

# **CHEUNG WOH TECHNOLOGIES LTD**

(Company Registration No. 197201205Z)  
(Incorporated in the Republic of Singapore)

## **MINUTES OF THE ANNUAL GENERAL MEETING HELD AT 23 TUAS SOUTH STREET 1, SINGAPORE 638033 ON MONDAY, 24TH DAY OF JUNE 2019 AT 11:00 A.M.**

### **PRESENT**

Directors: Mr Law Kung Ying (Chairman, Managing Director and Chief Executive Officer)  
Dr Chen Yuk Fu (Independent Director)  
Mr Lim Kian Wee Leonard (Independent Director)  
Mr Ngu Kuang Hua (Independent Director)  
Mr Law Kung Ming (Executive Director)  
Ms Law Yu Chui (Finance and Administrative Director)

### **CHAIRMAN**

Mr Law Kung Ying took the Chair of the Meeting and welcomed the members to the Annual General Meeting of the Company.

The Chairman concurred with a shareholder to defer the presentation of response to questions from Securities Investors Association (Singapore) (SIAS) to the end of the meeting after all shareholders present exercised their right to seek questions and answers at the Annual General Meeting.

### **QUORUM**

It was noted that a quorum was present and the Chairman called the meeting to order.

The Chairman exercised his right as Chairman of the meeting to demand for all resolutions, tabled at the meeting, to be voted by poll. The Chairman informed that Entrust Advisory Pte. Ltd. has been appointed Scrutineer for the poll at the Annual General Meeting.

### **NOTICE CONVENING THE MEETING**

The Notice convening the Meeting, having been in the hands of the members for the requisite statutory period, was with the concurrence of the meeting taken as read.

### **ORDINARY RESOLUTIONS**

#### **AS ORDINARY BUSINESS**

#### **1. DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019**

The Chairman asked members present whether they had any question on the Audited Financial Statements for the financial year ended 28 February 2019 and Directors' Statement.

Questions raised and replies made by the Company during the meeting are set out in the Appendix A annexed to these minutes.

There being no further question, the Chairman proposed the motion:

“That the Audited Financial Statements of the Company for the financial year ended 28 February 2019 together with the Directors’ Statement and the Auditors’ Report thereon be and are hereby received and adopted.”

The motion was seconded by Mr Ong Poh Seng.

The Chairman informed that the Resolution 1 will be put to vote at the end of the meeting.

**2. APPROVAL OF DIRECTORS’ FEES**

The Chairman informed members that the directors’ fees for the financial year ended 28 February 2019 was S\$242,000/-. Executive Directors have voluntarily given up their remuneration for the previous financial year ended 28 February 2018.

Questions raised and replies made by the Company during the meeting are set out in the Appendix A annexed to these minutes.

There being no further question, the Chairman requested for a member present to propose the motion relating to the payment of Directors’ fees of S\$242,000/- for the financial year ended 28 February 2019.

The motion was proposed by Ms Khor Meng Koon and seconded by Ms Tan Hai Ting.

The Chairman informed that the Resolution 2 will be put to vote at the end of the meeting.

**3. RE-ELECTION OF MR LAW KUNG MING RETIRING PURSUANT TO ARTICLE 107 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The Chairman informed members present that in accordance with Article 107 of the Company’s Articles of Association, Mr Law Kung Ming, would retire at the Meeting and being eligible, offered himself for re-election.

The Chairman asked members present on questions regarding re-election of Mr Law Kung Ming as a Director of the Company. There was no question raised.

The Chairman proposed “That Mr Law Kung Ming be re-elected a Director of the Company.”

The motion was seconded by Ms Khor Meng Koon.

The Chairman informed that the Resolution 3 will be put to vote at the end of the meeting.

**4. RE-ELECTION OF DR CHEN YUK FU RETIRING PURSUANT TO ARTICLE 107 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The Chairman informed members present that in accordance with Article 107 of the Company’s Articles of Association, Dr Chen Yuk Fu, would retire at the Meeting and being eligible, offered himself for re-election.

