balance as at 28 February 2018	22,759	6,875	2,591	36,662	845	603	162	70,497

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

3. Property, plant and equipment (cont'd)

Company	Leasehold land and buildings $'000	Tools and equipment $'000	Renovation $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost								
Balance as at 29 February 2016	2,394	66	131	435	88	373	186	3,673
Additions	–	–	–	–	2	–	2	4
Disposals/write-offs	–	(59)	–	(401)	(66)	–	(57)	(583)
Balance as at 28 February 2017 and 1 March 2017	2,394	7	131	34	24	373	131	3,094
Additions	–	–	–	–	3	54	8	65
Balance as at 28 February 2018	2,394	7	131	34	27	427	139	3,159
Accumulated depreciation								
Balance as at 29 February 2016	790	24	131	387	83	373	182	1,970
Depreciation charge for the year	40	6	–	6	4	–	3	59
Disposals/write-offs	–	(23)	–	(359)	(66)	–	(57)	(505)
Balance as at 28 February 2017 and 1 March 2017	830	7	131	34	21	373	128	1,524
Depreciation charge for the year	40	–	–	–	2	8	4	54
Balance as at 28 February 2018	870	7	131	34	23	381	132	1,578
Net carrying amount								
Balance as at 28 February 2017	1,564	–	–	–	3	–	3	1,570
Balance as at 28 February 2018	1,524	–	–	–	4	46	7	1,581

3. Property, plant and equipment (cont'd)

Assets pledged as security and held in trust

As at 28 February 2018, leasehold land and buildings of the Group with net book value of $8,287,000 (2017: $7,582,000) were mortgaged as security for the banking facilities (Note 17).

Motor vehicles with carrying amount of $111,000 (2017: $21,000) are held in trust by directors of the Company.

Impairment of fixed assets

During the financial year, the Group assessed the carrying amount of fixed assets and impaired to its estimated recoverable amount. The Group has provided for impairment loss for equipment with carrying amount of $3,263,000 (2017: nil).

Purchase of plant and equipment (non-cash) by means of other payables

Included in other payables were amounts of $1,650,000 (2017: nil) relating to the acquisitions of plant and equipment by the Group.

4. Investment properties

	Group and Company	
	2018	**2017**
	$'000	$'000
Cost		
Balance at beginning and end of financial year	3,929	3,929
Accumulated depreciation		
Balance at beginning of financial year	1,338	1,272
Depreciation for the year	66	66
Balance at end of financial year	1,404	1,338
Net carrying amount		
Balance at end of financial year	2,525	2,591
Fair value of the investment properties as at 28 February	7,360	8,300
Income statement:		
Rental income from investment properties:		
Minimum lease payments (Note 24)	102	344
Direct operating expenses (including repairs and maintenance) arising from:		
Rental generating properties	10	12

Leasehold buildings with carrying amount of $2,525,000 (2017: $2,591,000) of the Group are held for leasing to third parties. The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

4. Investment properties (cont'd)

Valuation of investment properties

The fair value of the investment properties were based on valuation performed as at 28 February 2018 and 28 February 2017 by CKS Property Consultants, an independent valuer using the market comparison method. The valuation is based on the property's highest and best use by the independent valuer. The directors are of the opinion that this value is a close approximation of the fair value of the property at the balance sheet date.

The investment properties held by the Group as at 28 February 2018 are as follows:

Location	Area (sq m)	Description	Tenure
17 Tuas South Street 1 Singapore 638065	1,422	Warehouse	Leasehold (30 years from 1 June 1997, with option to renew for another 30 years)
23 Tuas South Street 1 Singapore 638033	2,358	Warehouse	Leasehold (30 years from 16 January 1997, with option to renew for another 30 years)

5. Intangible assets

Group	**Club memberships** $'000	**Patent** $'000	**Total** $'000
Cost			
Balance as at 29 February 2016	196	98	294
Additions	–	55	55
Balance as at 28 February 2017 and 1 March 2017	196	153	349
Additions	–	23	23
Write-offs	(11)	–	(11)
Balance as at 28 February 2018	185	176	361
Accumulated amortisation			
Balance as at 29 February 2016	187	39	226
Amortisation for the year	1	5	6
Balance as at 28 February 2017 and 1 March 2017	188	44	232
Amortisation for the year	–	10	10
Write-offs	(3)	–	(3)
Balance as at 28 February 2018	185	54	239
Net carrying amount			
Balance as at 28 February 2017	8	109	117
Balance as at 28 February 2018	–	122	122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

5. **Intangible assets (cont'd)**

Company	**Club membership** $'000	**Patent** $'000	**Total** $'000
Cost			
Balance as at 29 February 2016	185	98	283
Additions	–	55	55
Balance as at 28 February 2017 and 1 March 2017	185	153	338
Additions	–	23	23
Balance as at 28 February 2018	185	176	361
Accumulated amortisation			
Balance as at 29 February 2016	185	39	224
Amortisation for the year	–	5	5
Balance as at 28 February 2017 and 1 March 2017	185	44	229
Amortisation for the year	–	10	10
Balance as at 28 February 2018	185	54	239
Net carrying amount			
Balance as at 28 February 2017	–	109	109
Balance as at 28 February 2018	–	122	122

As at 28 February 2018, the patent had a remaining amortisation period of 9 to 15 (2017 : 10 to 15) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

6. Investments in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Unquoted equity shares, at cost	44,397	44,397

Details of subsidiaries as at 28 February:

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company 2018 %	Percentage of equity held by the Company 2017 %	Cost of investment 2018 $'000	Cost of investment 2017 $'000
Held by the Company						
Cheung Woh Technologies (Malaysia) Sdn Bhd *	Manufacturer and provider of stamping process for metal works and manufacture of tool and die	Malaysia	100	100	2,491	2,491
Cheung Woh Technologies (Johor) Sdn Bhd *	Provider of services in the secondary processes of computer parts and components	Malaysia	100	100	795	795
Cheung Woh Precision (Zhuhai) Co., Ltd ++**	Manufacturer of hard disk drive components and manufacture of tool and die	People's Republic of China	100	100	21,457	21,457
Cheung Woh Technologies (Zhuhai) Co., Ltd ++**	Manufacturer of hard disk drive components and sheet metal machined parts	People's Republic of China	100	100	18,149	18,149
Cheung Woh International (Macao Commercial Offshore) Company Limited +**	Engage in the business of commercial and services agents for export activities	Macao	100	100	21	21
Cheung Woh Technologies (Penang) Sdn. Bhd. * (formerly known as Cheung Woh Properties Sdn Bhd)	Manufacturer and provider of stamping process for metal works and manufacture of tool and die	Malaysia	100	100	1,484	1,484
					44,397	44,397

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

6. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group 2018 %	2017 %
Held by Cheung Woh International (Macao Commercial Offshore) Company Limited				
Cheung Woh Trading (Zhuhai) Co., Ltd ++	Wholesale, import and export of palm and coconut fiber	People's Republic of China	–	100

* Audited by member firms of Ernst & Young Global in the respective countries.

** Audited for group reporting purpose by Ernst & Young LLP, Singapore and member firms of Ernst & Young Global in the respective countries.

\+ Audited by HMV & Associates, Macau.

++ Audited by Union Power Certified Public Accountants, Zhuhai Branch.

Striking off of a subsidiary

On 8 January 2018, an indirect subsidiary of the Company, Cheung Woh Trading (Zhuhai) Co., Ltd had completed the de-registration with Zhuhai Administration Bureau of Industry and Commerce.

The carrying value of assets and liabilities of subsidiary and the effects of the strike off were as follows:

	Cheung Woh Trading (Zhuhai) Co., Ltd $'000
Carrying value of assets and liabilities	
Other receivables	6
Other payables	(22)
Cash and cash equivalents	46
Net assets	30
Net assets de-recognised	(30)
Cumulative reserves in respect of the net assets of the subsidiary reclassified from equity	41
Gain on striking off	11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

7. Investments in associates

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	–	15,662	–	15,662
Share of post-acquisition reserves	–	2,471	–	–
	–	18,133	–	15,662

Details of associates as at 28 February:

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company 2018 %	Percentage of equity held by the Company 2017 %
Held by the Company				
Jiangsu Tysan Precision Engineering Co., Ltd *+	Manufacturer of automobile seat track adjusters, seat recliners and hydraulic steering components	People's Republic of China	–	31.34

\+ Audited for group reporting purpose by member firms of Ernst & Young Global.

* Audited by BDO China Shu Lun Pan, Certified Public Accountants LLP, People's Republic of China.

Disposal of investments in associates

On 31 January 2018, the Company has disposed its entire 31.34% equity interest in the associates at a consideration of $14,152,000, of which $5,578,000 has been received as at 28 February 2018.

