



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Cheung Woh Technologies Ltd

**Security:** Cheung Woh Technologies Ltd

**Meeting details:**

Date: 26 June 2018

Time: 11.00 a.m.

Venue: 23 Tuas South Street 1, Singapore 638033

**Company Description**

Cheung Woh Technologies Ltd, an investment holding company, manufactures and supplies precision hard disk drive components. The company operates through two segments, Hard Disk Drive Components and Precision Metal Stamping Components. The Hard Disk Drive Components segment offers voice coil motor plates, air combs, and baseplates. The Precision Metal Stamping Components segment provides sheet metal machined parts and stamped parts, prototypes, and computer numerical controlled machined parts, as well as stamping tool design and fabrication services. The company serves the hard disk drive, communications, electrical and electronics, semiconductor, and automotive industries primarily in Singapore, Malaysia, Thailand, Sultanate of Oman, Portugal, the United States, the Philippines, Germany, the People's Republic of China, and internationally. The company was incorporated in 1972 and is based in Singapore. Cheung Woh Technologies Ltd is a subsidiary of Nexsuss Holdings Pte. Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=C50](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C50))

1. The group's issues with the production of Baseplates and the impact from Typhoon Hato were highlighted in the Chairman's Statement (page 2 of the annual report). For FY2018, the group's loss for the financial year was \$16.8 million, compared to a gain of \$3.6 million a year ago.

It was mentioned that the "customer's tightened specification on Baseplates led to inventory being written off and extra sorting and rework activities" (page 2).

- (i) As a supplier of precision HDD components for over 45 years, could management elaborate further on the reasons for the "tightened specification" after the group started the manufacturing of the Baseplates for months? Did the contract with the customer allow for such belated changes to the specification that would have a material and adverse financial impact on the group?**
- (ii) In addition, equipment worth more than \$2.6 million were impaired as they have been left idle as a result of reduction in customer's demand for Baseplates. As the group scaled up its Baseplate capacity, did the contract with the customer include safeguards such as minimum orders as a means to mitigate some of the business/investment risks?**
- (iii) What is the current status of the new Zhuhai factory? Can management also disclose the utilisation rates of its Baseplate facilities?**
- (iv) Going forward, can management update shareholders if all the issues related to the production of Baseplates have been resolved? How competitive or cost effective is the group in the manufacturing of such Baseplates?**
- (v) Would the board consider it necessary to review the group's project management/risk mitigation framework, especially in the area of business/investment risks?**
- (vi) Does the group have insurance for the damages caused by the Typhoon Hato?**

2. Despite a 13% drop in revenue to \$72.8 million, trade receivables as at 28 February 2018 amounted to \$22.2 million (2017: \$16.4 million). Trade receivables that are past due but not impaired have increased from \$2.6 million to \$7.6 million, as shown in Note 10 (page 71, reproduced below).

**Trade receivables that are past due but not impaired**

The Group has trade receivables amounting to \$7,627,000 (2017: \$2,600,000) that are past due at the balance sheet date but not impaired. These trade receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	\$'000	\$'000
Less than 30 days	3,318	2,511
30 to 60 days	4,025	64
61 to 90 days	3	25
More than 90 days	281	–

(Source: Company annual report)

As customers are usually given 90 days' terms, it would mean that the goods were delivered between 120 to 150 days ago (as at the end of the financial year).

- (i) Would management help shareholders understand the reasons for the significant increase in trade receivables that are past due by 30 to 60 days but not impaired?**
- (ii) Would the outstanding trade receivables be related to the Baseplates?**
- (iii) What are management's efforts to collect the outstanding trade receivables that are past due but not impaired?**

3. As noted in the Corporate Governance Report (pages 17 & 18), two directors, namely Dr Chen Yuk Fu and Mr Lim Kian Wee, have served on the Board for more than nine years from the date of their first appointment and 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*".

Dr Chen Yuk Fu and Mr Lim Kian Wee were first appointed on 15 September 2000 and 30 September 2005 respectively. As such, they have each served on the board for more than 17 years and 12 years respectively.

- (i) Would the board elaborate further on the process undertaken to "rigorously review" the independence of the long tenured directors?**
- (ii) Notwithstanding that the board is satisfied that both long tenured directors "remain independent", and that Mr Ngu Kuang Hua being the other independent director was appointed in May 2012, what are the board's near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**



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A copy of the questions for the Annual Report for the financial year ended 28 February 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Cheung%20Woh%20Technologies%20Ltd>

The company's response could be found here: -----