



Financial Statements And Related Announcement
For Second Quarter Financial Period Ended 31 August 2018

CHEUNG WO H TECHNOLOGIES LTD

Co. Reg. No. 197201205Z

Second Quarter Financial Statements And Related 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 August 2018.

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)	GROUP		Increase/ (decrease)
		2QFY19 S\$'000	2QFY18 S\$'000	%	1HFY19 S\$'000	1HFY18 S\$'000	%
Turnover		22,985	13,998	64.2	44,403	30,548	45.4
Cost of sales		(19,809)	(18,161)	9.1	(38,146)	(34,263)	11.3
Gross profit/(loss)		3,176	(4,163)	n.m.	6,257	(3,715)	n.m.
Other operating income	a	1,186	1,434	(17.3)	2,100	2,567	(18.2)
Distribution and selling expenses		(788)	(583)	35.2	(1,596)	(1,741)	(8.3)
General and administrative		(2,521)	(2,043)	23.4	(4,803)	(4,094)	17.3
Finance costs		(93)	(162)	(42.6)	(233)	(287)	(18.8)
Share of results of associates		-	(165)	n.m.	-	82	n.m.
Profit/(loss) before taxation	b	960	(5,682)	n.m.	1,725	(7,188)	n.m.
Income tax expense		(119)	(184)	(35.3)	(237)	(202)	17.3
Profit/(loss) for the financial period		841	(5,866)	n.m.	1,488	(7,390)	n.m.
Other comprehensive income:							
Foreign currency translation (loss)/gain		(605)	187		(299)	(585)	
Total comprehensive income for the financial period		236	(5,679)		1,189	(7,975)	
Profit/(loss) attributable to:							
Equity owners of the Company		841	(5,866)		1,488	(7,390)	
Total comprehensive income attributable							
Equity owners of the Company		236	(5,679)		1,189	(7,975)	
Earnings per share (cents)							
Basic and diluted		0.28	(1.94)		0.49	(2.45)	

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)

<u>Notes</u>	GROUP		GROUP		
	2QFY19 S\$'000	2QFY18 S\$'000	1HFY19 S\$'000	1HFY18 S\$'000	
a	The Group's other operating income included the following:				
	Sales of scrap metal	1,003	735	1,833	1,323
	Rental income	85	25	111	51
	Foreign exchange gain	-	595	-	1,055
	Sundry income	84	70	134	118
	Gain/(loss) on disposal of property, plant and equipment	-	1	1	(1)
	Interest income	14	8	17	21
	Bad debt recovered	-	-	4	-
b	The Group's profit before taxation is arrived at after charging/(crediting):				
	Amortisation and depreciation	2,434	2,589	4,954	5,021
	Inventories written-off	-	2,620	-	2,620
	Interest expense on interest-bearing loans and borrowings	93	162	233	287
	Allowance for inventories obsolescence	-	-	5	-
	Foreign exchange loss	684	-	980	-

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	
	31.8.2018	28.2.2018	31.8.2018	28.2.2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	63,986	70,497	1,581	1,581
Investment properties	2,493	2,525	2,493	2,525
Intangible assets	118	122	122	122
Investments in subsidiary companies	-	-	44,397	44,397
Deferred tax assets	191	191	118	122
	<u>66,788</u>	<u>73,335</u>	<u>48,711</u>	<u>48,747</u>
Current assets				
Inventories	14,167	14,928	-	-
Trade receivables	21,527	22,129	-	-
Other receivables	2,315	11,560	17,511	22,270
Other current assets	2,166	2,097	329	215
Cash and bank balances	9,349	9,184	549	5,795
	<u>49,524</u>	<u>59,898</u>	<u>18,389</u>	<u>28,280</u>
Total assets	<u>116,312</u>	<u>133,233</u>	<u>67,100</u>	<u>77,027</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	7,271	11,129	45	62
Other payables	7,135	9,167	556	607
Interest-bearing loans and borrowings	4,640	16,237	-	9,770
Income tax payable	235	52	-	-
	<u>19,281</u>	<u>36,585</u>	<u>601</u>	<u>10,439</u>
Net current assets	<u>30,243</u>	<u>23,313</u>	<u>17,788</u>	<u>17,841</u>
Non-current liabilities				
Interest-bearing loans and borrowings	1,829	2,627	-	-
Deferred tax liabilities	3,100	3,108	-	-
	<u>4,929</u>	<u>5,735</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>24,210</u>	<u>42,320</u>	<u>601</u>	<u>10,439</u>
Net assets	<u>92,102</u>	<u>90,913</u>	<u>66,499</u>	<u>66,588</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	48,315	46,827	18,222	18,311
Statutory reserve	1,219	1,219	-	-
Foreign currency translation reserve	(5,709)	(5,410)	-	-
Total equity	<u>92,102</u>	<u>90,913</u>	<u>66,499</u>	<u>66,588</u>
Total equity and liabilities	<u>116,312</u>	<u>133,233</u>	<u>67,100</u>	<u>77,027</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 31.08.2018		As at 28.02.2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,640	-	6,467	9,770