The meeting noted that if re-elected, Dr Chen Yuk Fu will remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Dr Chen Yuk Fu will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Chairman asked members present on questions regarding re-election of Dr Chen Yuk Fu as a Director of the Company. There was no question raised.

The Chairman proposed "That Dr Chen Yuk Fu be re-elected a Director of the Company."

The motion was seconded by Ms Tan Hai Ting.

The Chairman informed that the Resolution 4 will be put to vote at the end of the meeting.

## **5. RE-APPOINTMENT OF AUDITORS**

The Chairman informed members present that Ernst & Young LLP had expressed their willingness to continue in office.

Questions raised and replies made by the Company during the meeting are set out in the Appendix A annexed to these minutes.

As there was no further question, the Chairman proposed the following motion which was seconded by Mr Christopher Law Tak Heem:

"That Messrs Ernst & Young LLP be and are hereby re-appointed Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

The Chairman informed that the Resolution 5 will be put to vote at the end of the meeting.

## **AS SPECIAL BUSINESS**

### **6. AUTHORITY TO ALLOT AND ISSUE SHARES UP TO 50 PER CENT OF TOTAL NUMBER OF ISSUED SHARES IN THE CAPITAL OF THE COMPANY**

The Chairman asked members present on questions regarding the authority to issue shares.

Questions raised and replies made by the Company during the meeting are set out in the Appendix A annexed to these minutes.

Ms Tan Hai Ting proposed and Ms Khor Meng Koon seconded the motion as set out below:

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (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;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

## **7. RENEWAL OF THE SHARE BUYBACK MANDATE**

The Chairman asked members present on questions regarding the adoption of share buyback mandate.

Questions raised and replies made by the Company during the meeting are set out in the Appendix A annexed to these minutes.

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Mr Christopher Law Tak Heem proposed and Ms Khor Meng Koon seconded the motion as set out below:

- “(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 issued ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Percentage (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) on-market purchases, transacted on the Singapore Exchange Securities Trading Limited (“**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 (“**Market Purchase**”); and/or
  - (ii) off-market purchases, effected pursuant to 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, all laws and regulations, including the rules of the SGX-ST as may for the time being, be applicable (“**Off-Market Purchase**”) (“**Share Buyback Mandate**”),
- (b) unless varied or revoked by the Company in a in general meeting, 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, on and from the date of the passing of this Resolution up to the earliest of:
- (i) the conclusion of the next annual general meeting of the Company or the date by which such annual general meeting 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 are carried out to the full extent mandated; or
  - (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;
- (c) in this Resolution:

“**Maximum Percentage**” means the number of issued Shares representing 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, 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 that may be held by the Company from time to time);

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to

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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 the Shares over the last five market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing manual of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

“**date of the making of the offer**” means the date 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;

- (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.

The Chairman put to vote by poll all the 7 resolutions tabled at the AGM.

The Scrutineers explained on the procedures for the conduct of voting by poll.

During a recess of 15 minutes for the vote to be counted and verified, Mr Melvin Tsun presented to the meeting the Company’s responses to the questions from SIAS. After the presentation, the Chairman announced the poll results as follow:

For Resolution 1 relating to the Directors’ Statements and Audited Financial Statements for the financial year ended 28 February 2019 together with the Auditors’ Report, 237,702,600 ordinary shares representing 100.00% voted ‘For’ the Resolution unanimously. The Chairman declared Resolution 1 carried.

For Resolution 2 relating to the payment of directors’ fees of S\$242,000 for the financial year ended 28 February 2019, 237,658,400 ordinary shares representing 99.98% voted ‘For’ the Resolution and 44,200 ordinary shares representing 0.02% voted “Against” the Resolution. The Chairman declared Resolution 2 carried.

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For Resolution 3 relating to the re-election of Mr Law Kung Ming as a Director of the Company, 227,238,800 ordinary shares representing 99.98% voted 'For' the Resolution and 44,200 ordinary shares representing 0.02% voted "Against" the Resolution. The Chairman declared Resolution 3 carried.

For Resolution 4 relating to the re-election of Dr Chen Yuk Fu as a Director of the Company, 237,558,400 ordinary shares representing 99.98% voted 'For' the Resolution and 44,200 ordinary shares representing 0.02% voted "Against" the Resolution. The Chairman declared Resolution 4 carried.

