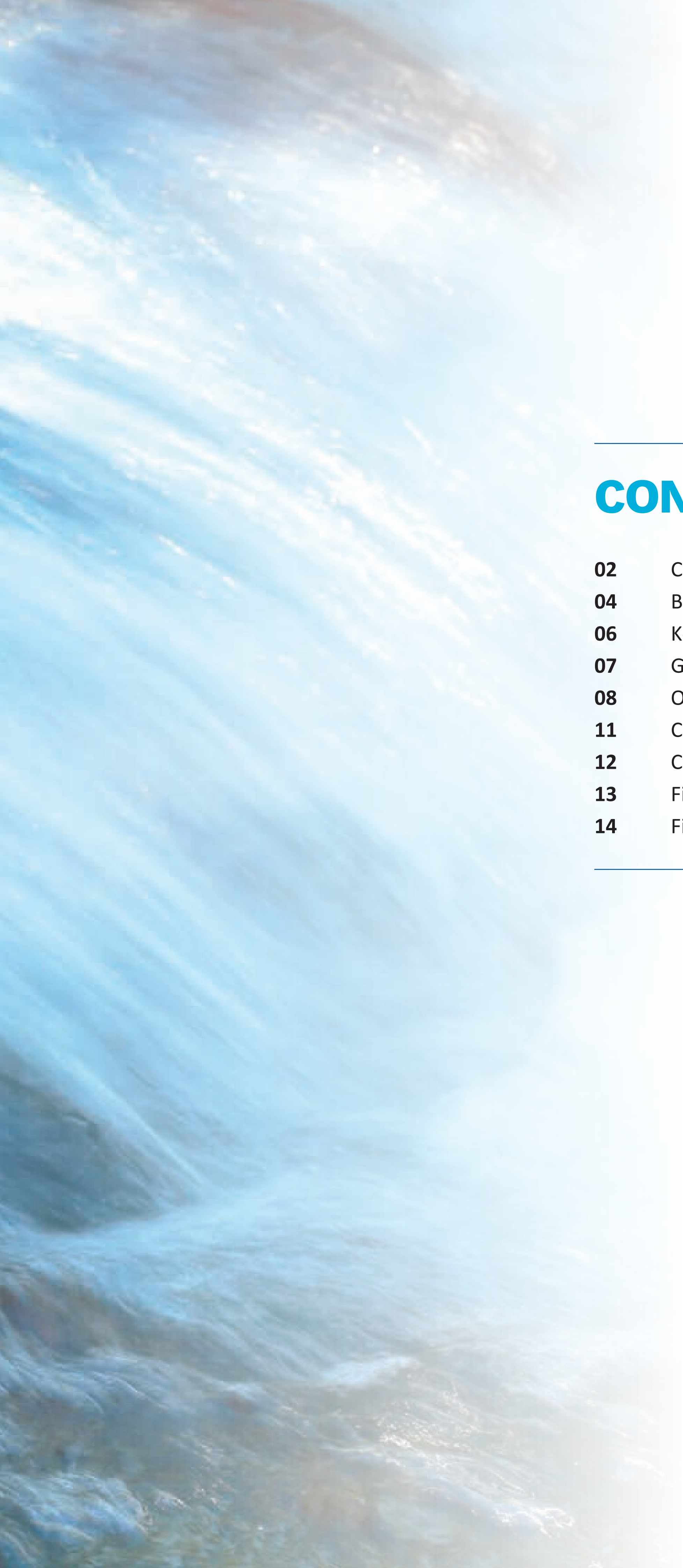
CHEUNG WOH TECHNOLOGIES LTD

ANNUAL REPORT 2020

UNWAVERING



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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the financial year ended 28 February 2020 ("FY2020").

YEAR IN REVIEW

Despite the challenges in FY2020, we have persevered with an unwavering spirit.

The Group has reported a turnover of $48.9 million, a decrease of 36.4% (or $28.0 million) from $76.8 million in the last financial year. The decrease was attributed to declines in both HDD components and Precision Metal Stamping ("PMS") components segments. While the first three quarters of FY2019 saw particularly high sales of Baseplates, FY2020 experienced declining sales of Baseplates compared to the previous financial year. In addition, the order for Baseplates was completed by the third quarter of FY2020.

During the year, turnover in various high mix low volume business, which the Group has diversified into, has achieved an increase of $1.1 million.

Cost of sales for the Group decreased by 33.8% (or $22.7 million) to $44.5 million in FY2020. The decrease was not in proportion with the decrease in turnover. This was mainly attributed to certain fixed costs, such as depreciation and fixed labour costs, incurred in FY2020. As a result, the gross profit margin declined to 9.0% as compared to 12.5% in FY2019.

CHAIRMAN'S STATEMENT

Other operating income in FY2020 was 22.0% (or $0.7 million) lower than FY2019. The reduction in other operating income was attributable to a decrease in sales of scrap metal. The reduction in sales of scrap metal is consistent with the reduction in sales in FY2020. The decrease was partially offset by increases in interest income and income from insurance claimed as a result of damage caused by Typhoon Hato.

Distribution and selling expenses decreased by 40.3% (or $1.1 million) compared to FY2019. The reduction was consistent with the reduction in sales for the current financial year.

General and administrative expenses ("G&A" expenses) decreased by 50.7% (or $8.8 million) as compared to FY2019. The decrease was mainly due to lower write-off of Property, plant and equipment ("PPE") and allowance for impairment on PPE provided in the current financial year. The impairment exercise on idle PPE was carried out by professional consultants to assess the recoverable amounts. In addition, the Group has incurred lower unrealized foreign exchange loss, administrative staff costs and general overhead costs in FY2020.

Due to the reduction in interest-bearing loans and borrowings during the year, finance costs decreased by 35.5% (or $129K) as compared to FY2019.

Income tax expense increased by 10.8% (or $166K) as compared to FY2019 due to higher income tax provision made in current financial period.

To conclude the financial performance of FY2020, the Group's loss for the financial year was $5.1 million (FY2019: Loss of $8.9 million).

FUTURE OUTLOOK

Moving forward, as market demand shifts from HDD to solid state drives and with the completion of Baseplates order in FY2020, we have diversified into various high mix low volume business.

Since FY2019, we supplied machined components used in high voltage regulators, power laser equipment and aerospace industry. In FY2020, we had secured several new high mix low volume businesses such as the manufacture of components used in autonomous vehicles, alternative energy and optical communications.

The Covid-19 pandemic has also severely affected the global supply chain and we expect the next financial year to be a challenging and uncertain one. However, we will continue to leverage on our capabilities and explore new business opportunities.

RETIREMENT AS CEO

I would like to express my deepest gratitude to the Board and employees for the past 40 over years that I have been with Cheung Woh. I believe I leave an organization that is well-positioned to meet future opportunities and challenges under the leadership of Mr. Law Kung Ming. It has been a privilege serving you.

DIVIDEND

While the Group has made a loss for FY2020, the Board has taken into consideration that the Group is in a healthy cash position and there are sufficient cash reserves for future development plans. The Board is recommending, subject to shareholders' approval at the forthcoming Annual General Meeting, a final tax-exempt (one-tier) dividend of 0.5 cent per ordinary share for FY2020.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere appreciation to the management team and employees for their hard work and dedication; our customers and business partners for their strong support and last but not least, our shareholders for their unwavering faith in Cheung Woh. The Board remains committed to the long-term value interests of the Group and to create value for Cheung Woh shareholders.

BOARD OF DIRECTORS

MR LAW KUNG YING

Non-Executive Non-Independent Director and Chairman

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

Mr Law has retired as Chief Executive Officer and Managing Director of the Company on 28 February 2020. He remains as a Non-Executive Non-Independent Director and Chairman of the Company.

MR LAW KUNG MING

Executive Director and Chief Executive Officer

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

Mr Law was appointed as Chief Executive Officer of the Company on 29 February 2020. He is responsible for the strategic development of the Group, devises and implements strategic business plans and identifies new markets, products and customers.

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.

BOARD OF DIRECTORS

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 Excelpoint Technology Group.

MR LIM KIAN WEE LEONARD
Independent Director

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

MR NGU KUANG HUA
Independent Director

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

KEY MANAGEMENT **PERSONNEL**

MR TSUN CHIN ENG, MELVIN

Finance Manager

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

MR LOH YUT CHAI

Assistant General Manager

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

GROUP STRUCTURE

100%
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) Company Limited
祥和国际（澳门）有限公司
(formerly known as Cheung Woh International (Macao Commercial Offshore) Company Limited)

100%
Cheung Woh Technologies (Penang) Sdn Bhd
(formerly known as Cheung Woh Properties Sdn Bhd)

OPERATING AND FINANCIAL **REVIEW**

Company Overview

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

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

– HDD components which include voice coil motor ('VCM') plates, air-combs and Baseplates;

– Precision Metal Stamping ('PMS') components which include sheet metal machined parts and computer numerical controlled ('CNC') machined parts, servicing local, regional and international markets; and

– High mix low volume components used in high voltage regulators, power laser equipment, aircrafts, autonomous vehicles, alternative energy and optical communications.

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 46 years ago, Cheung Woh has evolved to become a regional group employing some 800 staff over 3 locations.

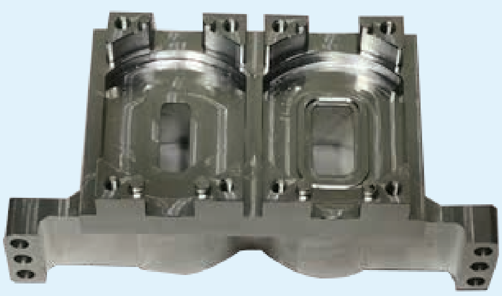
Business Review

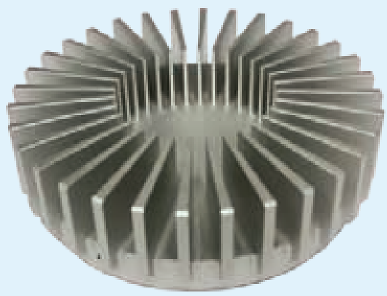
The Group has reported a turnover of $48.9 million, a decrease of 36.4% (or $28.0 million) from $76.8 million in FY2019. The lower turnover was attributed to declines in both HDD components and PMS components segment. The lower turnover was slightly offset by an increase in turnover of $1.1 million in various high mix low volume business, which the Group has diversified into.

Cost of sales decreased by 33.8% (or $22.7 million) as compared to FY2019. The decrease was not in proportion with the decrease in turnover. This was mainly attributed to certain fixed costs, such as depreciation and fixed labour costs, incurred in FY2020.

HDD Components

Sales in HDD components segment decreased by 38.4% (or $24.9 million) as compared to FY2019. The





OPERATING AND FINANCIAL REVIEW

decrease was mainly attributable to decrease in sales of Baseplates, in which delivery was completed in the third quarter of FY2020. Sales in air-combs and voice-coil-motor plates also decreased during the year due to lower customers' demands.

The segment reported a loss before taxation of $4.1 million as compared to a loss of $8.8 million in FY2019. The loss was mainly attributed to two reasons:

1. Allowance on impairment of property, plant and equipment ($2.4 million); and
2. Low turnover.

Precision Metal Stamping Components

Sales in this segment decreased by 25.3% (or $3.0 million) as compared to FY2019. This segment experienced sales decrease in the Middle East and Malaysia. The decrease was partially offset by increase in sales in Europe.

PMS components segment reported a segment profit before taxation of $0.8 million as compared to $1.4 million in FY2019. The decrease was mainly due to lower sales generated.

Gearing

As at 28 February 2020, the Group's gearing ratio was at 2% (FY2019: 7%).

Liquidity and Capital Resources

During FY2020, the Group had generated net cash flow from operating activities of $13.8 million as compared to $18.1 million generated in FY2019. The net cash flows generated from operating activities was mainly contributed by operating cash flows before changes in working capital, decreases in inventories, trade receivables and other receivables and prepayments. It was partially offset by decrease in other payables.

In investing activities, the Group used $230K in FY2020, in contrast with $7.2 million generated in FY2019. The net cash used was mainly on the purchases of property, plant and equipment.

During FY2020, the Group used $4.6 million in financing activities, as compared to $13.7 million used in FY2019. The net cash flow used was mainly for repayment of interest-bearing loans and borrowings and purchases of treasury shares.

OPERATING AND FINANCIAL REVIEW

LIQUIDITY AND CAPITAL RESOURCES

Year ended 28 February	2020	2019	Change
	S$'000	S$'000	%
Net cash generated from operating activities	13,793	18,078	(24)
Net cash (used in)/generated from investing activities	(230)	7,191	n.m.
Net cash used in financing activities	(4,574)	(13,698)	(67)
Cash and cash equivalents at beginning of year	20,556	9,041	127
Cash and cash equivalents at end of year	30,152	20,556	47

OPERATING REVENUE

Year ended 28 February	2020	2019	Change
By business segments	**S$'000**	**S$'000**	**%**
HDD Components	39,900	64,817	(38)
Precision Metal Stamping Components	8,959	12,001	(25)
Total	48,859	76,818	(36)
By geographical segments			
1. Thailand	31,119	55,968	(44)
2. Malaysia	6,141	9,229	(33)
3. Singapore	3,106	2,338	33
4. People's Republic of China	462	619	(25)
5. Middle East	187	4,189	(96)
6. Europe	4,107	1,349	204
7. United States	1,306	924	41
8. Philippines	2,431	2,090	16
9. Others	–	112	(100)
Total	48,859	76,818	(36)

n.m. – not meaningful

CORPORATE AND SOCIAL RESPONSIBILITY

PEOPLE

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

The Group also places a strong emphasis on providing a safe working environment for our employees. This is especially so during the Covid-19 pandemic. All sites have implemented strict procedures to safeguard the health of all our employees. This includes temperature taking, regular disinfection of all work areas, dormitories and canteen, enforcement of social distancing, staggered working hours and telecommuting where possible.

Personal protective equipment issued to employees and regular health monitoring conducted according to safety and health guidelines are some continuous initiatives adopted by the Group. In-house trainings on health and safety practices are also conducted to reduce the risk of workplace accidents and to improve emergency preparedness.

ENVIRONMENT

The Group is committed to building a sustainable environment. While the Group does not produce hazardous waste, the by-products of the manufacturing processes are treated to ensure that there is no environmental pollution. Three of the subsidiaries are certified with ISO 14001 Environmental Management System. This system provides assurance to stakeholders that the environmental impact of the Group's operations are being measured and improved.

The Group also encourages employees to embrace eco-friendly practices by encouraging the use of recycled paper and using energy efficiently. Air conditioners and machines are also maintained on a regular basis to avoid energy wastage.

COMMUNITY

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

Our Penang subsidiary has sponsored an aquaponics project in a school. The project aims to bring the students closer to urban farming using aquaponics system that grows vegetables without using any pesticides and chemical fertilizer.

The subsidiary in Johor has organised a donation drive within the company and contributed daily necessities for residents in an elderly care home in Johor.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Law Kung Ying
(CHAIRMAN)

Mr Law Kung Ming
(CEO)

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:
Ms Yeow Hui Cheng
(Since financial year ended
28 February 2020)

PRINCIPAL BANKERS
DBS Bank Ltd

Malayan Banking Berhad

United Overseas Bank

COMPANY SECRETARIES
Ms Law Yu Chui, M.A.

