

**GRANT AND EXERCISE OF OPTION TO PURCHASE
SALE OF PROPERTY LOCATED AT NO. 23 TUAS SOUTH STREET 1, SINGAPORE
638033**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Cheung Woh Technologies Ltd (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) refers to the Company’s announcement dated 4 March 2020 in relation to the proposed sale by the Company to Yi Hui Metals Pte Ltd (the “**Purchaser**”) of the Company’s property located at 23 Tuas South Street 1, Singapore 638033 (the “**Property**”) (the “**Proposed Sale**”).

The Board wishes to announce that the Company had on 9 March 2020, granted an option to purchase (the “**Option**”) to the Purchaser in relation to the Proposed Sale for an aggregate consideration of S\$6,000,000.00 (the “**Sale Consideration**”) on the terms and subject to the conditions of the Option. The Purchaser has exercised the Option on 11 March 2020.

2. INFORMATION ON THE PROPERTY

The Property was previously used for manufacturing activities prior to the relocation of the Company’s manufacturing activities to Malaysia. It is currently used as a head office of the Group.

3. RATIONALE FOR THE PROPOSED SALE

The Company is of the view that the Proposed Sale of the Property is in the best interests of the Company as the Property is underutilised and the Proposed Sale of the Property will enable the Company to realise the value of the Property and improve the overall cash position of the Company.

4. PRINCIPLE TERMS OF THE OPTION

- 4.1 The Sale Consideration of the Property is S\$6,000,000.00 (excluding the prevailing goods and services tax (“**GST**”) and was arrived at on a willing-buyer, willing-seller basis after taking into account the valuation of the Property and various commercial factors including prevailing market conditions, location of the Property and the comparison of recent transacted prices in the vicinity.
- 4.2 Under the Option, the Sale Consideration shall be payable by the Purchaser to the Company as follows:
- (a) the sum of S\$60,000 (the “**Option Fee**”), which is equivalent to 1% of the Sale Consideration, was paid by the Purchaser and received by the Company on 27 February 2020;

- (b) GST on the Option Fee shall be payable by the Purchaser upon the grant of the Option by the Company. As at the date of this announcement, the Company has received payment of GST on the Option Fee;
- (c) the sum of S\$240,000 (the “**Balance Deposit**”), which is equivalent to 4% of the Sale Consideration, together with GST on the Balance Deposit, shall be payable by the Purchaser upon the exercise of the Option. As at the date of this announcement, the Company has received payment of the Balance Deposit together with GST on the Balance Deposit; and
- (d) the balance of the Sale Consideration, which is equivalent to 95% of the Sale Consideration, together with the GST on the balance of the Sale Consideration, shall be payable by the Purchaser upon completion of the Proposed Sale (“**Completion**”).

4.3 Other salient terms under the Option

- (a) The Proposed Sale is subject to, inter alia:
 - (i) the Singapore Law Society’s Conditions of Sale 2012 (the “**Conditions**”) in so far as the Conditions and the terms and conditions of the Option are not contrary to or in conflict with the following:
 - (A) Conveyancing & Law of Property (Conveyancing) Rules 2011 as promulgated under the Conveyancing & Law of Property Act (Cap. 61); and
 - (B) Singapore Academy of Law (Conveyancing Money) Rules 2011 as promulgated under the Singapore Academy of Law Act (Cap 294A) (if applicable);
 - (ii) the written approval of JTC Corporation (“**JTC**”) obtained by the Company for the Proposed Sale;
 - (iii) the written approvals and clearances of all relevant competent authorities, including but not limited to JTC and/or other relevant governmental authorities being obtained by the Purchaser for their purchase and any intended change of use of the Property in accordance with the Purchaser’s scope of business, which is ‘metal recycling services’; and
 - (iv) the written approval of JTC being obtained for the transfer to the Purchaser of the remaining lease term under the Lease registered as No. IA/1279F made between JTC and the Company that commenced on 16th January 1997 in respect of the Property.
- (b) Where the terms and conditions of the Option are in conflict with the Conditions, the former shall prevail.
- (c) The title must be properly deduced, in order and free from encumbrances on completion.
- (d) In the event that JTC’s and/or other relevant governmental authorities’ written approvals are not obtained within five (5) months from the date of the duly completed applications through no fault of the Purchaser or the Company, an extension of time of three (3) months shall be provided by the Company and the Purchaser for the purpose of making an appeal to JTC and/or other relevant

governmental authorities, as the case may be, to obtain the said written approvals. Upon the expiry of the said extension of time of three (3) months, if the relevant approvals are still not obtained or are refused:-

- (i) through no fault of the Purchaser or the Company, then the Proposed Sale shall become null and void, and the Company shall refund to the Purchaser all monies received from the Purchaser by the Company free of interest and thereafter neither party shall have any other claim; or
 - (ii) wholly due to the Purchaser's default or breach in respect of its obligations under the Option or failure on the Purchaser's part to obtain the said approvals, then the Proposed Sale shall become null and void, and the Company shall have the right to forfeit all monies received from the Purchaser by the Company and to re-sell the Property but without prejudice to the Company's right of damages against the Purchaser.
- (e) The Property is sold subject to satisfactory interpretation of plans and replies to the requisitions sent by the Purchaser's solicitors to the various government departments and the Land Transport Authority (Mass Rapid Transport System). If any of the plans or replies are unsatisfactory, then the Option shall be rescinded at the Purchaser's option and shall become null and void and of no further effect whatsoever. On rescission, the Company shall refund to the Purchaser the Option Fee and Balance Deposit paid by the Purchaser without any interest compensation or deduction whatsoever, and each party shall bear their own costs in the matter.
- (f) The Purchaser purchases the Property on an "as-is-where-is-basis" and the Purchaser shall be deemed to have inspected the Property and to be satisfied as to the condition, fitness, suitability, use, structure and/or erection thereof and shall hereafter not make any requisition or objection whatsoever with reference thereto.
- (g) The Company and the Purchaser shall use their best endeavours to submit their applications to all relevant governmental authorities and JTC to apply for the written clearances and approvals for the Proposed Sale within four (4) weeks from the exercise of the Option.