The amount of \$4,640,000 (28.02.2018: \$6,467,000) includes \$2,527,000 (28.02.2018: \$3,102,000) 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 31.08.2018		As at 28.02.2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,829	-	2,627	-

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 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		GROUP	
	2QFY19 S\$'000	2QFY18 S\$'000	1HFY19 S\$'000	1HFY18 S\$'000
Cash flows from operating activities				
Profit/(loss) before taxation	960	(5,682)	1,725	(7,188)
Adjustments for:				
Amortisation and depreciation	2,434	2,589	4,954	5,021
Inventories written-off	-	2,620	-	2,620
(Gain)/loss on disposal of property, plant and equipment	-	(1)	(1)	1
Unrealised exchange (gain)/loss	(186)	56	(208)	93
Interest expense	93	162	233	287
Bad debts recovered	-	-	(4)	-
Allowance for inventories obsolescence	-	-	5	-
Share of results of associates	-	165	-	(82)
Interest income	(14)	(8)	(17)	(21)
Operating cash flows before changes in working capital	3,287	(99)	6,687	731
(Increase)/decrease in:				
Inventories	988	(3,061)	755	(5,783)
Trade receivables	(909)	2,958	1,145	3,355
Amount due from an associate company	-	93	-	93
Other receivables and prepayments	738	(2,014)	2,065	(2,864)
(Decrease)/increase in:				
Trade payables	(636)	1,397	(3,841)	3,130
Other payables	160	758	(1,615)	4,414
Cash flow generated from operations	3,628	32	5,196	3,076
Interest received	14	8	17	21
Interest paid	(93)	(162)	(233)	(287)
Income tax paid	(21)	(2)	(76)	(92)
Net cash flow generated from/(used in) operating activities	3,528	(124)	4,904	2,718

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		GROUP	
	2QFY19 S\$'000	2QFY18 S\$'000	1HFY19 S\$'000	1HFY18 S\$'000
Cash flow from investing activities				
Additions to intangible assets	-	-	-	(24)
Purchase of property, plant and equipment	(107)	(2,794)	(251)	(6,274)
Proceeds from disposal of property, plant and equipment	-	-	42	-
Advance payment to suppliers of property, plant and equipment	(244)	(320)	(527)	(2,665)
Proceeds from disposal of investment in associate companies	-	-	8,370	-
Net cash flow (used in)/generated from investing activities	(351)	(3,114)	7,634	(8,963)
Cash flow from financing activities				
Repayment of interest-bearing loans and borrowings	(9,270)	(8,175)	(18,839)	(12,201)
Increase in cash and cash equivalents subject to restrictions	(5)	-	(5)	(5)
Dividends paid on ordinary shares	-	(302)	-	(302)
Proceeds from interest-bearing loans and borrowings	3,332	12,405	6,447	18,547
Net cash flow (used in)/generated from financing activities	(5,943)	3,928	(12,397)	6,039
Net (decrease)/increase in cash and cash equivalents	(2,766)	690	141	(206)
Cash and cash equivalents at beginning of financial period	12,058	9,638	9,041	10,615
Effect of exchange rate changes on cash and cash equivalents	(89)	(145)	21	(226)
Cash and cash equivalents at end of financial period	9,203	10,183	9,203	10,183

