Cheung Woh Technologies Ltd

SCALING GREATER HEIGHTS

2016 ANNUAL REPORT

CONTENTS

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

Financial year ended 28 February 2016 ('FY2016') has been another fruitful year for the Group despite challenging market conditions. Both our Hard Disk Drive ('HDD') Components and Precision Metal Stamping Components segments have continued to record satisfactory performance.

During the year, the Group reported a 1.4% growth in revenue from $91.9 million in FY2015 to $93.2 million in FY2016. The Group reported a profit for the financial year of $10.2 million, a decrease of $2.4 million from the previous financial year, mainly due to higher labour and overhead costs incurred in subsidiaries in China, foreign exchange loss, amortisation and depreciation, social insurance and housing fund contribution and loss on disposal of property, plant and equipment.

HDD COMPONENTS SEGMENT

Sales in the HDD components segment increased by 6.4% (approximately $4.7 million) as compared to the previous financial year. The increase was attributable mainly to the appreciation of United States Dollar (USD) against Singapore Dollar (SGD) as the sales in HDD components segment are denominated in USD. The profit in the HDD components segment decreased by 28.5% (approximately $2.8 million) mainly due to reasons mentioned in the drop in Group profit.

During the year, we have completed the relocation of the machining process for Air Comb in our Johor plant from the rented factory to our newly acquired factory.

We have also transferred the forging process for some of our Air Comb from Zhuhai to Johor. This transfer is to free up manufacturing space in Zhuhai for the production of forged Baseplate used in helium drives.

Construction of a 4 storey factory building in Zhuhai has commenced during the year. The new factory building is expected to be complete by August 2016 and will add a production space of 150,000 square feet. Manufacturing robots will be used within the premises to automate the production of forged Baseplate.

PRECISION METAL STAMPING COMPONENTS SEGMENT

Sales in Precision Metal Stamping components segment decreased by 19.8% (approximately $3.5 million) as compared to the previous financial year. This decrease was mainly due to the decrease in customers' demand and depreciation of Malaysia Ringgit (RM) against SGD as the sales in Precision Metal Stamping components segment are mainly denominated in RM. Profit in Precision Metal Stamping components segment decreased by 15.8% (approximately $0.4 million) as compared to FY2015. The decrease was mainly due to decrease in sales generated during the year, depreciation of RM against SGD and foreign exchange loss arising from inter-company payables.

FUTURE PROSPECTS

Although the Group views the unclear global financial conditions and volatility in foreign exchange may pose some uncertainties to our business, we expect to do well for FY2017. Production of forged Baseplate will gradually ramp up during the year.

We shall continue to keep an open minded approach in pursuing new business opportunities. We believe that taking well thought through steps can help us form synergies between our current capabilities and viable business opportunities.

DIVIDEND

To show our appreciation to our shareholders who have shown unwavering support, we are recommending a final tax-exempt (one-tier) dividend of 0.75 cent per share for FY2016, subject to shareholders' approval at the Annual General Meeting.

ACKNOWLEDGEMENTS

The overall success achieved in FY2016 is a testament to the resilience and resourcefulness of our employees. On behalf of the Board of Directors, I would like to express my thanks to my colleagues in Cheung Woh for their dedication and hard work in continuing to deliver good performance for the Group. I would also like to thank our valued shareholders, customers, business partners and associates who have supported us relentlessly over the years.

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 35 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 in Zhuhai, China.

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 35 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 its overall operations.

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 the proprietor of Lim Kian Wee Leonard Advocates & Solicitors. Called to the Singapore Bar in 1997, Mr Lim's area of practice is 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 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 LEONG KOK KEE

Senior Sales and Marketing Manager

Mr Leong joined our Company in 1994. His main responsibility is to identify business opportunities and new markets for our Group. His scope of duties entails gathering and analysing business information and coordinating with various departments to support marketing strategies. Mr Leong is also involved in the preparation and negotiation of quotations with customers. Mr Leong holds a Diploma in Mechanical Engineering from the Singapore Polytechnic, a Diploma in Business Administration from the Association of Business Executives and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

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 as Assistant General Manager of CWI. His scope of responsibilities include overseeing the engineering departments, 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 Trading (Zhuhai) Co., Ltd 珠海祥和贸易有限公司	100%
Cheung Woh Technologies (Penang) Sdn Bhd (formerly known as Cheung Woh Properties Sdn Bhd)	100%
Jiangsu Tysan Precision Engineering Co., Ltd 江苏忠明祥和精工股份有限公司	31.34%

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW

Cheung Woh is a global leader in the manufacture and supply 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 and automotive industries. The Group's core products are:

- HDD components which include voice coil motor (VCM) plates and air combs; and
- Precision metal stamping 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 40 years ago, Cheung Woh has evolved to become a regional group employing some 2,000 staff over 3 locations.

BUSINESS REVIEW

The Group has recorded higher revenue as compared to previous financial year. The 1.4% increase in the revenue was mainly contributed by higher sales in HDD components segment. Gross profit in FY2016 was 1.4% lower than previous financial year. This was mainly due to higher labour and overhead costs and social insurance and housing fund contribution incurred in subsidiaries in China as well as higher amortisation and depreciation expenses. The profit for FY2016 decreased by 19.1% from $12.6 million to $10.2 million. This was mainly attributed to lower gross profit, higher foreign exchange loss and loss on disposal of property, plant and equipment.

HDD COMPONENTS

Sales in HDD components segment increased by 6.4% from $74.3 million to $79.1 million. This was mainly attributable to the appreciation of USD against SGD as the sales in HDD components segment are denominated in USD. Profit before taxation in HDD components segment, on the other hand, decreased by 28.5% from $9.8 million to $7.0 million. The decline in segmental profit was mainly due to the reasons as explained by the drop in Group profit.

PRECISION METAL STAMPING COMPONENTS

Precision metal stamping components segment recorded a decrease of 19.8% in revenue from $17.6 million to $14.1 million. The decrease was mainly attributed to decrease in customers' demand and depreciation of RM against SGD as the sales in precision metal stamping components segment are mainly denominated in RM. Coupled with higher foreign exchange loss arising from inter-company payables, the segmental profit decreased by 15.8% from $2.7 million to $2.3 million.

GEARING

As at 28 February 2016, the Group's gearing ratio was at 9% (FY2015: 6%).

LIQUIDITY AND CAPITAL RESOURCES

During FY2016, the Group has net cash flows generated from operating activities of $18.2 million as compared to $20.2 million in FY2015. The lower net cash flows generated from operating activities during the year was mainly due to lower operating cash flows before changes in working capital and increases in trade receivables and other receivables and prepayments during the year. This was partially offset by decrease in inventories and increase in other payables.

In investing activities, the Group used $20.0 million during FY2016 as compared to $15.5 million in FY2015. The net cash used in FY2016 was mainly for the purchases of property, plant and equipment. It was partially offset by proceeds from disposal of property, plant and equipment during the year.

During FY2016, the Group has net cash flows generated from financing activities of $0.1 million as compared to $0.4 million in FY2015. The 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	2016	2015	Change
	S$'000	S$'000	%
Net cash generated from operating activities	18,186	20,198	(10)
Net cash used in investing activities	(19,997)	(15,544)	29
Net cash generated from financing activities	125	405	(69)
Cash and cash equivalents at beginning of year	16,400	10,720	53
Cash and cash equivalents at end of year	14,499	16,400	(12)

OPERATING REVENUE

Year ended 28 February	2016	2015	Change
By business segments	S$'000	S$'000	%
HDD Components	79,060	74,321	6
Precision Metal Stamping Components	14,129	17,624	(20)
Total	**93,189**	**91,945**	**1**
By geographical segments			
Thailand	52,900	41,684	27
Malaysia	28,320	35,971	(21)
Philippines	4,450	1,722	158
Portugal	3,209	2,722	18
People's Republic of China	2,451	1,316	86
Germany	1,329	155	757
United States	335	6,120	(95)
Singapore	49	116	(58)
Others	146	2,139	(93)
Total	**93,189**	**91,945**	**1**

CORPORATE AND SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

The Group is constantly looking for areas for improvement to be a better socially responsible enterprise. This is the Group's belief that as a successful business enterprise, we have 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, environment and volunteerism.

PEOPLE

The Group adopts fair employment practices on top of complying with local labour law of the jurisdiction where we have operations. Being an equal opportunity employer, the Group does not discriminate against gender, race, religion or age.The Group has a strict policy against hiring of child or forced labour.

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 for our employees. One of our subsidiaries has also obtained certification for meeting the standards set by the Electronic Industry Citizenship Coalition ("EICC"). EICC is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. As such, we commit and are held accountable to a common Code of Conduct and utilise a range of EICC training and assessment tools to support continuous improvement in the social, environmental and ethical responsibility of the supply chains.

ENVIRONMENT

Being environmental responsible is also a priority for the Group. Although the Group does not produce toxic waste, the by-products of our manufacturing processes are treated to ensure that we do not pollute the environment. Two of our subsidiaries are ISO 14001 Environmental Management System certified for our environmental management system. It maps out a framework that we can follow to set up an effective environmental management system. Using ISO 14001 can provide assurance to our management and employees as well as external stakeholders that environmental impact is being measured and improved. Other green initiatives which the Group adopts include reducing our carbon footprint by encouraging the use of recycled paper and using energy efficiently.

COMMUNITY

The Group consistently encourages employees' contribution to the community. During the year, our subsidiary in Johor has organised a charity event for a disabled children and old folks home in the Johor state. The initiative involved a donation drive among the employees and contribution of daily necessities to the occupants of the home. The charity event did not end at the material contribution, but also the joy and memory shared among the participants and beneficiaries. The company supported the event from initial planning to its completion.

Our subsidiary in Penang also participated in a Charity Run organised by a local charity organisation. The local charity organisation is actively involved in helping the needy families in the area of education. Besides the support in monetary terms, the company has promoted the idea of social responsibility among the employees.

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)

PRINCIPAL BANKERS

DBS Bank Ltd

Malayan Banking Berhad

COMPANY SECRETARIES

Ms Law Yu Chui, M.A.

Ms Chan Lai Yin, ACIS

REGISTERED OFFICE

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Singapore 638033

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Fax: (65) 6861 5784

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Registration No. 197201205Z

FINANCIAL HIGHLIGHTS

TURNOVER ($million)

SHAREHOLDERS' FUND ($million)

RETURN ON EQUITY (%)

NET ASSET VALUE PER SHARE (cents)

EARNINGS PER SHARE (cents)

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the 'Code 2012') 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 Code 2012, except where otherwise stated, for the financial year ended 28 February 2016.

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.

The primary roles of the Board include the following:–

a. Approve the Company's objectives, strategic directions and major corporate policies;

b. Monitor and review financial and operating performance;

c. Approve major funding and investment proposals;

d. Appoint Board of Directors and Key Managerial Personnel;

e. Review management performance;

f. Establish a framework of prudent and effective controls, including safeguarding of Shareholders' interest and the Company's assets;

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

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

i. 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, material acquisitions and disposal of assets, major investment and divestment, corporate and financial restructuring, major corporate policies on key areas of operations, 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.