The effects of the disposal were as follows:

	Jiangsu Tysan Precision Engineering Co., Ltd
	$'000
Sale consideration	14,152
Less: Carrying amount of the investment	(14,695)
Loss on disposal	(543)

8. Deferred tax assets/(liabilities)

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Deferred tax assets:				
Balance at beginning of financial year	199	419	148	162
Charge to profit or loss (Note 27)	(12)	(217)	(26)	(14)
Translation differences	4	(3)	–	–
Balance at end of financial year	191	199	122	148
Deferred tax liabilities:				
Balance at beginning of financial year	(2,273)	(1,880)	–	–
Charge to profit or loss (Note 27)	(800)	(400)	–	–
Translation differences	(35)	7	–	–
Balance at end of financial year	(3,108)	(2,273)	–	–

Deferred tax assets as at 28 February, after appropriately offsetting against deferred tax liabilities, relate to the following:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Deferred tax liabilities:				
Differences in depreciation for tax purposes	(559)	(454)	–	–
Gross deferred tax liabilities	(559)	(454)	–	–
Deferred tax assets:				
Unutilised tax losses	149	149	122	148
Unrealised foreign exchange loss	87	170	–	–
Unutilised reinvestment allowance	514	178	–	–
Provisions	–	156	–	–
Gross deferred tax assets	750	653	122	148
Net deferred tax assets	191	199	122	148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

8. Deferred tax assets/(liabilities) (cont'd)

Deferred tax liabilities as at 28 February, after appropriately offsetting against deferred tax assets, relate to the following:

	Group 2018 $'000	Group 2017 $'000
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(3,664)	(3,877)
Undistributed earnings of associates	–	(52)
Gross deferred tax liabilities	(3,664)	(3,929)
Deferred tax assets:		
Unutilised capital allowance	586	1,448
Unrealised foreign exchange loss	(30)	208
Gross deferred tax assets	556	1,656
Net deferred tax liabilities	(3,108)	(2,273)

9. Inventories

	Group 2018 $'000	Group 2017 $'000
Balance sheet:		
Raw materials (at cost)	2,747	2,718
Work-in-progress (at cost)	5,557	5,679
Finished goods (at cost or net realisable value)	7,040	3,980
	15,344	12,377
Inventories written down to NRV	–	(76)
Allowance for inventories obsolescence	(416)	(347)
Inventories (at cost or net realisable value)	14,928	11,954
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	75,806	72,883
Inclusive of the following charge/(credit):		
Inventories written-off	2,637	1,215
Inventories written-down	–	76
Allowance for/(write-back of) inventories obsolescence, net	44	(100)

Inventories written-off during the financial year are as a result of natural disaster and tightened specifications from customers during the year.

The write-back of inventories obsolescence in prior year was made when the related inventories were subsequently sold.

10. Trade receivables

	Group 2018 $'000	Group 2017 $'000
External parties	22,129	16,434

Trade receivables denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	2018	2017
Euro	356	772
United States dollar	92	48

Trade receivables are non-interest bearing, generally on 90 days' terms, repayable upon demand and are to be settled in cash. Trade receivables are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to $7,627,000 (2017: $2,600,000) that are past due at the balance sheet date but not impaired. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group 2018 $'000	Group 2017 $'000
Less than 30 days	3,318	2,511
30 to 60 days	4,025	64
61 to 90 days	3	25
More than 90 days	281	–

Trade receivables that are impaired

The Group does not have any trade receivables that are collectively determined to be impaired at the balance sheet date.

Trade receivables subject to offsetting arrangements

The Group does not have any trade receivables and trade payable that are subject to offsetting arrangements at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

11. Amounts due from/(to) associate

The amounts from/(to) associate are trade in nature, unsecured, non-interest bearing and repayable within normal credit terms. These amounts are to be settled in cash.

The amounts due from/(to) associate denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group	
	2018	**2017**
	$'000	$'000
United States dollar	–	(244)

12. Other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Value-added tax receivables, net	1,593	760	–	–
Other receivables	832	902	12	13
Receivables from disposal of associate(1)	8,574	–	8,574	–
Deposits	388	464	50	47
Tax recoverable	90	102	–	–
Advances to employees	83	111	–	–
Subsidiaries(2)	–	–	13,634	2,077
	11,560	2,339	22,270	2,137

(1) Receivables from disposal of associate are unsecured, non-interest bearing, to be settled in cash and expected to be received within 3 months from financial year end.

(2) Non-trade receivables from subsidiaries are unsecured, non-interest bearing and repayable on demand. These amounts are to be settled in cash.

Other receivables denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Macau pataca	3	3	–	–
Euro	–	–	–	1,784
United States dollar	–	–	–	51
Renminbi	8,574	–	8,574	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

13. Other current assets

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Advanced payment to suppliers of property, plant and equipment	779	2,151	–	–
Prepayments	1,318	1,125	215	173
	2,097	3,276	215	173

14. Cash and bank balances

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Cash and bank balances	9,041	10,615	5,795	920
Fixed deposits	143	130	–	–
	9,184	10,745	5,795	920
Pledged deposits	(143)	(130)	–	–
Cash and cash equivalents at end of year	9,041	10,615	5,795	920

Fixed deposits of $143,000 (2017: $130,000) are pledged for banker's facilities granted to a subsidiary.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 and 12 (2017: 1 and 12) months depending on the immediate cash requirements of the Group, and earned interests at 3.15% (2017: ranging from 3.45%) per annum.

Cash and cash equivalents denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
United States dollar	5,988	1,339	5,636	693
Euro	85	798	–	–
Macau pataca	23	19	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

14. Cash and bank balances (cont'd)

The carrying amounts of loans and receivables comprise:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Trade receivables (Note 10)	22,129	16,434	–	–
Amount due from associate (Note 11)	–	93	–	–
Other receivables (Note 12)	11,560	2,339	22,270	2,137
Less:				
Value-added tax receivables, net	(1,593)	(760)	–	–
Tax recoverable	(90)	(102)	–	–
Advances to employees	(83)	(111)	–	–
	9,794	1,366	22,270	2,137
Cash and bank balances (Note 14)	9,184	10,745	5,795	920
	41,107	28,638	28,065	3,057

15. Trade payables

Trade payables were unsecured, non-interest bearing and repayable within normal credit terms. These amounts were to be settled in cash.

Trade payables denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
United States dollar	1,397	1,132	1	–
Euro	–	57	–	–
Renminbi	16	5	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

16. Other payables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Advance payments from customers	1,528	564	–	–
Accrued personnel expenses	2,782	1,953	212	207
Accrued operating expenses	1,831	1,064	292	317
Other payables	1,213	1,118	86	20
Payables for acquisition of machinery	1,650	–	–	–
Deposits received	163	442	17	17
	9,167	5,141	607	561

Other payables denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Euro	153	62	–	–
United States dollar	1,178	405	2	6
Macau pataca	15	15	–	–

The carrying amounts of financial liabilities at amortised costs comprise:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Trade payables (Note 15)	11,129	5,632	62	65
Other payables (Note 16)	9,167	5,141	607	561
Less:				
Advance payments from customers	(1,528)	(564)	–	–
	7,639	4,577	607	561
Amount due to associate company (Note 11)	–	244	–	–
Interest-bearing loans and borrowings (Note 17)	18,864	14,294	9,770	1,784
Total financial liabilities at amortised cost	37,632	24,747	10,439	2,410

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

17. Interest-bearing loans and borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Non-current:				
Bank loans (secured)	2,627	4,063	–	–
Current:				
Bank loans (secured)	6,467	8,447	–	–
Bank loans (unsecured)	9,770	1,784	9,770	1,784
	16,237	10,231	9,770	1,784
Total interest-bearing loans and borrowings	18,864	14,294	9,770	1,784

Interest-bearing loans and borrowings denominated in foreign currencies other than functional currencies for respective entities as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Euro	–	1,784	–	1,784
United States dollar	9,270	–	9,270	–

The Group has undrawn loans and guarantee facilities of $7,680,000 (2017: $14,405,000) that may be available in the future for operating activities. There is no restriction for the Group to use these facilities.

As at 28 February, the bank loans and all other banking facilities of the Group were secured by:

(a) legal mortgages over leasehold land and buildings of subsidiaries; and

(b) corporate guarantee from the Company.

The bank loans of the Group and the Company are repayable over 1 to 14 (2017: 1 to 15) years. The loans of the Group and of the Company bear effective interest rates ranging from 2.30% to 4.60% (2017: 2.05% to 4.60%) per annum.

<u>A reconciliation of liabilities arising from financing activities is as follows:</u>

	2017	**Cash flows**	**Foreign exchange movements**	**Reclassifications**	**2018**
	$'000	$'000	$'000	$'000	$'000
Current	10,231	(22,349)	–	28,355	16,237
Non-current	4,063	27,164	(245)	(28,355)	2,627
Total loans and borrowings	14,294	4,815	(245)	–	18,864

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

18. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance at beginning and end of financial year	313,085	50,200	313,085	50,200

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

19. Treasury shares

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Balance at beginning and end of financial year	10,873	1,923	10,873	1,923

Treasury shares relate to ordinary shares of the Company that is held by the Company.

