

**RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE
AGM SCHEDULED ON 27 JULY 2020 BY ELECTRONIC MEANS**

The Board of Directors (the “**Board**”) of Cheung Woh Technologies Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders and members who have submitted questions in advance for the Annual General Meeting (“AGM”) scheduled to be held on 27 July 2020 at 11.00 a.m. by electronic means.

The Company’s response to the relevant and substantial questions submitted before 11.00 a.m. on 14 July 2020 is set out below:

Question 1:

- i. Can board or mgt do a presentation on the business of 2019?
- ii. What is the impact of covid and plan for CW to deal with the current situation?
- iii. A business update will be much appreciated.

Reply:

- i. We trust that the shareholder is referring to the business of FY2020. Please refer to pages 8 to 9 of the Annual Report 2020. Please also refer to the Corporate Presentation 2020 published on our corporate website (www.cheungwoh.com.sg/investor-relations.html).
- ii. The Zhuhai and Malaysian subsidiaries operations are back to normal since end February and end April 2020 respectively. However, orders for the PMS components segment has been affected by the pandemic and it may take some time to recover. The management is monitoring the COVID-19 situation and will take appropriate measures, including cost cutting measures.
- iii. Please refer to the Corporate Presentation 2020 published on our corporate website (www.cheungwoh.com.sg/investor-relations.html).

Question 2

Pl give a summary of Buyback shares:

1. quantity and
2. price
3. dates

Reply:

Please refer to page 137 of the Annual Report 2020 where the Company has disclosed the details of shares bought back in the past twelve months.

Question 3:

Refer to page 13, Financial highlights for FY2016 to FY2020, Revenue, NAV and shareholder’s Fund has been in a decreasing trend while the ROE and EPS decrease from FY2016 to FY2018 and slowly improving but still in negative numbers from FY2018 to FY2020.

- i. What are the plans for the company to reverse or at least stop the trend of decreasing revenue, NAV and Shareholder’s Fund?

- ii. What are the plans to turn the ROE and EPS for the company positive operationally? Any internal target ROE set by the company?
- iii. May the company provide shareholders a brief summary of the Q1FY2021 result performance?

Reply:

- i. The management has increased its efforts in developing business opportunities beyond HDD components segment (for example components used in autonomous vehicles, personal protection, communication, laser and aerospace industry). The management is also endeavouring to get more business with existing HDD customers. The decreasing NAV and Shareholders' Fund is due to operational loss incurred in Baseplates production and impairment loss on plant and equipment related to production of Baseplates.
- ii. The management is working hard to expand the Group's revenue streams. Our target is to bring the Company to a profitable position.
- iii. The Company has adopted to release the financial statements of the Company and the Group on a half-yearly basis and will be publishing its next financial results announcement in respect of the half year ending 31 August 2020 before 15 October 2020.

Question 4

Refer to page 2 of chairman's statement, "In FY2020, we had secured several new high mix low volume business such as the manufacture of components used in autonomous vehicles, alternative, energy and optical communications"

- i. Under which business segment are these "new high mix low volume business" classified? Do these contracts require additional CAPEX?
- ii. Typically, what are the contracted duration of these new contracts? One off in nature or recurring?
- iii. May the board update any new contracts acquired for "High mix low volume business" in FY2021? If there are, please provide an update if possible.

Reply:

- i. The turnover of high mix low volume business achieved in FY2020 was S\$1.2 million. Due to the small contribution to the Group's revenue, we have classified them under HDD components segment. These contracts do not require additional CAPEX.
- ii. These contracts are typically of recurring nature.
- iii. The Group managed to secure new contracts in autonomous vehicles, laser equipment and 3C industry in FY2021 and have started mass production for customers. There are also a few components which are under the qualification stage.

Question 5:

Refer to page 95, Segment information, HDD Components business has been incurring segment losses of S\$8.8m and \$4.1m in FY2019 and FY2020 and while PMS Components business has reduction in profit of S\$1.4m to S\$0.8m in FY2019 and FY2020

- i. May the board provide the business outlook for each of the business segments in FY2021? With the completion of the HDD base plate contract, will the HDD components business turn in profit?
- ii. For the HDD business, what is the utilization rate for plants and equipment at Zhuhai? What are the plans for rationalized these un-utilize resources (e.g. rent are part of the Zhuhai building and equipment to others) originally planned for HDD BasePlate business? Is the company going to sell or rent out the under-utilized resources?

Reply:

- i. Sales in HDD components segment is expected to be lower in the financial year ending 28 February 2021.

PMS components segment is expected to experience soft market demand due to uncertainties posed by COVID-19.

For high mix low volume business, the management is expecting it to grow further in FY2021.

With the completion of the Baseplates contract, the HDD components segment will continue to be affected by the depreciation and potential impairment loss on the unutilised plant and equipment originally planned for Baseplates business.

- ii. As of July 2020, the machines utilization rate in Zhuhai is low. The management is looking for ways to sell the plant and equipment originally planned for Baseplates business. There is no intention to rent out those plant and equipment.

Question 6:

Refer to page 6, Assets held for Sale

- i. May we have any update on the progress of disposal of 23 Tuas South Street 1? Is the target completion date of Aug 2020 still on track or are there delays?
- ii. What is the plan for 17 Tuas South? Will it be used as the HQ office after the sale of 23 Tuas South plant?
- iii. What is the plan for using proceeds from disposal? Under current healthcare crisis, it would be much appreciate by shareholders if special dividend is given.

Reply:

We trust that the shareholder is referring to Note 6 to the Financial Statements on page 76 of the Annual Report 2020.

- i. The disposal of factory is currently in processing stage between JTC and the buyer. The target completion date is September 2020, unless the buyer requests for an extension of up to 3 months, i.e. completion latest by December 2020.
- ii. The management intends to move the office to 17 Tuas South Street 1 upon completion of disposal of 23 Tuas South Street 1. It is management's intention to rent out the excess space in 17 Tuas South Street 1.
- iii. The proceeds from the disposal of 23 Tuas South Street 1 will go towards strengthening the cash position of the Group. Such proceeds may be deposited with banks and/or financial institutions and/or to facilitate the funding of the Group's overall plans in diversifying into new businesses as the Directors may deem appropriate in the interests of the Group.

Question 7:

What is the budgeted CAPEX for the company in FY2021? How are the CAPEX being allocated among the business segments and for what purposes?

Reply:

The Group does not have any major CAPEX for FY2021.

By Order of the Board

Law Yu Chui
Director

21 July 2020