

CHEUNG WOH TECHNOLOGIES LTD
(Company Registration No. 197201205Z)
(Incorporated in the Republic of Singapore)

**PROPOSED DISPOSAL OF 31.34% OF EQUITY INTEREST IN JIANGSU
TYSAN PRECISION ENGINEERING CO., LTD.**

1 INTRODUCTION

- 1.1** The board of directors (the “**Directors**”) of Cheung Woh Technologies Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into two sale and purchase agreements with 常熟市中金实业投资有限公司 (Changshushi Zhongjin Industrial Investment Co., Ltd)(“**Zhongjin**”),常熟市旭宏贸易有限公司 (Changshushi Xuhong Trading Co., Ltd)(“**Xuhong**”) (collectively, the “**Purchasers**”) and 苏州市苏园担保有限公司(Suzhou Suyuan Guarantee Co., Ltd) (the “**Guarantor**”) respectively to dispose 31.34% of the equity interest in 江苏忠明祥和精工股份有限公司(Jiangsu Tysan Precision Engineering Co., Ltd.) (“**Tysan Precision**”) (the “**Disposal Shares**”), for an aggregate cash consideration of RMB68,004,719 (approximately S\$13.95 million¹) (the “**Proposed Disposal**”).
- 1.2** The Proposed Disposal constitutes a “major transaction” under Rule 1014 of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”).

2 INFORMATION RELATING TO TYSAN PRECISION, THE PURCHASERS AND THE GUARANTOR

2.1 Information on Tysan Precision

Tysan Precision, incorporated in the People’s Republic of China on 23 September 2002, has a registered share capital of RMB180,000,000 (approximately S\$36.92 million), comprising 180,000,000 ordinary shares. It is principally engaged in the business of manufacturing seat recliners and seat track adjusters.

The shareholders of Tysan Precision as at 17 November 2017 are:

Shareholders	Percentage of shareholdings as at the date stated above	Percentage of shareholdings after the Proposed Disposal
常熟市中金实业投资有限公司 Changshushi Zhongjin Industrial Investment Co., Ltd.	61.45%	76.79%
Cheung Woh Technologies Ltd	31.34%	0.00%
常熟市宏亿投资有限公司 Hong Yi (Changshu) Investments Co., Ltd	5.00%	5.00%

¹ Unless expressly stated to the contrary, any reference to the Singapore dollar equivalent of a Chinese Renminbi amount is based on the exchange rate of S\$1.00 to RMB4.8757, being the exchange rate as at 1 November 2017.

ZMC Engineering Pte Ltd	1.91%	1.91%
溫永大 Wan Wing Tai	0.30%	0.30%
常熟市旭宏贸易有限公司 Changshushi Xuhong Trading Co., Ltd.	0.00%	16.00%
Total percentage	100%	100%

2.2 Information on the Purchasers

The Purchasers are companies incorporated in the People's Republic of China.

Zhongjin was incorporated on 30 April 1996 and has a registered share capital of RMB48,660,000. Its principal activities are in industrial investments, trading of decorative materials, ferrous metal materials and medium-size vehicle. Zhongjin currently holds 61.45% of the shareholding in Tysan Precision. Upon completion of the Proposed Disposal, Zhongjin will hold 76.79% of the shareholding in Tysan Precision.

Xuhong was incorporated on 11 September 2017 and has a registered share capital of RMB20,000,000. Its principal activities are in the trading of decorative materials, machinery and equipment, electronic and electrical products. Upon completion of the Proposed Disposal, Xuhong will hold 16% of the shareholding in Tysan Precision.

2.3 Information on the Guarantor

The Guarantor is a company incorporated on 13 June 2005 and has a registered capital of RMB 300,000,000. Its principal activities are in the provision of guarantees in various financing arrangements and performance guarantees and guarantees-related advisory and consultancy services.

3 DETAILS OF THE PROPOSED DISPOSAL

3.1 Rationale for the Proposed Disposal

The Directors consider that the Proposed Disposal is in the interest of the Company, taking into consideration the following factors:

- (a) the Company wishes to exit from the automotive industry in the People's Republic of China, bearing in mind that competition is intensifying; and
- (b) the Proposed Disposal will enable the Company to realise cash and unlock the value in the Company's investment.