CORPORATE GOVERNANCE REPORT

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 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.

In lieu of physical meetings, written resolutions were circulated for approval by the Directors. The Company's Articles of Association (the 'Articles') 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.

Upon appointment, 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.

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. When there are changes to or new regulations, directors will attend appropriate courses and seminars to stay abreast of relevant business developments. These include programs run by the Singapore Institute of Directors ("SID") and other institutions. Annually, the external auditors update the AC and the Board on new or revised financial reporting standards.

CORPORATE GOVERNANCE REPORT

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 Code 2012 that at least half of the Board comprises Independent Directors where the Chairman is part of the Management team and is not an independent director.

According to the Code 2012, 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 9 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 that there is no 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 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.

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. In terms of gender diversity on the Board as recommended in the Code 2012, 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. No individual or small group of individuals dominates the Board's decision-making process. 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. To facilitate a more effective check on Management, Non-Executive Directors are encouraged to meet regularly without Management present.

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.

CORPORATE GOVERNANCE **REPORT**

The Executive Chairman sets the agenda for each Board meeting in consultation with the Executive Directors and senior managers where relevant. The Executive Chairman is responsible for ensuring all corporate governance procedures are complied with.

The role of the Chairman is not separated from that of the CEO as 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.

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 in FY 2016 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.

CORPORATE GOVERNANCE REPORT

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 view of the foregoing, the Board is of the view that there is an adequate process for the appointment of new directors.

In accordance with the provisions of the Company's Articles of Association, 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. The 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 Dr Chen Yuk Fu will retire at the forthcoming AGM in accordance with Article 107 of the Company's Articles of Association. Ms Law Yu Chui and Dr Chen Yuk Fu have consented to continue in office. The NC, having assessed each of their attendance and contribution to the Board and the Company, had recommended to the Board that Ms Law Yu Chui and Dr Chen Yuk Fu, directors retiring under Article 107 of the Company's Articles, 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 Code 2012, 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 Listed Companies.

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	26 June 2015	Nil	Nil
Law Yu Chui	15 February 1980	24 June 2013	Nil	Nil
Chen Yuk Fu	15 September 2000	24 June 2013	Nil	Nil
Lim Kian Wee Leonard	30 September 2005	26 June 2015	Nil	Nil
Ngu Kuang Hua	1 May 2012	23 June 2014	Nil	Nil

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

CORPORATE GOVERNANCE **REPORT**

Principle 5: Board Performance

On an annual basis, the NC will review and assess both the effectiveness of the Board as a whole and its Board Committees; and assess the contribution by each Director to the effectiveness of the Board for each financial year and submit its report to the Board. The assessment of the contribution by the Chairman has been included in the assessment of the Board as a whole. 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.

The NC has assessed the effectiveness of the current Board as a whole and its Board Committees and contribution by each Director to the effectiveness of the Board and contribution by the Chairman. The NC 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. Results of the performance evaluation were reported to the Board.

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. Meanwhile, the assessment of the contribution by each Director is specifically related to the individual director's duties such as preparedness, contribution and industry and business knowledge and experience which are crucial to the Group's business. 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.

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

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.

Important matters concerning the Group are also put to the Board of Directors for approval by way of circular resolutions in writing from time to time 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 Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and Listing Manual of the SGX-ST are complied with. They 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 for the Board as a whole.

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

CORPORATE GOVERNANCE **REPORT**

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 and key management.

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.

Although no remuneration consultants were engaged by the Company in FY 2016, 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.

CORPORATE GOVERNANCE REPORT

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.

Service agreement for Executive Directors are for a fixed period and subject to review thereafter.

The Independent and Non-Executive Directors do not have any service agreements with the Company. Both Executive and Non-Executive Directors are paid a fixed fee, which have to be approved by the shareholders at every AGM. The Independent and Non-Executive Directors do not receive any other remuneration from the Company.

The Company does not have any share option scheme or any long term 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 Code 2012 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 FY2016 is set out below:–

Name of Directors	Breakdown of Remuneration in percentage (%)			
	Fee (%)	Fixed (%)	Bonuses (%)	Total (%)
Above S$500,000 to S$750,000				
Law Kung Ying	5	71	24	100
Above S$250,000 to S$500,000				
Law Kung Ming	7	68	25	100
Law Yu Chui	9	71	20	100
Within S$250,000				
Chen Yuk Fu	100	–	–	100
Ngu Kuang Hua	100	–	–	100
Lim Kian Wee Leonard	100	–	–	100

CORPORATE GOVERNANCE **REPORT**

A breakdown of the remuneration of the key management personnel in percentage terms showing the level and mix for FY2016 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
Leong Kok Kee	87	13	100
Tsun Chin Eng Melvin	87	13	100

The Company disclosed the remuneration of only three Key Management Personnel, as there were only three 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 three 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$500,000.

There are no terminations, retirement and post-employment benefits granted to Directors or the Key Management Personnel.

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 28 February 2016. The details of such employees and their remuneration are as follows:–

<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Relationship with the Director, CEO or Substantial Shareholder</th><th colspan="3">Breakdown of Remuneration in percentage (%)</th></tr>
<tr><th>Fixed (%)</th><th>Bonuses (%)</th><th>Total (%)</th></tr>
<tr><td>Above S$150,000 to S$200,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="4">Law Tak Heem</td><td>1. Son of Mr Law Kung Ying, Managing Director, CEO and Substantial Shareholder of the Company.</td><td rowspan="4">79</td><td rowspan="4">21</td><td rowspan="4">100</td></tr>
<tr><td>2. Nephew of Mr Law Kung Ming, Executive Director and Substantial Shareholder of the Company.</td></tr>
<tr><td>3. Nephew of Ms Law Yu Chui, Finance and Administrative Director and Substantial Shareholder of the Company.</td></tr>
<tr><td>4. Grandson of Mdm Lee Hang Ngok, a Substantial Shareholder of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Name	Relationship with the Director, CEO or Substantial Shareholder	Breakdown of Remuneration in percentage (%)		
		Fixed (%)	Bonuses (%)	Total (%)
Tan Hai Yin	1. Son of Ms Law Yu Chui, Finance and Administrative Director and Substantial Shareholder of the Company. 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.	87	13	100
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. 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.	91	9	100

The Code 2012 recommends that the Company should disclose the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. The Company does not disclose the remuneration details as recommended due to the confidentiality and sensitivity of the remuneration matters.

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**

Principle 11: Risk Management and Internal Controls

The Board recognises 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 former 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 auditor 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 auditor's 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 controls, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 28 February 2016. The Board is satisfied with the adequacy and effectiveness of the 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 2016 give a true and fair view of the Company's operations and 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.

CORPORATE GOVERNANCE **REPORT**

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. As at the date of this report, the AC has met once with the external and internal auditors without management present.

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 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 the external auditors for its Singapore-incorporated subsidiary. The Company has engaged suitable auditing firm 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 impact to the financial statements in the report from the external auditors.

CORPORATE GOVERNANCE REPORT

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.

Principle 13: Internal Audit

The Company has engaged RSM Risk Advisory Pte Ltd ('RSM Risk Advisory') to provide internal audit services to the Company. RSM Risk Advisory carried out its function according to the Singapore Standard of Auditing set by the Institute of Certified Public Accountants of Singapore.

RSM Risk Advisory reviewed key internal controls in selected areas as advised by the AC. After the review, RSM Risk Advisory 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 days before the scheduled date of such meeting.

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

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.

CORPORATE GOVERNANCE **REPORT**

Payment of dividends is communicated to shareholders based on a dividend policy established to guide the Directors. 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. The Board has proposed a final tax exempt (one-tier) dividend of 0.75 cent per share for the financial year ended 28 February 2016.

Principle 16: Conduct of Shareholder Meetings

The Company will be holding its forthcoming AGM on 20 June 2016. Shareholders are encouraged to participate at general meetings and have the opportunity to communicate their views affecting the Company. 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.

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.

The Chairman of the Board Committees, Directors, senior management and external auditors will be present and available at the general meeting to attend to the queries/questions from shareholders. 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 to all Directors and employees of the Group who have access to price-sensitive and confidential information. The Company has informed its Directors, officers and employees on the prohibition on dealings 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 to 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 subsidiary companies (collectively, the "Group") for the financial year ended 28 February 2016, and the balance sheet of the Company as at 28 February 2016.

Opinion of the directors

In the opinion of the directors:

(i) the accompanying balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with notes thereto, are drawn up so as to give a true and fair financial statements of the Group and of the Company as at 28 February 2016 and the financial position, changes in equity and cash flows of the Group for the financial year then ended; 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, Cap. 50 (the "Act"), interests in the shares of the Company and its subsidiary companies as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
Cheung Woh Technologies Ltd				
(Ordinary shares)				
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	189,609,600
Ngu Kuang Hua	501,400	501,400	–	–

DIRECTORS' STATEMENT

Directors' interests in shares and debentures (Continued)

There was no change in any of the above-mentioned interests between the end of the financial year and 20 March 2016.

By virtue of Section 7 of the Act, Law Yu Chui is deemed to have interests in all the subsidiary companies 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 subsidiary companies 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 AC 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 significant financial reporting issues and judgements so as to ensure the integrity of the financial statements.
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors.
- 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.

DIRECTORS' STATEMENT

Audit committee (Continued)

- 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 reappointment as auditor.

