



Financial Statements And Dividend Announcement
For First Quarter Financial Period Ended 31 May 2017

CHEUNG WOH TECHNOLOGIES LTD

Co. Reg. No. 197201205Z

First Quarter Financial Statements And Dividend Announcement

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
 HALF-YEAR AND FULL YEAR RESULTS**

The Directors of Cheung Woh Technologies Ltd advise the following unaudited results of the Group for the financial period ended 31 May 2017.

1(a) A consolidated statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Comprehensive Income

	Notes	GROUP		Increase/ (decrease) %
		3 months ended 31.5.2017 S\$'000	31.5.2016 S\$'000	
Turnover		16,550	21,005	(21.2)
Cost of sales		(16,102)	(17,227)	(6.5)
Gross profit		448	3,778	(88.1)
Other operating income	a	1,135	1,519	(25.3)
Distribution and selling expenses		(1,158)	(757)	53.0
General and administrative expenses		(2,053)	(1,954)	5.1
Finance costs		(125)	(87)	43.7
Share of results of associates		247	856	(71.1)
(Loss)/profit before taxation	b	(1,506)	3,355	n.m.
Income tax expense		(18)	(170)	(89.4)
(Loss)/profit for the financial period		(1,524)	3,185	n.m.
Other comprehensive income:				
Foreign currency translation loss		(772)	(1,924)	
Total comprehensive (loss)/income for the financial period		(2,296)	1,261	
(Loss)/profit attributable to:				
Equity owners of the Company		(1,524)	3,185	
		(1,524)	3,185	
Total comprehensive (loss)/income attributable to:				
Equity owners of the Company		(2,296)	1,261	
		(2,296)	1,261	
Earnings per share (cents)				
Basic and diluted		(0.50)	1.05	

n.m. - not meaningful

1(a) A consolidated statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	GROUP	
	3 months ended	
<u>Notes</u>	31.5.2017	31.5.2016
	S\$'000	S\$'000
a The Group's other operating income included the following:		
Sales of scrap metal	588	810
Foreign exchange gain	460	439
Rental income	26	152
Sundry income	48	113
Interest income	13	5
b The Group's profit before taxation is arrived at after charging/(crediting):		
Amortisation and depreciation	2,432	2,054
Loss on disposal of property, plant and equipment	2	-
Interest expense on interest-bearing loans and borrowings	125	87
Write-back of inventories obsolescence	-	(11)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	31.5.2017	28.2.2017	31.5.2017	28.2.2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	72,865	70,546	1,566	1,570
Investment properties	2,574	2,591	2,574	2,591
Intangible assets	138	117	130	109
Investments in subsidiaries	-	-	44,397	44,397
Investments in associates	18,380	18,133	15,662	15,662
Deferred tax assets	201	199	148	148
	<u>94,158</u>	<u>91,586</u>	<u>64,477</u>	<u>64,477</u>
Current assets				
Inventories	14,709	11,954	-	-
Trade receivables	16,013	16,434	-	-
Amount due from an associate	92	93	-	-
Other receivables	2,862	2,339	4,840	2,137
Other current assets	4,348	3,276	148	173
Cash and bank balances	9,776	10,745	576	920
	<u>47,800</u>	<u>44,841</u>	<u>5,564</u>	<u>3,230</u>
Total assets	<u>141,958</u>	<u>136,427</u>	<u>70,041</u>	<u>67,707</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	7,709	5,632	75	65
Other payables	9,039	5,141	603	561
Amount due to an associate	-	244	-	-
Interest-bearing loans and borrowings	12,761	10,231	4,159	1,784
Income tax payable	75	142	-	-
	<u>29,584</u>	<u>21,390</u>	<u>4,837</u>	<u>2,410</u>
Net current assets	<u>18,216</u>	<u>23,451</u>	<u>727</u>	<u>820</u>
Non-current liability				
Interest-bearing loans and borrowings	3,693	4,063	-	-
Deferred tax liabilities	2,276	2,273	-	-
	<u>5,969</u>	<u>6,336</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>35,553</u>	<u>27,726</u>	<u>4,837</u>	<u>2,410</u>
Net assets	<u>106,405</u>	<u>108,701</u>	<u>65,204</u>	<u>65,297</u>
Equity attributable to owners of the Company				
Share capital	50,200	50,200	50,200	50,200
Treasury shares	(1,923)	(1,923)	(1,923)	(1,923)
Revenue reserve	62,363	63,887	16,927	17,020
Statutory reserve	1,219	1,219	-	-
Foreign currency translation reserve	(5,454)	(4,682)	-	-
Total equity	<u>106,405</u>	<u>108,701</u>	<u>65,204</u>	<u>65,297</u>
Total equity and liabilities	<u>141,958</u>	<u>136,427</u>	<u>70,041</u>	<u>67,707</u>