Ms Chan Lai Yin, ACIS

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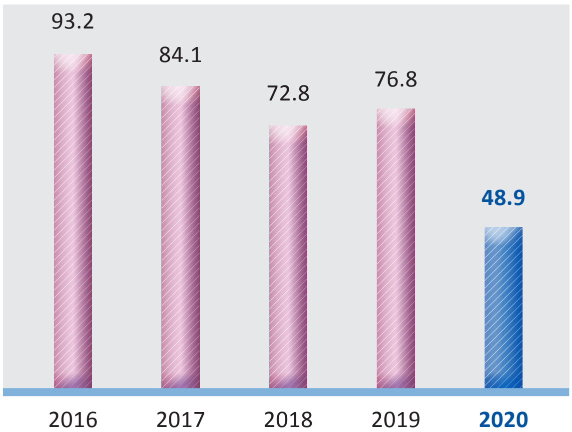
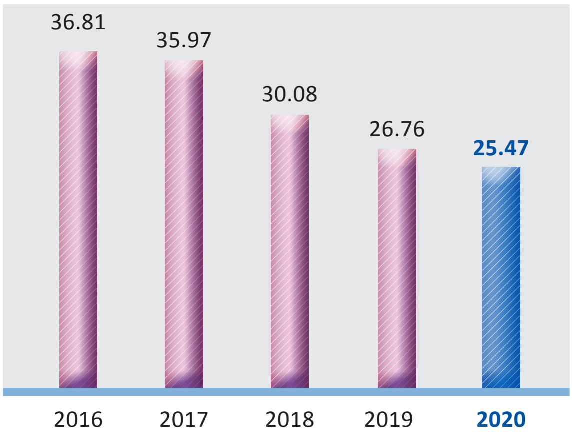
Fax: (65) 6861 5784
www.cheungwoh.com.sg
Registration No. 197201205Z

FINANCIAL HIGHLIGHTS

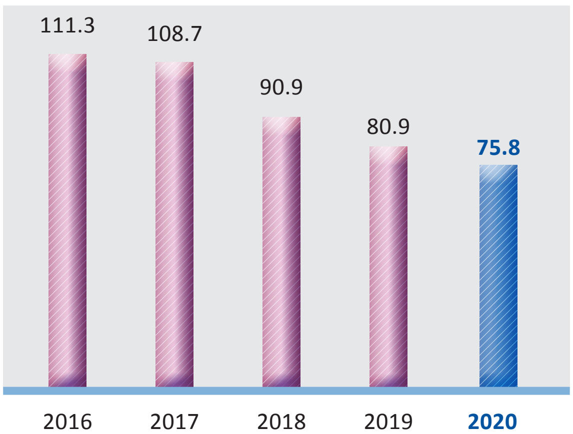
TURNOVER ($MILLION)



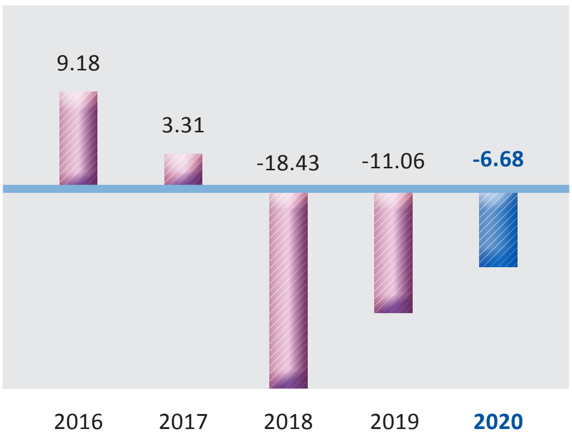
NET ASSET VALUE PER SHARE (CENTS)



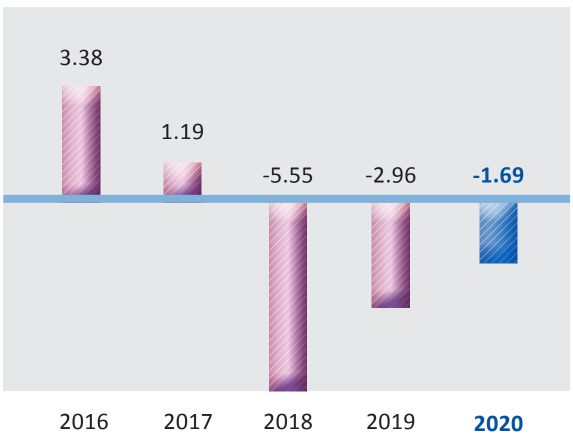
SHAREHOLDERS' FUND ($MILLION)



RETURN ON EQUITY (%)



EARNINGS PER SHARE (CENTS)



FINANCIAL **CONTENTS**

CORPORATE GOVERNANCE REPORT

Cheung Woh Technologies Ltd (‘Company’) is continuously committed to maintaining a high standard of corporate governance and transparency within the Company and its subsidiaries in order to protect the interests of its shareholders 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 2018 (the ‘2018 Code’) and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited (‘SGX-ST’). The Board of Directors is pleased to report that the Company has complied with the principles and provisions as set out in the 2018 Code, except where otherwise stated, for the financial year ended 28 February 2020 (“FY2020”). To the extent the Company’s practices may vary from the provisions of the 2018 Code, the Company will explain how its practices are consistent with the intent of the relevant principles of the 2018 Code.

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 for the long-term success of the Company and makes decisions in the best interests of the Company. All Directors act in good faith and exercise due diligence and objectively discharge their duties and responsibilities at all times in their decisions concerning the Group’s businesses. Management is accountable for the Company’s performance. The Board has put in place a Code of Conduct for the Board of Directors as a means to guide Directors towards an environment where integrity and accountability are key. Directors who face conflicts of interest are to disclose their interests and voluntarily recuse themselves from discussions and decisions involving the issues of conflict.

The primary roles of the Board include the following: –

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

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

c. Monitor and review financial and operating performance;

d. Approve major funding and investment proposals;

e. Appoint Board of Directors and Key Management Personnel;

f. Review management performance;

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Board has placed in writing matters which are specifically reserved for the Board's decision and set clear directions to Management on matters that must be approved by the Board. Matters reserved for the Board's decision include interested person transactions, acquisitions and disposal of assets, major investment and divestment, corporate and financial restructuring, corporate policies on key areas of operations, business updates of material nature, share issuances, dividends and other returns to shareholders. All Directors provide insights and consider the interests of the Company at all times.

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

Important matters concerning the Group are put to the Board of Directors for approval by way of circular resolutions in writing and/or discussions. The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results for FY2020. Additional meetings will be held, as and when required, to address any significant issues that may arise. The Company's Constitution (the 'Constitution') allows Board meetings to be conducted by way of teleconferencing, provided that the requisite quorum of at least two directors is present wherever in the world. For FY2020, meeting was conducted via live webcast where directors can hear and be heard throughout the meeting and presence acknowledged by each other. Minutes of all Board Committee and Board meetings are circulated to members for review and confirmation. These minutes also enable Directors to be kept abreast of matters discussed at such meetings. Matters arising from each meeting will be followed up and reported to the Board.

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

Note: Mr Law Kung Ying retired as CEO and Managing Director effective 28 February 2020 and designated as Non-Executive Non-Independent Director. Mr Law Kung Ying remains as Chairman of the Board until the forthcoming Annual General Meeting ('AGM').

CORPORATE GOVERNANCE REPORT

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, a new director is briefed on the Group's structure, businesses, operations, policies and governance practices. He has the opportunity to visit the Group's operational facilities to gain a better understanding of the Group's business operations. He will be briefed on the duties and obligations of a director and a formal letter will be provided to the newly appointed director. New directors will attend trainings and/or seminars to acquaint them on director's duties, roles and responsibilities and compliance with the relevant bodies of law and regulations in the performance of their duties. There was no new director appointed during the financial year ended 28 February 2020.

In addition, all directors are encouraged to attend trainings once in every two years for professional development. Directors may request for training in areas such as accounting, legal and industry specific knowledge and the Company will be responsible for the funding of these trainings. The Chief Executive Officer ('CEO') provides business updates on the development of the Company's products from time to time. Annually, the external auditors update the AC and the Board on new or revised financial reporting standards. When there are changes to or new regulations, Directors will attend appropriate courses and seminars to stay abreast of relevant business developments. These include programs run by the Singapore Institute of Directors, audit firms and other institutions.

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

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

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

Principle 2: Board Composition and Guidance

The Board comprises three Non-Executive and Independent Directors and three Executive Directors. There is a strong and independent element on the Board. Mr Law Kung Ying retired as Chief Executive Officer ('CEO') and Managing Director effective 28 February 2020 and designated as Non-Executive Non-Independent Director. Mr Law Kung Ying remains as Chairman of the Board until the forthcoming Annual General Meeting ('AGM'). The existing Executive Director, Mr Law Kung Ming was appointed as CEO of the Company effective 29 February 2020. Following the aforementioned changes, the Board will comprise a majority Independent and Non-Executive Directors where the Chairman is part of the Management team and is not an independent director.

CORPORATE GOVERNANCE REPORT

According to the 2018 Code and Listing Rule, an independent director is one who is independent in conduct, character and able to exercise independent business judgement in the best interests of the Company and has no relationships with the Company, related corporations, its substantial shareholders or its officers. 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. Among the items the NC considers while reviewing the independence are:–

1. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service. Payments aggregated over any financial year in excess of S$50,000 should generally be deemed significant.

2. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). Payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question.

3. Whether a director is or has been directly associated with a substantial shareholder of the company, in the current or immediate past financial year.

The Board also reviewed independence of Directors based on Rule 210(5)(d) of the Listing Manual which sets out the specific circumstances in which a director should be deemed non-independent. These circumstances include:

(a) a director who is being employed by the company or any of its related corporations for the current or any of the past three financial years;

(b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the RC.

The NC reviewed the declaration of independence of each director and was satisfied that all Independent Directors were considered independent for the purpose of Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group.

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

Dr Chen Yuk Fu and Mr Lim Kian Wee Leonard were appointed to the Board since 15 September 2000 and 30 September 2005 respectively. Using the said criteria, the Board had rigorously reviewed and is satisfied that both Directors have remained independent in their character and judgement and can continue to discharge their duties objectively. The independence of character and judgement of both Directors are not in any way affected or impaired by the length of their service. Dr Chen and Mr Lim have constructively

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challenged the assumptions and viewpoints presented by Management. Each Dr Chen and Mr Lim has expressed their views independently and is actively involved in deliberations at meetings. The Board considers that their familiarity with the business will continue to contribute positively to the deliberation at the Board and Board Committees and brings valuable insight, knowledge and expertise to the Board. The Board agreed there is no need for progressive refreshing. The Board confirmed that Dr Chen Yuk Fu and Mr Lim Kian Wee Leonard are independent, notwithstanding the years of service. No Director is involved in the deliberation in respect of his own independence.

The Board had discussed the transitional arrangements under Rule 210(5)(d)(iii) which will take effect from 1 January 2022 regarding continued appointment as independent director for directors who have served in the Board for an aggregate period of more than 9 years must be sought and approved in separate resolutions by (i) all shareholders and (ii) all shareholders excluding shareholders who also serve as the directors or chief executive officer (and their associates) ("two-tier voting system"). The implementation of the mandatory two-tier voting system will be scheduled in the Annual General Meeting in calendar year 2021 for the continued appointment as independent directors.

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

The Board has adopted a diversity policy and will work towards implementing the objectives of a diverse Board to enhance its performance. The Board comprises one female and five male Directors. The Board does not rule out the possibility of appointing more female directors, if suitable candidates are nominated for consideration. The Board will examine the appropriateness of the size of the Board on an ongoing basis.

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

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

Mr Law Kung Ying retired as CEO and Managing Director effective 28 February 2020 and he was designated as Non-Executive Non-Independent Director. Mr Law Kung Ying relinquished his position as Managing Director but remains in the Board as Chairman of the Board until the forthcoming AGM. The existing Executive Director, Mr Law Kung Ming was appointed as CEO of the Company effective 29 February 2020. Mr Law Kung Ying and Mr Law Kung Ming are brothers.

During FY2020, the role of the Chairman is not separated from that of the CEO. The Board, upon its consideration, was of the opinion that there is adequate accountability and transparency as reflected by the internal controls established within the Group. As Executive Chairman, Mr Law Kung Ying plays a pivotal role in assisting the Board in developing policies and strategies and ensuring that they are implemented effectively.

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

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

Since 29 February 2020, the Chairman and CEO are separate persons. The CEO, Mr Law Kung Ming manages the business of the Company, sets business strategies and direction for the Group and implements the Board's decisions.

There is a clear division of responsibilities between the leadership of the Board and Management responsible for managing the Company's business. There is also a good balance of power and authority as all the Board Committees are chaired by the Independent Directors. No individual or small group of individuals dominate the Board's decision making.

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

NOMINATING COMMITTEE

Principle 4: Board Membership

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

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

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

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

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

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

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

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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 and CEO.

Where new appointments are required, the NC will consider the skillset of the existing Directors to identify any gap in the skills and expertise of the remaining Directors. 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. When sourcing for, and assessing potential candidates, the NC will consider the candidate's track record, age, experience, and capabilities. The NC can tap on the industry information (including SID) and personal contacts of current directors and Management for recommendation of prospective candidates. In the review of the foregoing, the Board is of the view that there is an adequate process for the appointment of new directors. The Company does not have an alternate director.

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

In accordance with the provisions of the Company's Constitution, one-third of the directors shall retire from office at every AGM and a retiring director shall be eligible for re-election at the said AGM. A newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. The Company's Constitution provides for all directors (except the Managing Director) to retire from office at least once every three years. The amended Listing Rules effective 1 January 2019 allows transitional arrangement for Rule 720(5) of the Listing Manual, whereby all directors must submit themselves for re-nomination and re-appointment at least once every 3 years. The Non-Executive Non-Independent Director and Chairman will retire at the forthcoming AGM and will not be seeking re-appointment. For the financial year ended 28 February 2020, both Ms Law Yu Chui and Mr Ngu Kuang Hua will retire at the forthcoming AGM in accordance with Article 107 of the Company's Constitution. Ms Law Yu Chui and Mr Ngu Kuang Hua have consented to continue in office. The NC, having assessed each of their attendance, preparedness, participation and contribution to the Board and the Company, had recommended to the Board that Ms Law Yu Chui and Mr Ngu Kuang Hua, Directors retiring under Article 107 of the Company's Constitution, be nominated for re-appointment at the forthcoming AGM. The Board has concurred with the NC's recommendation.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MS LAW YU CHUI	MR NGU KUANG HUA
Date of Appointment	15 February 1980	1 May 2012
Date of last re-appointment	26 June 2018	29 June 2017
Age	60	72
Country of principal residence	Singapore	Singapore

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	MS LAW YU CHUI	MR NGU KUANG HUA
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Ms Law Yu Chui for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Ms Law Yu Chui possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Ngu Kuang Hua for re-appointment as Independent Director of the Company. The Board has reviewed and concluded that Mr Ngu Kuang Hua possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Ms Law Yu Chui is overall responsible for the Group's finance and administrative matters.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Finance and Administrative Director	Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.
Professional qualifications	Master of Arts (Social Sciences)	Bachelor's degree in Mechanical Engineering and Postgraduate Diploma in Business Administration.

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	MS LAW YU CHUI	MR NGU KUANG HUA
Working experience and occupation(s) during the past 10 years	Ms Law Yu Chui is the Finance and Administrative Director of the Company and she is overall responsible for the Group's finance and administrative matters.	Mr Ngu was Managing Director, President and CEO of Precision Magnetics Singapore (formerly known as Magnequench Singapore), a leading VCM supplier to the HDD industry, for six years before he retires in 2011. He has over 35 years manufacturing experience in the electronics and hard disk drive industries. He held various senior management positions including that of Vice President of Manufacturing for Conner Peripherals Inc and Vice President of Manufacturing for Seagate Technology International.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 10,419,600 Deemed interest: 191,347,100	Direct interest: 501,400
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	1. Sister of Law Kung Ming and Law Kung Ying, Directors and Substantial Shareholders of Cheung Woh Technologies Ltd; and 2. Daughter of Lee Hang Ngok, a Substantial Shareholder of Cheung Woh Technologies Ltd.	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships Past (for the last 5 years) Present	 No No	 No No

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Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

	MS LAW YU CHUI	MR NGU KUANG HUA
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

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	MS LAW YU CHUI	MR NGU KUANG HUA
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

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	MS LAW YU CHUI	MR NGU KUANG HUA
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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Disclosure applicable to the appointment of Director only		
	MS LAW YU CHUI	**MR NGU KUANG HUA**
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Taking into consideration the circumstances of an Independent Director as set out in the 2018 Code and Listing Rules, 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 are able and have been adequately carrying out their duties as a director of the Company.