On behalf of the Board of Directors,

Law Kung Ying
Director

Law Yu Chui
Director

25 May 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Report on the financial statements

We have audited the accompanying financial statements of Cheung Woh Technologies Ltd (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 33 to 89, which comprise the balance sheets of the Group and the Company as at 28 February 2016, the statement of changes in equity of the Group and consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2016 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 May 2016

BALANCE SHEETS
AS AT 28 FEBRUARY 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**62,609**	55,131	**1,703**	1,741
Investment properties	4	**2,657**	2,722	**2,657**	2,722
Intangible assets	5	**68**	74	**59**	64
Investments in subsidiary companies	6	**–**	–	**44,397**	42,924
Investments in associate companies	7	**16,687**	16,491	**15,662**	15,662
Investment in a quoted equity	8	**1**	1	**–**	–
Deferred tax assets	9	**419**	266	**162**	–
		82,441	74,685	**64,640**	63,113
Current assets					
Inventories	10	**12,002**	13,357	**–**	–
Trade receivables	11	**21,131**	20,412	**–**	–
Amount due from an associate company	12	**5**	2	**–**	–
Other receivables	13	**2,505**	2,401	**7,597**	2,520
Other current assets	14	**5,357**	5,287	**166**	62
Cash and bank balances	15	**14,631**	16,545	**4,815**	7,623
		55,631	58,004	**12,578**	10,205
Total assets		**138,072**	132,689	**77,218**	73,318
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	16	**6,683**	8,236	**69**	–
Other payables	17	**6,668**	7,915	**2,728**	820
Amount due to an associate company	12	**414**	283	**–**	–
Interest-bearing loans and borrowings	18	**10,531**	4,632	**6,999**	2,727
Income tax payable		**8**	334	**–**	–
		24,304	21,400	**9,796**	3,547
Net current assets		**31,327**	36,604	**2,782**	6,658
Non-current liabilities					
Interest-bearing loans and borrowings	18	**632**	1,834	**–**	–
Deferred tax liabilities	9	**1,880**	2,661	**–**	–
		2,512	4,495	**–**	–
Total liabilities		**26,816**	25,895	**9,796**	3,547
Net assets		**111,256**	106,794	**67,422**	69,771
Equity attributable to owners of the Company					
Share capital	19	**50,200**	50,200	**50,200**	50,200
Treasury shares	20	**(1,923)**	(1,923)	**(1,923)**	(1,923)
Revenue reserve	21	**63,511**	57,878	**19,145**	21,494
Statutory reserve	22	**1,170**	1,123	**–**	–
Foreign currency translation reserve	23	**(1,702)**	(488)	**–**	–
		111,256	106,790	**67,422**	69,771
Non-controlling interest		**–**	4	**–**	–
Total equity		**111,256**	106,794	**67,422**	69,771
Total equity and liabilities		**138,072**	132,689	**77,218**	73,318

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 2016

	Note	Group 2016 $'000	Group 2015 $'000
Turnover	24	**93,189**	91,945
Cost of sales		**(73,121)**	(71,599)
Gross profit		**20,068**	20,346
Other operating income	25	**4,342**	4,551
Distribution and selling expenses		**(3,205)**	(3,030)
General and administrative expenses		**(11,698)**	(9,047)
Other expenses		**–**	(738)
Finance costs	26	**(230)**	(161)
Share of results of associate companies		**196**	930
Profit before taxation	27	**9,473**	12,851
Income tax credit/(expense)	28	**736**	(239)
Profit for the year		**10,209**	12,612
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain		**(1,214)**	5,696
Other comprehensive income for the year		**(1,214)**	5,696
Total comprehensive income for the year		**8,995**	18,308
Profit attributable to:			
Equity owners of the Company		**10,213**	12,639
Non-controlling interest		**(4)**	(27)
		10,209	12,612
Total comprehensive income attributable to:			
Equity owners of the Company		**8,999**	18,347
Non-controlling interest		**(4)**	(39)
		8,995	18,308
Earnings per share (cents per share)			
Basic and diluted	29	**3.38**	4.18

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 2016

		Attributable to equity owners of the Company							
Group	**Share capital (Note 19) $'000**	**Treasury shares (Note 20) $'000**	**Revenue reserve (Note 21) $'000**	**Statutory reserve (Note 22) $'000**	**Foreign currency translation reserve (Note 23) $'000**	**Total other reserves $'000**	**Total equity attributable to equity owners of the Company $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance as at 1 March 2015	50,200	(1,923)	57,878	1,123	(488)	635	106,790	4	106,794
Total comprehensive income									
Profit for the year	–	–	10,213	–	–	–	10,213	(4)	10,209
Other comprehensive income for the year	–	–	–	–	(1,214)	(1,214)	(1,214)	–	(1,214)
Total comprehensive income for the financial year	–	–	10,213	–	(1,214)	(1,214)	8,999	(4)	8,995
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 30)	–	–	(4,533)	–	–	–	(4,533)	–	(4,533)
Total contributions by and distributions to owners	–	–	(4,533)	–	–	–	(4,533)	–	(4,533)
Others									
Transfer from revenue reserve to statutory reserve	–	–	(47)	47	–	47	–	–	–
Balance as at 28 February 2016	**50,200**	**(1,923)**	**63,511**	**1,170**	**(1,702)**	**(532)**	**111,256**	**–**	**111,256**
Balance as at 1 March 2014	50,200	(1,923)	47,618	859	(6,196)	(5,337)	90,558	855	91,413
Total comprehensive income									
Profit for the year	–	–	12,639	–	–	–	12,639	(27)	12,612
Other comprehensive income for the year	–	–	–	–	5,708	5,708	5,708	(12)	5,696
Total comprehensive income for the financial year	–	–	12,639	–	5,708	5,708	18,347	(39)	18,308
Contributions by and distributions to owners									
Dividends paid on ordinary shares (Note 30)	–	–	(2,115)	–	–	–	(2,115)	–	(2,115)
Total contributions by and distributions to owners	–	–	(2,115)	–	–	–	(2,115)	–	(2,115)
Others									
Transfer from revenue reserve to statutory reserve	–	–	(264)	264	–	264	–	–	–
Capital reduction	–	–	–	–	–	–	–	(812)	(812)
	–	–	(264)	264	–	264	–	(812)	(812)
Balance as at 28 February 2015	50,200	(1,923)	57,878	1,123	(488)	635	106,790	4	106,794

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 2016

	Group	
	2016	**2015**
	$'000	**$'000**
Cash flow from operating activities		
Profit before taxation	**9,473**	12,851
Adjustments for:		
Amortisation and depreciation	**8,338**	7,533
Unrealised exchange loss	**12**	52
Interest expense	**230**	161
Allowance for inventories obsolescence	**145**	89
Loss on struck off of a subsidiary company	**12**	–
Share of results of associate companies	**(196)**	(930)
Interest income	**(31)**	(35)
Allowance for impairment loss on trade receivables	**–**	47
Loss on disposal of property, plant and equipment	**430**	78
Operating cash flows before changes in working capital	**18,413**	19,846
(Increase)/decrease in:		
Inventories	**522**	(453)
Trade receivables	**(970)**	(5,730)
Amount due from an associate company	**(3)**	320
Other receivables and prepayments	**(240)**	300
(Decrease)/increase in:		
Trade payables	**(99)**	2,284
Other payables	**1,090**	4,132
Amount due to an associate company	**154**	(171)
Cash flow generated from operations	**18,867**	20,528
Interest received	**31**	35
Interest paid	**(230)**	(161)
Income tax paid	**(482)**	(204)
Net cash flow generated from operating activities	**18,186**	20,198
Cash flow from investing activities		
Purchase of property, plant and equipment	**(19,893)**	(11,919)
Increase in advance payments to suppliers of property, plant and equipment	**(242)**	(4,012)
Proceeds from disposal of property, plant and equipment	**138**	387
Net cash flow used in investing activities	**(19,997)**	(15,544)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

	Group	
	2016 $'000	2015 $'000
Cash flow from financing activities		
Repayment of interest-bearing loans and borrowings	**(4,699)**	(4,334)
Capital reduction paid to non-controlling interest	**–**	(812)
(Increase)/decrease in cash and cash equivalents subject to restrictions	**(4)**	3
Dividends paid on ordinary shares	**(4,533)**	(2,115)
Proceeds from interest-bearing loans and borrowings	**9,361**	7,663
Net cash flow generated from financing activities	**125**	405
Net (decrease)/increase in cash and cash equivalents	**(1,686)**	5,059
Cash and cash equivalents at beginning of financial year	**16,400**	10,720
Effect of exchange rate changes on cash and cash equivalents	**(215)**	621
Cash and cash equivalents at end of financial year (Note 15)	**14,499**	16,400

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 2016

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 subsidiary companies 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.

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 January 2015 or 1 March 2015. 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 beginning on or after
FRS 114 Regulatory Deferral Accounts	*1 January 2016*
FRS 16 & 41 Amendments to FRS 16 Property, Plant and Equipment & FRS 41 Agriculture	*1 January 2016*
FRS 27 Amendments to FRS 27 Equity Method in Separate Financial Statements	*1 January 2016*
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	*1 January 2016*
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	*1 January 2016*
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	*To be determined**
Amendments to FRS 1: Disclosure Initiative	*1 January 2016*
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	*1 January 2016*
Amendments to FRS 7: Disclosure Initiative	*1 January 2017*
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	*1 January 2017*
FRS 115 Revenue from Contracts with Customers	*1 January 2018*
FRS 109 Financial Instruments	*1 January 2018*

* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in December 2015 via amendments to Effective Date of Amendments to FRS 110 and FRS 28.

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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 subsidiary companies 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 determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of comprehensive income of the Group on disposal of the foreign subsidiary company.

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

For consolidation purpose, the assets and liabilities of foreign subsidiary companies are translated into SGD at the rate of exchange ruling at the end of reporting period and their statement of comprehensive income are translated at the average exchange rates for the financial year. The exchange differences arising on the translation are taken directly to statement of 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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of comprehensive income;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Basis of consolidation and business combinations (Continued)

(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.

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 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 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.

2.8 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.

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 statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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.

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investment properties (Continued)

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 2.9 up to the date of change in use.

2.11 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

Financial assets are recognised on the balance sheets when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company have not classified any financial assets as financial assets at fair value through profit or loss and financial assets designated as held-to-maturity investment.

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.

A financial asset is de-recognised where the contractual rights to receive cash flows from the asset have 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 the statement of comprehensive income.

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) ***Loans and receivables***

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 the statement of comprehensive income 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 company

– Cash and bank balances

(b) ***Available-for-sale financial assets***

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value reserve in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of assets

The Group and the Company assess at each end of reporting period whether there is any objective evidence that an asset or a group of assets is impaired.

(a) ***Impairment of financial assets***

(i) ***Assets carried at amortised cost***

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 statement of comprehensive income.

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 statement of comprehensive income.

(ii) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from other comprehensive income and recognised in the statement of comprehensive income. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of comprehensive income; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of assets (Continued)

(b) ***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. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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.

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; and

- Finished goods and work-in-progress: costs of direct materials, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments 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

Financial liabilities, within the scope of FRS 39, comprising trade and other payables, and interest-bearing loans and borrowings, are recognised on the balance sheets when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method. Derivatives are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are de-recognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

A financial liability is de-recognised when the obligation under the liability is extinguished. 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 the statement of comprehensive income.

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 receivable fails to make payment when due.

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 the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised in the statement of comprehensive income as incurred except to the extent that they are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 ready for their intended use or sale.

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(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 the statement of comprehensive income.

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 the statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases (Continued)

(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. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(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 tax***

Current 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.

(b) ***Deferred tax***

Deferred income 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 assets and liabilities are recognised for all temporary differences, except:

– Where the deferred tax 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;

– In respect of temporary differences associated with investments in subsidiary companies, 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; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Income taxes (Continued)

(b) ***Deferred tax (Continued)***

- In respect of deductible temporary differences and carry-forward of unused tax credits and unutilised tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unutilised tax losses 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 sufficient future taxable profit will allow all or part of the deferred tax asset to be utilised.

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.

Deferred taxes are recognised in profit or loss except that deferred income tax 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.26 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 33, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Contingencies (Continued)

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.

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.