3.2 Salient Terms of the Proposed Disposal

3.2.1 Sale and Purchase of the Disposal Shares

Pursuant to the sale and purchase agreement between the Company, Zhongjin and the Guarantor ("Zhongjin SPA"), the Company has agreed to sell, and Zhongjin has agreed to purchase an aggregate of 27,612,000 ordinary shares in the issued and paid up capital of Tysan Precision, representing 15.34% of the total number of issued shares in Tysan Precision,

for an aggregate cash consideration of RMB33,286,292 (approximately S\$6.8 million), upon the terms and subject to the conditions of the Zhongjin SPA (the “**Zhongjin Transaction**”).

Pursuant to the sale and purchase agreement between the Company, Xuhong and the Guarantor (“**Xuhong SPA**”), the Company has agreed to sell, and Xuhong has agreed to purchase an aggregate of 28,800,000 ordinary shares in the issued and paid up capital of Tysan Precision, representing 16% of the total number of issued shares in Tysan Precision, for an aggregate cash consideration of RMB34,718,427 (approximately S\$7.1 million), upon the terms and subject to the conditions of the Xuhong SPA (the “**Xuhong Transaction**”).

3.2.2 Consideration and payment terms

The consideration amounts for the Proposed Disposal were arrived at on a willing-buyer and willing-seller basis after taking into account (i) the net assets value of Tysan Precision as at 31 July 2017; and (ii) a dividend declared by Tysan Precision in August 2017.

The consideration for the Zhongjin Transaction will be settled in cash within one (1) month from the date the relevant registration procedures with the Suzhou Bureau of Commerce (“**SBC**”) and the State Administration for Industry and Commerce of the People’s Republic of China (“**SAIC**”) for the transfer of shares are completed.

The consideration for the Xuhong Transaction will be settled in cash in two (2) tranches:

- (a) RMB6,943,685 (approximately S\$1.4 million) will be paid within one (1) month from the date the relevant registration procedures with the SBC and the SAIC for the transfer of shares are completed; and
- (b) RMB27,774,742 (approximately S\$5.7 million) will be paid within three (3) months from the date the first payment is made.

The Guarantor has agreed to guarantee the payment by the Purchasers to the Company of the purchase consideration under each of the Zhongjin Transaction and the Xuhong Transaction upon the terms set out in the Zhongjin SPA and Xuhong SPA. If any of the Purchasers fail to make payment of the purchase consideration by the dates stipulated in the Zhongjin SPA and Xuhong SPA, the Company shall have the right to request for payment of the same from the Guarantor during the guarantee period. The guarantee period shall expire two (2) years from the payment deadline for the consideration.

In the event that the Company and the Purchasers are, for any reason, unable to complete the registration procedures of the shares pursuant to each of the Zhongjin SPA and the Xuhong SPA, within nine (9) months from the date of the respective agreements, the Guarantor’s obligations to guarantee payments under each of the Zhongjin SPA and the Xuhong SPA shall cease, and the Company and the Purchasers’ obligations under the respective agreements shall lapse and the agreements may be terminated by the parties. Upon termination, no party shall bring any claims against the other parties, except for claims arising from a breach of the terms of this Agreement by the relevant parties prior to the termination date.

3.2.3 Condition Precedent

The Completion is conditional upon the Company having received the approval of the shareholders for the sale of the Disposal Shares upon the terms and conditions set out in the Xuhong SPA and Zhongjin SPA entered into between the Company and each of the Purchasers respectively.

3.2.4 Completion

Subject to the fulfilment of the condition precedent as set out in paragraph 3.2.3, the completion of the transfers of shares pursuant to the Zhongjin SPA and the Xuhong SPA will take place on the date(s) on which the relevant registration procedures with the SBC and the SAIC for the transfer of shares pursuant to each sale and purchase agreement are completed.