20. Revenue reserve

	Group	
	2018	2017
	$'000	$'000
Retained by:		
The Company	18,311	17,020
Subsidiaries	28,516	46,867
	46,827	63,887

	Company	
	2018	2017
	$'000	$'000
Movements in the Company's revenue reserve are as follows:		
Balance at beginning of financial year	17,020	19,145
Profit for the year	1,593	1,048
Dividends (Note 29)	(302)	(3,173)
Balance at end of financial year	18,311	17,020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

21. Statutory reserve

In accordance with the accounting principles and relevant financial regulations of the People's Republic of China ("PRC") applicable to wholly-owned foreign enterprises, the PRC subsidiaries shall appropriate at least 10% of their profit after taxation, prepared in accordance with PRC accounting standards, to the statutory surplus reserve account. When the balance of such reserve reaches 50% of the PRC subsidiaries' registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset the prior years' losses of the PRC subsidiaries or to increase registered capital upon approval by the relevant authorities. The reserve is not available for distribution.

22. Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2018	**2017**
	$'000	$'000
Balance at beginning of financial year	(4,682)	(1,702)
Net effect of exchange differences arising from:		
- translation of financial statements of foreign subsidiaries	(728)	(2,980)
Balance at end of financial year	(5,410)	(4,682)

23. Turnover

Turnover represents sales of goods net of discounts and returns in the normal course of business. Intra-group transactions have been excluded from the Group's turnover.

24. Other operating income

	Group	
	2018	**2017**
	$'000	$'000
Sale of scrap metal	3,284	2,964
Interest income	35	43
Rental income	102	344
Net foreign exchange gain	2,205	–
Sundry income	185	267
Write-back of bad debts	–	110
	5,811	3,728

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

25. Finance costs

	Group 2018 $'000	Group 2017 $'000
Interest expense on bank loans	635	529

26. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting):

	Group 2018 $'000	Group 2017 $'000
Employee benefits expense *		
- wages, salaries and bonuses	25,120	25,065
- defined contributions	4,338	2,098
- other related expenses	2,528	2,388
Amortisation and depreciation	10,362	9,091
Foreign exchange (gain)/loss	(2,205)	920
Rental of:		
- Premises	8	210
- Land	121	130
- Equipment	11	11
Directors' fees		
- directors of the Company	135	242
- directors of subsidiaries	3	3
Audit fees paid to:		
- Auditors of the Company	110	108
- Other auditors	138	172
Inventories written-off	2,637	1,215
Inventories written-down	–	76
Allowance for/(write-back of) inventories obsolescence,net	44	(100)
Impairment loss on property, plant and equipment	3,263	–
Loss on disposal of property, plant and equipment	4	59
Write-off of property, plant and equipment	1,600	10
Other expense – loss on disposal of associates	543	–

** Included the following:*		
Directors' remuneration		
- directors of the Company	1,330	1,767
- directors of subsidiaries	3	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

27. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 28 February 2018 and 2017 are:

Consolidated statement of comprehensive income

	Group	
	2018	**2017**
	$'000	$'000
Current year:		
Income tax	261	293
Deferred tax	541	429
	802	722
Under provision in respect of prior years:		
Income tax	2	6
Deferred tax	271	188
	273	194
	1,075	916

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 28 February 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	$'000	$'000
(Loss)/profit before taxation	(15,683)	4,514
Income tax using the Singapore tax rate of 17% (2017: 17%)	(2,666)	767
Adjustments for:		
Non-deductible expenses	309	197
Income not subject to tax	(2)	(66)
Effect of differences in tax rates of subsidiaries	873	14
Share of results of associates	20	(364)
Deferred tax assets not recognised	2,612	240
Deferred tax assets recognised on reinvestment allowance	(344)	(52)
Utilisation of deferred tax assets not previously recognised	–	(14)
Under provision in respect of prior years	273	194
Income tax expense recognised in profit or loss	1,075	916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

27. Income tax expense (cont'd)

The Group has unutilised tax losses of approximately $16,228,000 (2017: $869,000) that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

At the end of the reporting period, no deferred tax liability (2017: nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries. The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregate to $34,234,000 (2017: $34,653,000). The deferred tax liability is estimated to be $5,820,000 (2017: $5,891,000).

The statutory tax rate applicable to the companies incorporated in People's Republic of China and Malaysia were 25% and 24% respectively for the year of assessment 2018.

Cheung Woh International (Macao Commercial Offshore) Company Limited is exempted from statutory tax under the Decree Law No. 58/99/M of Macao Special Administrative Region as an offshore company, and hence no provision for taxation is made in respect of current and prior years.

28. (Loss)/earnings per share (basic and diluted)

Basic and diluted earnings per share are based on net loss attributable to ordinary shareholders of $16,758,000 (2017: profit of $3,598,000) divided by the weighted average number of 302,212,000 (2017: 302,212,000) ordinary shares in issue takes into account the weighted average effect of changes in treasury shares transactions during the year.

The basic and fully diluted earnings per share are the same as the Group did not have any dilutive potential ordinary shares outstanding as at 28 February 2017 and 2018.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

29. Dividends

	Group and Company	
	2018	**2017**
	$'000	$'000
Declared and paid during the financial year:		
- A final tax exempt dividend of 0.75 cent per share paid in respect of FY2016	–	2,267
- An interim tax exempt dividend of 0.3 cent per share paid in respect of FY2017	–	906
- A final tax exempt dividend of 0.1 cent per share paid in respect of FY2017	302	–
	302	3,173

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

29. Dividends (cont'd)

Proposed but not recognised as a liability as at 28 February:

	Group and Company	
	2018	**2017**
	$'000	$'000
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
A final tax exempt dividend of nil cent (2017 : 0.1 cent) per share	–	302

30. Significant related party transactions

The Group and the Company have the following significant related party transactions, which took place on terms agreed between the parties for the financial years ended 28 February:

Company

(a) ***Sales of goods and services***

	2018	**2017**
	$'000	$'000
Sale of goods to subsidiaries	(300)	(728)
Management fee from subsidiaries	(2,026)	(1,501)

Group

(b) ***Compensation of key management personnel***

	2018	**2017**
	$'000	$'000
Directors' fees		
- directors of the Company	135	242
- directors of subsidiaries	3	3
Short-term employee benefits	1,842	2,075
Defined contributions	35	44
	2,015	2,364
Comprise amounts paid to:		
Directors of the Company	1,330	1,767
Directors of subsidiaries	3	3
Other key management personnel	682	594
	2,015	2,364

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

31. Contingent liabilities and commitments

(a) *Capital commitments*

Capital expenditure contracted for as at 28 February but not recognised in the financial statements are as follows:

	Group	
	2018	**2017**
	$'000	$'000
Capital commitment in respect of property, plant and equipment	38	3,757

(b) *Operating lease commitments – As lessee*

The Group and the Company have entered into commercial leases for leasehold land and buildings and the use of computer equipment. These leases have an average tenure ranging from 1 to 39 (2017: 1 to 40) years. Operating lease expenses for the Group was $140,000 (2017: $351,000) for the financial year ended 28 February 2018.

Other than the operating lease agreement for leasehold land and buildings and the lease for the use of computer equipment which included a renewal option at the end of its lease term, the rental of premises have no renewal option included in the agreements. There are no restrictions on the Group's activities concerning dividends, additional debts or further leasing.

Future minimum lease payments payable under non-cancellable operating leases as at 28 February are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Not later than one year	97	98	97	98
Later than one year but not later than five years	358	372	358	372
Later than five years	2,908	3,014	2,908	3,014
	3,363	3,484	3,363	3,484

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

31. Contingent liabilities and commitments (cont'd)

(c) ***Operating lease commitments – As lessor***

The Company has entered into commercial property leases on its investment properties.

(d) ***Contingent liability***

The Company has corporate guarantees of $9,094,000 (2017: $12,510,000) granted to subsidiaries.