Allowance for inventories obsolescence

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. As the inventories are subject to rapid technological changes, the determination of the carrying amounts of inventories involved a high level of management judgement. Possible changes in the judgement could result in revisions to the carrying amount of inventories. As at 28 February 2016, the carrying amount of the inventories of the Group is $12,002,000 (2015: $13,357,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

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 1 March 2014	17,504	6,914	2,219	83,769	1,157	1,840	949	114,352
Additions	274	1,379	730	9,001	295	170	70	11,919
Reclassified to investment properties (Note 4)	(2,123)	–	–	–	–	–	–	(2,123)
Disposals	–	(3)	(2)	(1,131)	(12)	(235)	(37)	(1,420)
Translation differences	548	468	61	2,572	42	20	(1)	3,710
Balance as at 28 February 2015 and 1 March 2015	16,203	8,758	3,008	94,211	1,482	1,795	981	126,438
Additions	7,899	2,111	971	7,867	527	438	80	19,893
Disposals	–	(39)	–	(1,525)	(16)	(181)	(7)	(1,768)
Translation differences	(1,071)	(371)	(233)	(5,174)	(102)	(115)	(75)	(7,141)
Balance as at 28 February 2016	23,031	10,459	3,746	95,379	1,891	1,937	979	137,422
Accumulated depreciation and impairment loss								
Balance as at 1 March 2014	4,268	3,374	1,691	51,125	915	1,457	821	63,651
Depreciation charge for the year	405	977	211	5,556	101	139	74	7,463
Disposals	–	(1)	–	(685)	(1)	(232)	(36)	(955)
Reclassified to investment properties (Note 4)	(630)	–	–	–	–	–	–	(630)
Translation differences	150	201	(6)	1,410	18	9	(4)	1,778
Balance as at 28 February 2015 and 1 March 2015	4,193	4,551	1,896	57,406	1,033	1,373	855	71,307
Depreciation charge for the year	533	1,372	400	5,521	254	122	65	8,267
Disposals	–	(35)	–	(1,037)	(14)	(107)	(7)	(1,200)
Translation differences	(186)	(233)	(181)	(2,741)	(77)	(77)	(66)	(3,561)
Balance as at 28 February 2016	4,540	5,655	2,115	59,149	1,196	1,311	847	74,813
Net carrying amount								
Balance as at 28 February 2015	12,010	4,207	1,112	36,805	449	422	126	55,131
Balance as at 28 February 2016	**18,491**	**4,804**	**1,631**	**36,230**	**695**	**626**	**132**	**62,609**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 1 March 2014	4,517	10	131	435	77	573	180	5,923
Additions	–	27	–	–	9	–	5	41
Reclassified to investment properties (Note 4)	(2,123)	–	–	–	–	–	–	(2,123)
Disposals	–	–	–	–	–	(200)	–	(200)
Balance as at 28 February 2015 and 1 March 2015	2,394	37	131	435	86	373	185	3,641
Additions	–	29	–	–	2	–	1	32
Balance as at 28 February 2016	2,394	66	131	435	88	373	186	3,673
Accumulated depreciation								
Balance as at 1 March 2014	1,340	9	116	359	77	573	163	2,637
Depreciation charge for the year	40	5	15	14	2	–	17	93
Reclassified to investment properties (Note 4)	(630)	–	–	–	–	–	–	(630)
Disposals	–	–	–	–	–	(200)	–	(200)
Balance as at 28 February 2015 and 1 March 2015	750	14	131	373	79	373	180	1,900
Depreciation charge for the year	40	10	–	14	4	–	2	70
Balance as at 28 February 2016	790	24	131	387	83	373	182	1,970
Net carrying amount								
Balance as at 28 February 2015	1,644	23	–	62	7	–	5	1,741
Balance as at 28 February 2016	**1,604**	**42**	**–**	**48**	**5**	**–**	**4**	**1,703**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets pledged as security

As at 28 February 2016, leasehold land and buildings of the Group with net book value of $5,022,000 (2015: $2,618,000) were mortgaged as security for the banking facilities (Note 18).

Assets held in trust

Motor vehicles with carrying amount of $36,000 (2015: $58,000) are held in trust by directors of the Company.

4. INVESTMENT PROPERTIES

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Cost		
Balance as at 1 March	**3,929**	1,806
Reclassified from property, plant and equipment (Note 3)	**–**	2,123
Balance as at 28 February	**3,929**	3,929
Accumulated depreciation		
Balance as at 1 March	**1,207**	512
Reclassified from property, plant and equipment (Note 3)	**–**	630
Depreciation for the year	**65**	65
Balance as at 28 February	**1,272**	1,207
Net carrying amount		
Balance as at 28 February	**2,657**	2,722
Fair value of the investment properties as at 28 February[1]	**7,811**	7,567
Income statement:		
Rental income from investment properties:		
Minimum lease payments	**604**	561
Direct operating expenses (including repairs and maintenance) arising from:		
Rental generating properties	**20**	118

[1] The fair value of the investment properties is determined based on the latest transacted selling price of properties in the same vicinity with similar land areas and balance tenure.

Leasehold buildings with carrying amount of $2,657,000 (2015: $2,722,000) 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 enhancements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

4. INVESTMENT PROPERTIES (Continued)

The investment properties held by the Group as at 28 February 2016 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 1 March 2014, 28 February 2015 and 28 February 2016	196	98	294
Accumulated amortisation			
Balance as at 1 March 2014	186	29	215
Amortisation for the year	–	5	5
Balance as at 28 February 2015 and 1 March 2015	186	34	220
Amortisation for the year	1	5	6
Balance as at 28 February 2016	187	39	226
Net carrying amount			
Balance as at 28 February 2015	10	64	74
Balance as at 28 February 2016	**9**	**59**	**68**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

5. INTANGIBLE ASSETS (Continued)

Company	Club membership $'000	Patent $'000	Total $'000
Cost			
Balance as at 1 March 2014, 28 February 2015 and 28 February 2016	185	98	283
Accumulated amortisation			
Balance as at 1 March 2014	185	29	214
Amortisation for the year	–	5	5
Balance as at 28 February 2015 and 1 March 2015	185	34	219
Amortisation for the year	–	5	5
Balance as at 28 February 2016	185	39	224
Net carrying amount			
Balance as at 28 February 2015	–	64	64
Balance as at 28 February 2016	**–**	**59**	**59**

As at 28 February 2016, Patent had a remaining amortisation period of 11 to 13 (2015: 12 to 14) years.

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost	**44,397**	43,018
Impairment losses	**–**	(94)
Carrying amount	**44,397**	42,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

6. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

Details of subsidiary companies as at 28 February:

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company 2016 %	Percentage of equity held by the Company 2015 %	Cost of investment 2016 $'000	Cost of investment 2015 $'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 VCM plates and provider of precision metal stamping services	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
Tysan Corporation Pte Ltd***	Investment holdings	Singapore	–	73.04	–	105
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**	#
					44,397	43,018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

6. INVESTMENTS IN SUBSIDIARY COMPANIES (Continued)

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group 2016 %	2015 %
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**	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 Ernst & Young LLP, Singapore.

\+ Audited by HMV & Associates, Macau.

++ Audited by Zhong Tuo Zheng Tai CPA, People's Republic of China.

\# Cost of investment is RM2.

Increase in issued and paid up capital of a subsidiary company

On 14 December 2015, a wholly-owned subsidiary of the Company, Cheung Woh Technologies (Penang) Sdn. Bhd. increased its issued and paid up capital from RM2 to RM4,500,000 with the issue of 4,499,998 new ordinary shares of the company for a cash consideration of RM4,499,998 (equivalent to $1,484,000).

Striking off of a subsidiary company

On 18 December 2015, a subsidiary of the Company, Tysan Corporation Pte Ltd had been struck off the Register of Companies, under Section 344 of the Companies Act, Chapter 50 Singapore.

Analysis of impairment losses of an investment in a subsidiary is as follows:

	2016 $'000	2015 $'000
Balance at 1 March	**94**	–
Charge to statement of comprehensive income	**–**	94
Written off	**(94)**	–
Balance at 28 February	**–**	94

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

7. INVESTMENTS IN ASSOCIATE COMPANIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted shares, at cost	**15,662**	15,662	**15,662**	15,662
Share of post-acquisition reserves	**1,025**	829	**–**	–
	16,687	16,491	**15,662**	15,662

Details of associate companies as at 28 February:

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company 2016 %	Percentage of equity held by the Company 2015 %
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**	31.34

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

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

The summarised financial information of associates, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Jiangsu Tysan Precision Engineering Co., Ltd	
	2016	**2015**
	$'000	**$'000**
Non-current assets	**73,418**	75,559
Current assets	**69,784**	81,558
Total assets	**143,202**	157,117
Non-current liabilities	**9,908**	7,161
Current liabilities	**81,143**	99,407
Total liabilities	**91,051**	106,568
Net assets	**52,151**	50,549
Proportion of the Group's ownership	**31.34%**	31.34%
Group's share of net assets	**16,344**	15,842
Other adjustments	**343**	649
Carrying amount of the investment	**16,687**	16,491

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

7. INVESTMENTS IN ASSOCIATE COMPANIES (Continued)

Summarised statement of comprehensive income

The summarised financial information of the above associate as at 28 February presented below is not adjusted for the proportion of ownership interest held by the Group.

	Jiangsu Tysan Precision Engineering Co., Ltd	
	2016	**2015**
	$'000	**$'000**
Revenue	**84,871**	76,654
Profit for the year	**1,602**	2,450
Total comprehensive income for the year	**1,602**	2,450

8. INVESTMENT IN A QUOTED EQUITY

	Group	
	2016	**2015**
	$'000	**$'000**
Available-for-sale financial asset:		
Quoted equity shares, at cost	**1**	1
Market value of quoted equity shares	**1**	1

Quoted equity shares with carrying amount of $1,000 (2015: $1,000) is held in trust by a director of the Company.