For Resolution 5 relating to the re-appointment of Messrs Ernst & Young LLP as the Company's Auditors and authorise the Directors to fix their remuneration, 237,702,600 ordinary shares representing 100.00% voted 'For' the Resolution unanimously. The Chairman declared Resolution 5 carried.

For Resolution 6 relating to the authority to allot and issue shares, 234,991,400 ordinary shares representing 98.86% voted 'For' the Resolution and 2,711,200 ordinary shares representing 1.14% voted "Against" the Resolution. The Chairman declared Resolution 6 carried.

For Resolution 7 relating to the renewal of share buyback mandate, 237,702,600 ordinary shares representing 100.00% voted 'For' the Resolution unanimously. The Chairman declared Resolution 7 carried.

**CONCLUSION**

There being no further business, the Meeting concluded at 1:10 p.m. with a vote of thanks to the Chairman.

Confirmed as a correct record

LAW KUNG YING  
CHAIRMAN

**CHEUNG WOH TECHNOLOGIES LTD (the “Company”)  
(Company Registration No. 197201205Z)**

**Annual General Meeting (“AGM”) held on 24 June 2019**

**Questions and Answers on all resolutions tabled at the AGM**

**Resolution 1: Audited Financial Statements and Reports**

1. Mr K referred to page 9 regarding loss on HDD components segment in FY2019 that was mainly attributed to two reasons, one of which was allowance on impairment (\$8.2 million) and write-off of PPE (\$1.3 million). He enquired if there was any impairment on plants.

The Chairman replied that impairment was mainly made on machinery. No impairment was made for the plants.

2. Mr K enquired for information on machinery which is not impaired.

The Chairman replied that the equipment for the production of forged Aircomb is not impaired. The Company also have machining facilities for Aircomb production.

3. Mr K would like to know if all equipment for the production of Helium Baseplates has been impaired.

Ms Law Yu Chui replied that property, plant and machinery for the production of Helium Baseplates have been submitted for impairment review.

The Chairman replied that all equipment for the production of Helium Baseplates has been impaired and currently still kept in Zhuhai plant.

4. Mr K enquire on the use of equipment for production of Helium Baseplates.

The Chairman replied that the equipment would be utilised for new project. While attempting to be less dependent on a single product, the Company has been exploring alternative use of the equipment even before the discontinuation of Baseplates production. For instance, the Company has had initial contact with a potential customer for the production of notebook PC cover. However, the parties could not reach an agreement on some of the commercial terms. Therefore, the Company chose not to proceed with the project.

5. Mr K would like to know about type of material used for the production of notebook PC cover.

The Chairman replied that notebook PC cover uses aluminium.

6. Mr K enquired if the Company is discussing with other potential customers regarding production of notebook PC cover.

The Chairman replied that the Company is looking into potential projects related to forging and machining. As of now, the urgent task of the Company is to secure more profitable business and turn around the business as soon as possible, with a minimal CAPEX.

7. Mr K enquired if the impairment will be written back in the event that the Company has successfully generated profits using the existing equipment.

Ms Law Yu Chui replied that the impairment will be written back in accordance with the accounting standards.



8. Following the cessation of orders for Baseplates, Mr N would like to know if the Company could sustain with the remaining businesses such as production of VCM plates and Aircomb.

The Chairman replied that both VCM plates and Aircomb are currently profitable. Currently, the Company's cash flow is healthy and CAPEX will be minimal.

9. Mr N expressed his displeasure for the Board's wrong choice of HDD Baseplates customer. He stressed that the same mistake should not be repeated. He shared his view that the Company should instead focus on longer life products and less engineer demanding business (ie. that could last for 10 to 20 years).

The Chairman replied that the Management would not want to make the same mistake twice either. The Company is looking to diversify its business and has currently been looking to switch to forging and machining business which supplies to different industrial sectors. He shared his view that market demand for a matured sector is considerably short at approximately 3-5 years. On the other hand, a longer life-span business of approximately 20 to 30 years is expected to be highly competitive unless it is a monopoly business.