The Company and the Purchasers to the Zhongjin SPA and the Xuhong SPA shall procure that Tysan Precision commence the registration procedures with the SBC and the SAIC, and submit the relevant tax declaration to the tax authorities for the transfer of the shares within thirty (30) working days of the passing of the shareholders' resolution approving the transfer of the shares. The Company and the Purchasers shall give written notice to the Guarantor within two (2) working days of completing the aforementioned registration procedures.

3.2.5 Financial Information on the Proposed Disposal

	S\$
Net asset value of the Disposal Shares as at 31 August 2017	14.90 million
Deficit of the net proceeds over the book value of the Disposal Shares	0.95 million
Net loss attributable to the Disposal Shares	1.26 million

4 RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Rule 1006	Bases	Percentage (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	14.8 ⁽¹⁾
(b)	The net profits attributable to the assets disposed of, as compared with the Group's net profits	(1.1) ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	24.9 ⁽³⁾
(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issues	Not applicable ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable ⁽⁵⁾

Notes:

⁽¹⁾ As at 31 August 2017, Tysan Precision has an unaudited net asset value of S\$47.53 million. 31.34% of this value is \$14.90 million. The equivalent unaudited net asset value of the Group as at 31 August 2017 is S\$100.42 million.

⁽²⁾ For the six months ending 31 August 2017, Tysan Precision had an unaudited profit, after tax, non-controlling interest and extraordinary items, of S\$0.26 million. 31.34% of this value is S\$0.08 million. The equivalent amount for the Group for the corresponding period is a loss of S\$7.39 million. As the denominator, i.e. the Group's net profits is a negative amount, the relative figure of 1.1 is a negative number.

- (3) Based on the consideration of S\$13.95 million and the Company's market capitalisation of approximately S\$55.91 million. The market capitalisation of the Company was computed based on the issued share capital excluding treasury shares of the Company of 302,211,800 shares and the volume weighted average price of S\$0.185 per share on 9 November 2017 (being the last day on which the shares were traded prior to the date of the SPA).
- (4) This rule is not applicable to a disposal of assets.
- (5) This rule is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure computed on the bases set out in Rule 1006(c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a major transaction under Rule 1014 of the Listing Manual and is accordingly conditional upon, *inter alia*, approval of the shareholders being obtained at the general meeting.

5 FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Disposal.

The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 28 February 2017 ("FY2017"), and on the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible assets ("NTA") per share is computed based on the assumption that the Proposed Disposal was completed on 28 February 2017;
- (b) the financial effects on the consolidated earnings per share ("EPS") of the Group are computed assuming that the Proposed Disposal was completed on 1 March 2016;
- (c) the financial effects do not take into account any transactions completed by the Group subsequent to 28 February 2017; and
- (d) costs and expenses in connection with the Proposed Disposal are disregarded for the purposes of calculating the financial effects.

5.1 NTA per share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	108,385	104,200
Number of shares ('000)	302,212	302,212
NTA per share (cents)	35.86	34.48

5.2 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to shareholders (S\$'000)	3,598	1,168
Weighted average number of shares (excluding treasury shares) ('000)	302,212	302,212
EPS (cents)	1.19	0.39

6 USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposal, after deducting estimated expenses to be incurred in connection with the Proposed Disposal, is approximately S\$13.63 million ("**Net Proceeds**"). The Company intends to utilise the Net Proceeds for working capital requirements and repayment of interest-bearing loans and borrowings.

7 INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED DISPOSAL

As at the date hereof and save as disclosed above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal (save for their respective shareholdings in the Company, if any).

8 SERVICE CONTRACTS

No person will be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

9 DOCUMENTS FOR INSPECTION

Copies of the Zhongjin SPA and Xuhong SPA are available for inspection during normal business hours at the registered address of the Company at 23 Tuas South Street 1, Singapore 638033 for three (3) months from the date of this announcement.

10 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Zhongjin SPA and Xuhong SPA, the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors of the Company has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11 CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company as the Proposed Disposal is subject to certain conditions.

The Company will make the necessary announcements when there are further developments on the Proposed Disposal. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. In the event of any doubt, shareholders and potential investors should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Law Yu Chui
Director
20 November 2017