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets:				
Balance as at 1 March	**266**	–	**–**	–
Credit to statement of comprehensive income (Note 28)	**186**	276	**162**	–
Translation differences	**(33)**	(10)	**–**	–
Balance as at 28 February	**419**	266	**162**	–
Deferred tax liabilities:				
Balance as at 1 March	**(2,661)**	(2,752)	**–**	–
Credit to statement of comprehensive income (Note 28)	**722**	68	**–**	–
Translation differences	**59**	23	**–**	–
Balance as at 28 February	**(1,880)**	(2,661)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

9. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities:				
Differences in depreciation for tax purposes	**(364)**	(340)	**–**	–
Gross deferred tax liabilities	**(364)**	(340)	**–**	–
Deferred tax assets:				
Unutilised tax losses	**162**	–	**162**	–
Unrealised foreign exchange loss	**246**	161	**–**	–
Unutilised reinvestment allowance	**183**	241	**–**	–
Provisions	**192**	204	**–**	–
Gross deferred tax assets	**783**	606	**162**	–
Net deferred tax assets	**419**	266	**162**	–

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities:				
Differences in depreciation for tax purposes	**(3,816)**	(4,018)	**–**	(13)
Undistributed earnings of associates	**(100)**	(72)	**–**	–
Others	**–**	(127)	**–**	–
Gross deferred tax liabilities	**(3,916)**	(4,217)	**–**	(13)
Deferred tax assets:				
Unutilised tax losses	**–**	–	**–**	12
Unutilised capital allowance	**1,463**	1,228	**–**	–
Unrealised foreign exchange loss	**573**	328	**–**	–
Others	**–**	–	**–**	1
Gross deferred tax assets	**2,036**	1,556	**–**	13
Net deferred tax liabilities	**(1,880)**	(2,661)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

10. INVENTORIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Balance sheet:				
Raw materials	**2,642**	2,964	**–**	–
Work-in-progress	**4,560**	4,928	**–**	–
Finished goods	**4,800**	5,465	**–**	–
	12,002	13,357	**–**	–
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	**73,121**	71,599	**597**	393
Allowance for inventories obsolescence	**145**	89	**–**	–

11. TRADE RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
External parties	**21,131**	20,541	**–**	–
Allowance for impairment	**–**	(129)	**–**	–
	21,131	20,412	**–**	–

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

Euro	**1,206**	606	**–**	–
United States dollar	**51**	267	**–**	–
Malaysian ringgit	**–**	39	**–**	–

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 $1,614,000 (2015: $1,393,000) 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	
	2016	**2015**
	$'000	**$'000**
Less than 30 days	**1,539**	1,030
30 to 60 days	**35**	291
61 to 90 days	**2**	47
More than 90 days	**38**	25
	1,614	1,393

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

11. TRADE RECEIVABLES (Continued)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movements in the allowance account used to record the impairment are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Trade receivables – nominal amounts	**–**	129
Allowance for impairment	**–**	(129)
	–	–
Movements in allowance accounts:		
Balance at 1 March	**129**	133
Charge to the statement of comprehensive income	**–**	47
Write-off against allowance	**(129)**	(66)
Translation differences	**–**	15
Balance at 28 February	**–**	129

The Group does not have any trade receivables that are collectively determined to be impaired at the balance sheet date. Trade receivables that are individually determined to be impaired at the balance sheet date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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.

12. AMOUNTS DUE FROM/(TO) ASSOCIATE COMPANIES

Group

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**(414)**	(31)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

13. OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Value-added tax receivables	**824**	1,106	**–**	–
Other receivables	**946**	627	**12**	6
Deposits	**570**	468	**47**	124
Tax recoverable	**87**	107	**–**	–
Advances to employees	**78**	93	**–**	–
Subsidiary companies[1]	**–**	–	**7,538**	2,390
	2,505	2,401	**7,597**	2,520

[1] Non-trade receivables from subsidiary companies 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Macau pataca	**2**	2	**–**	–
Euro	**–**	–	**2,773**	–
United States dollar	**–**	–	**2,728**	70

14. OTHER CURRENT ASSETS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Advanced payment to supplier of property, plant and equipment	**4,490**	4,248	**–**	–
Prepayments	**867**	1,039	**166**	62
	5,357	5,287	**166**	62

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

15. CASH AND BANK BALANCES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and bank balances	**14,499**	16,400	**4,815**	7,623
Fixed deposits	**132**	145	**–**	–
	14,631	16,545	**4,815**	7,623
Pledged deposits	**(132)**	(145)	**–**	–
Cash and cash equivalents at end of year	**14,499**	16,400	**4,815**	7,623

Fixed deposits of $132,000 (2015: $145,000) are pledged for banker's facilities granted to a subsidiary company.

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 (2015: 1 and 12) months depending on the immediate cash requirements of the Group, and earned interests at 3.45% (2015: ranging from 0.45% to 3.20%) 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
United States dollar	**4,934**	7,663	**4,551**	7,217
Euro	**923**	358	**–**	–
Macau pataca	**50**	25	**–**	–

The carrying amounts of loans and receivables comprise:

Trade receivables (Note 11)	**21,131**	20,412	**–**	–
Amount due from an associate company (Note 12)	**5**	2	**–**	–
Other receivables (Note 13)	**2,505**	2,401	**7,597**	2,520
Less:				
Value-added tax receivables	**(824)**	(1,106)	**–**	–
Tax recoverable	**(87)**	(107)	**–**	–
Advances to employees	**(78)**	(93)	**–**	–
	1,516	1,095	**7,597**	2,520
Cash and bank balances (Note 15)	**14,631**	16,545	**4,815**	7,623
	37,283	38,054	**12,412**	10,143

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

16. TRADE PAYABLES

Trade payables to subsidiary companies 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**1,574**	2,573	**3**	–
Euro	**1**	25	**–**	–

17. OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Advance payments from customers	**2,072**	3,155	**–**	–
Accrued personnel expenses	**2,377**	2,798	**184**	359
Accrued operating expenses	**1,014**	983	**315**	272
Other payables	**834**	613	**17**	90
Deposits received	**371**	366	**99**	99
Subsidiary companies[1]	**–**	–	**2,113**	–
	6,668	7,915	**2,728**	820

[1] Non-trade payables from subsidiary companies are unsecured, non-interest bearing and repayable on demand. These amounts are to be settled in cash.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Euro	**357**	537	**–**	–
United States dollar	**142**	15	**2,113**	–
Macau pataca	**92**	17	**–**	–
Hong Kong dollar	**–**	42	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

17. OTHER PAYABLES (Continued)

The carrying amounts of financial liabilities at amortised costs comprise:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables (Note 16)	**6,683**	8,236	**69**	–
Other payables (Note 17)	**6,668**	7,915	**2,728**	820
Amount due to an associate company (Note 12)	**414**	283	**–**	–
Interest-bearing loans and borrowings (Note 18)	**11,163**	6,466	**6,999**	2,727
	24,928	22,900	**9,796**	3,547
Less:				
Advance payments from customers	**(2,072)**	(3,155)	**–**	–
Total financial liabilities at amortised cost	**22,856**	19,745	**9,796**	3,547

18. INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current:				
Bank loans (secured)	**632**	1,834	**–**	–
Current:				
Bank loans (secured)	**3,532**	1,905	**–**	–
Bank loans (unsecured)	**6,999**	2,727	**6,999**	2,727
	10,531	4,632	**6,999**	2,727
Total interest-bearing loans and borrowings	**11,163**	6,466	**6,999**	2,727

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Euro	**2,773**	–	**2,773**	–
United States dollar	**4,226**	2,727	**4,226**	2,727

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

18. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The Group has undrawn loans and guarantee facilities of $12,257,000 (2015: $10,237,000) 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 subsidiary companies; and

(b) corporate guarantee from the Company.

The bank loans of the Group and the Company are repayable over 1 to 5 (2015: 1 to 2) years. The loans of the Group and of the Company bear effective interest rates ranging from 2.08% to 4.60% (2015: 2.30% to 4.00%) per annum.

19. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance as at 1 March/28 February	**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.

20. TREASURY SHARES

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Balance as at 1 March and 28 February	**10,873**	**1,923**	10,873	1,923

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

21. REVENUE RESERVE

	Group 2016 $'000	Group 2015 $'000
Retained by:		
The Company	**19,145**	21,494
Subsidiary companies	**44,366**	36,384
	63,511	57,878

	Company 2016 $'000	Company 2015 $'000
Movements in the Company's revenue reserve are as follows:		
Balance as at 1 March	**21,494**	24,260
Profit/(loss) for the year	**2,184**	(651)
Dividends (Note 30)	**(4,533)**	(2,115)
Balance as at 28 February	**19,145**	21,494

22. STATUTORY RESERVE

Group

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 subsidiary companies 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 subsidiary companies' registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset the prior years' losses of the PRC subsidiary companies or to increase registered capital upon approval by the relevant authorities. The reserve is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

23. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2016	**2015**
	$'000	**$'000**
Balance as at 1 March	**(488)**	(6,196)
Net effect of exchange differences arising from:		
– translation of financial statements of foreign subsidiary companies	**(1,214)**	5,708
Balance as at 28 February	**(1,702)**	(488)

24. 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.

25. OTHER OPERATING INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Sale of scrap metal	**3,438**	3,479
Interest income	**31**	35
Rental income	**604**	561
Income from insurance claim	**14**	254
Sundry income	**255**	222
	4,342	4,551

26. FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense on bank loans	**230**	161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

27. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	Group	
	2016 $'000	**2015 $'000**
Employee benefits expense*		
– wages, salaries and bonuses	**23,976**	21,735
– defined contributions	**1,840**	1,425
– other related expenses	**2,312**	1,950
Amortisation and depreciation	**8,338**	7,533
Foreign exchange loss	**2,779**	1,961
Rental of:		
– Premises	**305**	264
– Land	**137**	105
– Equipment	**13**	67
Directors' fees		
– directors of the Company	**242**	216
– directors of subsidiary companies	**3**	3
Audit fees paid to:		
– Auditors of the Company	**101**	97
– Other auditors	**185**	169
Allowance for impairment on trade receivables	**–**	47
Allowance for inventories obsolescence	**145**	89
Loss on disposal of property, plant and equipment	**430**	78
**Included the following:*		
Directors' remuneration		
– directors of the Company	**1,721**	1,684
– directors of subsidiary companies	**3**	3

28. INCOME TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 28 February 2016 and 2015 are:

Statement of comprehensive income

	Group	
	2016 $'000	**2015 $'000**
Current year:		
Income tax	**170**	579
Deferred tax	**(779)**	(437)
	(609)	142
(Over)/under provision in respect of prior years:		
Income tax	**2**	4
Deferred tax	**(129)**	93
	(127)	97
	(736)	239

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

28. INCOME TAX (CREDIT)/EXPENSE (Continued)

Relationship between income tax (credit)/expense and accounting profit

A reconciliation between the income tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 28 February 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit before taxation	**9,473**	12,851
Tax expense at the applicable statutory tax rate of 17% (2015: 17%)	**1,610**	2,185
Adjustments for:		
Non-deductible expenses	**96**	212
Income not subject to tax	**(1,732)**	(1,954)
Effect of differences in tax rates of subsidiary companies	**(54)**	337
Share of results of associate companies	**(33)**	(158)
Deferred tax assets recognised on reinvestment allowance	**–**	(241)
Utilisation of deferred tax assets not previously recognised	**(220)**	(36)
Utilisation of reinvestment allowances	**(192)**	(203)
(Over)/under provision in respect of prior years	**(127)**	97
Others	**(84)**	–
Effective tax (credit)/expense	**(736)**	239

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $85,000 (2015: $1,672,000) and $Nil (2015: $585,000) respectively 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 (2015: 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 $6,412,000 (2015: $6,097,000). The deferred tax liability is estimated to be $1,603,000 (2015: $1,524,000)

The statutory tax rate applicable to the companies incorporated in People's Republic of China and Malaysia were 24% and 25% respectively for the year of assessment 2016.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

29. EARNINGS PER SHARE (BASIC AND DILUTED)

Basic and diluted earnings per share are based on net profit attributable to ordinary shareholders of $10,213,000 (2015: $12,639,000) divided by the weighted average number of 302,212,000 (2015: 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 2015 and 2016.