He added that HDD components segment, being a highly-engineered production business, has generated significant amount of profits for the Company in the past 10 to 15 years. The Baseplates incident was mainly due to timing issue rather than its engineering processes. In short, the business of the Company shall be more diversified that involves a mixture of products with different life span and in various industries.

10. Mr N stressed on the potential high risks associated with manufacturing of high-technology products such as risk of change in engineering design. Otherwise, the Company may face similar incident in the future.

The Chairman clarified that approximately 40 to 50% of forging and machining production of the Company has been consistent with product life of 5 to 10 years whereas the remaining 50% production supplies to multiple sectors, for instance, industrial laser and communication laser industry, autonomous driving industry and 3C industry. He added that the Company will be cautious before taking orders of 3C products. Several factors will be taken into consideration, particularly, (i) the order shall bring sufficient margin to the Company, (ii) customer will be required to fund for new CAPEX, if needed.

He further added that the Company shall diversify into other industries using its technical competence.

11. Mr T enquired if all the impairment were made for general machinery only or also on specialised machinery.

The Chairman replied that all impairment has been made for specialised machinery used in the production of Baseplates.

12. Mr K referred to the statement of 'we are expected to supply our current model of Baseplates until September 2019.' in the Chairman's Statement. He is concerned if the engineering issues for Baseplates production have been resolved and whether the remaining production of Baseplates is expected to be profitable.

Ms Law Yu Chui replied that engineering issues of Baseplates production have been resolved. The Chairman replied that the remaining Baseplates production expects marginal loss due to insufficient volume.

13. Mr K referred to the inventories of S\$10.77 million in page 44 of the 2019 Annual Report. He enquired if part of the said inventories is WIP for Baseplates which will be sold.

The Chairman replied yes and the said inventories will be sold.

14. Mr K enquired if the Company is also producing Aircomb and VCM plates to the said Baseplates customer.

The Chairman replied that the Company is producing Aircomb products to the said Baseplates customer.

15. Mr K enquired the reason for maintaining business relationship with the Baseplates customer.

The Chairman replied that the Company would like to maintain good business relationship with all customers because the industry is rather small. The Company is looking to settle it amicably.

16. Mr K enquired if the Company owns patent right to the Baseplates or manufacturing process of Baseplates.

The Chairman replied that the Company owns patent right of the forging process of Baseplates. The patent right has been written off from the books of the Company.

17. Mr T enquired the reason for the Baseplates customer to switch to alternative manufacturing method for Baseplates in their future models.

The Chairman replied that alternative manufacturing method offers lower price. He clarified that the Company offers the lowest price amongst all suppliers at the very beginning of the production. Subsequently, other suppliers offer much lower prices. Given the complex manufacturing process of Baseplates, the Company could not match the price as it will render the business unprofitable. The Chairman expressed that it was a tough decision to make.

18. Mr K enquired if the Company will exit from the HDD business altogether.

The Chairman replied that the Company will exit from helium drive business. The Company will continue with VCM plates and Aircomb businesses which are still profitable.

19. Mr T enquired if the Company foresees to exit from HDD business entirely in 2 to 3 years as HDD will soon be replaced by SSD.

The Chairman replied that SSD is not expected to replace HDD in the immediate future.

20. Mr T enquired if the CAPEX spending for VCM and Aircomb production have been fully depreciated.

Ms Law Yu Chui replied the CAPEX spending for VCM and Aircomb production has not been fully depreciated.

21. Mr T enquired if the Company is actively looking for buyers for its properties located at 17 & 23 Tuas South Street 1.

Ms Law Yu Chui replied that the Company is actively looking for buyers for its properties. The Company received enquiries about the sale recently.

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The Chairman added that the Company hopes to sell the properties at fair market value.

22. Mr N is of the view that it is the board of directors' responsibilities to allocate capital prudently.

The Chairman replied that the Management will be more careful on CAPEX investment and strive to diversify its business by supplying products to various industries.

23. Mr S enquired if the Company increased its Baseplates' price following the technical issues it encountered in order to cover for the extra costs on tests and labour.