1(b)(ii) Aggregate amount of the group's borrowings and debt securities

A) Amount repayable in one year or less, or on demand #

As at 31.05.2017		As at 28.02.2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
8,602	4,159	8,447	1,784

The amount of \$8,602,000 (28.02.2017: \$8,447,000) includes \$4,839,000 (28.02.2017: \$4,356,000) repayable after one year based on the scheduled repayment dates in the loan agreements. The amount is classified as repayable in one year or less, or on demand in compliance with accounting standard.

B) Amount repayable after one year

As at 31.05.2017		As at 28.02.2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,693	-	4,063	-

C) Details of any collateral

- i) Certain bank borrowings of the Group and the Company are secured; and
- ii) The bank borrowings of certain subsidiary companies are secured by legal mortgage over the subsidiary companies' properties and corporate guarantee from the holding company.

1(c) **A consolidated statement of cash flows, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	GROUP	
	3 months ended	
	31.5.2017	31.5.2016
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,506)	3,355
Adjustments for:		
Amortisation and depreciation	2,432	2,054
Loss on disposal of property, plant and equipment	2	-
Unrealised exchange loss	37	79
Interest expense	125	87
Write-back of inventories obsolescence	-	(11)
Share of results of associates	(247)	(856)
Interest income	(13)	(5)
Operating cash flows before changes in working capital	830	4,703
(Increase)/decrease in:		
Inventories	(2,722)	(35)
Trade receivables	397	2,565
Amount due from an associate	-	2
Other receivables and prepayments	(850)	(1,519)
(Decrease)/increase in:		
Trade payables	1,733	(186)
Other payables	3,656	1,798
Amount due to an associate	-	255
Cash flow generated from operations	3,044	7,583
Interest received	13	5
Interest paid	(125)	(87)
Income tax paid	(90)	(33)
Net cash flow generated from operating activities	2,842	7,468

1(c) A consolidated statement of cash flow, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)
GROUP

	3 months ended	
	31.5.2017	31.5.2016
	S\$'000	S\$'000
Cash flow from investing activities		
Additions to intangible assets	(24)	-
Purchase of property, plant and equipment	(3,480)	(6,377)
Proceeds from disposal of property, plant and equipment	-	7
Advance payment to suppliers of property, plant and equipment	(2,345)	(2,105)
Net cash flow used in investing activities	(5,849)	(8,475)
Cash flow from financing activities		
Proceeds from interest-bearing loans and borrowings	6,142	4,121
Repayment of interest-bearing loans and borrowings	(4,026)	(5,667)
Increase in cash and cash equivalents subject to restrictions	(5)	-
Net cash flow generated from/(used in) financing activities	2,111	(1,546)
Net decrease in cash and cash equivalents	(896)	(2,553)
Cash and cash equivalents at beginning of financial period	10,615	14,499
Effect of exchange rate changes on cash and cash equivalents	(81)	(205)
Cash and cash equivalents at end of financial period	9,638	11,741

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	GROUP	
	31.5.2017	31.5.2016
	S\$'000	S\$'000
Cash and bank balances	9,638	11,741
Fixed deposits	138	133
	9,776	11,874
Less:		
Cash and cash equivalents subject to restriction *	(138)	(133)
Cash and cash equivalents at end of financial period	9,638	11,741

* This relates to fixed deposits pledged for banker's facilities granted to a subsidiary company.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Attributable to equity owners of the Company