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

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

Name of Directors	Date of First Appointment	Date of Last Re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding five years in other listed company
Law Kung Ying	18 May 1979	13 August 2001	Non-Executive Non-Independent Director and Chairman	Member of Nominating Committee	Nil
Law Kung Ming	18 May 1979	24 June 2019	Executive Director / Chief Executive Officer	None	Nil

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Name of Directors	Date of First Appointment	Date of Last Re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding five years in other listed company
Law Yu Chui	15 February 1980	26 June 2018	Executive Director	None	Nil
Chen Yuk Fu	15 September 2000	24 June 2019	Lead Independent Director	Chairman of Audit Committee, member of Nominating Committee and Remuneration Committee	Nil
Lim Kian Wee Leonard	30 September 2005	26 June 2018	Independent Director	Chairman of Remuneration Committee, member of Audit Committee and Nominating Committee	Nil
Ngu Kuang Hua	1 May 2012	29 June 2017	Independent Director	Chairman of Nominating Committee, member of Audit Committee and Remuneration Committee	Nil

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

Summary of activities of the NC is set out below:

- Reviewed structure, size and composition of the Board and Board Committees
- Reviewed independence and time commitment of Directors.
- Reviewed training for directors.
- Evaluated the Board, Board Committee, Chairman and individual Directors performance.
- Reviewed results of performance evaluation and feedback to the Chairman and Board Committees.
- Reviewed succession planning for Chairman, CEO and key management personnel.

Principle 5: Board Performance

The NC has established an appraisal process to review and assess both the effectiveness of the Board as a whole and its Board Committees; and assess the contribution of the Chairman and each Director to the effectiveness of the Board for each financial year. Each Director is to complete a questionnaire which has been updated during the year and submit to the Board. This annual evaluation process provides an

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opportunity to obtain constructive feedback from each Director and to propose changes which may be made to enhance Board effectiveness and good corporate governance.

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

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

B. REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

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

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

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

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

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

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

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

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

No remuneration consultants were engaged by the Company in FY2020. However, the RC may seek professional advice on remuneration matters as and when necessary. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the RC.

Principle 7: 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 interests of the Executive Directors and Key Management Personnel with that of the shareholders.

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

The Independent and Non-Executive Directors do not have any service agreements with the Company. Both Executive and Non-Executive Directors are paid a fixed fee, which have to be approved by the shareholders at every AGM. The Board concurred with the RC that the proposed directors' fee for the financial year ended 28 February 2020 is appropriate and not excessive, taking into consideration factors such as the level of contribution by the Directors, effort and time spent for serving on the Board and Board Committees, as well as responsibilities and obligations assumed by the Directors. The Independent and Non-Executive Directors do not receive any other remuneration from the Company.

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

Principle 8: Disclosure on Remuneration

a) Directors and Key Management Personnel

The Company has not fully disclosed the specific remuneration of each individual director and the CEO on a named basis as recommended by the 2018 Code due to the confidentiality and commercial sensitivity inherent in remuneration matters. The Board is of the opinion that the full disclosure would not be in the interest of the Company. The remuneration of the Directors was disclosed in percentage according to remuneration component. A breakdown of the remuneration of the Directors in percentage terms showing the level and mix for the FY2020 is set out below:–

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Name of Directors	Breakdown of Remuneration in percentage (%)			
	Fee	Fixed	Bonuses	Total
Above S$500,000 to S$750,000				
Law Kung Ying	6	94	–	100
Above S$250,000 to S$500,000				
Law Kung Ming	9	91	–	100
Law Yu Chui	11	89	–	100
Within S$250,000				
Chen Yuk Fu	100	–	–	100
Lim Kian Wee Leonard	100	–	–	100
Ngu Kuang Hua	100	–	–	100

A breakdown of the remuneration of the key management personnel in percentage terms showing the level and mix for FY2020 is set out below:–

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

The Company disclosed the remuneration of only two Key Management Personnel, as there were only two Key Management Personnel (who are also not directors) whom the Company has identified as Key Management Personnel. Accordingly, remuneration in bands of S$250,000 with a breakdown of salary and bonus in percentage terms of the two Key Management Personnel were disclosed in the table above. Total remuneration paid to Key Management Personnel was S$354,000.

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 Company also takes into consideration the employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors and Key Management Personnel. The Board believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, as disclosed above, is consistent with the intention of Principle 8.

All members of RC abstained from deciding his own remuneration.

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 two employees who are immediate family members of Directors, CEO or Substantial Shareholders of the Company and whose remuneration exceeds S$100,000 for the financial year ended 28 February 2020. The remuneration of such employees will be reviewed annually by the RC and Board to ensure that their remuneration packages is in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of the RC and Board.

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The details of employees who are immediate family members of Directors, CEO or Substantial Shareholders of the Company and their remuneration in incremental bands of S$50,000 are as follows:–

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

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Summary of activities of RC is set out as follow:

- Reviewed remuneration packages of key management personnel in the Group and employees who are immediate family members of Directors, CEO or Substantial Shareholders of the Company which includes salary adjustments and bonus.
- Reviewed remuneration package of the Executive Directors which includes salary and profit sharing bonus.
- Reviewed and recommended Directors' fees for approval of shareholders at the AGM.

C. ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board recognizes the importance of maintaining a sound system of risk management and internal controls (including financial, operational, compliance and information technology) 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 risk management and 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 (including financial, operational, compliance and information technology) and recommendations for improvements are reported to the AC.

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

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

Based on the work performed by the internal and external auditors and reviews performed by the Management, various Board Committees and the Board, the Board is satisfied that the Group's risk management systems and internal control systems, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 28 February 2020. The AC concurred with the Board's comments on the adequacy and effectiveness of risk management systems and internal controls (including financial, operational, compliance and information technology controls).

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.

CORPORATE GOVERNANCE REPORT

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 2020 give a true and fair view of the Company's operations and finances and financial records have been properly maintained; and (ii) the adequacy and effectiveness of the Company's risk management and internal control systems.

Principle 10: Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The AC has reviewed and noted that there was no non-audit service provided by the external auditors during the current financial year. The AC is satisfied with the independence and objectivity of the external auditors and that the external auditors are able to meet the audit requirements and statutory obligation of

CORPORATE GOVERNANCE REPORT

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

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

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

The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any non-compliance matter is brought to its attention. There was no reported incident pertaining to whistle blowing for the financial year ended 28 February 2020.

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

The Company has engaged AG Trust Pte. Ltd. ('AG Trust') to provide internal audit services to the Company. AG Trust is staffed with professionals with relevant qualifications such as the Certified Internal Auditor qualification with the Institute of Internal Auditors and experience. AG Trust carried out its function according to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

AG Trust reviewed key internal controls in selected areas as advised by the AC. After the review, AG Trust reported their findings together with recommendations on areas of improvement to the AC for approval. The internal audit function is independent of the activities it audits. 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.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The Board is accountable to the shareholders and is mindful of its obligation to provide a balanced and understandable disclosure of material information to shareholders, investors and public. This allows shareholders to assess its performance, position and prospects.

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

Shareholders have the opportunity to participate actively in the general meetings of shareholders and communicate their views affecting the Company. 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. Shareholders of the

CORPORATE GOVERNANCE REPORT

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. A shareholder who is a relevant intermediary can appoint more than two proxies to attend the AGM.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

All Directors including the chairpersons of the AC, NC and RC are present at the AGM and available to address questions. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders and address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Shareholders have the opportunity to participate in and vote at general meeting of shareholders. All resolutions are voted by poll in the presence of independent scrutineers and the detailed results are released to the public via SGXNET after the meeting. As the present Constitution of the Company does not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general meetings. The introduction of absentia voting methods will be deferred until an appropriate time.

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

Minutes of general meetings include substantial comments or queries from shareholders and responses from the Board and management relating to the agenda of the meeting. These minutes are made available to shareholders upon their request. The Company publishes minutes of general meetings on its corporate website.

The Company does not have a fixed and written dividend policy. Declaration of dividend will be published in the financial results and dividend announcements via SGXNET. The form, frequency and amount of dividend declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Directors have declared a final dividend tax exempt (1-tier) of 0.5 cent (Singapore) per ordinary share for FY2020, subject to approval of members at the forthcoming AGM.

Principle 12: Engagement 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 requirements 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.

CORPORATE GOVERNANCE REPORT

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.

Due to limited resources, the Company does not have an Investor Relations Team and there is no Investor Relations policy. Based on the current size and operations of the Group, the Board is of the view that the current practices and the disclosure of information to shareholders, as set out above, is in line with the intention of Principle 12. Shareholders can send questions to the Company's email address at investor.relations@cheungwoh.com.sg and the Company will respond to such questions. Where required, the Company may, on an ad-hoc basis, hold media and analysts' briefings and publish press releases of its financial results.

Principle 13: Engagement with Stakeholders

The Company engages its stakeholders through different channels to establish, address and monitor the material environmental, social and governance (ESG) factors of the Company's operation and its impact on the various stakeholders.

The Company engages stakeholders with the various channels that are already in place, to better understand its stakeholders' concerns, and address any issues that they may face. Engagement channels and frequencies are reviewed periodically to ensure that they are sufficient to deal with current identified stakeholders' ESG-related issues.

The Company is also committed to enhance and improve the current engagement initiatives, while staying abreast of new trends or developments that may affect the sustainability standing of the Company, and eventually devise corresponding measures to resolve the new ESG issues.

The Board also regards sustainability development as a core value of the Group and is committed to adopting sustainable practices across its businesses. The Group's Sustainability Report for FY2019 has been published on 9 July 2019. For more information on the Company's approach to stakeholder engagement and materiality assessment, please refer to the Company's Sustainability Report 2019 published on SGXNET. The Group's Sustainability Report for FY2020 is currently being developed in accordance with SGX Sustainability Reporting Guidelines. The Company will release the Sustainability Report via SGXNET within five months from the end of the financial year. A copy of it will also be made available on the Company's website at www.cheungwoh.com.sg.

E. DEALINGS IN SECURITIES

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

CORPORATE GOVERNANCE REPORT

F. INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

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

G. WHISTLE BLOWING POLICY

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

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Cheung Woh Technologies Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 28 February 2020.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2020 and the financial performance, changes in equity and cash flows of the Group for the year then ended on that date; and

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

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of directors and entity in which a director has interests	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Law Kung Ying	10,419,600	10,419,600	–	–
Law Kung Ming	10,419,600	10,419,600	–	–
Law Yu Chui	10,419,600	10,419,600	190,405,000	191,347,100
Ngu Kuang Hua	501,400	501,400	–	–
Chen Yuk Fu	100,000	100,000	–	–

DIRECTORS' STATEMENT

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

There was no change in any of the above-mentioned interests between the end of the financial year and 20 March 2020.

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

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

Options

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

Audit committee

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

Audit committee (cont'd)

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

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

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

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

Auditor

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

On behalf of the Board of Directors,

Law Kung Ying
Director

Law Yu Chui
Director

24 June 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Cheung Woh Technologies Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 28 February 2020, the statement of changes in equity of the Group and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 28 February 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Key audit matters (cont'd)

Write-down of inventories

As of 28 February 2020, the carrying amounts of inventories and allowance for inventory obsolescence amounted to $5,616,000 and $400,000 respectively. The Group is principally involved in providing high-precision engineering products to the hard disk drive, communications, electrical and electronics, semiconductor and automotive industries. The Group operates in an industry where there are only few major customers and the products are subject to rapid technological changes.

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

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

Our audit procedures amongst others, include the following:

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

We assessed the adequacy of the disclosures related to inventories in Notes 2.13 and 9 to the consolidated financial statements.

Impairment of the Group's property, plant and equipment

As at 28 February 2020, the carrying amount of the Group's property, plant and equipment ("PPE") is $40,632,000, of which the carrying amount of HDD segment's PPE is $34,104,000. Sales for the hard disk drive ("HDD") components segment is expected to be lower in the coming months. In addition, certain PPE used in the production of baseplates has become idle upon completion of orders for baseplates in September 2019. As such, management performed impairment assessment on the Group's PPE related to HDD segment. Based on the outcome of impairment test, the Group recorded net impairment charges of $2,417,000 to the PPE.

Management engaged external specialists to assess the recoverable amounts of the Group's PPE related to HDD segment based on fair value less cost to sell. Given the sensitivity and significant judgements involved in assessment of the recoverable amount, we identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Key audit matters (cont'd)

Impairment of the Group's property, plant and equipment (cont'd)

As part of the audit, we performed the following audit procedures in response to the key audit matter:

- We obtained an understanding on management's process for identifying impairment indicators
- We assessed the appropriateness of the recoverable amounts determined by management and the method used by management
- We evaluated the objectivity, competence and capabilities of the external specialists engaged by management
- We discussed with management on the business and industry outlook and the implications on the recoverable amounts of the PPE
- We involved our internal valuation specialists in evaluating the appropriateness of the valuation methodology and the recoverable amounts used and determined by the external specialists
- We assessed the reasonableness of certain key assumptions used in determining the fair value of the PPE, in particular, the market prices of similar assets and management's adjustments for the relevant usage and obsolescence factors of the PPE under review
- We validated the market prices used against public sources and evaluated the appropriateness of the adjustments made, and the overall reasonableness of the measurement considering the fair value measurement objective. We also reviewed management's method of determining and allocating the estimated costs of disposal to the PPE, which makes reference to actual historical experiences relating to disposal of similar assets

We further assessed the adequacy of the relevant disclosures in Note 3.2 and 4 to the consolidated financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEUNG WOH TECHNOLOGIES LTD

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yeow Hui Cheng.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

24 June 2020

BALANCE SHEETS

AS AT 28 FEBRUARY 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	40,632	51,625	294	1,564
Investment properties	5	1,113	2,460	1,113	2,460
Investments in subsidiaries	7	–	–	34,716	34,716
Long-term loan to a subsidiary	11	–	–	11,263	–
Deferred tax assets	8	1	273	–	272
		41,746	54,358	47,386	39,012
Current assets					
Inventories	9	5,616	10,771	–	–
Trade receivables	10	8,284	10,179	–	–
Other receivables	11	937	1,774	1,516	16,758
Other current assets	12	532	785	81	80
Cash and bank balances	13	30,371	20,701	6,097	1,732
		45,740	44,210	7,694	18,570
Assets held for sale	6	3,566	–	3,566	–
		49,306	44,210	11,260	18,570
Total assets		91,052	98,568	58,646	57,582
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	14	4,198	3,688	28	29
Other payables	15	3,024	4,016	669	602
Lease liabilities	30	2	–	2	
Interest-bearing loans and borrowings	16	1,821	5,161	–	–
Income tax payable		277	181	–	–
		9,322	13,046	699	631
Liabilities directly associated with the assets held for sale	6	858	–	858	–
		10,180	13,046	1,557	631
Net current assets		39,126	31,164	9,703	17,939
Non-current liabilities					
Interest-bearing loans and borrowings	16	–	456	–	–
Lease liabilities	30	243	–	243	–
Deferred tax liabilities	8	4,802	4,182	–	–
		5,045	4,638	243	–
Total liabilities		15,225	17,684	1,800	631
Net assets		75,827	80,884	56,846	56,951
Equity attributable to owners of the Company					
Share capital	17	50,200	50,200	50,200	50,200
Treasury shares	18	(2,587)	(1,923)	(2,587)	(1,923)
Revenue reserve	19	32,361	37,427	9,233	8,674
Statutory reserve	20	1,219	1,219	–	–
Foreign currency translation reserve	21	(5,366)	(6,039)	–	–
Total equity		75,827	80,884	56,846	56,951
Total equity and liabilities		91,052	98,568	58,646	57,582

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Turnover	22	48,859	76,818
Cost of sales		(44,467)	(67,203)
Gross profit		4,392	9,615
Other operating income	23	2,646	3,391
Distribution and selling expenses		(1,569)	(2,630)
General and administrative expenses		(8,596)	(17,421)
Finance costs	24	(234)	(363)
Loss before taxation	25	(3,361)	(7,408)
Income tax expense	26	(1,705)	(1,539)
Loss for the year attributable to the owners of the Company		(5,066)	(8,947)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss)		673	(629)
Other comprehensive income for the year		673	(629)
Total comprehensive income for the year attributable to the owners of the Company		(4,393)	(9,576)
Loss per share (cents per share)			
Basic and diluted	27	(1.69)	(2.96)