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.

30. DIVIDENDS

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Declared and paid during the financial year:		
– A final tax exempt dividend of 1.0 cent per share paid in respect of FY2015	**3,022**	–
– An interim tax exempt dividend of 0.5 cent per share paid in respect of FY2016	**1,511**	–
– A final tax exempt dividend of 0.2 cent per share paid in respect of FY2014	**–**	604
– An interim tax exempt dividend of 0.5 cent per share paid in respect of FY2015	**–**	1,511
	4,533	2,115
Proposed but not recognised as a liability as at 28 February:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM: A final tax exempt dividend of 0.75 cent (2015: 1.0 cent) per share	**2,267**	3,022

31. 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 and purchases of goods and services***

	Sales		Purchases	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiary companies	**(2,384)**	(391)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Group

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

	2016 $'000	2015 $'000
Directors' fees		
– directors of the Company	**242**	216
– directors of subsidiary companies	**3**	3
Short–term employee benefits	**1,943**	1,861
Defined contributions	**36**	42
	2,224	2,122
Comprise amounts paid to:		
Directors of the Company	**1,721**	1,684
Directors of subsidiary companies	**3**	3
Other key management personnel	**500**	435
	2,224	2,122

32. 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	
	2016 $'000	2015 $'000
Capital commitment in respect of property, plant and equipment	**10,181**	3,265

(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 41 (2015: 1 to 42) years. Operating lease expenses for the Group was $455,000 (2015: $436,000) for the financial year ended 28 February 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

32. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(b) ***Operating lease commitments – As lessee (Continued)***

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**486**	629	**108**	109
Later than one year but not later than five years	**483**	668	**426**	371
Later than five years	**3,481**	3,351	**3,481**	3,351
	4,450	4,648	**4,015**	3,831

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

The Company has entered into commercial property leases on its investment properties. The non-cancellable leases have remaining lease terms ranging from 3 to 7 months (2015: 7 to 13 months).

Future minimum rental receivables under non-cancellable operating lease as at 28 February are as follows:

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Not later than one year	**194**	550
Later than one year but not later than five years	**–**	40
	194	590

(d) ***Contingent liability***

The Company has corporate guarantees of $4,164,000 (2015: $3,739,000) granted to subsidiary companies.

33. 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 plates and air combs; 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

33. SEGMENT INFORMATION (Continued)

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.

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000		2016 $'000	2015 $'000
Turnover:									
External sales	**79,060**	74,321	**14,129**	17,624	**–**	–		**93,189**	91,945
	79,060	74,321	**14,129**	17,624	**–**	–		**93,189**	91,945
Results:									
Interest income	**24**	20	**7**	15	**–**	–		**31**	35
Interest expense	**(230)**	(161)	**–**	–	**–**	–		**(230)**	(161)
Amortisation and depreciation	**(7,946)**	(7,210)	**(392)**	(323)	**–**	–		**(8,338)**	(7,533)
Allowance for impairment on trade receivables	**–**	(47)	**–**	–	**–**	–		**–**	(47)
Allowance for inventories obsolescence	**(84)**	(48)	**(61)**	(41)	**–**	–		**(145)**	(89)
Gain/(loss) on disposal of property, plant and equipment	**337**	(79)	**(5)**	1	**(762)**	–		**(430)**	(78)
Segment profit before taxation	**7,005**	9,800	**2,272**	2,697	**196**	354	a	**9,473**	12,851
Assets									
Additions to non-current assets	**9,821**	10,440	**3,703**	781	**6,369**	698	b	**19,893**	11,919
Segment assets	**172,707**	154,728	**16,641**	14,690	**(51,276)**	(36,729)	c	**138,072**	132,689
Segment liabilities	**62,851**	49,424	**12,670**	10,967	**(48,705)**	(34,496)	d	**26,816**	25,895

Notes:

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

	2016 $'000	2015 $'000
Share of results of associate companies	**196**	930
Loss on capital reduction of a subsidiary of the Company	**–**	(738)
Others	**–**	162
	196	354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

33. SEGMENT INFORMATION (Continued)

(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:

	2016 $'000	2015 $'000
Investments in associate companies	**16,687**	16,491
Deferred tax assets	**419**	266
Inter-segment assets	**(68,382)**	(53,486)
	(51,276)	(36,729)

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

	2016 $'000	2015 $'000
Deferred tax liabilities	**1,880**	2,661
Inter-segment liabilities	**(50,585)**	(37,157)
	(48,705)	(34,496)

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	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Thailand	**52,900**	41,684	**–**	–
Malaysia	**28,320**	35,971	**23,590**	17,326
Philippines	**4,450**	1,722	**–**	–
Portugal	**3,209**	2,722	**–**	–
People's Republic of China	**2,451**	1,316	**54,264**	52,823
Germany	**1,329**	155	**–**	–
United States	**335**	6,120	**–**	–
Singapore	**49**	116	**4,582**	4,528
Others	**146**	2,139	**5**	8
	93,189	91,945	**82,441**	74,685

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

Information about major customer

The revenue from two major customers amounted to $61,120,000 and $10,865,000 (2015: $55,514,000 and $11,919,000) arising from sales by the HDD Components and Precision Metal Stamping Components segment respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

34. 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) an associate company, 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 an associate company 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 2016, approximately 94% (2015: 93%) of trade receivables relates to 10 (2015: 10) customers.

Exposure to credit risk

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 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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			
	2016		2015	
	$'000	% of total	$'000	% of total
By country:				
Thailand	**11,252**	**53**	11,421	56
Malaysia	**6,047**	**29**	6,862	34
Philippines	**1,428**	**7**	660	3
People's Republic of China	**1,156**	**5**	335	1
United States	**42**	**–**	403	2
Others	**1,206**	**6**	731	4
	21,131	**100**	20,412	100
By industry sectors:				
HDD components	**17,788**	**84**	17,146	84
Precision metal stamping components	**3,343**	**16**	3,266	16
	21,131	**100**	20,412	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 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 exchange risk arising from Renminbi ("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 subsidiary companies 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	
		2016	**2015**
		$'000	**$'000**
		Profit before taxation	**Profit before taxation**
USD/SGD	– strengthened 6% (2015: 9%)	**56**	410
	– weakened 6% (2015: 9%)	**(56)**	(410)
USD/RM	– strengthened 15% (2015: 12%)	**(3,105)**	(2,659)
	– weakened 15% (2015: 12%)	**3,105**	2,659
EUR/RM	– strengthened 14% (2015: 12%)	**(153)**	48
	– weakened 14% (2015: 12%)	**153**	(48)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

	2016			2015		
	1 year or less $'000	1 to 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Group						
Financial assets:						
Trade receivables	**21,131**	**–**	**21,131**	20,412	–	20,412
Amount due from an associate company	**5**	**–**	**5**	2	–	2
Other receivables (Note 15)	**1,516**	**–**	**1,516**	1,095	–	1,095
Cash and bank balances	**14,631**	**–**	**14,631**	16,545	–	16,545
Total undiscounted financial assets	**37,283**	**–**	**37,283**	38,054	–	38,054
Financial liabilities:						
Trade payables	**6,683**	**–**	**6,683**	8,236	–	8,236
Other payables (excluding advance payments from customers)	**4,596**	**–**	**4,596**	4,760	–	4,760
Amount due to an associate company	**414**	**–**	**414**	283	–	283
Interest-bearing loans and borrowings	**10,837**	**650**	**11,487**	4,788	1,896	6,684
Total undiscounted financial liabilities	**22,530**	**650**	**23,180**	18,067	1,896	19,963
Total net undiscounted financial assets/ (liabilities)	**14,753**	**(650)**	**14,103**	19,987	(1,896)	18,091
Company						
Financial assets:						
Other receivables	**7,597**	**–**	**7,597**	2,520	–	2,520
Cash and bank balances	**4,815**	**–**	**4,815**	7,623	–	7,623
Total undiscounted financial assets	**12,412**	**–**	**12,412**	10,143	–	10,143
Financial liabilities:						
Trade payables	**69**	**–**	**69**	–	–	–
Other payables	**2,728**	**–**	**2,728**	820	–	820
Interest-bearing loans and borrowings	**7,202**	**–**	**7,202**	2,819	–	2,819
Total undiscounted financial liabilities	**9,999**	**–**	**9,999**	3,639	–	3,639
Total net undiscounted financial assets	**2,413**	**–**	**2,413**	6,504	–	6,504

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

35. 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 categories 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.

(b) ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
2016				
Financial asset:				
Available-for-sale financial assets				
– Equity shares (quoted) (Note 8)	**1**	**–**	**–**	**1**
2015				
Financial asset:				
Available-for-sale financial assets				
– Equity shares (quoted) (Note 8)	1	–	–	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

35. FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

(c) ***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) $'000	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**	**Carrying amount $'000**
2016					
Non-financial asset:					
Investment properties (Note 4)	**–**	**–**	**7,811**	**7,811**	**2,657**
2015					
Non-financial asset:					
Investment properties (Note 4)	–	–	7,567	7,567	2,722

Determination of fair value

The fair value as disclosed in the table above is based on management's annual review of the carrying value of investment properties.

(d) ***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 11, 13, 16 and 17), amounts due from/(to) associate companies (Note 12) and cash and cash equivalents (Note 15)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values.

Interest-bearing loans and borrowings (Note 18)

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 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

36. 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	
	2016	**2015**
	$'000	**$'000**
Total liabilities	**26,816**	25,895
Share capital	**50,200**	50,200
Treasury share	**(1,923)**	(1,923)
Statutory reserve	**1,170**	1,123
Revenue reserve	**63,511**	57,878
Tangible net worth	**112,958**	107,278
	24%	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	
	2016	**2015**
	$'000	**$'000**
Net profit after tax plus depreciation and total interest payable	**18,706**	20,236
Total principal and interest payable	**4,929**	4,495
	380%	450%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2016

37. COMPARATIVE FIGURES

The Group revisited reclassification of consolidated statement of cash flows and the following comparative figures have been reclassified to conform to the current year's presentation and to better reflect the nature of transactions. There was no impact to the Group's net assets and cash flow generated from operations.

	Group	
	As previously reported $'000	As restated $'000
Operating cash flows before changes in working capital	19,846	19,846
(Increase)/decrease in:		
Inventories	(836)	(453)
Trade receivables	(9,441)	(5,730)
Amount due from an associate company	320	320
Other receivables and prepayments	(1,372)	300
(Decrease)/increase in:		
Trade payables	3,103	2,284
Other payables	4,213	4,132
Amount due to an associate company	(155)	(171)
Exchange differences arising from consolidation	4,850	–
Cash flow generated from operations	20,528	20,528

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group and the Company for the financial year ended 28 February 2016 were authorised for issue in accordance with a resolution of the directors on 25 May 2016.