	Share capital S\$'000	Treasury shares S\$'000	Revenue reserve S\$'000	Statutory reserve S\$'000	Foreign currency translation reserve S\$'000	Total other reserves S\$'000	Total equity attributable to equity owners of the Company S\$'000	Total equity S\$'000
GROUP								
Balance as at 28.02.2017	50,200	(1,923)	63,887	1,219	(4,682)	463	108,701	108,701
Total comprehensive loss for the financial period	-	-	(1,524)	-	(772)	(772)	(2,296)	(2,296)
Balance as at 31.05.2017	50,200	(1,923)	62,363	1,219	(5,454)	(309)	106,405	106,405
Balance as at 28.02.2016	50,200	(1,923)	63,511	1,170	(1,702)	(532)	111,256	111,256
Total comprehensive income for the financial period	-	-	3,185	24	(1,948)	(1,924)	1,261	1,261
Balance as at 31.05.2016	50,200	(1,923)	66,696	1,194	(3,650)	(2,456)	112,517	112,517

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	Share capital S\$'000	Treasury shares S\$'000	Revenue reserve S\$'000	Total equity S\$'000
COMPANY				
Balance as at 28.02.2017	50,200	(1,923)	17,020	65,297
Total comprehensive loss for the financial period	-	-	(93)	(93)
Balance as at 31.05.2017	<u>50,200</u>	<u>(1,923)</u>	<u>16,927</u>	<u>65,204</u>
Balance as at 28.02.2016	50,200	(1,923)	19,145	67,422
Total comprehensive income for the financial period	-	-	79	79
Balance as at 31.05.2016	<u>50,200</u>	<u>(1,923)</u>	<u>19,224</u>	<u>67,501</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Share Capital

	Group and Company	
	No. of shares (('000)	(S\$'000)
Ordinary shares - Issued and fully paid		
Balance as at 1 March 2017 and 31 May 2017	313,085	50,200

There was no change in the Company's share capital from 28 February 2017 to 31 May 2017.

As at 31 May 2017, the Company held 10,873,000 of its issued shares as Treasury Shares (31 May 2016: 10,873,000).

The Company does not have any outstanding options or convertibles at the end of the financial period under review (31 May 2016: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31.05.2017	28.02.2017
	Number of shares	Number of shares
	('000)	('000)
Total number of shares issued	313,085	313,085
Less: Treasury shares	<u>(10,873)</u>	<u>(10,873)</u>
Issued shares excluding treasury shares	<u><u>302,212</u></u>	<u><u>302,212</u></u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures in this announcement have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of the matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements as at 28 February 2017 except that the Group has adopted new Financial Reporting Standards (FRS) which became effective for periods beginning on or after 1 March 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of the standards and interpretations highlighted in paragraph 4 above did not have any effect on the financial performance or position of the Group presented in this announcement.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	31.5.2017	31.5.2016
(Loss)/profit attributable to shareholders (\$'000)	(1,524)	3,185
Weighted average number of shares used to compute basic and diluted earnings per share ('000)	302,212	302,212
Earnings per share (cents) - basic and diluted	(0.50)	1.05

The weighted average number of shares was computed after adjusting for the effect of treasury shares held by the Company.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the:
(a) current period reported on; and
(b) immediately preceding financial year

	GROUP		COMPANY	
	31.5.2017	28.2.2017	31.5.2017	28.2.2017
Net asset value per ordinary share based on share capital at the end of the period (cents)	35.21	35.97	21.58	21.61

The calculation of the net asset value per ordinary share was based on total number of 302,212,000 (28.2.2016: 302,212,000) ordinary shares (excluding treasury shares).

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Consolidated statement of comprehensive income

The Group has reported turnover of \$16.6 million for the first quarter ended 31 May 2017 (1QFY18), a decrease of 21.2% (or \$4.5 million) as compared to \$21.0 million in the corresponding financial period in FY2017 (1QFY17). The lower turnover was attributable to a drop in customers' demand for air-combs and VCM plates and the transition of phasing in the manufacturing of Baseplates, resulting in a decrease of 27.8% as compared to 1QFY17. Turnover in Precision Metal Stamping components segment, on the other hand, increased by 13.5% as compared to 1QFY17. The increase was attributed to higher sales to a new customer.

Cost of sales (COS) of the Group decreased by 6.5% (or \$1.1 million) as compared to 1QFY17. The decrease in COS was not in line with decrease in turnover due to higher materials, labour and overhead costs incurred during 1QFY18. As a result, gross profit margin dropped as compared to 1QFY17.

Consolidated statement of comprehensive income (cont'd)

Other operating income in 1QFY18 was 25.3% (or \$384K) lower as compared to 1QFY17. The decrease was mainly due to lower sales of scrap metal (\$222K) and rental income (\$126K) generated in 1QFY18.