32. Segment information

For management purposes, the Group is organised into business segments based on their products and services, and the Group is organised on a worldwide basis into two reportable operating divisions, namely:

- hard disk drive components which include voice coil motor ("VCM") plates, air combs and Baseplates; and
- precision metal stamping components which mainly include sheet metal machined parts and stamped parts, prototypes, stamping tool design and fabrication.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment accounting policies are the same as the policies described in Note 2 to the financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

32. Segment information (cont'd)

Information regarding the results of each reportable operating segments is included below:

	HDD Components		Precision Metal Stamping Components		Adjustments and Eliminations		Notes	Consolidated Financial Statements	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**		**2018**	**2017**
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Turnover:									
External sales	57,107	67,797	15,715	16,321	–	–		72,822	84,118
Results:									
Interest income	35	42	–	1	–	–		35	43
Interest expense	(554)	(414)	(81)	(115)	–	–		(635)	(529)
Amortisation and depreciation	(9,841)	(8,672)	(521)	(419)	–	–		(10,362)	(9,091)
Impairment loss on property, plant and equipment	(3,263)	–	–	–	–	–		(3,263)	–
Write-off of property, plant and equipment	(1,600)	(10)	–	–	–	–		(1,600)	(10)
Inventories written-down	–	(76)	–	–	–	–		–	(76)
Inventories written-off	(2,637)	(1,215)	–	–	–	–		(2,637)	(1,215)
(Allowance for)/write-back of inventories obsolescence, net	–	136	(44)	(36)	–	–		(44)	100
Other non-cash expenses	(4)	(71)	–	–	–	12		(4)	(59)
Segment (loss)/profit before taxation	(17,564)	(664)	2,544	2,748	(663)	2,430	a	(15,683)	4,514
Assets									
Additions to non-current assets	11,981	20,927	876	439	(276)	(366)	b	12,581	21,000
Segment assets	176,812	157,864	19,834	18,868	(63,413)	(40,305)	c	133,233	136,427
Segment liabilities	90,250	53,339	11,772	13,534	(59,702)	(39,147)	d	42,320	27,726

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

32. Segment information (cont'd)

Notes:

(a) The following items are added to segment (loss)/profit to arrive at (loss)/profit before taxation presented in the consolidated statement of comprehensive income:

	2018 $'000	**2017** $'000
Share of results of associates	(120)	2,430
Loss on disposal of investments in associate companies	(543)	–
	(663)	2,430

(b) Additions to non-current assets consist of additions to property, plant and equipment.

(c) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the balance sheet:

	2018	2017
Investments in associates	–	18,133
Deferred tax assets	191	199
Inter-segment assets	(63,604)	(58,637)
	(63,413)	(40,305)

(d) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the balance sheet:

	2018	2017
Deferred tax liabilities	3,108	2,273
Inter-segment liabilities	(62,810)	(41,420)
	(59,702)	(39,147)

Geographical segments

Revenue and non-current assets information based on the location of the customers and assets respectively are as follows:

	Turnover		**Non-current assets**	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Thailand	49,664	50,988	–	–
Malaysia	10,740	15,149	20,245	21,244
Philippines	493	399	–	–
People's Republic of China	825	4,640	48,683	65,921
Middle East	5,227	3,819	–	–
Europe	1,935	2,984	–	–
United States	1,577	1,287	–	–
Singapore	2,322	4,752	4,351	4,418
Others	39	100	56	3
	72,822	84,118	73,335	91,586

32. Segment information (cont'd)

Non-current assets information presented above consist of property, plant and equipment, investment properties, intangible assets and investments in associates as presented in the balance sheets.

Information about major customer

The revenue from two major customers amounted to $32,094,000 and $9,245,000 (2017: $53,012,000 and $9,585,000) arising from sales by the HDD Components and Precision Metal Stamping Components segment respectively.

33. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments.

The Group's principal financial instruments comprise cash and cash equivalents, and interest-bearing loans and borrowings. The main purpose of those financial instruments is to finance the Group's operations. The Group has various financial assets and liabilities such as trade and other receivables, amount due from/(to) associate, and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's operations and the use of financial instruments are credit risk, foreign currency risk and liquidity risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. Guidelines on credit terms provided to trade customers are established and continually monitored through the application of credit approval, credit limits and monitoring procedures.

The carrying amounts of cash and cash equivalents, trade and other receivables and amount due from associate represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

As at 28 February 2018, approximately 91% (2017: 92%) of trade receivables relates to 10 (2017: 10) customers.

<u>Exposure to credit risk</u>

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

33. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2018		**2017**	
	$'000	% of total	$'000	% of total
By country:				
Thailand	15,810	71	10,282	63
Malaysia	2,267	10	3,156	19
Middle East	2,746	12	1,067	6
Singapore	173	1	674	4
Philippines	237	1	72	–
People's Republic of China	128	1	127	1
United States	372	2	269	2
Others	396	2	787	5
	22,129	100	16,434	100
By industry sectors:				
HDD components	17,786	80	12,516	76
Precision metal stamping components	4,343	20	3,918	24
	22,129	100	16,434	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10 to the financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing loans and borrowings.

33. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2017: 100) basis points lower/higher with all other variables held constant, the Group's and Company's profit before tax would have been $189,000 (2017: $143,000) and $98,000 (2017: $18,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment, showing a higher volatility as in prior years.

Foreign currency risk

The Group has transactional currency exposures arising from the ordinary course of business that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly the United States Dollar ("USD") and Euro ("EUR"). The Group does not consider foreign currency risk arising from Reminbi ("RMB") to be significant.

The Group maintains a natural hedge, wherever possible, by matching the foreign currency assets against its liabilities. However, the Group continues to be exposed to foreign currency risks relating to any unmatched amounts.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. In relation to its overseas investment in its foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long-term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR exchange rates (against SGD and Ringgit Malaysia ("RM")), with all other variables held constant, on the Group's profit before taxation.

		Group	
		2018	**2017**
		$'000	$'000
		Profit before taxation	*Profit before taxation*
USD/SGD	- strengthened 6% (2017: 5%)	147	37
	- weakened 6% (2017: 5%)	(147)	(37)
USD/RM	- strengthened 13% (2017: 12%)	(1,730)	(2,311)
	- weakened 13% (2017: 12%)	1,730	2,311
EUR/RM	- strengthened 6% (2017: 5%)	17	(15)
	- weakened 6% (2017: 5%)	(17)	15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

33. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's liquidity risk management policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	2018			2017		
	1 year or less	**1 to 5 years**	**Total**	**1 year or less**	**1 to 5 years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Financial assets:						
Trade receivables	22,129	–	22,129	16,434	–	16,434
Amount due from associate	–	–	–	93	–	93
Other receivables	9,794	–	9,794	1,366	–	1,366
Cash and bank balances	9,184	–	9,184	10,745	–	10,745
Total undiscounted financial assets	41,107	–	41,107	28,638	–	28,638
Financial liabilities:						
Trade payables	11,129	–	11,129	5,632	–	5,632
Other payables (excluding advance payments from customers)	7,639	–	7,639	4,577	–	4,577
Amount due to associate	–	–	–	244	–	244
Interest-bearing loans and borrowings	16,802	2,718	19,520	10,563	4,195	14,758
Total undiscounted financial liabilities	35,570	2,718	38,288	21,016	4,195	25,211
Total net undiscounted financial assets/(liabilities)	5,537	(2,718)	2,819	7,622	(4,195)	3,427
Company						
Financial assets:						
Other receivables	22,270	–	22,270	2,137	–	2,137
Cash and bank balances	5,795	–	5,795	920	–	920
Total undiscounted financial assets	28,065	–	28,065	3,057	–	3,057
Financial liabilities:						
Trade payables	62	–	62	65	–	65
Other payables	607	–	607	561	–	561
Interest-bearing loans and borrowings	10,110	–	10,110	1,841	–	1,841
Total undiscounted financial liabilities	10,779	–	10,779	2,467	–	2,467
Total net undiscounted financial assets	17,286	–	17,286	590	–	590

33. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Financial guarantee contracts

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected.

	Company	
	2018	**2017**
	$'000	$'000
Corporate guarantee to banks in favour of loans and bank facilities taken up by subsidiaries and are repayable		
Within one year	6,467	8,447
Between two to five years	2,627	4,063
	9,094	12,510

34. Fair values of assets and liabilities

The Group does not have financial assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheets after initial recognition.

(a) ***Fair values hierarchy***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

34. Fair values of assets and liabilities (cont'd)

(b) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's asset not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value total**	**Carrying amount**
	$'000	$'000	$'000	$'000	$'000
2018					
Non-financial asset:					
Investment properties (Note 4)	–	–	7,360	7,360	2,525
2017					
Non-financial asset:					
Investment properties (Note 4)	–	–	8,300	8,300	2,591

<u>Determination of fair value</u>

The fair value as disclosed in the table above is based on the property's highest and best use by the independent valuer.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Trade and other receivables and payables (Notes 10, 12, 15 and 16), amount due from/(to) associate (Note 11) and cash and cash equivalents (Note 14)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

Interest-bearing loans and borrowings (Note 17)

The carrying amount of interest-bearing loans and borrowings are reasonable approximation of fair values estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements at the statement of financial position date. These are based on significant observable inputs (Level 2).