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 2020

	Attributable to equity owners of the Company						
Group	**Share capital (Note 17)** $'000	**Treasury shares (Note 18)** $'000	**Revenue reserve (Note 19)** $'000	**Statutory reserve (Note 20)** $'000	**Foreign currency translation reserve (Note 21)** $'000	**Total other reserves** $'000	**Total equity attributable to equity owners of the Company** $'000
Balance as at 28 February 2019	50,200	(1,923)	37,427	1,219	(6,039)	(4,820)	80,884
Total comprehensive income							
Loss for the year	–	–	(5,066)	–	–	–	(5,066)
Other comprehensive income for the year	–	–	–	–	673	673	673
Total comprehensive income for the financial year	–	–	(5,066)	–	673	673	(4,393)
Contributions by and distributions to owners							
Purchase of treasury shares	–	(664)	–	–	–	–	(664)
Total contributions by and distributions to owners	–	(664)	–	–	–	–	(664)
Balance as at 28 February 2020	50,200	(2,587)	32,361	1,219	(5,366)	(4,147)	75,827
Balance as at 28 February 2018	50,200	(1,923)	46,827	1,219	(5,410)	(4,191)	90,913
Total comprehensive income							
Loss for the year	–	–	(8,947)	–	–	–	(8,947)
Other comprehensive income for the year	–	–	–	–	(629)	(629)	(629)
Total comprehensive income for the financial year	–	–	(8,947)	–	(629)	(629)	(9,576)
Contributions by and distributions to owners							
Dividends paid on ordinary shares (Note 28)	–	–	(453)	–	–	–	(453)
Total contributions by and distributions to owners	–	–	(453)	–	–	–	(453)
Balance as at 28 February 2019	50,200	(1,923)	37,427	1,219	(6,039)	(4,820)	80,884

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 2020

	Group	
	2020	**2019**
	$'000	$'000
Cash flow from operating activities		
Loss before taxation	(3,361)	(7,408)
Adjustments for:		
Amortisation and depreciation	7,111	9,611
Impairment loss on property, plant and equipment	2,582	8,203
Reversal of impairment loss on property, plant and equipment	(165)	(210)
Impairment on intangible assets	–	113
Unrealised exchange gain, net	(8)	(79)
Interest expense	234	363
(Write-back)/allowance for inventories obsolescence, net	(15)	8
Interest income	(317)	(66)
Bad debts recovered	–	(4)
Write-off of property, plant and equipment	–	1,255
Gain on disposal of property, plant and equipment	(21)	(4)
Operating cash flows before changes in working capital	6,040	11,782
(Increase)/decrease in:		
Inventories	5,200	4,022
Trade receivables	2,157	12,123
Other receivables and prepayments	1,761	2,432
(Decrease)/increase in:		
Trade payables	257	(7,222)
Other payables	(1,132)	(4,389)
Cash flow generated from operations	14,283	18,748
Interest received	317	66
Interest paid	(157)	(363)
Income tax paid	(650)	(373)
Net cash flow generated from operating activities	13,793	18,078
Cash flow from investing activities		
Purchase of property, plant and equipment	(198)	(870)
Advance payments to suppliers of property, plant and equipment	–	(580)
Proceeds from disposal of property, plant and equipment	42	307
Increase in pledged deposits	(74)	(36)
Proceeds from disposal of investment in associate companies	–	8,370
Net cash flow (used in)/generated from investing activities	(230)	7,191

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

	Group	
	2020	**2019**
	$'000	$'000
Cash flow from financing activities		
Repayment of interest-bearing loans and borrowings	(11,901)	(25,699)
Dividends paid on ordinary shares	–	(453)
Proceeds from interest-bearing loans and borrowings	8,075	12,454
Repayment of lease liabilities	(84)	–
Shares purchased and held as treasury shares	(664)	–
Net cash flow used in financing activities	(4,574)	(13,698)
Net increase in cash and cash equivalents	8,989	11,571
Cash and cash equivalents at beginning of financial year	20,556	9,041
Effect of exchange rate changes on cash and cash equivalents	607	(56)
Cash and cash equivalents at end of financial year (Note 13)	30,152	20,556

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 2020

1. Corporate information

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

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

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

The principal activity of the Company is that of investment holding and trading. The principal activities of the subsidiaries are disclosed in Note 7 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 (International) (SFRS(I)).

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 which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 March 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 March 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

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

2.2 ***Changes in accounting policies (cont'd)***

SFRS(I) 16 *Leases* (cont'd)

The effect of adoption SFRS(I) 16 as at 1 March 2019 is, as follows:

	Group		
	1.3.2019 (As previously reported) $'000	**SFRS(I) 16 adjustments** $'000	**1.3.2019 (Restated)** $'000
Assets			
Property, plant and equipment	51,625	1,108	52,733
Total assets	51,625	1,108	52,733
Liabilities			
Lease liabilities (Current)	–	7	7
Lease liabilities (Non-current)	–	1,101	1,101
Total liabilities	–	1,108	1,108

The Group has lease contracts for items of buildings and office equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.18 for the accounting policy prior to 1 March 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.18 for the accounting policy beginning 1 March 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases* (cont'd)

Leases previously accounted for as operating leases (cont'd)

Based on the above, as at 1 March 2019:

- Right-of-use assets of $1,108,000 were recognised and presented within property, plant and equipment.
- Lease liabilities of $1,108,000 were recognised.

The lease liabilities as at 1 March 2019 can be reconciled to the operating lease commitments as of 28 February 2019, as follows:

	Group $'000
Operating lease commitments as at 28 February 2019	3,189
Weighted average incremental borrowing rate as at 1 March 2019	7.0%
Discounted operating lease commitments as at 1 March 2019	1,124
Less:	
Commitments relating to lease of low-value assets	(16)
Lease liabilities as at 1 March 2019	1,108

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS (I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.4 ***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.

(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 dates. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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 profit or loss.

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 profit or loss on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.5 ***Foreign currency***

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

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

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

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

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

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(c) ***Net investment in foreign operations***

Exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations 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 profit or loss of the Group on disposal of the foreign operation.

2.6 ***Subsidiaries***

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

In the Company’s balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.7 ***Property, plant and equipment, and depreciation***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets 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 residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2.8 ***Investment properties***

Investment properties are properties that are either owned by the Company or right-of-use assets 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 a certain leasehold land and building of the Group that is leased out to earn rental income.

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

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

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss 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 2.7 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets include patent.

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. The patent has been fully impaired.

2.10 *Impairment of non-financial assets*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.11 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade debtors are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade debtors do not contain a significant financing component at initial recognition.

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.11 ***Financial instruments (cont'd)***

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

Subsequent measurement

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.13 ***Inventories***

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

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

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

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

2.14 ***Cash and cash equivalents***

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

2.15 ***Financial guarantee***

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.12 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee

2.16 ***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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.17 ***Borrowing costs***

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

2.18 ***Leases***

<u>Accounting policy beginning 1 March 2019</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land and buildings - 39 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.7.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.18 ***Leases (cont'd)***

Accounting policy beginning 1 March 2019 (cont'd)

As a lessee (cont'd)

(b) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policy prior to 1 March 2019

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.19 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

The Group supplies HDD components and PMS components to manufacturers.

Revenue is recognised when the goods are delivered to the customer, generally on delivery of goods or picking up of goods by the customer from the Group's designated warehouse, with no variable consideration involved in the estimation of the transaction price.

(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.

2.20 ***Employee benefits***

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.20 ***Employee benefits (cont'd)***

(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.

2.21 ***Income taxes***

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

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

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

(b) ***Deferred tax***

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

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

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

– In respect of taxable temporary differences associated with investments in subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

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

(b) ***Deferred tax (cont'd)***

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

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

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

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

(c) ***Sales tax***

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

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

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

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

2.22 ***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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.23 *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.

2.24 *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.

2.25 *Segment reporting*

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

2.26 *Contingencies*

A contingent liability is:

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

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

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

2.27 ***Non-current assets held for sale***

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

3. 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.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Write-down of inventories

The allowance for inventories obsolescence relates mainly to raw materials and finished goods. The related work-in-progress are manufactured only upon receipt of customer order. A review is made periodically on allowance for inventories obsolescence. The determination whether a write-down of inventories is required involved management to exercise high level of judgement in estimating the future demand for the products and on the physical conditions of the inventories. Possible changes in the judgement could result in revisions to the carrying amount of inventories. As at 28 February 2020, the carrying amount of the inventories of the Group is $5,616,000 (2019: $10,771,000).

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the recoverable amount of the subsidiaries and are determined based on value in use calculations. The value in use calculations are based on discounted cash flow models which requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at the end of the reporting period is disclosed in Note 7.

The recoverable amount of the investment in subsidiaries is sensitive to the valuation inputs such as expected sales prices and discount rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

3. Significant accounting estimates and judgements (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

Impairment of property, plant and equipment

The Group's property, plant and equipment are assessed for impairment whenever events or changes in circumstances indicate that their carrying value exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

For purposes of the impairment assessment on the property, plant and equipment, the fair value less cost of disposal was determined based on the estimated market values assessed by independent qualified external valuers. The determination of the fair value of the property, plant and equipment involves the use of subjective judgements and assumptions, in particular, the useful lives of the property, plant and equipment under review, that are inherently uncertain.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 4.

Income taxes

The Group has exposure to income taxes in several jurisdictions and subjected to agreement with the tax authorities in the respective jurisdictions. Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income and other taxes and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

4. 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 28 February 2018	28,605	16,549	6,263	104,251	2,405	2,090	1,000	161,163
Additions	101	208	22	1,743	24	25	74	2,197
Disposals/write-offs	–	(291)	–	(2,904)	(4)	(320)	(130)	(3,649)
Translation differences	(746)	(554)	(173)	(2,358)	(69)	(35)	(19)	(3,954)
Balance as at 28 February 2019 and 1 March 2019	27,960	15,912	6,112	100,732	2,356	1,760	925	155,757
Effect of adopting SFRS (I) 16	1,108	–	–	–	–	–	–	1,108
As at 1 March 2019 (restated)	29,068	15,912	6,112	100,732	2,356	1,760	925	156,865
Additions	–	5	14	124	1	–	54	198
Disposals/write-offs	–	(135)	–	(66)	(44)	(4)	(26)	(275)
Translation differences	(217)	(177)	(49)	(666)	(21)	(4)	(4)	(1,138)
Assets held for sale (Note 6)	(3,258)	–	–	–	–	–	–	(3,258)
Balance as at 28 February 2020	25,593	15,605	6,077	100,124	2,292	1,752	949	152,392
Accumulated depreciation and impairment loss								
Balance as at 28 February 2018	5,846	9,674	3,672	67,589	1,560	1,487	838	90,666
Depreciation charge for the year	818	1,376	917	5,866	307	179	74	9,537
Disposals/write-offs	–	(11)	–	(1,650)	(4)	(296)	(130)	(2,091)
Impairment	–	–	–	8,135	61	–	7	8,203
Reversal of impairment	–	(210)	–	–	–	–	–	(210)
Translation differences	(157)	(324)	(97)	(1,311)	(45)	(24)	(15)	(1,973)
Balance as at 28 February 2019 and 1 March 2019	6,507	10,505	4,492	78,629	1,879	1,346	774	104,132
Depreciation charge for the year	824	662	701	4,435	194	149	80	7,045
Disposals/write-offs	–	(121)	–	(64)	(40)	(4)	(26)	(255)
Impairment	–	9	–	2,573	–	–	–	2,582
Reversal of impairment	–	(13)	–	(152)	–	–	–	(165)
Translation differences	(47)	(109)	(26)	(405)	(14)	(2)	(3)	(606)
Assets held for sale (Note 6)	(973)	–	–	–	–	–	–	(973)
Balance as at 28 February 2020	6,311	10,933	5,167	85,016	2,019	1,489	825	111,760

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Group (cont'd)	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
Net carrying amount								
Balance as at 28 February 2019	21,453	5,407	1,620	22,103	477	414	151	51,625
Balance as at 28 February 2020	19,282	4,672	910	15,108	273	263	124	40,632

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Company	Leasehold land and buildings $'000	Tools and equipment $'000	Renovation $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Cost								
Balance as at 28 February 2018	2,394	7	131	34	27	427	139	3,159
Additions	–	–	–	–	2	18	26	46
Disposals/write-offs	–	(6)	–	–	(4)	(36)	(120)	(166)
Balance as at 28 February 2019 and 1 March 2019	2,394	1	131	34	25	409	45	3,039
Effect of adopting SFRS (I) 16	1,108	–	–	–	–	–	–	1,108
As at 1 March 2019 (restated)	3,502	1	131	34	25	409	45	4,147
Additions	–	–	–	–	–	–	5	5
Assets held for sale (Note 6)	(3,258)	–	–	–	–	–	–	(3,258)
Balance as at 28 February 2020	244	1	131	34	25	409	50	894
Accumulated depreciation								
Balance as at 28 February 2018	870	7	131	34	23	381	132	1,578
Depreciation charge for the year	40	–	–	–	2	13	8	63
Disposals/write-offs	–	(6)	–	–	(4)	(36)	(120)	(166)
Balance as at 28 February 2019 and 1 March 2019	910	1	131	34	21	358	20	1,475
Depreciation charge for the year	69	–	–	–	3	14	12	98
Assets held for sale (Note 6)	(973)	–	–	–	–	–	–	(973)
Balance as at 28 February 2020	6	1	131	34	24	372	32	600
Net carrying amount								
Balance as at 28 February 2019	1,484	–	–	–	4	51	25	1,564
Balance as at 28 February 2020	238	–	–	–	1	37	18	294

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Assets pledged as security and held in trust

As at 28 February 2020, leasehold land and buildings of the Group with net book value of $7,708,000 (2019: $7,934,000) were mortgaged as security for the banking facilities (Note 16).

Motor vehicles with carrying amount of $71,000 (2019: $98,000) are held in trust by directors of the Company.

Impairment of property, plant and equipment

Sales for the HDD components segment (in particular, the baseplates) is expected to be lower and in addition, the property, plant and equipment ("PPE") related to the production of baseplates has become idle upon completion of orders for baseplates in September 2019. And accordingly, during the financial year, the Group assessed the carrying amount of certain PPE used in the HDD components segment, and impaired to its estimated recoverable amount. An impairment loss of $2,582,000 (2019: $8,203,000), representing the write-down of these equipment to the recoverable amount was recognised in "General and administrative expenses" (Note 25) line item of profit or loss for the financial year ended 28 February 2020.

Management engaged external specialist to assess the recoverable amounts of the Group's PPE based on fair value less cost to sell. In determining the fair values of the plant and equipment, the valuer used the cost approach. The fair value measurement is categorised as Level 3 of the fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value less cost to sell of the plant and equipment, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset (i.e. current replacement cost). It is based on what a market participant buyer would pay to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence includes physical deterioration, technological (functional) and economic obsolescence. Market value is derived by applying an estimated rate of newness to the replacement costs ("RC") for each item of the selected PPE.	- Estimated rate of newness to the RC (3 – 93%)	The estimated fair value increases with higher RC

If the rate of newness to the RC increases (or decreases) by 3% from the management's estimate, the Group's impairment loss on the PPE will increase or decrease by approximately $700,000.

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

There were no amounts (2019: $61,000) relating to the acquisitions of plant and equipment by the Group, that were included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

5. Investment properties

	Group and Company	
	2020	**2019**
	$'000	$'000
Cost		
Balance at beginning of financial year	3,929	3,929
Reclassified to Assets held for sale (Note 6)	(2,123)	–
Balance at end of financial year	1,806	3,929
Accumulated depreciation		
Balance at beginning of financial year	1,469	1,404
Depreciation for the year	66	65
Reclassified to Assets held for sale (Note 6)	(842)	–
Balance at end of financial year	693	1,469
Net carrying amount		
Balance at end of financial year	1,113	2,460
Fair value of the investment properties as at 28 February	3,300	7,060
Income statement:		
Rental income from investment properties:		
Minimum lease payments (Note 23)	322	268
Direct operating expenses (including repairs and maintenance) arising from:		
Rental generating properties	5	26

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement.

Valuation of investment properties

The fair values of the investment properties as at 28 February 2020 and 2019, respectively, were based on valuation performed by CKS Property Consultants, an independent valuer using the market comparison method. The valuation is based on the properties' highest and best use by the independent valuer. The directors are of the opinion that this value is a close approximation of the fair value of the properties at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

5. Investment properties (cont'd)

The investment properties held by the Group as at 28 February 2020 are as follows:

Location	Area (square metre)	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). This property has been reclassified to assets held for sale (Note 6).