STATISTICS OF SHAREHOLDERS

AS AT 9 MAY 2016

Total number of issued shares	:	313,084,800
Total number of issued shares excluding treasury shares	:	302,211,800
Total number of treasury shares	:	10,873,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Ordinary Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital*
1 – 99	2	0.17	100	0.00
100 – 1,000	30	2.50	16,588	0.01
1,001 – 10,000	292	24.35	1,541,600	0.51
10,001 – 1,000,000	863	71.98	51,138,752	16.92
1,000,001 and above	12	1.00	249,514,760	82.56
TOTAL	1,199	100.00	302,211,800	100.00

LIST OF 20 LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital*
1	NEXSUSS HOLDINGS PTE. LTD.	189,609,600	62.74
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	OCBC SECURITIES PRIVATE LTD	3,726,800	1.23
7	PHILLIP SECURITIES PTE LTD	3,238,900	1.07
8	TEO POH HONG	3,195,360	1.06
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,018,000	1.00
10	DBS NOMINEES PTE LTD	2,731,300	0.90
11	ZOU YAOZHONG	1,178,000	0.39
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,138,400	0.37
13	WAN WING TAI	927,840	0.31
14	JONATHAN CHADWICK	800,000	0.26
15	UOB KAY HIAN PTE LTD	792,900	0.26
16	NG KWONG CHONG OR LIU OI FUI IVY	785,000	0.26
17	OCBC NOMINEES SINGAPORE PTE LTD	744,000	0.25
18	TOH ONG TIAM	727,600	0.24
19	SHIRLAW JAMES NICHOLAS	684,000	0.23
20	HAN CHEE JUAN	679,920	0.22
	TOTAL	**255,656,020**	**84.59**

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

STATISTICS OF SHAREHOLDERS

AS AT 9 MAY 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 9 May 2016)

	Direct Interest		Deemed Interest	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Law Yu Chui	10,419,600	3.45	189,609,600[1]	62.74
Lee Hang Ngok	10,419,600	3.45	189,609,600[1]	62.74
Nexsuss Holdings Pte. Ltd.	189,609,600	62.74	–	–
Christopher Law Tak Heem	142,000	0.05	189,609,600[1]	62.74
Law Tak Lun	–	–	189,609,600[1]	62.74

Notes:–

(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 9 May 2016, approximately 23.22% 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 9 May 2016, the Company held 10,873,000 treasury shares, representing 3.6% of the total issued shares excluding treasury shares.

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 Monday, 20 June 2016 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 2016 together with the Directors' Statement and Independent Auditor's Report thereon. **Resolution 1**

2. To approve a tax exempt (one-tier) final dividend of 0.75 cent per ordinary share for the financial year ended 28 February 2016 as recommended by the Directors. **Resolution 2**

3. To approve Directors' Fees of S$242,000 for the financial year ended 28 February 2016 (2015: S$216,000). **Resolution 3**

4. To re-elect Ms. Law Yu Chui who is retiring in accordance with Article 107 of the Company's Articles of Association. **Resolution 4**

   Please refer to the "Board of Directors" section of the Company's Annual Report 2016 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.

5. To re-elect Dr. Chen Yuk Fu who is retiring in accordance with Article 107 of the Company's Articles of Association. **Resolution 5**

   Please refer to the "Board of Directors" section of the Company's Annual Report 2016 for information on Dr. Chen Yuk Fu. There is no relationship (including immediate family relationships) between Dr. Chen Yuk Fu and the other Directors, the Company or its 10% shareholders.

   Dr. Chen Yuk Fu, if re-elected, will remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Dr. Chen Yuk Fu will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

6. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

7. 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:

8. Authority to allot and issue shares up to 50 per cent of issued shares in the capital of the Company **Resolution 7**

   "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:

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

NOTICE OF
ANNUAL GENERAL MEETING

(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) 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) 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) 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 force (unless such compliance has been waived by the SGX-ST) and the Articles of Association 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]

NOTICE OF
ANNUAL GENERAL MEETING

9. Proposed Renewal of Share Purchase Mandate

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 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: **Resolution 8**

(i) On-market purchase(s) on the SGX-ST; and/or

(ii) Off-market purchase(s) if effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the "**Relevant Period**", which is the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held;

(ii) the date by which the next annual general meeting of the Company is required by law to be held;

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

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

(c) In this Resolution:

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

NOTICE OF
ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase, 105% of the average closing market price. For this purpose, the average closing market price is the average of the closing market prices of the Shares transacted on the SGX-ST over the last five (5) market days (on which transactions in the Shares are recorded) immediately preceding the date of the market purchase by the Company and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five (5) day period; and

(ii) in the case of an off-market purchase, 120% of the highest price a Share is transacted on the SGX-ST on the market day (when transactions in the Shares are recorded) immediately preceding the date on which the Company announces an off-market purchase offer stating the purchase price and the relevant terms of the equal access scheme;

(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 Purchase 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, 3 June 2016

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be transacted

(1) Resolution 7 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) in the capital of the Company, of which up to 20 per cent of the total number of issued shares (excluding treasury shares) 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) 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 8, 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 Purchase 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 Purchase 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 including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Appendix to the Annual Report accompanying this Notice.

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;

NOTICE OF
ANNUAL GENERAL MEETING

(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.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT, subject to shareholders' approval to the proposed final dividend at the forthcoming Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 28 June 2016 for the purpose of preparing dividend warrants. Duly completed transfers received by the Company's Singapore Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902 up to 5:00 p.m. on 27 June 2016 will be registered to determine shareholders' entitlement to the proposed tax exempt (one-tier) final dividend. The tax exempt (one-tier) final dividend of 0.75 cent per ordinary share, if approved at the Annual General Meeting, will be paid on 8 July 2016.

BY ORDER OF THE BOARD

LAW YU CHUI
CHAN LAI YIN
Company Secretaries

Singapore, 3 June 2016

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 indemnity 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 3 JUNE 2016

This Letter is circulated to the Shareholders (as defined in this Letter) together with the 2016 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 renewal of the Share Purchase Mandate (as defined in this Letter) to be tabled at the 2016 AGM (as defined in this Letter) to be held at 23 Tuas South Street 1 Singapore 638033 on 20 June 2016 at 11.00 am.

The Notice of the 2016 AGM (as defined in this Letter) and a proxy form are enclosed with the 2016 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 2016 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 RENEWAL OF THE SHARE PURCHASE MANDATE

CONTENTS

DEFINITIONS

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

General

"AGM"	The annual general meeting of the Company
"Articles of Association"	The articles of association of the Company
"Board"	The board of Directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"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
"FY2016"	Financial year ended 28 February 2016
"Group"	The Company and its subsidiaries
"Latest Practicable Date"	The latest practicable date prior to the printing of this Letter, being 16 May 2016
"Letter"	This letter to Shareholders dated 3 June 2016 in relation to, *inter alia*, the proposed renewal of the Share Purchase Mandate to be despatched to Shareholders for approval at the 2016 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"	As defined in paragraph 2.3.3(i) of this Letter
"month"	Calendar month
"NTA"	Net tangible assets
"Notice of the 2016 AGM"	The notice of the 2016 AGM as set out in pages 92 to 97 of the 2016 Annual Report
"Off-Market Purchase"	As defined in paragraph 2.3.3(ii) of this Letter
"Ordinary Resolution 8"	Ordinary Resolution 8 as set out in the Notice of the 2016 AGM
"ROE"	Return on equity

DEFINITIONS

"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)
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share Purchase"	Purchase by the Company of Shares pursuant to the Share Purchase Mandate
"Share Purchase Mandate"	General mandate authorising Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate set out in this Letter
"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
"Take-over Code"	The Singapore Code on Take-over and Mergers
"treasury shares"	Has the meaning ascribed to it in Section 4 of the Companies Act
"2011 AGM"	The annual general meeting of the Company held on 24 June 2011
"2011 EGM"	The extraordinary general meeting of the Company held on 24 June 2011 immediately after the conclusion of the 2011 AGM
"2015 AGM"	The annual general meeting of the Company held on 26 June 2015 at 11.30 a.m.
"2016 AGM"	The annual general meeting of the Company to be held on 20 June 2016 at 11.00 a.m.
"2016 Annual Report"	The annual report of the Company for FY2016

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 130A of the Companies Act.

DEFINITIONS

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.

LETTER TO SHAREHOLDERS

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 CEO)	23 Tuas South Street 1
Mr. Law Kung Ming	(Executive Director)	Singapore 638033
Ms. Law Yu Chui	(Finance and Administrative Director)	
Dr. Chen Yuk Fu	(Lead Independent Director)	
Mr. Lim Kian Wee Leonard	(Independent Director)	
Mr. Ngu Kuang Hua	(Independent Director)	

Date: 3 June 2016

To: The Shareholders of Cheung Woh Technologies Ltd

Dear Sir/Madam

1. INTRODUCTION

1.1 Reference is made to the Notice of the 2016 AGM convening the 2016 AGM.

1.2 The proposed Ordinary Resolution 8 in the Notice of the 2016 AGM relates to Shareholders' approval for the proposed renewal of the Share Purchase Mandate.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Background

The Companies Act allows a company incorporated in Singapore to purchase or otherwise acquire its issued shares, stocks and preference shares if the purchase or acquisition is permitted under the Articles of Association of the company. Any purchase of Shares by our Company will have to be made in accordance with, and in the manner prescribed by the Companies Act, our Articles of Association and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is a requirement that a company which wishes to purchase or acquire its own shares should obtain the approval of its shareholders to do so at a general meeting of the shareholders. The Shareholders had previously approved a Share Purchase Mandate at the 2011 EGM authorising the Directors to purchase or otherwise acquire issued Shares on the terms of the Share Purchase Mandate. The Share Purchase Mandate was subsequently renewed at the 2015 AGM. The authority conferred by the Share Purchase Mandate approved at the 2015 AGM will expire at the 2016 AGM. The Company now proposes to renew the Share Purchase Mandate at the 2016 AGM.

LETTER TO SHAREHOLDERS

If approved at the 2016 AGM, the authority conferred by the Share Purchase Mandate will continue in force until the earliest of (i) the date on which the next AGM is held or is required by law to be held, whichever is earlier (whereupon it will lapse, unless renewed at such meeting); (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or (iii) the date on which the authority contained in the proposed Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in a general meeting.