There was no significant differences between the fair values and the carrying amounts of the interest-bearing loans and borrowings of the Group as at 28 February 2018 and 2017.

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group is required by one of the banks to ensure that the consolidated total liabilities shall not exceed 150% of the consolidated tangible net worth at all times. Total liabilities are calculated as consolidated total liabilities including contingent liabilities. Tangible net worth is the total of share capital, treasury shares, statutory reserve and revenue reserve.

	Group	
	2018	**2017**
	$'000	$'000
Total liabilities	42,320	27,726
Share capital	50,200	50,200
Treasury share	(1,923)	(1,923)
Statutory reserve	1,219	1,219
Revenue reserve	46,827	63,887
Tangible net worth	96,323	113,383
	44%	24%

The Group is also required by the bank to maintain a consolidated debt service coverage ratio of not less than 120% at all times. The debt service coverage ratio for a financial year is calculated by net profit after tax plus depreciation and total interest payable in that financial year, divided by the total principal and interest payable in the same financial year.

	Group	
	2018	**2017**
	$'000	$'000
Net (loss)/profit after tax plus depreciation and total interest payable	(5,761)	13,218
Total principal and interest payable	4,372	4,105
	(132%)	322%

During the current financial year, the Group did not fulfil the requirement to maintain debt service coverage ratio of 120% and breached the covenant of term loan. Waivers were obtained from bank before 28 February 2018.

36. Authorisation of financial statements

The financial statements of the Group and the Company for the financial year ended 28 February 2018 were authorised for issue in accordance with a resolution of the directors on 22 May 2018.

STATISTICS OF SHAREHOLDERS

AS AT 14 MAY 2018

Total number of issued ordinary shares	:	313,084,800
Total number of issued ordinary shares excluding treasury shares and subsidiary holdings	:	302,211,800
Total number of treasury shares held	:	10,873,000
Number of subsidiary holdings held	:	NIL
Percentage of treasury shares held against the total number of issued ordinary shares excluding treasury shares	:	3.60
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

BREAKDOWN OF SHAREHOLDINGS BY RANGE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL*
1 – 99	2	0.18	100	0.00
100, – 1,000	29	2.64	16,100	0.01
1,001 – 10,000	278	25.34	1,456,687	0.48
10,001 – 1,000,000	773	70.47	45,468,852	15.04
1,000,001 AND ABOVE	15	1.37	255,270,061	84.47
TOTAL	1,097	100.00	302,211,800	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital*
1	NEXSUSS HOLDINGS PTE. LTD.	190,405,000	63.00
2	LAW KUNG YING	10,419,600	3.45
3	LAW KUNG MING	10,419,600	3.45
4	LAW YU CHUI	10,419,600	3.45
5	LEE HANG NGOK	10,419,600	3.45
6	PHILLIP SECURITIES PTE LTD	3,900,100	1.29
7	TEO POH HONG	3,195,360	1.06
8	DBS NOMINEES PTE LTD	3,152,300	1.04
9	OCBC SECURITIES PRIVATE LTD	3,022,800	1.00
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,018,000	1.00
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,238,001	0.74
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,369,000	0.45
13	ZOU YAOZHONG	1,178,000	0.39
14	ONG POH SENG OR TAN SWEE CHIN	1,103,000	0.37
15	SEE BENG LIAN JANICE	1,010,100	0.33
16	WAN WING TAI	927,840	0.31
17	JONATHAN CHADWICK	800,000	0.26
18	NG KWONG CHONG OR LIU OI FUI IVY	785,000	0.26
19	OCBC NOMINEES SINGAPORE PTE LTD	769,000	0.25
20	SHIRLAW JAMES NICHOLAS	684,000	0.23
	TOTAL	**259,235,901**	**85.78**

* *The shareholding percentage is calculated based on the number of issued ordinary shares of the Company excluding treasury shares and subsidiary holdings.*

STATISTICS OF SHAREHOLDERS

AS AT 14 MAY 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 14 May 2018)

	Direct Interest		Deemed Interest	
Name	No. of shares	%	No. of shares	%
Law Yu Chui	10,419,600	3.45	190,405,000[1]	63.00
Lee Hang Ngok	10,419,600	3.45	190,405,000[1]	63.00
Nexsuss Holdings Pte. Ltd.	190,405,000	63.00	–	–
Christopher Law Tak Heem	142,000	0.05	190,405,000[1]	63.00
Law Tak Lun	–	–	190,405,000[1]	63.00

Note:–

(1) Held by Nexsuss Holdings Pte. Ltd. for the benefits of Ms. Law Yu Chui, Mdm. Lee Hang Ngok, Mr. Christopher Law Tak Heem and Mr. Law Tak Lun.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 14 May 2018, approximately 22.93% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

TREASURY SHARES

As at 14 May 2018, the Company held 10,873,000 treasury shares, representing 3.6% of the total issued shares excluding treasury shares and subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of **CHEUNG WOH TECHNOLOGIES LTD** (the **"Company"**) will be held at 23 Tuas South Street 1, Singapore 638033 on Tuesday, 26 June 2018 at 11:00 a.m. for the following purposes: -

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 28 February 2018 together with the Directors' Statement and Independent Auditor's Report thereon. **Resolution 1**

2. To approve Directors' Fees of S$135,000 for the financial year ended 28 February 2018 (2017: S$242,000). **Resolution 2**

3. To re-elect Ms. Law Yu Chui who is retiring in accordance with Article 107 of the Company's Constitution. **Resolution 3**

   Please refer to the "Board of Directors" section of the Company's Annual Report 2018 for information on Ms. Law Yu Chui. Ms. Law Yu Chui is the sister of Mr. Law Kung Ying and Mr. Law Kung Ming. Ms. Law Yu Chui is deemed to be interested in the shares of the Company held by Nexsuss Holdings Pte. Ltd. by virtue of her interests in Nexsuss Holdings Pte. Ltd.. Save for the abovementioned relationships, Ms. Law Yu Chui has no relationship (including immediate family relationships) with other Directors, the Company or its 10% shareholders.

4. To re-elect Mr. Lim Kian Wee Leonard who is retiring in accordance with Article 107 of the Company's Constitution. **Resolution 4**

   Please refer to the "Board of Directors" section of the Company's Annual Report 2018 for information on Mr. Lim Kian Wee Leonard. There is no relationship (including immediate family relationships) between Mr. Lim Kian Wee Leonard and the other Directors, the Company or its 10% shareholders.

   Mr. Lim Kian Wee Leonard, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. Mr. Lim Kian Wee Leonard will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

5. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:-

7. <u>Authority to allot and issue shares up to 50 per cent of issued shares in the capital of the Company</u> **Resolution 6**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

NOTICE OF ANNUAL GENERAL MEETING

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in

NOTICE OF ANNUAL GENERAL MEETING

force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note 1]

8. Proposed Adoption of the Share Buyback Mandate **Resolution 7**

That:

(a) for the purposes of sections 76C and 76E of the Companies Act, Chapter 50 ("**Companies Act**"), the exercise by the directors of the Company ("**Directors**") of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases, transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") through the ready market of the SGX-ST, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose ("**Market Purchase**"); and/or

(ii) off-market purchases, effected pursuant to any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, all laws and regulations, including the rules of the SGX-ST as may for the time being, be applicable ("**Off-Market Purchase**") ("**Share Buyback Mandate**"),

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate, may be exercised by the Directors at any time and from time to time, on and from the date of the passing of this Resolution up to the earliest of:

(i) the conclusion of the next annual general meeting of the Company or the date by which such annual general meeting is required by law to be held;

NOTICE OF ANNUAL GENERAL MEETING

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

(c) in this Resolution:

"**Maximum Percentage**" means the number of issued Shares representing 10% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares in the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

in each case, excluding related expenses of the purchase or acquisition ("**Maximum Price**");

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing manual of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

NOTICE OF ANNUAL GENERAL MEETING

(d) the Directors and/or any of them be and are/is hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Buyback Mandate in any manner as they think fit and/or he/she thinks fit, which is permissible under the Companies Act; and

(e) the Directors and/or any one of them be and are/is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he/she may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note 2]

BY ORDER OF THE BOARD

LAW YU CHUI
CHAN LAI YIN
Company Secretaries
Singapore, 8 June 2018

Explanatory Notes on Businesses to be transacted

(1) Resolution 6 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

(2) Resolution 7, if passed, will empower the Directors to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buyback Mandate. This authority will continue in force until the date the next annual general meeting of the Company is held or is required by law to be held, or the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated unless previously varied or revoked by ordinary resolution of the Company in general meeting. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in greater detail in the Appendix to the Annual Report accompanying this Notice.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

i. A depositor's name must appear on the Depository Register not less than 72 hours before the time appointed for holding the meeting.

ii. A proxy need not be a Member of the Company. A Member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

iii. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

iv. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 23 Tuas South Street 1, Singapore 638033 not less than 48 hours before the time appointed for holding the meeting.