6. Assets held for sale

On 27 February 2020, the Company has entered into a confirmation letter with a third party for the sale of factory located at 23 Tuas South Street 1, Singapore 638033. The agreed sale price of the property is $6,000,000. As such, the carrying amount of the leasehold land and building, right-of-use asset and investment property related to the factory has been reclassified to assets held for sale. Similarly, lease liabilities related to the factory has been reclassified to liabilities directly associated with the assets held for sale.

The carrying value of assets and directly associated liabilities at the end of the financial year are as follows:

	Group
	2020
	$'000
Leasehold land and building (inclusive of right-of-use asset) (Note 4)	2,285
Investment property (Note 5)	1,281
Assets held for sale	3,566
Lease liabilities	(858)
Liabilities directly associated with assets held for sale	(858)

7. Investments in subsidiaries

	Company	
	2020	**2019**
	$'000	$'000
Unquoted equity shares, at cost	44,397	44,397
Impairment losses	(9,681)	(9,681)
Carrying amount of investments	34,716	34,716

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

7. Investments in subsidiaries (cont'd)

Details of subsidiaries as at 28 February:

Name of company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Company 2020 %	2019 %	Cost of investment 2020 $'000	2019 $'000
Held by the Company						
Cheung Woh Technologies (Malaysia) Sdn Bhd *	Manufacturer and provider of stamping process for metal works and manufacture of tool and die	Malaysia	100	100	2,491	2,491
Cheung Woh Technologies (Johor) Sdn Bhd *	Provider of services in the secondary processes of computer parts and components	Malaysia	100	100	795	795
Cheung Woh Precision (Zhuhai) Co., Ltd ++***#	Manufacturer of hard disk drive components and manufacture of tool and die	People's Republic of China	100	100	21,457	21,457
Cheung Woh Technologies (Zhuhai) Co., Ltd ++***#	Manufacturer of hard disk drive components and sheet metal machined parts	People's Republic of China	100	100	18,149	18,149
Cheung Woh International (Macao) Company Limited +**(1)	Trading of hard disk drive and precision metal components; leasing and trading of machinery and equipment; and real estate investments	Macao	100	100	21	21
Cheung Woh Technologies (Penang) Sdn. Bhd. * (formerly known as Cheung Woh Properties Sdn Bhd)	Manufacturer and provider of stamping process for metal works and manufacture of tool and die	Malaysia	100	100	1,484	1,484
					44,397	44,397

* Audited by member firms of Ernst & Young Global in the respective countries.
** Audited for group reporting purpose by Ernst & Young LLP, Singapore
*** Audited for group reporting purpose by member firms of Ernst & Young Global in the respective countries.
+ Audited by HMV & Associates, Macau.
++ Audited by Union Power Certified Public Accountants, Zhuhai Branch.
(1) On 22 January 2020, Cheung Woh International (Macao Commercial Offshore) Company Limited has changed its name to Cheung Woh International (Macao) Company Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

7. Investments in subsidiaries (cont'd)

\# Impairment testing of investments in subsidiaries

During the financial year ended 28 February 2019, management has performed an impairment assessment of the Company's investment in Cheung Woh Precision (Zhuhai) Co., Ltd and Cheung Woh Technologies (Zhuhai) Co., Ltd, as the carrying amount of the Company's investments in these subsidiaries exceeded the net assets of the subsidiaries. As a result of the assessment, $9,681,000 impairment loss was recognised. The recoverable amount of the subsidiary has been determined based on a value in use using the discounted cashflow approach. The Company used a 5-year forecast, using pre-tax discount rate of 10.83%

There is no impairment loss recognised for the financial year ended 28 February 2020.

8. Deferred tax assets/(liabilities)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Deferred tax assets:				
Balance at beginning of financial year	273	191	272	122
Charge to profit or loss (Note 26)	(272)	82	(272)	150
Balance at end of financial year	1	273	–	272
Deferred tax liabilities:				
Balance at beginning of financial year	(4,182)	(3,108)	–	–
Charge to profit or loss (Note 26)	(624)	(1,089)	–	–
Translation differences	4	15	–	–
Balance at end of financial year	(4,802)	(4,182)	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

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

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Differences in depreciation for tax purposes	(1,517)	(1,988)	(471)	734
Transfer pricing adjustment	(4,085)	(3,140)	945	730
Unutilised capital allowance	599	607	8	(21)
Unrealised foreign exchange (loss)/gain	(2)	8	10	(38)
Contract liabilities	84	173	89	(173)
Others	119	158	39	(158)
	(4,802)	(4,182)		
Deferred tax assets:				
Unutilised tax losses	1	232	231	(83)
Unrealised foreign exchange loss	–	–	–	87
Provisions	–	41	41	(41)
Others	–	–	–	(45)
	1	273		
Translation differences			4	15
Deferred tax expense (Note 26)			896	1,007

9. Inventories

	Group	
	2020	2019
	$'000	$'000
Balance sheet:		
Raw materials (at cost)	1,701	2,066
Work-in-progress (at cost)	2,898	3,791
Finished goods (at cost or net realisable value)	1,417	5,330
	6,016	11,187
Allowance for inventories obsolescence	(400)	(416)
Inventories (at cost or net realisable value)	5,616	10,771
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	44,467	67,203
Inclusive of the following charge:		
(Write-back of)/allowance for inventories obsolescence, net	(16)	8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

10. Trade receivables

	Group 2020 $'000	Group 2019 $'000
External parties	8,284	10,179

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

	2020 $'000	2019 $'000
Euro	442	739
United States dollar	14	82

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

Trade receivables that are impaired

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

The Group has applied the simplified approach to providing impairment for ECLs prescribed by SFRS(I) 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The ECLs also consider forward looking information. The Group has assessed that the impairment for ECLs is insignificant as of 28 February 2020 and 2019.

Trade receivables subject to offsetting arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

11. Other receivables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current				
Sales tax receivables, net	477	1,113	–	3
Receivables from scrap collectors	–	185	–	–
Other receivables	287	190	30	8
Deposits	145	177	54	50
Tax recoverable	–	64	–	–
Advances to employees	28	45	–	–
Subsidiaries [(1)]	–	–	1,432	16,697
	937	1,774	1,516	16,758
Non-Current				
Long-term loan to a subsidiary [(2)]	–	–	11,263	–

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

(2) The long-term loan to a subsidiary is non-trade in nature, unsecured, non-interest bearing and settlement is neither planned nor likely to occur in the foreseeable future. It is, in substance, part of the Company's net investment in the subsidiary and it is stated at cost.

12. Other current assets

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Advanced payment to suppliers of property, plant and equipment	9	9	–	–
Prepayments	523	776	81	80
	532	785	81	80

13. Cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and bank balances	27,152	8,081	3,097	732
Fixed deposits	3,219	12,620	3,000	1,000
	30,371	20,701	6,097	1,732
Pledged deposits	(219)	(145)	–	–
Cash and cash equivalents at end of year	30,152	20,556	6,097	1,732

Fixed deposits of $219,000 (2019: $145,000) are pledged for banker's facilities granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

13. Cash and bank balances (cont'd)

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 (2019: 1 and 12) months depending on the immediate cash requirements of the Group, and earned interests between 1.42% to 3.35% (2019: 1.42% to 3.35%) 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	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
United States dollar	3,236	472	2,404	309
Euro	22	160	–	–
Macau pataca	48	33	–	–

The carrying amounts of the total financial assets carried at amortised cost comprise:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade receivables (Note 10)	8,284	10,179	–	–
Other receivables (current) (Note 11)	937	1,774	1,516	16,758
Less:				
Sales tax receivables, net	(477)	(1,113)	–	(3)
Tax recoverable	–	(64)	–	–
Advances to employees	(28)	(45)	–	–
	432	552	1,516	16,755
Long-term loan to subsidiary (Note 11)	–	–	11,263	–
Cash and bank balances (Note 13)	30,371	20,701	6,097	1,732
	39,087	31,432	18,876	18,487

14. Trade payables

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

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
United States dollar	1,450	1,313	–	–
Renminbi	15	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

15. Other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Contract liabilities	350	717	–	–
Accrued personnel expenses	926	1,328	376	345
Accrued operating expenses	1,008	1,009	197	183
Other payables	497	554	19	25
Payables for acquisition of machinery	–	61	–	–
Deposits received	243	347	77	49
	3,024	4,016	669	602

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of precision metal stamping components. Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2020	**2019**
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	717	1,366

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
United States dollar	89	5	–	–
Macau pataca	9	23	–	–
Euro	261	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

15. Other payables (cont'd)

The carrying amounts of financial liabilities at amortised costs comprise:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables (Note 14)	4,198	3,688	28	29
Other payables	3,024	4,016	669	602
Less:				
Contract liabilities	(350)	(717)	–	–
	2,674	3,299	669	602
Liabilities directly associated with the assets held for sale (Note 6)	858	–	858	–
Interest-bearing loans and borrowings (Note 16)	1,821	5,617	–	–
Lease liabilities (Note 30)	245	–	245	–
Total financial liabilities at amortised cost	9,796	12,604	1,800	631

16. Interest-bearing loans and borrowings

	Interest rate (Per annum)	Maturity	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current:						
RM Bank loan (secured)	Nil% (2019: 4.60%)	Jan 2021	–	456	–	–
Current:						
RM Bank loan (secured)	4.22% (2019: 4.60%)	On demand	1,394	1,313	–	–
RM Bank loan (secured)	4.22% (2019: 4.60%)	Jan 2021	427	467	–	–
SGD Bank loan (secured)	4.64% (2019: 3.80% - 4.64%)	May 2019	–	1,668	–	–
SGD Bank loan (secured)	4.35% - 4.50% (2019: 3.71% - 4.40%)	Jan 2020	–	1,713	–	–
			1,821	5,161	–	–
Total interest-bearing loans and borrowings			1,821	5,617	–	–

There were no interest-bearing loans and borrowings that were denominated in foreign currencies other than functional currencies for respective entities as at 28 February 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

16. Interest-bearing loans and borrowings (cont'd)

The Group has undrawn loans and guarantee facilities of $18,174,000 (2019: $17,909,000) that may be available in the future for operating activities. There is no restriction for the Group to use these facilities.

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

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

(b) corporate guarantee from the Company.

The bank loans of the Group are repayable over 1 to 13 (2019: 1 to 13) years and bear effective interest rates ranging from 4.22% to 4.64% (2019: 2.45% to 4.60%) per annum.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

Group	**1.3.2019 (Restated)** $'000	**Cash flows** $'000	**Foreign exchange movements** $'000	**Others** $'000	**28.2.2020** $'000
Bank loans					
- Current	5,161	(11,901)	–	8,561	1,821
- Non-current	456	8,075	30	(8,561)	–
Lease liabilities					
- Current (including liabilities directly associated with asset held for sale)	6	(84)	–	938	860
- Non-current	1,102	–	–	(859)	243
Total liabilities from financing activities	6,725	(3,910)	30	79	2,924

	1.3.2018 $'000	**Cash flows** $'000	**Foreign exchange movements** $'000	**Others** $'000	**28.2.2019** $'000
Bank loans					
- Current	16,237	(25,699)	–	14,623	5,161
- Non-current	2,627	12,454	(2)	(14,623)	456
Total liabilities from financing activities	18,864	(13,245)	(2)	–	5,617

The "Others" column includes the effect of accretion of interests, reclassification of non-current portion of lease liabilities to current due to the passage of time and lease liabilities associated with asset held for sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

17. Share capital

	Group and Company			
	2020		2019	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
Balance at beginning and end of financial year	313,085	50,200	313,085	50,200

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

18. Treasury shares

	Group and Company			
	2020		2019	
	No. of shares '000	$'000	No. of shares '000	$'000
Balance as at 1 March	10,873	1,923	10,873	1,923
Acquired during the financial year	4,507	664	–	–
Balance as at 28 February	15,380	2,587	10,873	1,923

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

The Company acquired 4,507,000 (2019: Nil) shares in the Company by way of market acquisition on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $664,000 (2019: Nil) and this was presented as a component within the shareholders' equity.

19. Revenue reserve

	Group	
	2020	2019
	$'000	$'000
Retained by:		
The Company	9,233	8,674
Subsidiaries	23,128	28,753
	32,361	37,427

	Company	
	2020	2019
	$'000	$'000
Movements in the Company's revenue reserve are as follows:		
Balance at beginning of financial year	8,674	18,311
Profit/(loss) for the year	559	(9,184)
Dividends (Note 28)	–	(453)
Balance at end of financial year	9,233	8,674

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

20. Statutory reserve

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

21. Foreign currency translation reserve

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

	Group	
	2020	**2019**
	$'000	$'000
Balance at beginning of financial year	(6,039)	(5,410)
Net effect of exchange differences arising from:		
- translation of financial statements of foreign subsidiaries	716	(629)
- translation of loan that form part of net investment in a subsidiary	(43)	–
Balance at end of financial year	(5,366)	(6,039)

22. Turnover

	Group	
	2020	**2019**
	$'000	$'000
Major product segment		
HDD components	39,900	64,817
PMS components	8,959	12,001
Sales of goods at point in time	48,859	76,818

23. Other operating income

	Group	
	2020	**2019**
	$'000	$'000
Net income from sale of scrap metal	1,415	2,853
Income from insurance claim	501	–
Interest income	317	66
Rental income	322	268
Sundry income	70	196
Write-back of bad debts	–	4
Gain on disposal of property, plant and equipment	21	4
	2,646	3,391

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

23. Other operating income (cont'd)

The Group had submitted claims to the insurance company after part of the factory and machinery, equipment and inventories in China were damaged by the heavy rainstorm caused by typhoon Hato on 23 August 2017. During the financial year ended 28 February 2020, the Group received a total of RMB 2.5 million (equivalent to approximately $0.5 million) from the insurance claim.

24. Finance costs

	Group	
	2020	**2019**
	$'000	$'000
Interest expense on bank loans	157	363
Lease liabilities (Note 30)	77	–
	234	363

25. Loss before taxation

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

	Group	
	2020	**2019**
	$'000	$'000
Employee benefits expense *		
- wages, salaries and bonuses	11,937	19,289
- defined contributions	731	1,222
- other related expenses	1,572	2,157
Amortisation and depreciation	7,111	9,611
Foreign exchange loss	421	873
Rental of:		
- Premises	18	19
- Land	34	115
- Equipment	11	11
Directors' fees		
- directors of the Company	242	242
- directors of subsidiaries	3	3
Audit fees paid to:		
- Auditors of the Company	132	127
- Other auditors	107	105
(Write-back)/allowance for inventories obsolescence, net	(16)	8
Impairment loss on property, plant and equipment	2,582	8,203
Reversal of impairment loss on property, plant and equipment	(165)	(210)
Impairment on intangible assets	–	113
Gain on disposal of property, plant and equipment	(21)	(4)
Write-off of property, plant and equipment	–	1,255
** Included the following:*		
Directors' remuneration		
- directors of the Company	1,386	1,318
- directors of subsidiaries	3	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

26. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 28 February 2020 and 2019 are:

Consolidated statement of comprehensive income

	Group	
	2020	**2019**
	$'000	$'000
Current year:		
Income tax	860	508
Deferred tax	794	543
	1,654	1,051
(Over)/under provision in respect of prior years:		
Income tax	(51)	24
Deferred tax	102	464
	51	488
	1,705	1,539

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 28 February 2020 and 2019 are as follows:

	Group	
	2020	**2019**
	$'000	$'000
Loss before taxation	(3,361)	(7,408)
Income tax using the Singapore tax rate of 17% (2019: 17%)	(571)	(1,259)
Adjustments for:		
Non-deductible expenses	193	285
Income not subject to tax	(62)	(43)
Effect of differences in tax rates of subsidiaries	595	(235)
Effect arising from transfer pricing adjustment	945	730
Deferred tax assets not recognised	554	1,573
Under provision in respect of prior years	51	488
Income tax expense recognised in profit or loss	1,705	1,539

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

26. Income tax expense (cont'd)

The Group has unutilised tax losses of approximately $28,738,000 (2019: $25,480,000) that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

At the end of the reporting period, no deferred tax liability (2019: $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 $33,360,000 (2019: $36,041,000). The deferred tax liability is estimated to be $5,671,000 (2019: $6,127,000).