4.4 Completion

Under the Option, the Completion will take place at the office of the Company's solicitor's office on one of the following dates, whichever is the later and applicable (the "**Completion Date**"):-

- (a) if Environmental Baseline Study ("**E.B.S.**") is not required, four (4) weeks upon receiving JTC's final written approval in respect of the Proposed Sale (the "**Final Consent Letter**"); or
- (b) if E.B.S. is required, E.B.S. has been carried out with the report submitted to JTC and JTC accepts the report as satisfactory without being required to do decontamination or reinstatement works as certified by JTC and a qualified E.B.S. consultant, four (4) weeks upon receiving the Final Consent Letter; or
- (c) if decontamination works are required by JTC, the Company shall commence such works within seven (7) days from JTC's notification, and on completion of the decontamination or reinstatement works to the satisfaction of JTC, four (4) weeks upon receiving the Final Consent Letter.

5. VALUATION OF THE PROPERTY

A valuation of the Property was carried out on 10 January 2020 by CKS Property Consultants Pte Ltd, an independent valuer, and the Property was valued at S\$7,000,000 (the “**Valuation Report**”).

6. USE OF PROCEEDS

The proceeds from the Proposed Sale will strengthen the cash position of the Group. Such proceeds may be deposited with banks or be utilized as the Directors deem appropriate in the interests of the Group.

7. FINANCIAL EFFECTS

7.1 Excess of proceeds over book value of the Property

Based on the unaudited consolidated financial statements of the Group for the third quarter ended 30 November 2019, the book value of the Property was approximately S\$2,744,000. With the Sale Consideration of S\$6,000,000, the excess of the sale proceeds over the book value of the Property amounts to approximately S\$3,256,000. After deducting the estimated expenses in connection with the Sale of approximately S\$70,000, the net gain on the Sale is approximately S\$3,186,000.

For illustration purpose only, based on the audited financial statements of the Group for the financial year ended 28 February 2019, the financial effects of the Sale of Property would be as follows:

7.2 Net Tangible Assets (“NTA”) per share

Assuming that the Proposed Sale of Property was completed on 28 February 2019, the proforma effect on the NTA per share of the Group would be as follows:

	<u>Before sale</u>	<u>After sale</u>
NTA (S\$ '000)	80,884	84,070
Number of shares excluding treasury shares	302,211,800	302,211,800
NTA per share (cents)	26.76	27.82

7.3 Earnings per Share (“EPS”)

Assuming that the Proposed Sale of Property was completed on 1 March 2018, the proforma effect on the EPS of the Group would be as follows:

	<u>Before sale</u>	<u>After sale</u>
Loss for the year (S\$'000)	(8,947)	(5,761)
Weighted average number of shares excluding treasury shares	302,211,800	302,211,800
EPS (cents)	(2.96)	(1.91)

8. REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL

Relative figures under Rule 1006 and Rule 1004 of the Listing Manual

The relative figures for the Proposed Sale computed using applicable bases under Rule 1006(a) to (e) of the Listing Manual of the SGX-ST are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
1006(a)	The net asset value of assets disposed of, compared with the Group's net asset value.	3.5% ⁽¹⁾
1006(b)	Net profits attributable to the assets acquired or disposed of compared the Group's net profits.	-1,350.0% ⁽²⁾
1006(c)	The aggregate value of consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	16.8% ⁽³⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as the Proposed Sale is not an acquisition.
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable as the Company is not a mineral, oil or gas company.

Note:

- (1) Based on the net asset value of the Group of S\$79,139,000 and the net asset value of the Property of S\$2,744,000 as at 30 November 2019.
- (2) Based on the net gain on disposal of the Property of S\$3,186,000 and the loss before taxation of the Group of S\$236,000 for the three quarters ended 30 November 2019.
- (3) Based on the Sale Consideration of S\$6,000,000 and the market capitalisation of the Company of approximately S\$35,725,000. The market capitalisation of the Company was computed based on the issued share capital of the Company, excluding treasury shares, of 297,705,000 and the weighted average price of S\$0.120 per share on 10 March 2020 (being the last day on which the shares were traded prior to the date of exercise of the Option).

As the relative figures set out under Rule 1006 exceeds 5% but does not exceed 20%, the Proposed Sale constitutes a discloseable transaction as defined under Chapter 10 of the Listing Manual of the SGX-ST.

The Proposed Sale is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ended 28 February 2020.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best knowledge of the Directors, none of the Directors and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Sale, save through their shareholdings in the Company.

10. DIRECTORS' SERVICE CONTRACTS

No service contract is entered into as no person is proposed to be appointed as a director of the Company in connection with the Proposed Sale.

11. DOCUMENTS FOR INSPECTION

A copy of the Option and Valuation Report of the Property are available for inspection at the registered office of the Company at 23 Tuas South Street 1, Singapore 638033, during normal business hours for three months from the date of this announcement.

12. CAUTION IN TRADING

Shareholders and potential investors of the Company should note that the Proposed Sale is subject to certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Sale will be completed. Shareholders and potential investors are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

13. FURTHER ANNOUNCEMENTS

The Company will make such other announcements relating to the Proposed Sale as and when there are material developments.

By Order of the Board

Law Yu Chui
Director

12 March 2020