PERSONAL DATA PRIVACY

By lodging an instrument appointing a proxy(ies) and/or representative(s), a Shareholder (i) consents to the collection, use and disclose of the Shareholder's personal data by the Company (and its agents) for the purpose of the processing and administration by the Company (and its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rule, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company(and its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

LETTER TO SHAREHOLDERS dated 8 June 2018

This Letter is circulated to the Shareholders (as defined in this Letter) together with the 2018 Annual Report (as defined in this Letter). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the proposed adoption of the Share Buyback Mandate (as defined in this Letter) to be tabled at the 2018 AGM (as defined in this Letter) to be held at 23 Tuas South Street 1 Singapore 638033 on 26 June 2018 at 11.00 am.

The Notice of the 2018 AGM (as defined in this Letter) and a proxy form are enclosed with the 2018 Annual Report. If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your Shares (as defined in this Letter), you should hand this Letter, the 2018 Annual Report and the proxy form immediately to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser.

The SGX-ST (as defined in this Letter) assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Letter.

CHEUNG WOH TECHNOLOGIES LTD

(Incorporated in Singapore)
(Company Registration No. 197201205Z)

LETTER TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

CONTENTS

DEFINITIONS

In this Letter, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

General

"ACRA"	Accounting and Corporate Regulatory Authority of Singapore
"AGM"	The annual general meeting of the Company
"Board"	The board of Directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"Code"	The Singapore Code on Take-over and Mergers, as amended or modified from time to time
"Company"	Cheung Woh Technologies Ltd
"Companies Act"	Companies Act (Chapter 50) of Singapore (as may be amended from time to time)
"Directors"	The directors of the Company as at the date of this Letter
"EPS"	Earnings per Share
"FY2018"	Financial year ended 28 February 2018
"Group"	The Company and its subsidiaries
"Latest Practicable Date"	The latest practicable date prior to the printing of this Letter, being 25 May 2018
"Letter"	This letter to Shareholders dated 8 June 2018 in relation to, *inter alia*, the proposed adoption of the Share Buyback Mandate to be despatched to Shareholders for approval at the 2018 AGM
"Listing Manual"	The listing manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
"Market Day"	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	Has the meaning ascribed to it in paragraph 2.3.3(i) of this Letter
"Maximum Price"	Has the meaning ascribed to it in paragraph 2.3.4 of this Letter
"month"	Calendar month
"NTA"	Net tangible assets
"Notice of the 2018 AGM"	The notice of the 2018 AGM as set out in pages [•] to [•] of the 2018 Annual Report
"Off-Market Purchase"	Has the meaning ascribed to it in paragraph 2.3.3(ii) of this Letter
"ROE"	Return on equity
"Securities Accounts"	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Companies Act)

DEFINITIONS

"SFA"	The Securities and Futures Act (Cap 289) of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share Buyback Mandate"	The proposed general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate and the rules and regulations set forth in the Companies Act and the Listing Manual
"Shareholders"	Registered holders of Shares except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the Depositors whose direct securities accounts maintained with CDP are credited with Shares
"Shares"	The issued ordinary shares in the capital of the Company
"Subsidiary"	Shall have the meaning ascribed to it in Section 5 of the Companies Act
"Substantial Shareholder"	A person who has an interest in the Shares the nominal amount of which is not less than 5% of the nominal amount of all the voting shares of the Company
"treasury shares"	Has the meaning ascribed to it in Section 4 of the Companies Act
"2018 AGM"	The annual general meeting of the Company to be held on 26 June 2018 at 11.00am
Currencies, units and others	
"$"or "S$"	Singapore dollars
"%" or "per cent."	percentage or per centum

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any reference to a time of day in this Letter is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine gender and neuter genders. References to persons shall, where applicable, include corporations and limited liability partnerships.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act or the Listing Manual or any statutory modification thereof and used in this Letter shall, where applicable, have the meaning ascribed to it under the Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

CHEUNG WOH TECHNOLOGIES LTD

(Incorporated in Singapore)
(Company Registration No. 197201205Z)

LETTER TO SHAREHOLDERS

Directors:	**Registered Office:**
Mr Law Kung Ying (Chairman, Managing Director and Chief Executive Officer) Mr Law Kung Ming (Executive Director) Ms Law Yu Chui (Finance and Administrative Director) Dr Chen Yuk Fu (Independent Director) Mr Lim Kian Wee Leonard (Independent Director) Mr Ngu Kuang Hua (Independent Director)	23 Tuas South Street 1 Singapore 638033

Date: 8 June 2018

To: The Shareholders of Cheung Woh Technologies Ltd

Dear Sir/Madam

1 INTRODUCTION

1.1 Reference is made to the Notice of the 2018 AGM convening the 2018 AGM.

1.2 The proposed Ordinary Resolution 7 in the Notice of the 2018 AGM relates to the Shareholders' approval for the Share Buyback Mandate.

2 THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

2.1 Background

Under the Companies Act, companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares in the manner set out in the Companies Act if their constitution expressly permits them to do so, provided that any such purchase is made in accordance with and in the manner prescribed by the Listing Manual and such other laws and regulations as may for the time being be applicable.

The Companies Act provides that Shares purchased or otherwise acquired by the Company may be held or dealt with as treasury shares.

It is a requirement under the Companies Act and the Listing Manual that a company which wishes to purchase or otherwise acquire its own shares should obtain the approval of its shareholders to do so at a general meeting.

Accordingly, approval is being sought from Shareholders at the 2018 AGM for the Share Buyback Mandate. If approved, the Share Buyback Mandate will take effect from the date of the 2018 AGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law to be held, whichever is the earlier, unless prior thereto share buy-backs are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate may be put to

LETTER TO SHAREHOLDERS

Shareholders for renewal at each subsequent AGM of the Company at the discretion of the Directors.

2.2 Rationale for the Share Buyback Mandate

The rationale for the Company to undertake the purchase of its issued Shares is as follows:

2.2.1 share purchases may be considered as one of the ways through which the shareholder value may be increased by enhancing the ROE and/or NTA value per Share. This effect is greater the more undervalued the shares are when they are purchased. If shares are undervalued, this may be the most profitable course of action for the company;

2.2.2 buying back shares may help mitigate against short term market volatility, offset the effects of short term speculation and bolster shareholder confidence; and

2.2.3 buying back shares provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner.

The Share Buyback Mandate will give our Directors the flexibility to purchase or acquire Shares if and when circumstances permit, via either Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach. The Directors do not propose to carry out buy-backs to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group. The ability to hold repurchased shares as treasury shares will allow the Company to restructure its capital and to facilitate future fund-raising without the need to issue new shares.

2.3 Terms of the Share Buyback Mandate

The authority and limitations, if approved at the 2018 AGM, are summarised below.

2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate shall not exceed 10% of the issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the 2018 AGM at which the Share Buyback Mandate is approved, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares in the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time).

2.3.2 Duration of authority

The authority conferred on the Directors pursuant to the Share Buyback Mandate, unless varied or revoked by the Company in general meeting, may be exercised by the Directors at any time and from time to time, on and from the date of the 2018 AGM, at which the adoption of the Share Buyback Mandate is approved, up to the earliest of:

(i) the conclusion of the next AGM of the Company or the date by which such AGM is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting.

2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be by way of the following:

(i) on-market purchases, transacted on the SGX-ST through the ready market of the SGX-ST, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose ("**Market Purchase**"); and/or

(ii) off-market purchases effected pursuant to an equal access scheme ("**Off-Market Purchase**") in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded:

(A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(B) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares; and

(C) (where applicable) differences in consideration attributable to the fact that the offers relate Shares with different amounts remaining unpaid.[1]

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company shall as required by Rule 885 of the Listing Manual in accordance with an equal access scheme as defined in Section 76C of the Companies Act, issue an offer document to all Shareholders containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed share buyback;

1 The Company does not have any Shares with different amounts remaining unpaid as at the Latest Practicable Date.

LETTER TO SHAREHOLDERS

(iv) the consequences, if any, of share buybacks by the Company that will arise under the Code or any other applicable take-over rules;

(v) whether the share buybacks, if made, would have any effect on the listing of the Shares on the SGX-ST;

(vi) details of any Share Purchase made by the Company in the previous twelve (12) months whether through Market Purchases or Off-Market Purchases, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases; and

(vii) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Purchase price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

in each case, excluding related expenses of the purchase or acquisition ("**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased or Acquired Shares

A Share when purchased or acquired by the Company is treated as cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares in accordance with the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

2.5 Treasury Shares

Shares purchased or acquired by the Company may be held or dealt with as treasury shares under the Companies Act. Some of the salient provisions on treasury shares under the Companies Act are summarised below:

LETTER TO SHAREHOLDERS

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividends may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury shares into treasury shares of smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares held by it. Such announcement must state the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

LETTER TO SHAREHOLDERS

2.6 Source of Funds

The Company intends to use internal sources of funds and/or external borrowings to finance purchases of its Shares. The Directors will only exercise the Share Buyback Mandate in a manner and to such an extent that it would not result in any material adverse effect on the financial position of the Company or the Group. The purchase or acquisitions of Shares will only be effected after considering relevant factors such as the working capital requirements or the gearing levels of the Company.