The statutory tax rate applicable to the companies incorporated in People's Republic of China and Malaysia were 25% and 24% respectively for the year of assessment 2019.

Cheung Woh International (Macao) Company Limited, previously known as Cheung Woh International (Macao Commercial Offshore) Company Limited, was exempted from statutory tax under the Decree Law No. 58/99/M of Macao Special Administrative Region as an offshore company, and hence no provision for taxation is made in respect of current and prior years. On 22 January 2020, Cheung Woh International (Macao Commercial Offshore) Company Limited terminated its offshore license and changed its name to Cheung Woh International (Macao) Company Limited, to become a general Macao company.

27. Loss per share (basic and diluted)

Basic and diluted earnings per share are based on net loss attributable to ordinary shareholders of $5,066,000 (2019: loss of $8,947,000) divided by 300,137,000 (2019: 302,212,000) ordinary shares.

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 2020 and 2019.

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.

28. Dividends

	Group and Company	
	2020	**2019**
	$'000	$'000
Declared and paid during the financial year:		
- An interim tax-exempt dividend of 0.15 cent per share paid in respect of FY2019	–	453
	–	453
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 0.5 cent per share in respect of FY2020	1,489	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

29. Significant related party transactions

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

Company

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

	2020 $'000	2019 $'000
Sale of goods to subsidiaries	(816)	(152)
Management fee from subsidiaries	(224)	(351)

Group

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

	2020 $'000	2019 $'000
Directors' fees		
- directors of the Company	242	242
- directors of subsidiaries	3	3
Short-term employee benefits	1,474	1,399
Defined contributions	24	23
	1,743	1,667
Comprise amounts paid to:		
Directors of the Company	1,386	1,318
Directors of subsidiaries	3	3
Other key management personnel	354	346
	1,743	1,667

30. Leases

As a lessee

The Group has lease contracts for land and buildings and the use of computer equipment. Leases of building and office equipment generally have lease terms between 1 to 60 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are lease contracts that include extension options, which are further discussed below.

The Group also has certain leases office equipment with low value. The Group applies the 'lease of low-value assets' recognition exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

30. Leases (cont'd)

As a lessee (cont'd)

Group	Right-of-use assets as recorded in Leasehold land and buildings $'000	Total $'000
At 1 March 2019 (Restated)	1,108	1,108
Depreciation expense	(29)	(29)
Reclassified to Assets held for sale	(840)	(840)
At 28 February 2020	239	239

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Note	Group 2020 $'000
At 1 March 2019 (Restated)		1,108
Accretion of interest	24	77
Payments		(82)
Reclassified to Liabilities directly associated with assets held for sale (Note 6)		(858)
At 28 February 2020		245
Current		2
Non-current		243
		245

The maturity analysis of lease liabilities is disclosed in Note 33.

The following are the amounts recognised in profit or loss:

	Note	Group 2020 $'000
Depreciation of right-of-use assets		(29)
Interest expense on lease liabilities	24	(77)
Expense relating to leases of low-value assets	25	(11)
Total amount recognised in profit or loss		(117)

The Group had total cash outflows for leases of $93,000 in 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

30. Leases (cont'd)

As a lessor

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

Rental income from investment properties is disclosed in Note 23.

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

	Group	
	2020	**2019**
	$'000	$'000
Not later than one year	163	355
Later than one year but not later than five years	–	211
	163	566

31. Contingent liabilities and commitments

(a) ***Capital commitments***

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

	Group	
	2020	**2019**
	$'000	$'000
Capital commitment in respect of property, plant and equipment	66	111

(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 38 years as of 28 February 2019.

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 2020

31. Contingent liabilities and commitments

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

Future minimum lease payments payable under non-cancellable operating leases as at 28 February 2019 are as follows:

	2019
	$'000
Not later than one year	95
Later than one year but not later than five years	339
Later than five years	2,755
	3,189

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 28 February 2019 amounted to $145,000.

As disclosed in Note 2.18, the Company has adopted SFRS(I) 16 on 1 March 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 March 2019, except for short-term and low-value leases.

(c) ***Contingent liability***

The Company has corporate guarantees of $1,821,000 (2019: $5,617,000) granted to subsidiaries.

32. Segment information

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

- HDD components which include voice coil motor ("VCM") plates, air combs and Baseplates; and

- PMS components which mainly include sheet metal machined parts and stamped parts, prototypes, stamping tool design and fabrication.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

32. Segment information (cont'd)

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

	HDD Components		PMS Components		Corporate*		Adjustments and Eliminations		Notes	Consolidated Financial Statements	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Turnover:											
External sales	39,900	64,817	8,959	12,001	–	–	–	–		48,859	76,818
Results:											
Interest income	317	66	–	–	–	–	–	–		317	66
Interest expense	(101)	(318)	(56)	(45)	(77)	–	–	–		(234)	(363)
Amortisation and depreciation	(6,568)	(9,096)	(514)	(515)	(29)	–	–	–		(7,111)	(9,611)
Impairment loss on property, plant and equipment	(2,582)	(8,203)	–	–	–	–	–	–		(2,582)	(8,203)
Reversal of impairment loss on property, plant and equipment	165	210	–	–	–	–	–	–		165	210
Write-off of property, plant and equipment	–	(1,255)	–	–	–	–	–	–		–	(1,255)
Impairment on intangible assets	–	(113)	–	–	–	–	–	–		–	(113)
Write-back of/(Allowance for) inventories obsolescence, net	–	–	16	(8)	–	–	–	–		16	(8)
Other non-cash income/(expenses)	27	5	–	(3)	–	–	–	(2)		27	–
Segment (loss)/profit before taxation	(4,094)	(8,842)	839	1,434	(106)	–	–	–		(3,361)	(7,408)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

32. Segment information (cont'd)

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

	HDD Components		PMS Components		Corporate*		Adjustments and Eliminations		Notes	Consolidated Financial Statements	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Assets											
Additions to non-current assets	148	2,262	85	230	–	–	(35)	(295)	a	198	2,197
Segment assets	118,493	139,803	12,825	13,436	239	–	(40,505)	(54,671)	b	91,052	98,568
Segment liabilities	37,880	60,414	7,115	8,490	245	–	(30,015)	(51,220)	c	15,225	17,684

* Corporate relates to right-of-use assets recognised during the year upon adoption of SFRS(I) 16 *Leases*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

32. Segment information (cont'd)

Notes:

(a) Additions to non-current assets consist of additions to property, plant and equipment and right-of-use asset.

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

	2020 $'000	**2019** $'000
Deferred tax assets	1	273
Inter-segment assets	(40,506)	(54,944)
	(40,505)	(54,671)

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

	2020 $'000	**2019** $'000
Deferred tax liabilities	4,802	4,182
Inter-segment liabilities	(34,817)	(55,402)
	(30,015)	(51,220)

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**	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Thailand	31,119	55,968	–	–
Malaysia	6,141	9,229	13,531	16,635
Philippines	2,431	2,090	–	–
People's Republic of China	462	619	26,772	33,380
Middle East	187	4,189	–	–
Europe	4,107	1,349	–	–
United States	1,306	924	–	–
Singapore	3,106	2,338	1,407	4,023
Others	–	112	35	47
	48,859	76,818	41,745	54,085

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

32. Segment information (cont'd)

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

Information about major customer

The revenue from two major customers amounted to $23,969,000 and $6,703,000 (2019: $42,763,000 and $6,860,000) arising from sales by the HDD components and PMS components segment respectively.

33. Financial risk management objectives and policies

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

The Group's principal financial instruments comprise cash and cash equivalents, and interest-bearing loans and borrowings. The main purpose of those financial instruments is to finance the Group's operations. The Group has various financial assets and liabilities such as trade receivables, other receivables, trade payables 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. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. 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 Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments when they fall due, which are derived based on the Group's historical information.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Credit risk (cont'd)

The carrying amounts of cash and cash equivalents and trade and other receivables 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 2020, approximately 90% (2019: 87%) of trade receivables relates to 10 (2019: 10) customers.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The expected credit losses incorporate forward looking information such as forecast of economic conditions. Based on management's assessment, no allowance for expected credit losses of trade receivables is to be made as at 28 February 2020.

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.

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			
	2020		2019	
	$'000	% of total	$'000	% of total
By country:				
Thailand	4,862	59	6,400	63
Malaysia	1,346	16	1,968	19
Middle East	–	–	40	1
Singapore	810	10	299	3
Philippines	460	5	138	1
People's Republic of China	298	4	254	3
United States	66	1	341	3
Europe	442	5	739	7
	8,284	100	10,179	100
By industry sectors:				
HDD components	6,429	78	7,837	77
PMS components	1,855	22	2,342	23
	8,284	100	10,179	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Interest rate risk

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

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2019: 100) basis points lower/higher with all other variables held constant, the Group's and Company's profit before tax would have been $18,000 (2019: $56,000) and Nil (2019: $Nil) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment, showing a higher volatility as in prior years.

Foreign currency risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Foreign currency risk (cont'd)

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	
		2020	**2019**
		$'000	$'000
		Profit before taxation	*Profit before taxation*
USD/SGD	- strengthened 3% (2019: 3%)	622	900
	- weakened 3% (2019: 3%)	(622)	(900)
USD/RM	- strengthened 3% (2019: 3%)	(45)	(344)
	- weakened 3% (2019: 3%)	45	344
EUR/RM	- strengthened 2% (2019: 4%)	2	8
	- weakened 2% (2019: 4%)	(2)	(8)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Liquidity risk (cont'd)

	2020			
	1 year or less $'000	**1 to 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Group				
Financial assets:				
Trade receivables	8,284	–	–	8,284
Other receivables	431	–	–	431
Cash and bank balances	30,371	–	–	30,371
Total undiscounted financial assets	39,086	–	–	39,086
Financial liabilities:				
Trade payables	4,198	–	–	4,198
Other payables (excluding contract liabilities)	2,675	–	–	2,675
Interest-bearing loans and borrowings	1,906	–	–	1,906
Lease liabilities (excluding liabilities directly associated with asset held for sale)	18	73	595	686
Total undiscounted financial liabilities	8,797	73	595	9,465
Total net undiscounted financial assets/(liabilities)	30,289	(73)	(595)	29,621
Company				
Financial assets:				
Other receivables	1,516	–	–	1,516
Cash and bank balances	6,097	–	–	6,097
Total undiscounted financial assets	7,613	–	–	7,613
Financial liabilities:				
Trade payables	28	–	–	28
Other payables	669	–	–	669
Lease liabilities (excluding liabilities directly associated with asset held for sale)	18	73	595	686
Total undiscounted financial liabilities	715	73	595	1,383
Total net undiscounted financial assets/(liabilities)	6,898	(73)	(595)	6,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Liquidity risk (cont'd)

	2019		
	1 year or less $'000	**1 to 5 years** $'000	**Total** $'000
Group			
Financial assets:			
Trade receivables	10,179	–	10,179
Other receivables	552	–	552
Cash and bank balances	20,701	–	20,701
Total undiscounted financial assets	31,432	–	31,432
Financial liabilities:			
Trade payables	3,688	–	3,688
Other payables (excluding contract liabilities)	3,299	–	3,299
Interest-bearing loans and borrowings	5,370	474	5,844
Total undiscounted financial liabilities	12,357	474	12,831
Total net undiscounted financial assets/(liabilities)	19,075	(474)	18,601
Company			
Financial assets:			
Other receivables	16,758	–	16,758
Cash and bank balances	1,732	–	1,732
Total undiscounted financial assets	18,490	–	18,490
Financial liabilities:			
Trade payables	29	–	29
Other payables	602	–	602
Total undiscounted financial liabilities	631	–	631
Total net undiscounted financial assets	17,859	–	17,859

Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

Liquidity risk (cont'd)

	Group	
	2020	**2019**
	$'000	$'000
Bank facilities taken up by subsidiaries and are repayable		
Within one year	1,821	5,161
Between two to five years	–	456
	1,821	5,617

34. Fair values of assets and liabilities

The Group does not have assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheets after initial recognition, except for certain property, plant and equipment used in the HDD components segment that are impaired to its estimated recoverable amount based on fair value less cost to sell (Note 4).

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

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

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

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

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value total**	**Carrying amount**
	$'000	$'000	$'000	$'000	$'000
2020					
Non-financial asset:					
Investment properties (Note 5)	–	–	3,300	3,300	1,113
Assets held for sale (Note 6)	6,000	–	–	6,000	3,566
2019					
Non-financial asset:					
Investment properties (Note 5)	–	–	7,060	7,060	2,460

Determination of fair value

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

The fair value of assets held for sale is based on the agreed sale price in the sale agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

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

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

Trade and other receivables and payables (Notes 10, 11, 14 and 15), and cash and cash equivalents (Note 13)

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

Interest-bearing loans and borrowings (Note 16)

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 were 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 2020 and 2019.

35. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 28 February 2020 and 2019.

The Company is not subjected to any externally imposed capital requirements for the financial year ended 28 February 2020.

The Group monitors capital using a gearing ratio, which is net debt over total capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. The Group includes within net debt, interest-bearing loans and borrowings and lease liabilities, less cash and short-term deposits. Capital includes equity attributable to the equity holders of the Company less the above-mentioned restricted statutory reserve fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

35. Capital management (cont'd)

	Group	
	2020	**2019**
	$'000	$'000
Interest-bearing loans and borrowings (Note 16)	1,821	5,617
Lease liabilities (Note 30)	245	–
Less: Cash and short-term deposits (Note 13)	(30,371)	(20,701)
Net cash	(28,305)	(15,084)
Equity attributable to equity holders of the Company	75,827	80,884
Less: Statutory reserve fund (Note 20)	(1,219)	(1,219)
Total capital	74,608	79,665
Capital and net cash	46,303	64,581
Gearing ratio	N.m	N.m

N.m – Not meaningful as the Group is in net cash position

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2020

36. Events occurring after the reporting period

In late December 2019, an outbreak of the novel coronavirus ("COVID-19") erupted and had spread rapidly in the People's Republic of China ("PRC") before it was declared a pandemic by the World Health Organisation in March 2020. A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in countries where the Group has dealings with.

The Zhuhai subsidiaries were slated to resume production on 3 February 2020 after the Chinese New Year holidays. However, due to the outbreak of Covid-19 in China, in compliance with the directives issued by local authorities, the Zhuhai subsidiaries were shut down until 20 February 2020. Their operations are back to normal with minimal disruption in the supply chain.

The Malaysian subsidiaries have been closed from 18 March 2020 to 19 April 2020 in compliance with the Movement Control Order ("MCO") imposed by the Malaysian government. The factories have resumed operations on 20 April 2020 upon receiving approval from the Ministry of International Trade and Industry, Malaysia ("MITI"). The approval requires the factories to adhere to conditions stipulated by MITI, which include, among others, limited operating hours and reduced manpower. As such, the two factories are not operating at full capacity. There has been minimal disruption to the supply chain as most of their critical suppliers were also given approval to operate during the MCO.

The Circuit Breaker ("CB") measures in Singapore started on 7 April 2020 and businesses which are deemed as non-essential have to halt operations, which included the Group's head office functions. There is minimal disruption as all staff are working from home during the CB period. The Singapore government has put in place schemes and made certain policy changes to help companies deal with financial difficulties caused by the imposition of the CB.

The Malaysian subsidiaries have submitted their application for the Wage Subsidy Programme, while the Singapore company has received the first and second tranches of Jobs Support Scheme.

As the situation is fluid and rapidly evolving, the Group does not consider it practicable to provide a quantitative estimate of its potential impact on the Group. However, the Group does not expect it to have a significant impact on the accounting judgements and estimates used in these financial statements, although the uncertainties surrounding the impact of the COVID-19 pandemic on the global economy and financial markets may affect the actual outcome of the estimates and assumptions adopted.

37. Authorisation of financial statements

The financial statements of the Group and the Company for the financial year ended 28 February 2020 were authorised for issue in accordance with a resolution of the directors on 24 June 2020.