Distribution and selling expenses increased by 53.0% (or \$401K) as compared to 1QFY17 mainly due to higher promotional expenses incurred in 1QFY18.

General and administrative expenses increased by 5.1% (or \$99K) as compared to 1QFY17 mainly due to higher depreciation charges incurred in 1QFY18.

Finance costs increased by 43.7% (or \$38K) as compared to 1QFY17 mainly due to increase in interest-bearing loans and borrowings.

Share of results of associates represents the Group's interest in the profit after taxation of Jiangsu Tysan Precision Engineering Co., Ltd. group of companies ("TP Group"). During 1QFY18, TP Group has recorded lower revenue and profit as compared to 1QFY17. As a result, the share of results of associates decreased.

Statement of financial position

The Group's non-current assets increased by 2.8% (or \$2.6 million) as compared to previous financial year ended 28 February 2017 (FY17) mainly contributed by increases in property, plant and equipment and investments in associates. Higher property, plant and equipment as at 1QFY18 was attributed to purchases of plant and machineries, primarily for HDD components segment. Increase in investments in associates was attributed to share of profit after taxation derived from TP Group during 1QFY18.

The Group's current assets increased by 6.6% (or \$3.0 million) as compared to FY17 mainly due to increases in inventories, other receivables and other current assets. Inventories increased by \$2.8 million mainly due to planned building up of inventories. Other receivables increased by \$0.5 million mainly due to higher value-added-tax recoverable recorded in subsidiaries in China. Other current assets increased by \$1.1 million mainly due to higher balance of advance payments made for the acquisition of plant and machineries. The increase was partially offset by decreases in trade receivables and cash and bank balances. Trade receivables decreased by \$421K mainly due to lower sales recorded during 1QFY18. At the Company level, other receivables increased by \$2.7 million mainly due to increase in inter-companies receivables.

The Group's current liabilities increased by 38.3% (or \$8.2 million) as compared to FY17 mainly due to increases in trade and other payables and interest-bearing loans and borrowings (current portion). Trade payables increased by \$2.1 million mainly due to more purchases made towards the end of 1QFY18. Other payables increased by \$3.9 million mainly due to higher deposits received from customers and payables on machinery. Higher interest-bearing loans and borrowings (current portion) increased mainly due to additional loans drawn down during 1QFY18.

Consolidated statement of cash flow

During 1QFY18, the Group has net cash flow generated from operating activities of \$2.8 million as compared to \$7.5 million in 1QFY17. The net cash flows generated from operating activities in 1QFY18 was mainly contributed by operating cash flows before changes in working capital, decrease in trade receivables and increases in trade and other payables. It was partially offset by increases in inventories and other receivables and prepayments.

In investing activities, the Group used \$5.8 million during 1QFY18 as compared to \$8.5 million used in 1QFY17. The net cash used was mainly for purchases of property, plant and equipment.

During 1QFY18, the Group has net cash flow generated from financing activities of \$2.1 million as contrast with \$1.5 million net cash flow used in 1QFY17. The net cash flow generated in 1QFY18 was mainly proceeds from interest-bearing loans and borrowings, after offsetting repayment of interest-bearing loans and borrowings made during 1QFY18.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

As mentioned in the FY2017 Results Announcement, turnover in HDD components segment will continue to be affected during the transitional period of phasing in the manufacturing of Baseplates. The Group has made a loss for 1QFY18 also due to lower sales generated and higher cost incurred in the HDD components segment. The decrease in sales was mainly caused by drop in customers' demand for air-combs and VCM plates. Higher costs were attributed to higher labour, materials and overhead costs.

The Company has made a profit guidance announcement in this regard on 4 July 2017.

10 A commentary at the date of the announcement of the significant trends or competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Turnover in the HDD components segment will continue to be affected during the transitional period of phasing in the manufacturing of Baseplates. The transitional period is expected to end by 3QFY18.

PMS components segment is expected to do well.

11 Dividend

(a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the current financial period.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, statement to that effect.

The Group does not have a general mandate from its shareholders for interested person transactions.

14 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in the Appendix 7H) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officer.

Confirmation by the Board

On behalf of the Board of Directors, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of Cheung Woh Technologies Ltd for the first quarter ended 31 May 2017 set out above to be false or misleading in any material respects.

For and On behalf of the Board of Directors

Law Kung Ying
Director

Law Yu Chui
Director

10 July 2017