The Chairman replied that there was price increase in FY2018 to cater for additional manufacturing process and tightened specifications.

24. Mr O enquired if the Baseplates customer switched to another supplier which offers a lower selling price and the Company could not match the lower price as it will lead to losses to the Company.

The Chairman replied yes as another supplier offers a lower selling price which the Company is unable to match the price.

25. Mr K referred to page 91 regarding PMS components segment had lower turnover in Malaysia and Middle East. External sales of the segment have dropped from S\$15.7 million to S\$12 million whereas profit fell from S\$2.5 million to S\$1.4 million. He sought clarification on the business related to PMS components segment.

Mr Law Kung Ming replied that PMS stands for precision metal stamping. The segment supplies stamped part products to automotive industry in Penang. The segment is categorised into two types, ie. medium volume and high mix low volume. Medium volume refers to orders in the range of 5,000 to 50,000 pieces per run which customers generally place their orders monthly or trimonthly. High mix low volume refers to low volume and inconsistent number of orders. Currently, the Company has produced about 100 different types of parts, ranging from 50 to 250 pieces per order.

The Company supplies parts to a US based company which has its customers in the Middle East. The parts are used in solar steam generator system that uses sun light and reflector to boil water to become steam and uses the steam for oil recovery. The US based customer conducts its own research and development, project management and installation. Thereafter, it sells the whole project to oil companies in the Middle East. The Company was requested to ship the parts to Middle East directly. The business was on contract basis and bidding is required.

26. Mr K enquired if the reduction of profit margin of PMS components segment from 16% to 11% was due to lower sales in Penang or the Middle East.

Mr Law Kung Ming replied that the reduction in profit margin was mainly due to lower sales to the Middle East as the order was on contract basis.

27. Mr O enquired the reason for the Company not proceeding with the Singapore solar panel company using its solar steam generator system.

Mr Law Kung Ming replied that the solar steam generator system is mainly used for oil recovery rather than to generate electricity supply.

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28. Mr G referred to page 3 regarding the Company's venture into component manufacturing for commercial/communication laser devices, laser auto gliding devices and solar farm voltage step-up devices. He enquired about the sustainability and expected profit of the new product components and whether the customer is a China based company.

The Chairman replied that the Company does not have any China based customer currently. The new customers are generally foreign companies, some of which are located in China and other countries. He added that the Company's potential immediate customer is a Japanese company in automotive industry supplying its products to China domestic market.

The Chairman explained that the new products are in different stages and thus it is difficult to quantify and estimate the amount of profits at this juncture.

29. Mr G enquired if the Company's business will be affected by US-China trade war as the Company manufactures its products in China and Malaysia for some of the US companies.

The Chairman replied that it is difficult for him to predict the impact of trade war. In the event the trade war escalates, the Company may manufacture and ship products from Johor or Penang plants according to customers' preferences.

30. Mr T enquired about the Company's competitor in precision forging.

The Chairman replied that precision forging is a very fragmented industry and therefore it is difficult to comment on this.

31. Mr K referred to page 44 regarding investment in subsidiaries has been impaired from S\$44.4 million to S\$34.7 million due to the impairment of assets in Zhuhai factory. He enquired if the Company would write back the impairment in the event that the Company receive new orders or has found alternative use of the assets for Baseplates production.

Ms Law Yu Chui replied that the Company will re-calculate to ascertain write-back amount.

32. Mr K gave an assumption that if there were write-back of impairment of assets, whether it will be at asset level and whether there will be write-back of investment in subsidiaries at the company level in accordance with accounting standards.

Ms Law Yu Chui replied that impairment will be written back at asset level and investment in subsidiaries will also be written back at the company level.

33. Mr K referred to page 44 about the decrease in other receivables from S\$22.3 million to S\$16.8 million. He requested for more information about the said other receivables.

Ms Law Yu Chui replied that the other receivables are mainly receivables from subsidiaries such as intercompany-loans from the Company to its subsidiaries.