STATISTICS OF SHAREHOLDERS

AS AT 8 JUNE 2020

Total number of issued ordinary shares	:	313,084,800
Total number of issued ordinary shares excluding treasury shares and subsidiary holdings	:	297,704,500
Total number of treasury shares held	:	15,380,300
Number of subsidiary holdings held	:	NIL
Percentage of treasury shares held against the total number of issued ordinary shares excluding treasury shares	:	5.17
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (excluding treasury shares and subsidiary holdings)

BREAKDOWN OF SHAREHOLDINGS BY RANGE

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital*
1 – 99	2	0.19	100	0.00
100, – 1,000	30	2.93	18,000	0.01
1,001 – 10,000	265	25.88	1,393,227	0.47
10,001 – 1,000,000	714	69.73	42,261,613	14.19
1,000,001 AND ABOVE	13	1.27	254,031,560	85.33
TOTAL	**1,024**	**100.00**	**297,704,500**	**100.00**

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

TWENTY LARGEST SHAREHOLDERS AS AT 8 JUNE 2020

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital*
1	NEXSUSS HOLDINGS PTE. LTD.	191,347,100	64.27
2	LAW KUNG YING	10,419,600	3.50
3	LAW KUNG MING	10,419,600	3.50
4	LAW YU CHUI	10,419,600	3.50
5	LEE HANG NGOK	10,419,600	3.50
6	PHILLIP SECURITIES PTE LTD	5,690,600	1.91
7	DBS NOMINEES PTE LTD	4,368,700	1.47
8	TEO POH HONG	3,195,360	1.07
9	OCBC SECURITIES PRIVATE LTD	2,090,300	0.70
10	KOH CHIN HWA	2,039,300	0.69
11	ONG POH SENG OR TAN SWEE CHIN	1,315,000	0.44
12	ZOU YAOZHONG	1,178,000	0.40
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,128,800	0.38
14	WAN WING TAI	927,840	0.31
15	JONATHAN CHADWICK	800,000	0.27
16	CHUA SHUN LOONG (CAI SHANLONG)	789,900	0.26
17	OCBC NOMINEES SINGAPORE PTE LTD	719,000	0.24
18	SEE BENG LIAN JANICE	704,600	0.24
19	HAN CHEE JUAN	679,920	0.23
20	LIM SIEW ENG	671,000	0.23
	TOTAL	**259,323,820**	**87.11**

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

STATISTICS OF SHAREHOLDERS

AS AT 8 JUNE 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 8 June 2020)

	Direct Interest		Deemed Interest	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Nexsuss Holdings Pte. Ltd.	191,347,100	64.27	–	–
Law Yu Chui	10,419,600	3.45	191,347,100(1)	64.27
Lee Hang Ngok	10,419,600	3.45	191,347,100(1)	64.27
Christopher Law Tak Heem	43,000	0.01	191,347,100(1)	64.27
Law Tak Lun	–	–	191,347,100(1)	64.27

Note:–

(1) Held by Nexsuss Holdings Pte. Ltd. for the benefit 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 8 June 2020, approximately 21.48% 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 8 June 2020, the Company held 15,380,300 treasury shares, representing 5.17% of the total issued shares excluding treasury shares and subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of **CHEUNG WOH TECHNOLOGIES LTD** (the **"Company"**) will be held by electronic means on Monday, 27 July 2020 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 2020 together with the Directors' Statement and Independent Auditors' Report thereon. **Resolution 1**

2. To approve a tax exempt (one-tier) final dividend of 0.5 cent per ordinary share for the financial year ended 28 February 2020. **Resolution 2**

3. To approve Directors' Fees of S$242,000 for the financial year ended 28 February 2020 (2019: S$242,000). **Resolution 3**

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

   Please refer to the "Board of Directors" section of the Company's Annual Report 2020 for information on Ms. Law Yu Chui.

5. To re-elect Mr. Ngu Kuang Hua who is retiring in accordance with Article 107 of the Company's Constitution. **Resolution 5**

   Please refer to the "Board of Directors" section of the Company's Annual Report 2020 for information on Mr. Ngu Kuang Hua.

   Mr. Ngu Kuang Hua, if re-elected, will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr. Ngu Kuang Hua 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. <u>Authority to allot and issue shares up to 50 per cent of issued shares in the capital of the Company</u> **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:

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

(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 Constitution for the time being of the Company; and

(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]

9. Proposed Renewal of the Share Buyback Mandate **Resolution 8**

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 ("**Shares**") in the issued share capital of the Company not exceeding in aggregate the Maximum Percentage (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

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

(ii) off-market purchases (each an "**Off-Market Purchase**"), effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being, be applicable, be and is hereby authorised and

NOTICE OF ANNUAL GENERAL MEETING

approved generally and unconditionally (the "**Share Buyback Mandate**"),

(b) the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

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

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

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

(c) in this Resolution:

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

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is the earlier;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding:

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

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

NOTICE OF ANNUAL GENERAL MEETING

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during such five-market day period and the day on which the Market Purchase is made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase;

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

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

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

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

[See Explanatory Note 2]

BY ORDER OF THE BOARD

LAW YU CHUI
CHAN LAI YIN

Company Secretaries
Singapore, 3 July 2020

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 and subsidiary holdings) in the capital of the Company, of which up to 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

(2) Resolution 8, if passed, will renew the mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution. Further details are set out in the Letter to Shareholders which is enclosed with the Company's Annual Report, as an Appendix.

Notes:

i. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by shareholders can participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream ("electronic means"), submission of questions in advance of the AGM, addressing of substantial and relevant questions, are set out in the Company's announcement dated 3 July 2020 (the "**Announcement**"), which has been uploaded together with this Notice of AGM on SGXNet on the same day. The Announcement may also be assessed on the Company's website at www.cheungwoh.com.sg. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM.

ii. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member of the Company (whether individual or corporate and including a Relevant Intermediary*) must appoint the Chairman of the AGM in as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

iii. The Chairman of the AGM, as proxy, need not be a member of the Company.

iv. In the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (i.e. by 11:00 a.m. on 24 July 2020), as certified by The Central Depository (Pte) Limited to the Company.

v. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or Supplementary Retirement Scheme ("**SRS Investor**") who wish to vote at the AGM should approach their respective CPF and/or SRS Operators to submit their votes to appoint the Chairman of the AGM as proxy at least seven (7) working days before the date of the AGM (i.e. by 11:00 a.m. on 16 July 2020). CPF Investors and/or SRS Investors are requested to contact their respective CPF and/or SRS Operators for any queries they may have with regard to the appointment of the Chairman of the AGM as proxy for the AGM.

NOTICE OF ANNUAL GENERAL MEETING

vi. The instrument appointing the Chairman of the AGM as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must:

(a) be deposited at the Company's Share Registrar's office at 112 Robinson Road #05-01, Singapore 068902; or

(b) send electronic mail to GPD@mncsingapore.com enclosing signed PDF copy of the Proxy Form;

not less than forty-eight (48) hours before the time appointed for the AGM.

* A Relevant Intermediary is:

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

RECORD DATE

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 6 August 2020 for preparation of dividend warrants to a proposed tax exempt (one-tier) final dividend of 0.5 cents per Ordinary Share for the financial year ended 28 February 2020 (the "**Proposed Final Dividend**").

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 by 5.00 p.m. on 5 August 2020 ("Record Date") will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on the Record Date will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the forthcoming Annual General Meeting, will be paid on 18 August 2020.

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the Chairman of the Annual General Meeting as proxy to vote at the Annual General Meeting and/or any adjournment thereof, and/or (b) by registering to attend the AGM via electronic means, and/ or (c) submitting any question prior to the AGM in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing the pre-registration forms for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to participate at the AGM

NOTICE OF ANNUAL GENERAL MEETING

by electronic means to observe the proceedings of the AGM and providing them with any technical assistance, where necessary;

(iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;

(iv) preparation and compilation of the attendance lists, proxy list, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (of its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

LETTER TO SHAREHOLDERS DATED 3 JULY 2020

This Letter is circulated to the Shareholders (as defined in this Letter) together with the 2020 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 Buyback Mandate (as defined in this Letter) to be tabled at the 2020 AGM (as defined in this Letter) to be held at 11.00 am on 27 July 2020 by electronic means.

The Notice of the 2020 AGM (as defined in this Letter) and a proxy form are enclosed with the 2020 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 2020 Annual Report and the proxy form immediately to the purchaser or to the stockbroker, bank or 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 BUYBACK MANDATE

CONTENTS

DEFINITIONS

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

General

"ACRA"	Accounting and Corporate Regulatory Authority of Singapore
"AGM"	The annual general meeting of the Company
"Board"	The board of Directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"Code"	The Singapore Code on Take-over and Mergers, as amended or modified from time to time
"Company"	Cheung Woh Technologies Ltd
"Companies Act"	Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
"Directors"	The directors of the Company as at the date of this Letter
"EPS"	Earnings per Share
"FY2020"	Financial year ended 28 February 2020
"Group"	The Company and its subsidiaries
"Latest Practicable Date"	The latest practicable date prior to the printing of this Letter, being 22 June 2020
"Letter"	This letter to Shareholders dated 3 July 2020 in relation to the proposed renewal of the Share Buyback Mandate to be tabled for approval at the 2020 AGM
"Listing Manual"	The listing manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
"Market Day"	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	Has the meaning ascribed to it in paragraph 2.3.3(i) of this Letter
"Maximum Price"	Has the meaning ascribed to it in paragraph 2.3.4 of this Letter
"month"	Calendar month
"NTA"	Net tangible assets
"Notice of the 2020 AGM"	The notice of the 2020 AGM as set out in pages 111 to 118 of the 2020 Annual Report
"Off-Market Purchase"	Has the meaning ascribed to it in paragraph 2.3.3(ii) of this Letter
"ROE"	Return on equity
"Securities Accounts"	The securities accounts maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Companies Act)

DEFINITIONS

"SFA"	The Securities and Futures Act (Cap 289) of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share Buyback Mandate"	The proposed general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms of such mandate and the rules and regulations set forth in the Companies Act and the Listing Manual
"Shareholders"	Registered holders of Shares except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the Depositors whose direct securities accounts maintained with CDP are credited with Shares
"Shares"	The issued ordinary shares in the capital of the Company
"Subsidiary"	Shall have the meaning ascribed to it in Section 5 of the Companies Act
"Substantial Shareholder"	A person who has an interest in the Shares the total votes attached to which is not less than 5% of the total votes attaching to all the Shares in the Company
"treasury shares"	Has the meaning ascribed to it in Section 4 of the Companies Act
"2020 AGM"	The annual general meeting of the Company to be held on 27 July 2020 by electronic means

Currencies, units and others

"$"or "S$"	Singapore dollars
"%" or "per cent."	percentage or per centum

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

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

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

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

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

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

LETTER TO SHAREHOLDERS

CHEUNG WOH TECHNOLOGIES LTD

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

LETTER TO SHAREHOLDERS

Directors:

Mr Law Kung Ying (Non-Executive Director Non-Independent Director and Chairman)
Mr Law Kung Ming (Executive Director and Chief Executive Officer)
Ms Law Yu Chui (Executive Director)
Dr Chen Yuk Fu (Lead Independent Director)
Mr Lim Kian Wee Leonard (Independent Director)
Mr Ngu Kuang Hua (Independent Director)

Registered Office:

23 Tuas South Street 1
Singapore 638033

Date: 3 July 2020

To: The Shareholders of Cheung Woh Technologies Ltd

Dear Sir/Madam

1 INTRODUCTION

1.1 Reference is made to the Notice of the 2020 AGM convening the 2020 AGM.

1.2 The proposed Ordinary Resolution 8 in the Notice of the 2020 AGM relates to the Shareholders' approval for the renewal of the Share Buyback Mandate.

2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Share Buyback Mandate was originally approved by Shareholders at the AGM of the Company held on 26 June 2018 and will expire on the date of the 2020 AGM. Accordingly, approval is being sought from Shareholders at the 2020 AGM for the renewal of the Share Buyback Mandate via an ordinary resolution.

If approved, the Share Buyback Mandate will take effect from the date of the 2020 AGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law to be held, whichever is the earlier, unless prior thereto share buy-backs are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate may be put to Shareholders for renewal at each subsequent AGM of the Company at the discretion of the Directors.

2.2 Rationale for the Share Buyback Mandate

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

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

LETTER TO SHAREHOLDERS

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

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

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

2.3 Terms of the Share Buyback Mandate

The authority and limitations, if approved at the 2020 AGM, are summarised below.

2.3.1 Maximum number of Shares

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

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate shall not exceed 10% of the issued Shares of the Company (excluding treasury shares and subsidiary holdings) as at the date of the 2020 AGM at which the Share Buyback Mandate is approved, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares in the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding any treasury shares and subsidiary holdings). "**Relevant Period**" means the period commencing from the date on which the Share Buyback Mandate is renewed and expiring on the date on which the next annual general meeting of the Company is held or is required by the law to be held, whichever is the earlier.

2.3.2 Duration of authority

The authority conferred on the Directors pursuant to the Share Buyback Mandate, unless varied or revoked by the Company in general meeting, may be exercised by the Directors at any time and from time to time, during the period commencing from the date of the 2020 AGM, at which the renewal of the Share Buyback Mandate is approved, up to the earliest of:

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

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

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

LETTER TO SHAREHOLDERS

2.3.3 Manner of purchases or acquisitions of Shares

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

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

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) in accordance with Section 76C of the Companies Act.

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

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

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

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

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

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

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

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

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed share buyback;

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

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

(vi) details of any share purchase made by the Company in the previous twelve (12) months whether through Market Purchases or Off-Market Purchases, including the total number of Shares purchased, the purchase price per Share or the

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

LETTER TO SHAREHOLDERS

highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases; and

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

2.3.4 Purchase price

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

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

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

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

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during such five-market day period and the day on which the Market Purchase is made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and

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

2.4 Status of Purchased or Acquired Shares

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

2.5 Treasury Shares

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

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.

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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 a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

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

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

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

(iv) cancel the treasury shares; or

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

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

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

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

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

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

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

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

2.6 Source of Funds

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

Under the Companies Act, any purchase or acquisition of Shares may be made out of the Company's capital or profits so long as the Company is solvent. It is an offence for a director or

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chief executive officer of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if:

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

2.6.2 if:

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

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

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

2.7 Financial Effects

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

2.7.1 Purchase or acquisition made out of capital and/or profits

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

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

2.7.2 Number of Shares purchased or acquired

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 15,380,300 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 2020 AGM, the exercise in full of the Share Buyback Mandate would result in the purchase or acquisition of 29,770,450 Shares, representing 10% of the 297,704,500 Shares in issue (excluding the 15,380,300 Shares held in treasury).

2.7.3 Maximum Price paid for Shares purchased or acquired

(i) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires 29,770,450 Shares at the Maximum Price of S$0.0920 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

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29,770,450 Shares is S$2,738,881 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

(ii) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires 29,770,450 Shares at the Maximum Price of S$0.1051 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 29,770,450 Shares is S$3,128,874 (excluding brokerage, commission, applicable goods and services tax and other related expenses).