Under the Companies Act, any purchase or acquisition of Shares may be made only if the Company is solvent and out of the Company's capital and/or profits. It is an offence for a director or chief executive officer of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:

2.6.1 there is no ground on which the company could be found to be unable to pay its debts;

2.6.2 if:

(i) it is intended to commence winding up on the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

2.6.3 the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

2.7 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases of Shares that may be pursuant to the Share Buyback Mandate on the NTA and EPS as the resultant effect would depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled.

2.7.1 <u>Purchase or acquisition made out of capital and/or profits</u>

Where the consideration paid by the Company for the purchases or acquisitions of Shares is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the purchases or acquisitions of Shares is made out of profits, such consideration (excluding brokerage, commission, goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution in the form of cash dividends by the Company.

2.7.2 <u>Number of Shares purchased or acquired</u>

Purely for illustrative purposes, on the basis of there being 313,084,800 Shares in issue as at the Latest Practicable Date (out of which 10,873,000 Shares were held in treasury as at the Latest Practicable Date) and assuming that no further Shares are issued or repurchased on or prior to the 2018 AGM, the exercise in full of the Share Buyback Mandate would result in the purchase or acquisition of 30,221,180 Shares, representing 10% of the 302,211,800 Shares in issue (excluding the 10,873,000 Shares held in treasury).

2.7.3 Maximum Price paid for Shares purchased or acquired

(i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 30,221,180 Shares at the Maximum Price of S$0.1512 per Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 30,221,180 Shares is S$4,569,442 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

(ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 30,221,180 Shares at the Maximum Price of S$0.1728 per Share (being the price equivalent to 20% above the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 30,221,180 Shares is S$5,222,220 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

2.7.4 Illustrative Financial Effects

For illustrative purposes only, based on the above assumptions and assuming that (i) the purchase or acquisition of Share are made to the extent aforesaid, (ii) such Shares are funded wholly by internal resources within the Group, and (iii) the Company had purchased or acquired 30,221,180 Shares (representing 10% of the issued Shares as at the Latest Practical Date), the financial effects of the purchase of 30,221,180 Shares by way of:

(i) purchases made out of profits and/or capital, and held as treasury shares;

(ii) purchases made out of profits and/or capital and cancelled;

on the audited financial statements of the Group and the Company for FY2018 as if the Share Buyback Mandate had been effective on 28 February 2018 are presented below:

LETTER TO SHAREHOLDERS

Scenario 1

Purchases of up to a maximum of 10% out of profits and/or capital, and the Shares so purchased are held as treasury shares

	Group			Company		
As at 28 February 2018	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**
Total Shareholders' funds(1) (S$'000)	90,913	86,344	85,691	66,588	62,019	61,366
NTA(2) (S$'000)	90,791	86,222	85,569	66,466	61,897	61,244
Current assets (S$'000)	59,898	55,329	54,676	28,280	23,711	23,058
Current liabilities (S$'000)	36,585	36,585	36,585	10,439	10,439	10,439
Total borrowings (S$'000)	18,864	18,864	18,864	9,770	9,770	9,770
Cash and cash equivalents (S$'000)	9,184	4,615	3,962	5,795	1,226	573
Number of Shares ('000)						
Issued and paid-up share capital	313,085	313,085	313,085	313,085	313,085	313,085
Financial ratios						
NTA per Share(3) (cents)	30.04	31.70	31.46	21.99	22.76	22.52
Gearing ratio(4) (times)	0.21	0.22	0.22	0.15	0.16	0.16
Current ratio(5) (times)	1.64	1.51	1.49	2.71	2.27	2.21
Earnings/ (loss) per Share (cents)	(5.55)	(6.16)	(6.16)	0.53	0.59	0.59

LETTER TO SHAREHOLDERS

Scenario 2

Purchases of up to a maximum of 10% out of profits and/or capital, and the Shares so purchased are cancelled

	Group			Company		
As at 28 February 2018	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**
Total Shareholders' funds[1] (S$'000)	90,913	86,344	85,691	66,588	62,019	61,366
NTA[2] (S$'000)	90,791	86,222	85,569	66,466	61,897	61,244
Current assets (S$'000)	59,898	55,329	54,676	28,280	23,711	23,058
Current liabilities (S$'000)	36,585	36,585	36,585	10,439	10,439	10,439
Total borrowings (S$'000)	18,864	18,864	18,864	9,770	9,770	9,770
Cash and cash equivalents (S$'000)	9,184	4,615	3,962	5,795	1,226	573
Number of Shares ('000)						
Issued and paid-up share capital	313,085	282,864	282,864	313,085	282,864	282,864
Financial ratios						
NTA per Share[3] (cents)	30.04	31.70	31.46	21.99	22.76	22.52
Gearing ratio[4] (times)	0.21	0.22	0.22	0.15	0.16	0.16
Current ratio[5] (times)	1.64	1.51	1.49	2.71	2.27	2.21
Earnings/ (loss) per Share (cents)	(5.55)	(6.16)	(6.16)	0.53	0.59	0.59

Notes:

(1) Total Shareholders' funds exclude minority interests.

(2) NTA is computed based on net assets less intangible assets and minority interests.

(3) NTA per Share is computed based on the NTA divided by the number of Shares issued excluding treasury shares and subsidiary holdings.

(4) Gearing ratio represents the percentage of total borrowings to Shareholders' funds.

(5) Current ratio represents the ratio of current assets to current liabilities.

LETTER TO SHAREHOLDERS

Shareholders should note that the financial effects, based on the respective aforementioned assumptions, are for illustrative purpose only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buyback Mandate on the NTA per Share and earnings/(loss) per Share as the resultant effect would depend on the factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. The above analysis is based on historical numbers as at 28 February 2018 and is not necessarily representative of future financial performance.

It should also be noted that purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate would only be made in circumstances where it is considered to be in the best interests of the Company, and the purchases or acquisitions of Shares may not be carried out to the full 10% as mandated. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

The Directors emphasise that they do not propose to purchase or acquire Shares to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.8 Listing Rules

Rule 886 of the Listing Manual specifies that a listed company shall notify all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

2.8.1 in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and

2.8.2 in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such notification (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

The Listing Manual does not expressly prohibit a listed company from purchasing or acquiring its own shares during any particular time or times. However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision of the Directors until such time as the price-sensitive development has been publicly announced or disseminated in accordance with the requirements of the Listing Manual.

In particular, in line with the best practices guide on dealings in securities issued by the SGX-ST, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate during the period of one (1) month immediately preceding the announcement of the Company’s full year financial results and two (2) weeks immediately preceding the announcement of the Company’s financial statements for the first three (3) quarters of the Company’s financial year.

LETTER TO SHAREHOLDERS

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 22.93% of the Shares are held by public shareholders. Assuming that (a) the Company purchases a maximum of 10% of the issued Shares from the public and (b) the Shares held by the substantial Shareholders of the Company and the Directors remain unchanged, the percentage of Shares in the hands of the public after such a buy-back will be approximately 14.36%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.9 Take-over Implications

Appendix 2 of the Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

(i) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(ii) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions of the individual, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Code

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and the persons acting in concert with them hold between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such a Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Buyback Mandate.

Shareholders are advised to consult their professional advisers and/or the Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

Assuming that:

(i) the Company purchases or acquires Shares pursuant to the Share Buyback Mandate up to the maximum of 10% issued Shares (excluding treasury shares) as permitted by the Share Buyback Mandate; and

(ii) no new Shares are issued following the Shareholders' approval of the proposed Share Buyback Mandate at the 2018 AGM,

LETTER TO SHAREHOLDERS

the shareholdings of the Directors and the Substantial Shareholders as at the Latest Practicable Date and after the purchase by the Company (other than from the Substantial Shareholders) of the maximum of 10% of the issued Shares (excluding treasury shares) pursuant to the Share Buyback Mandate, are as follows:

	Number of Shares			Voting Rights in the Company (%)	
Directors	**Direct Interest**	**Deemed Interest**	**Total Interest**	**Before Share Purchase**	**After Share Purchase**
Law Kung Ying(2)	10,419,600	Nil	10,419,600	3.4%	3.8%
Law Kung Ming(2)	10,419,600	Nil	10,419,600	3.4%	3.8%
Law Yu Chui(2)	10,419,600	190,405,000	200,824,600	66.5%	73.8%
Ngu Kuang Hua	501,400	Nil	501,400	0.2%	0.2%
Dr Chen Yuk Fu	100,000	Nil	100,000	0.03%	0.04%
Substantial Shareholders					
Nexsuss Holdings Pte. Ltd.	190,405,000(1)	Nil	190,405,000	63.0%	70.0%
Law Yu Chui(2)	10,419,600	190,405,000	200,824,600	66.5%	73.8%
Lee Hang Ngok	10,419,600	190,405,000	200,824,600	66.5%	73.8%
Christopher Law Tak Heem(3)	142,000	190,405,000	190,547,000	63.1%	70.1%
Law Tak Lun(4)	Nil	190,405,000	190,405,000	63.0%	70.0%

Notes:

(1) Held through Nexsuss Holdings Pte Ltd for the benefit of Law Yu Chui, Lee Hang Ngok, Christopher Law Tak Heem and Law Tak Lun.