34. Mr H enquired about reason for a significant decrease in the Baseplates' selling price of the Company's competitor.

Mr Law Kung Ming replied that the Company is not aware of the competitor's rationale/strategy in fixing their selling price for Baseplates. Therefore, the Company is not in the position to comment on their price.

35. Mr V enquired if there will be retrenchment exercise in Zhuhai factory in the event there is no new customer for the Zhuhai operations.

The Chairman replied that no retrenchment exercise is expected in Zhuhai factory. He added that the remaining headcount in Zhuhai factory is approximately 300 workers, comprising of contract workers and permanent workers. It is a norm in China for workers to tender resignation prior to Chinese New Year. New workers who joined the Company after Chinese New Year in FY2019 are hired on contract basis. The Company does not foresee any legal complication to release its contract workers, if required. The permanent workers who are currently doing Baseplates production may be transferred to Aircomb production line.

#### **Resolution 2: Payment of Directors' Fees**

36. Mr K enquired if Directors' fees can be reduced so that it is consistent with no declaration of dividend.

The Chairman clarified that the Company has declared interim dividend during FY2019. He then replied that he could not respond to Mr Koh's proposal as there shall be a concerted decision by the Board of Directors as a whole regarding directors' fees.

37. Mr O sought clarification for the amount of directors' fee in FY2019 which is higher than FY2018 but the Management claimed that there was no increase in directors' fees.

Ms Law Yu Chui replied that there was no increase in directors' fee. The difference in directors' fees was due to the executive directors had voluntarily given up their directors' fees last year.

Mr Law Kung Ying replied that the directors' fees were restored because the Company was profitable in FY2019, if impairment of assets was not taken into account. He added that the Executive Directors and Senior Management are working very hard on the new business development.

#### **Resolution 5: Re-appointment of Auditors**

38. Mr K enquired about the name of auditor for the Company's Zhuhai and Malaysia subsidiaries.

Mr Alvin Phua replied that Ernst & Young Malaysia is the appointed auditor for Malaysia subsidiaries. The auditor of Zhuhai subsidiaries are local audit firm. For purpose of group audit reporting, Ernst & Young China perform audit reviews and report audit findings to Ernst & Young Singapore.

#### **Resolution 6: Authority to Allot and Issue Shares**

39. Mr K referred to page 44 regarding the total equity at Group level and Company level at S\$80.9 million and S\$57 million respectively. Having considered the total equity, current share price of 13 cents as well as the market capitalisation of approximately S\$39.2 million, he expressed his opinion that he sees no reason why a shareholder should grant authority to allot and issue shares to the Board of Directors of the Company to repurchase its shares at such a steep discount.

The Chairman replied that authority to allot and issue shares mandate would provide the directors with more flexibility to issue shares when required although the Company is unlikely to issue new shares.

**Resolution 7: Renewal of the Share Buy-Back Mandate**

40. Mr K enquired on the total number of share buy-back and total consideration in Year 2019.

Dr Chen Yuk Fu replied that there was no share buy-back in FY2019. However, there were share buy-back exercises in FY2020.

Ms Law Yu Chui replied that the total number of share buy-back from 1 March 2019 to 23 June 2019 was 318,900 shares at a total consideration of S\$39,385.45.

41. Mr K enquired if the Company will continue to buy back the Company's shares using its cash balance of S\$20 million.

Dr Chen Yuk Fu replied that the Directors of the Company will discuss internally. Priority is to generate profits.

42. Mr K enquired if this is the first time the Company buy back its own shares.

The Chairman replied no.

43. Mr K shared his view that share buy-back is part of capital management. He enquired the reason for not declaring dividend but buy back shares of the Company.

The Chairman replied that share buy-back is a form of good investment for the Company.

44. Mr G noted that the Company has been buying back its own shares in a week consecutively and stopped buying nearer to the AGM. He enquired if such exercise is a hint of good prospects of the Company in the future.

The Chairman replied that share buy-back exercise is a good investment for the Company.

45. Mr K enquired the reason the Directors did not purchase the Company's shares on their own capacity instead of Company buys back its shares.

The Chairman replied that the Directors did not purchase shares on their own account because Company's share buy-back exercise would benefit all shareholders, including minority shareholders.