2.7.4 Illustrative Financial Effects

For illustrative purposes only, based on the above assumptions and assuming that (i) the purchase or acquisition of Share are made to the extent aforesaid, (ii) such Shares are funded wholly by internal resources within the Group, and (iii) the Company had purchased or acquired 29,770,450 Shares (representing 10% of the issued Shares as at the Latest Practical Date), the financial effects of the purchase of 29,770,450 Shares by way of:

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

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

on the audited financial statements of the Group and the Company for FY2020 as if the Share Buyback Mandate had been effective on 28 February 2020 are presented below:

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Scenario 1

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

	Group			Company		
As at 28 February 2020	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**
Total Shareholders' funds[(1)] (S$'000)	75,827	73,088	72,698	56,846	54,107	53,717
NTA[(2)] (S$'000)	75,827	73,088	72,698	56,846	54,107	53,717
Current assets (S$'000)	49,306	46,567	46,177	11,260	8,521	8,131
Current liabilities (S$'000)	10,180	10,180	10,180	1,557	1,557	1,557
Total borrowings (S$'000)	1,821	1,821	1,821	-	-	-
Cash and cash equivalents (S$'000)	30,371	27,632	27,242	6,097	3,358	2,968
Number of Shares ('000)						
Issued and paid-up share capital	313,085	313,085	313,085	313,085	313,085	313,085
Financial ratios						
NTA per Share[(3)] (cents)	25.47	27.28	27.13	19.09	20.19	20.05
Gearing ratio[(4)] (times)	0.02	0.02	0.03	-	-	-
Current ratio[(5)] (times)	4.84	4.57	4.54	7.23	5.47	5.22
Earnings/ (loss) per Share (cents)	(1.70)	(1.89)	(1.89)	0.19	0.21	0.21

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Scenario 2

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

	Group			Company		
As at 28 February 2020	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**	**Before Purchase**	**After Market Purchase**	**After Off-Market Purchase**
Total Shareholders' funds[1] (S$'000)	75,827	73,088	72,698	56,846	54,107	53,717
NTA[2] (S$'000)	75,827	73,088	72,698	56,846	54,107	53,717
Current assets (S$'000)	49,306	46,567	46,177	11,260	8,521	8,131
Current liabilities (S$’000)	10,180	10,180	10,180	1,557	1,557	1,557
Total borrowings (S$’000)	1,821	1,821	1,821	-	-	-
Cash and cash equivalents (S$'000)	30,371	27,632	27,242	6,097	3,358	2,968
Number of Shares ('000)						
Issued and paid-up share capital	313,085	283,315	283,315	313,085	283,315	283,315
Financial ratios						
NTA per Share[3] (cents)	25.47	27.28	27.13	19.09	20.19	20.05
Gearing ratio[4] (times)	0.02	0.02	0.03	-	-	-
Current ratio[5] (times)	4.84	4.57	4.54	7.23	5.47	5.22
Earnings/ (loss) per Share (cents)	(1.70)	(1.89)	(1.89)	0.19	0.21	0.21

Notes:

(1) Total Shareholders' funds exclude minority interests.

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

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

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

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

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Shareholders should note that the financial effects, based on the respective aforementioned assumptions, are for illustrative purpose only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buyback Mandate on the NTA per Share and earnings/(loss) per Share as the resultant effect would depend on the factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. The above analysis is based on historical numbers as at 28 February 2020 and is not necessarily representative of future financial performance.

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

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

2.8 Listing Rules

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

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

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

Such notification (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

The Listing Manual does not expressly prohibit a listed company from purchasing or acquiring its own shares during any particular time or times. However, as the Company would be regarded as an "insider" in relation to any proposed purchase or acquisition of Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision of the Directors until such time as the price-sensitive development has been publicly announced or disseminated in accordance with the requirements of the Listing Manual.

In particular, in line with the best practice guide on dealings in securities issued by the SGX-ST, the Company will not purchase or acquire any Shares pursuant to the Share Buyback Mandate during the period of one (1) month immediately preceding the announcement of the Company's half-year and full-year financial results, as the case may be, and ending on the date of announcement of the relevant financial results.

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The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 21.48% of the Shares are held by public shareholders. Assuming that (a) the Company purchases a maximum of 10% of the issued Shares from the public and (b) the Shares held by the substantial Shareholders of the Company and the Directors remain unchanged, the percentage of Shares in the hands of the public after such a buy-back will be approximately 12.75%. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.9 Take-over Implications

Appendix 2 of the Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

2.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

(i) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(ii) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

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(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions of the individual, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Code

In general terms, the effect of Rule 14 and Appendix 2 of the Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and the persons acting in concert with them hold between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such a Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Buyback Mandate.

Shareholders are advised to consult their professional advisers and/or the Council at the earliest opportunity as to whether an obligation to make a takeover offer would arise by reason of any share purchases by the Company.

Assuming that:

(i) the Company purchases or acquires Shares pursuant to the Share Buyback Mandate up to the maximum of 10% issued Shares (excluding treasury shares) as permitted by the Share Buyback Mandate; and

(ii) no new Shares are issued following the Shareholders' approval of the proposed Share Buyback Mandate at the 2020 AGM,

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the shareholdings of the Directors and the Substantial Shareholders as at the Latest Practicable Date and after the purchase by the Company (other than from the Substantial Shareholders) of the maximum of 10% of the issued Shares (excluding treasury shares) pursuant to the Share Buyback Mandate, are as follows:

	Number of Shares			**Voting Rights in the Company (%)**	
Directors	**Direct Interest**	**Deemed Interest**	**Total Interest**	**Before Share Purchase**	**After Share Purchase**
Law Kung Ying[(1)]	10,419,600	Nil	10,419,600	3.5%	3.9%
Law Kung Ming[(1)]	10,419,600	Nil	10,419,600	3.5%	3.9%
Law Yu Chui[(1)]	10,419,600	191,347,100	201,766,700	67.8%	75.3%
Ngu Kuang Hua	501,400	Nil	501,400	0.17%	0.19%
Dr Chen Yuk Fu	100,000	Nil	100,000	0.03%	0.04%
Substantial Shareholders (other than Directors)					
Nexsuss Holdings Pte. Ltd.	191,347,100[(2)]	Nil	191,347,100	64.3%	71.4%
Lee Hang Ngok[(1)]	10,419,600	191,347,100	201,766,700	67.8%	75.3%
Christopher Law Tak Heem[(3)]	43,000	191,347,100	191,390,100	64.3%	71.4%
Law Tak Lun[(4)]	Nil	191,347,100	191,347,100	64.3%	71.4%

Notes:

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

(2) Held through Nexsuss Holdings Pte Ltd for the benefit of Law Yu Chui, Lee Hang Ngok, Christopher Law Tak Heem and Law Tak Lun.

(3) Christopher Law Tak Heem is the son of Law Kung Ying, the grandson of Lee Hang Ngok and the nephew of Law Kung Ming and Law Yu Chui.

(4) Law Tak Lun is the son of Law Kung Ming, the grandson of Lee Hang Ngok and the nephew of Law Kung Ying and Law Yu Chui.

Pursuant to the Code, Law Kung Ying, Law Kung Ming, Law Yu Chui, Ngu Kuang Hua, Dr Chen Yuk Fu, Nexsuss Holdings Pte. Ltd., Lee Hang Ngok, Christopher Law Tak Heem, Law Tak Lun, 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 78.52%. Assuming a maximum of 10% of the Shares are repurchased, their combined shareholdings will rise to 87.25%. Their shareholdings fall outside the ambit of the operation of Rule 14 of the Code relating to mandatory take-over offer obligations. Thus, and as shown in the table above, none of the Company's Directors or Substantial Shareholders will, as a result of the Share Purchase, be obliged under the Take-over Code to make a mandatory take-over of the shares of the Company not already held by such Director or Substantial Shareholder under Rule 14 of the Take-over Code.

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3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholding interests of the Directors and the Substantial Shareholders, as at the Latest Practicable Date, are as follows:

	Direct interest (Number of Shares)	Deemed interest (Number of Shares)	Total interest[(1)] (%)
Directors			
Law Kung Ying[(2)]	10,419,600	Nil	3.5%
Law Kung Ming[(2)]	10,419,600	Nil	3.5%
Law Yu Chui[(2)]	10,419,600	191,347,100	67.8%
Ngu Kuang Hua	501,400	Nil	0.17%
Dr Chen Yuk Fu	100,000	Nil	0.03%
Substantial Shareholders			
Nexsuss Holdings Pte. Ltd.	191,347,100[(3)]	Nil	64.3%
Lee Hang Ngok[(2)]	10,419,600	191,347,100	67.8%
Christopher Law Tak Heem[(4)]	43,000	191,347,100	64.3%
Law Tak Lun[(5)]	Nil	191,347,100	64.3%

Notes:

(1) As a percentage of the Company’s issued and paid-up share capital (excluding treasury shares) of 297,704,500 Shares as of Latest Practicable Date.

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

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

(4) Christopher Law Tak Heem is the son of Law Kung Ying, the grandson of Lee Hang Ngok and the nephew of Law Kung Ming and Law Yu Chui.

(5) Law Tak Lun is the son of Law Kung Ming, the grandson of Lee Hang Ngok and the nephew of Law Kung Ying and Law Yu Chui.

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4 SHARES BOUGHT BY THE COMPANY IN THE PAST TWELVE MONTHS

In the last 12 months, the Company had made Market Purchases of its Shares pursuant to the Share Buyback Mandate, details of which are set out below:

Date of Purchase	Total Number of Shares Purchased	Purchase Price per Share (SGD)	Highest Price Paid per Share (SGD)	Lowest Price Paid per Share (SGD)	Total Consideration Paid for the Shares Purchased(1) (SGD)
13 June 2019	40,000	0.125000	0.126	0.124	5,044.95
25 July 2019	10,000	0.125000	0.125	0.125	1,293.35
7 August 2019	30,000	0.133000	0.133	0.133	4,034.88
15 August 2019	80,000	0.135625	0.138	0.13	10,898.23
16 August 2019	268,600	0.136920	0.139	0.133	36,891.20
19 August 2019	99,000	0.138091	0.139	0.136	13,719.93
21 August 2019	92,000	0.140043	0.142	0.139	12,932.37
22 August 2019	20,000	0.142000	0.142	0.142	2,884.39
23 August 2019	167,000	0.141934	0.143	0.14	23,776.23
29 August 2019	230,000	0.141461	0.144	0.137	32,637.12
30 August 2019	40,000	0.144000	0.144	0.144	5,805.64
10 September 2019	156,000	0.143564	0.146	0.14	22,465.23
12 September 2019	367,000	0.146542	0.148	0.141	53,947.43
13 September 2019	190,800	0.148340	0.149	0.147	28,391.47
16 September 2019	29,900	0.150000	0.15	0.15	4,530.09
11 October 2019	133,600	0.153488	0.154	0.15	20,570.27
14 October 2019	190,000	0.154421	0.156	0.153	29,431.21
15 October 2019	310,000	0.154145	0.157	0.15	47,935.16
16 October 2019	53,000	0.157868	0.159	0.156	8,413.86
17 October 2019	84,000	0.158119	0.159	0.158	13,330.94
21 October 2019	130,000	0.155077	0.156	0.154	20,223.34
22 October 2019	60,000	0.155183	0.157	0.153	9,357.96
23 October 2019	140,000	0.156918	0.158	0.156	22,037.34
25 October 2019	60,000	0.154167	0.155	0.154	9,297.34
29 October 2019	50,000	0.153600	0.155	0.152	7,726.47
1 November 2019	100,000	0.151600	0.158	0.149	15,209.67
11 November 2019	25,000	0.152800	0.154	0.152	3,864.81
14 November 2019	100,000	0.152200	0.154	0.151	15,269.70
20 November 2019	100,000	0.152120	0.157	0.15	15,261.68
29 November 2019	50,000	0.152840	0.154	0.152	7,688.44
6 December 2019	50,000	0.145600	0.148	0.145	7,326.30
9 December 2019	100,000	0.150280	0.152	0.147	15,077.60
13 December 2019	50,000	0.151200	0.152	0.15	7,606.41
16 December 2019	29,000	0.152000	0.152	0.152	4,453.05
18 December 2019	100,000	0.152000	0.152	0.152	15,249.68
20 December 2019	110,000	0.152000	0.152	0.152	16,772.26
23 December 2019	383,500	0.151130	0.152	0.151	58,138.58

Notes:

(1) Total consideration paid for the Shares purchased includes brokerage, stamp duties, commission, applicable goods and services tax and other related expenses.

LETTER TO SHAREHOLDERS

5 DIRECTORS' RECOMMENDATION

The Directors having fully considered, *inter alia*, the terms and rationale of the Share Buyback Mandate, are of the opinion that the renewal of the Share Buyback 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 renewal of the Share Buyback Mandate.

6 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

7 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours from the date of this Letter up to the date of the 2020 AGM:

(a) the constitution of the Company; and

(b) the annual report of the Company for FY2020.

Yours faithfully,
For and on behalf of the Board
CHEUNG WOH TECHNOLOGIES LTD

Law Kung Ming
Chief Executive Officer

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

PROXY FORM

IMPORTANT:

1. The Annual General Meeting of the Company ("**AGM**") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement dated 3 July 2020 (the "**Announcement**"), which has been uploaded together with the Notice of AGM dated 3 July 2020 on SGXNet on the same day. The Announcement may also be accessed at the Company's corporate website at www.cheungwoh.com.sg. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 3 July 2020 in respect of the AGM.
3. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. CPF Investors and/or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their CPF and/or SRS Operators to submit their votes by 11.00 a.m. on 16 July 2020.

By submitting an instrument appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 3 July 2020.

I/We_______________________________(Name)* NRIC/Passport No./Co. Registration No. ____________________ of

____*(Address)* being a *member/members of Cheung Woh Technologies Ltd (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting as *my/our *proxy/proxies to attend and to vote for *me/us on my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held by electronic means on Monday, 27 July 2020 at 11:00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting on the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, this Proxy Form shall be disregarded and the proxy shall abstain from voting on any matter arising at the AGM and at any adjournment thereof.

*Please delete accordingly

No.	Ordinary Resolutions	For	Against	Abstain
Ordinary Business				
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 28 February 2020 together with the Directors' Statement and Independent Auditors' Report thereon.			
2.	Approval of a tax exempt (one-tier) final dividend.			
3.	Approval of Directors' Fees for financial year ended 28 February 2020.			
4.	Re-election of Ms. Law Yu Chui who is retiring in accordance with Article 107 of the Company's Constitution.			
5.	Re-election of Mr. Ngu Kuang Hua who is retiring in accordance with Article 107 of the Company's Constitution.			
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise Directors to fix their remuneration.			
Special Business				
7.	Authority to allot and issue shares.			
8.	Proposed renewal of share buyback mandate.			

Note: Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain" from voting the relevant Resolutions, please tick (X) or (√) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" each Resolution in the boxes provided as appropriate. If you tick (X) or (√) in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that Resolution.

Dated this .... day of .... 2020.

Total No. of Shares	No. of Shares
(a) CDP Register	
(b) Register of Members	

....
Signature(s) of Member(s)
or, Common Seal of Corporate Member

** Delete accordingly*

IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM

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

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person and must appoint the Chairman of the AGM as proxy to attend, speak and vote on the member's behalf at the AGM and at any adjournment thereof. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its votes, he/she/it must submit this Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf. A member (whether individual or corporate including a Relevant Intermediary*) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.

3. CPF Investors and/or SRS Investors who wish to vote at the AGM should approach their respective CPF and/or SRS Operators to submit their votes to appoint the Chairman of the AGM as proxy at least seven (7) working days before the date of the AGM (i.e. by 11:00 a.m. on 16 July 2020). CPF Investors and/or SRS Investors should not directly appoint the Chairman as proxy to direct the vote.

4. Relevant Intermediaries shall also appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM. Together with the instrument appointing a proxy, the Relevant Intermediaries shall provide to the Company a list of attendees who would like to participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream with such information that may be requested by the Company.

   * A Relevant Intermediary is:

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

5. The Chairman of the AGM, as proxy, need not be a member of the Company.

6. The instrument appointing the Chairman of the AGM as proxy must be deposited at the Company's Share Registrar's office at 112 Robinson Road #05-01, Singapore 068902 or send electronic mail to GPD@mncsingapore.com enclosing signed PDF copy of the Proxy Form not less than forty-eight (48) hours before the time appointed for the meeting.

7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorized officer.

8. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

10. The Company shall be entitled to reject an instrument appointing the Chairman of the AGM as proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing the Chairman of the AGM as proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

11. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 July 2020.

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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 and factory building with floor area of 5,016 square metres	Leasehold (30 years from 16 January 1997, with option to renew for another 30 years)
MALAYSIA		
1059 MK 6 Lorong Perusahaan Maju 2 13600 Prai, Penang, Malaysia	A 2-storey office and factory building with floor area of 6,711 square metres	Leasehold (60 years from 15 October 1991)
1065, Lorong Perusahaan Maju 2, 13600 Prai, Penang, Malaysia	A single-storey factory building with floor area of 7,459 square metres	Leasehold (60 years from 10 May 1992)
PLO 170 Kawasan Perindustrian Senai Phase III, 81400 Senai, Johor, Malaysia	A 2-storey office and factory building with floor area of 4,047 square metres	Leasehold (56 years from 19 December 2003)
PLO 107 and 108 Kawasan 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 and a 4-storey factory buildings with floor area of 2,730 and 13,756 square metres respectively	Leasehold (50 years from 19 October 2003)

CHEUNG WOH
TECHNOLOGIES LTD

Company Registration Number: 197201205Z
23 Tuas South Street 1, Singapore 638033
www.cheungwoh.com.sg