(2) Law Kung Ying, Law Kung Ming and Law Yu Chui are the children of Lee Hang Ngok.

(3) Christopher Law Tak Heem is the son of Law Kung Ying, the grandson of Lee Hang Ngok and the nephew of Law Kung Ming and Law Yu Chui.

(4) Law Tak Lun is the son of Law Kung Ming, the grandson of Lee Hang Ngok and the nephew of Law Kung Ying and Law Yu Chui.

Pursuant to the Code, Law Kung Ying, Law Kung Ming, Law Yu Chui, Lee Hang Ngok, Christopher Law Tak Heem, Law Tak Lun, Nexsuss Holdings Pte. Ltd., Tan Hai Ting (who has an interest in 62,400 Shares and who is the daughter of Law Yu Chui) and Tan Hai Yin (who has an interest in 38,400 Shares and who is the son of Law Yu Chui) are deemed to be parties acting in concert. Their combined shareholding interest in the Company prior to any share purchase is 76.88%. Assuming a maximum of 10% of the Shares are repurchased, their combined shareholdings will rise to 85.42%. Their shareholdings fall outside the ambit of the operation of Rule 14 of the Code relating to mandatory take-over offer obligations. Thus, and as shown in the table above, none of the Company's Directors or Substantial Shareholders will, as a result of the Share Purchase, be obliged under the Take-over Code to make a mandatory take-over of the shares of the Company not already held by such Director or Substantial Shareholder under Rule 14 of the Take-over Code.

LETTER TO SHAREHOLDERS

3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholding interests of the Directors and the Substantial Shareholders, as at the Latest Practicable Date, are as follows:

	Direct interest (Number of Shares)	Deemed interest (Number of Shares)	Total interest[1] (%)
Directors			
Law Kung Ying[2]	10,419,600	Nil	3.4%
Law Kung Ming[2]	10,419,600	Nil	3.4%
Law Yu Chui[2]	10,419,600	190,405,000	66.5%
Ngu Kuang Hua	501,400	Nil	0.2%
Dr Chen Yuk Fu	100,000	Nil	0.03%
Substantial Shareholders			
Nexsuss Holdings Pte. Ltd.	190,405,000[3]	Nil	63.0%
Law Yu Chui[2]	10,419,600	190,405,000	66.5%
Lee Hang Ngok	10,419,600	190,405,000	66.5%
Christopher Law Tak Heem[4]	142,000	190,405,000	63.1%
Law Tak Lun[5]	Nil	190,405,000	63.0%

Notes:

(1) As a percentage of the issued share capital of the Company comprising 302,211,800 Shares.

(2) Law Kung Ying, Law Kung Ming and Law Yu Chui are the children of Lee Hang Ngok.

(3) Held through Nexsuss Holdings Pte Ltd for the benefit of Law Yu Chui, Lee Hang Ngok, Christopher Law Tak Heem and Law Tak Lun.

(4) Christopher Law Tak Heem is the son of Law Kung Ying, the grandson of Lee Hang Ngok and the nephew of Law Kung Ming and Law Yu Chui.

(5) Law Tak Lun is the son of Law Kung Ming, the grandson of Lee Hang Ngok and the nephew of Law Kung Ying and Law Yu Chui.

4 SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS

There was no share purchase mandate in force in the last twelve (12) months prior to the Latest Practical Date. The Company has not purchased or acquired any Shares in the last twelve (12) months immediately preceding the Latest Practical Date.

5 DIRECTORS' RECOMMENDATION

The Directors having fully considered, *inter alia*, the terms and rationale of the Share Buyback Mandate, are of the opinion that the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 7 to approve the Share Buyback Mandate.

6 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

7 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours from the date of this Letter up to the date of the 2018 AGM:

(a) the constitution of the Company; and

(b) the annual report of the Company for FY2018.

Yours faithfully,

For and on behalf of the Board
CHEUNG WOH TECHNOLOGIES LTD

Law Kung Ying
Chairman, Managing Director and Chief Executive Officer

CHEUNG WOH TECHNOLOGIES LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 197201205Z)

PROXY FORM

Personal data privacy
By submitting an instrument appointing a proxy and/or representative, the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 June 2018.

IMPORTANT:
1. For Investors who have used their CPF monies to buy Cheung Woh Technologies Ltd's shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We_____________________________(Name)* NRIC/Passport No. _____________________________ of
____*(Address)* being a
*member/members of Cheung Woh Technologies Ltd (the "**Company**"), hereby appoint:-

Name	Address	*NRIC/ Passport Number	Proportion of Shareholdings (%)

**and/or*

Name	Address	*NRIC/ Passport Number	Proportion of Shareholdings (%)

or failing *him/her, the Chairman of the Annual General Meeting of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 23 Tuas South Street 1, Singapore 638033 on Tuesday, 26 June 2018 at 11:00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder WITH AN "x" or "√" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

*Please delete accordingly

No.	Ordinary Resolutions	For	Against
Ordinary Business			
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 28 February 2018 together with the Directors' Statement and Independent Auditor's Report thereon.		
2.	Approval of Directors' Fees for financial year ended 28 February 2018.		
3.	Re-election of Ms. Law Yu Chui who is retiring in accordance with Article 107 of the Company's Constitution.		
4.	Re-election of Mr. Lim Kian Wee Leonard who is retiring in accordance with Article 107 of the Company's Constitution.		
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise Directors to fix their remuneration.		
Special Business			
6.	Authority to allot and issue shares.		
7.	Proposed adoption of share buyback mandate.		

Note:

If you wish to exercise all your votes "For" or "Against", please indicate with an "x" or "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this .... day of .... 2018.

....
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total No. of Shares	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 23 Tuas South Street 1, Singapore 638033 not less than forty eight (48) hours before the time appointed for the meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorized officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the Meeting if he so wishes.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

MAJOR PROPERTIES

	LOCATION	DESCRIPTION	TENURE
SINGAPORE	17 Tuas South St 1 Singapore 638065	A 2-storey factory building with floor area of 1,422 square metres	Leasehold (30 years from 1 June 1997, with option to renew for another 30 years)
	23 Tuas South St 1 Singapore 638033	A 2-storey office and factory building with floor area of 5,016 square metres	Leasehold (30 years from 16 January 1997, with option to renew for another 30 years)
MALAYSIA	1059 MK 6 Lorong Perusahaan Maju 2 13600 Prai, Penang, Malaysia	A 2-storey office and factory building with floor area of 6,711 square metres	Leasehold (60 years from 15 October 1991)
	1065, Lorong Perusahaan Maju 2, 13600 Prai, Penang, Malaysia	A single-storey factory building with floor area of 7,459 square metres	Leasehold (60 years from 10 May 1992)
	PLO 170 Kawasan Perindustrian Senai Phase III, 81400 Senai, Johor, Malaysia	A 2-storey office and factory building with floor area of 4,047 square metres	Leasehold (56 years from 19 December 2003)
	PLO 107 and 108 Kawasan Perindustrian Senai, Phase III, 81400 Senai, Johor, Malaysia	A single-storey factory building and a double storey office and factory building with a total floor area of 8,080 square metres	Leasehold (60 years from 16 June 2004)
CHINA	No. 163 Zhu Feng Way, Xin Qing Science & Technology Park, Doumen District, Zhuhai 519180, China	A 2-storey office and factory building and a 4-storey dormitory with floor area of 14,955 square metres	Leasehold (50 years from 15 June 2001)
		A 2-storey and a 4-storey factory buildings with floor area of 2,730 and 13,756 square metres respectively	Leasehold (50 years from 19 October 2003)

CHEUNG WOH
TECHNOLOGIES LTD

23 TUAS SOUTH STREET 1, SINGAPORE 638033
WWW.CHEUNGWOH.COM.SG

COMPANY REGISTRATION NUMBER
197201205Z