2.2 Rationale for the Share Purchase Mandate

The rationale for the Company to undertake the purchase or acquisition of its 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 Purchase 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 Proposed Share Purchase Mandate

The authority and limitations placed on the purchase or acquisition of Shares by the Company under the proposed Share Purchase Mandate, if renewed at the 2016 AGM, are substantially the same as previously approved by Shareholders at the 2015 AGM. The authority and limitations on the proposed Share Purchase Mandate, including the information required under Rule 883(1) of the Listing Manual, 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 Purchase Mandate proposed to be renewed shall not exceed 10% of the issued Shares of the Company as at the date of the 2016 AGM or as at the date on which the resolution authorising the Share Purchase Mandate is passed, whichever is the higher. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

LETTER TO SHAREHOLDERS

2.3.2 Duration of authority

The authority conferred on the Directors pursuant to the Share Purchase Mandate proposed to be renewed, unless varied or revoked by the Company in general meeting, may be exercised by the Directors at any time and from time to time during the "**Relevant Period**", which is the period commencing from the passing of the aforesaid proposed Share Purchase Mandate and expiring on 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 proposed Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the proposed Share Purchase 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) a market purchase, transacted on the SGX-ST through the ready market or the special trading counter on SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose ("**Market Purchase**"); and/or

(ii) an off-market purchase 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 not inconsistent with the Share Purchase 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 Share Purchase 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 (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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. The offer document shall contain, *inter alia*, 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 Purchases;

LETTER TO SHAREHOLDERS

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

(v) whether the Share Purchase, 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) of the Shares; and

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

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 rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's Central Limit Order Book trading system as shown in any publication of the SGX-ST or other sources; and

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased 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 and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase) unless such Shares are held by the Company as treasury shares. 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.

LETTER TO SHAREHOLDERS

2.5 Treasury Shares

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

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.

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 and 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.

2.6 Disposal and Cancellation

Shares which are purchased or acquired by the Company may be cancelled or held by the Company as treasury shares. All cancelled shares will automatically be delisted by the SGX-ST. If cancelled, all rights and privileges attached to that Share shall expire on cancellation and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase.

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

2.6.1 sell the treasury shares for cash;

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

LETTER TO SHAREHOLDERS

2.6.3 cancel the treasury shares; or

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

2.7 Source of Funds

The Company intends to use internal sources of funds and/or external borrowings to finance purchases of its Shares. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would materially affect the working capital requirements or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

2.8 Solvency Test

Under the Companies Act, the Company may not enter into any share buy-back transaction unless it is solvent. Pursuant to the Companies Act, a company is solvent if:–

2.8.1 the company is able to pay its debts in full at the time of the payment referred to in subsection (1) of Section 76F of the Companies Act and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the payment; and

2.8.2 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 or release, become less than the value of its liabilities (including contingent liabilities).

2.9 Financial Effects

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Purchase Mandate on the Group and the Company will 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. The financial effects on the audited financial accounts of the Group and the Company will depend, inter alia, on the factors set out below.

2.9.1 Number of Shares Acquired or Purchased

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 2016 AGM, not more than 30,221,180 Shares representing 10% of the 302,211,800 Shares in issue (excluding the 10,873,000 Shares held in treasury) as at the Latest Practicable Date may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

2.9.2 Based on Maximum Price Paid for Shares Acquired or Purchased

(i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 30,221,180 Shares at the Maximum Price of S$0.2087 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 the 30,221,180 Shares is S$6,307,160 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

LETTER TO SHAREHOLDERS

(ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 30,221,180 Shares at the Maximum Price of S$0.2386 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 the 30,221,180 Shares is S$7,210,774 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

2.9.3 Illustrative Financial Effects

For illustrative purposes only, based on the above assumptions and the assumption that the purchase of Shares was financed by the internal resources within the Group, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the unaudited accounts of the Group and the Company as at 28 February 2016 as if the Share Purchase Mandate had been effective on 28 February 2016 are presented below:

Scenario 1

Market 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 2016	**Before Share Purchase**	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
Total Shareholders' funds[1] (S$'000)	111,256	104,949	67,422	61,115
NTA[2] (S$'000)	111,188	104,881	67,363	61,056
Current assets (S$'000)	55,631	49,324	12,578	7,763
Current liabilities (S$'000)	24,304	24,304	9,796	11,288
Total borrowings (S$'000)	11,163	11,163	6,999	6,999
Cash and cash equivalents (S$'000)	14,631	8,324	4,815	–
Number of Shares ('000)				
Issued and paid-up share capital	302,212	271,991	302,212	271,991
Financial ratios				
NTA per Share[3] (cents)	36.79	38.56	22.29	22.45
Gearing ratio[4] (times)	0.10	0.11	0.10	0.11
Current ratio[5] (times)	2.29	2.03	1.28	0.69
Earnings per Share (cents)	3.38	3.75	0.72	0.80

LETTER TO SHAREHOLDERS

Scenario 2

Off-Market Purchases of up to a maximum of 10% out of profits and/or capital and the Shares so purchased are cancelled or held as treasury shares:

	Group		Company	
As at 28 February 2016	**Before Share Purchase**	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
Total Shareholders' funds[1] (S$'000)	111,256	104,045	67,422	60,211
NTA[2] (S$'000)	111,188	103,977	67,363	60,152
Current assets (S$'000)	55,631	48,420	12,578	7,763
Current liabilities (S$'000)	24,304	24,304	9,796	12,192
Total borrowings (S$'000)	11,163	11,163	6,999	6,999
Cash and cash equivalents (S$'000)	14,631	7,420	4,815	–
Number of Shares ('000)				
Issued and paid-up share capital	302,212	271,991	302,212	271,991
Financial ratios				
NTA per Share[3] (cents)	36.79	38.23	22.29	22.12
Gearing ratio[4] (times)	0.10	0.11	0.10	0.12
Current ratio[5] (times)	2.29	1.99	1.28	0.64
Earnings per Share (cents)	3.38	3.75	0.72	0.80

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.

(4) Gearing ratio equals to total borrowings divided by Shareholders' funds.

(5) Current ratio equals to current assets divided by current liabilities.

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 Purchase 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 2016, 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 Purchase Mandate would only be made in circumstances where it is considered to be in the best interest of the Company, and the purchases or acquisitions of Shares may not be carried out to the full 10% as mandated. Further, the Directors would emphasise that they do not propose to carry out Share Purchases 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 results in the Company being delisted from the SGX-ST.

LETTER TO SHAREHOLDERS

2.10 Listing Rules

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

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

2.10.2 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 announcement must include details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the amount of consideration paid for the purchases.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision until the price-sensitive information has been publicly announced because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued Shares.

In particular, the Company, in compliance with the best practices on dealings in securities set out in Rule 1207(19) of the Listing Manual, would not purchase or acquire any Share through Market Purchases during the period of one (1) month immediately preceding the announcement of the Company's full-year results and the period of two (2) weeks before the announcement of the first quarter, second quarter and third quarter results.

A listed company must 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. The proposed share purchase under the proposed Share Purchase Mandate will not affect the listing status of the Shares on the SGX-ST, and 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. This is because currently, approximately 23.22% (based on shareholding information as at the Latest Practicable Date) of the issued Shares are held by public shareholders. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public shareholders that would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate.

2.11 Take-over Code Implications

Appendix 2 of the Take-over 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:

2.11.1 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.

LETTER TO SHAREHOLDERS

The table below shows the shareholding percentages of the Company's Directors and Substantial Shareholders, as at the Latest Practicable Date, before and after the Share Purchase, on an illustrative basis:

	Before Share Purchase			After Share Purchase
	Direct interest (Number of Shares)	Deemed interest (Number of Shares)	Total interest[1] (%)	Total interest[2] (%)
Directors				
Law Kung Ying[4]	10,419,600	–	3.45	3.83
Law Kung Ming[4]	10,419,600	–	3.45	3.83
Law Yu Chui[4]	10,419,600	189,609,600[3]	66.19	73.54
Dr Chen Yuk Fu	–	–	–	–
Lim Kian Wee Leonard	–	–	–	–
Ngu Kuang Hua	501,400	–	0.17	0.18
Substantial Shareholders				
Nexsuss Holdings Pte. Ltd. ("**Nexsuss**")	189,609,600[3]	–	62.74	69.71
Law Yu Chui[4]	10,419,600	189,609,600[3]	66.19	73.54
Lee Hang Ngok	10,419,600	189,609,600[3]	66.19	73.54
Christopher Law Tak Heem[5]	142,000	189,609,600[3]	62.79	69.76
Law Tak Lun[6]	–	189,609,600[3]	62.74	69.71

Notes:

(1) As a percentage of the issued share capital of the Company comprising 302,211,800 Shares.

(2) As a percentage of the issued share capital of the Company, comprising 271,990,620 Shares (assuming that the Company purchases the maximum number of 30,221,180 Shares under the Share Purchase Mandate).

(3) Held by Nexsuss for the benefit of Christopher Law Tak Heem, Law Tak Lun, Law Yu Chui and Lee Hang Ngok.

(4) Law Kung Ying, Law Kung Ming and Law Yu Chui are the children of Lee Hang Ngok.

(5) 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.

(6) 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 Take-over 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 76.61%. Assuming a maximum of 10% of the Shares are repurchased, their combined shareholdings will rise to 85.12%. Their shareholdings fall outside the ambit of the operation of Rule 14 of the Take-over 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

2.11.2 Persons Acting in Concert

Under the Take-over 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 its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies;

(ii) 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;

(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;

(v) a financial or other professional adviser, 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.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

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 Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.11.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over 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 if the voting rights of such Directors and their concert parties fall 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 Take-over 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 Purchase 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.

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	–	3.45
Law Kung Ming[2]	10,419,600	–	3.45
Law Yu Chui[2]	10,419,600	189,609,600	66.19
Dr Chen Yuk Fu	–	–	–
Lim Kian Wee Leonard	–	–	–
Ngu Kuang Hua	501,400	–	0.17
Substantial Shareholders			
Nexsuss[3]	189,609,600	–	62.74
Law Yu Chui[2]	10,419,600	189,609,600	66.19
Lee Hang Ngok[2]	10,419,600	189,609,600	66.19
Christopher Law Tak Heem[4]	142,000	189,609,600	62.79
Law Tak Lun[5]	–	189,609,600	62.74

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 by Nexsuss 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.

LETTER TO SHAREHOLDERS

4. SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS

No Share Purchases were undertaken by the Company pursuant to the Share Purchase Mandate approved by the Shareholders at the 2015 AGM in the previous twelve months. The last Share Purchase undertaken by the Company was on 20 June 2013 pursuant to the Share Purchase Mandate approved by the Shareholders at the annual general meeting of the Company held on 25 June 2012.

5. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 8 to approve the proposed renewal of the Share Purchase 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 proposed renewal of the Share Purchase 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 2016 AGM:

(a) the Memorandum and Articles of Association of the Company; and

(b) the 2016 Annual Report.

Yours faithfully,

For and on behalf of the Board
CHEUNG WOH TECHNOLOGIES LTD

Law Kung Ying
Chairman, Managing Director and CEO

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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, 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, 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, factory building with floor area of 4,047 square metres	Leasehold (56 years from 19 December 2003)
	PLO 107 and 108 Kawasan Perindus-trian 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 factory building with floor area of 2,730 square metres	Leasehold (50 years from 19 October 2003)

CHEUNG WOH TECHNOLOGIES LTD

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