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

	GROUP	
	31.08.2018 S\$'000	31.08.2017 S\$'000
Cash and bank balances	9,203	10,183
Fixed deposits	146	135
	<u>9,349</u>	<u>10,318</u>
Less:		
Cash and cash equivalents subject to restriction *	(146)	(135)
Cash and cash equivalents at end of financial period	<u>9,203</u>	<u>10,183</u>

* 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						Total equity 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	S\$'000
GROUP							
Balance as at 28.02.2018	50,200	(1,923)	46,827	1,219	(5,410)	(4,191)	90,913
Total comprehensive income for the financial period	-	-	1,488	-	(299)	(299)	1,189
Balance as at 31.08.2018	50,200	(1,923)	48,315	1,219	(5,709)	(4,490)	92,102
Balance as at 28.02.2017	50,200	(1,923)	63,887	1,219	(4,682)	(3,463)	108,701
Total comprehensive income for the financial period	-	-	(7,390)	-	(585)	(585)	(7,975)
Dividends paid on ordinary shares	-	-	(302)	-	-	-	(302)
Balance as at 31.08.2017	50,200	(1,923)	56,195	1,219	(5,267)	(4,048)	100,424

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 28.02.2018	50,200	(1,923)	18,311	66,588
Total comprehensive income for the financial period	-	-	(89)	(89)
Balance as at 31.08.2018	50,200	(1,923)	18,222	66,499
Balance as at 28.02.2017				
50,200	(1,923)	17,020	65,297	
Total comprehensive income for the financial period	-	-	2,997	2,997
Dividends paid on ordinary shares	-	-	(302)	(302)
Balance as at 31.08.2017	50,200	(1,923)	19,715	67,992

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 June 2018 and 31 August 2018	313,085	50,200

There was no change in the Company's share capital from 28 February 2018 to 31 August 2018.

As at 31 August 2018, the Company held 10,873,000 of its issued shares as Treasury Shares (31 August 2017: 10,873,000).

The Company does not have any outstanding options or convertibles at the end of the financial period under review (31 August 2017: 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.

	31.08.2018	28.02.2018
	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 2018 except as disclosed in paragraph 5 below.

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

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange are required to apply Singapore Financial Reporting Standards (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group has adopted SFRS(I) on 1 March 2018.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the financial year ended 28 February 2018, except for the adoption of the new/revised SFRS(I) applicable for the financial period beginning 1 March 2018 as follows:

- SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)
- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers

As stated in the Group's 1QFY2019 results announcement, the adoption does not have significant impact on the Group's financial statements.

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

	GROUP			
	2QFY19	2QFY18	1HFY19	1HFY18
Profit/(loss) attributable to shareholders (\$'000)	841	(5,866)	1,488	(7,390)
Weighted average number of shares used to compute				
basic and diluted earnings per share ('000)	302,212	302,212	302,212	302,212
Earnings per share (cents) - basic and diluted	0.28	(1.94)	0.49	(2.45)

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	
	31.8.2018	28.2.2018	31.8.2018	28.2.2018
Net asset value per ordinary share based on				
share capital at the end of the period (cents)	30.48	30.08	22.00	22.03

The calculation of the net asset value per ordinary share was based on total number of 302,212,000 (28.2.2018: 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 \$23.0 million for the second quarter ended 31 August 2018 (2QFY19), an increase of 64.2% (or \$9.0 million) as compared to \$14.0 million in the corresponding financial period in FY2018 (2QFY18). The increase in turnover was attributable to higher turnover in both HDD and Precision Metal Stamping ('PMS') components segments.

Turnover in HDD components segment increased by 80.6%, which was mainly contributed by higher sales of Baseplates. As the Group has completed phasing in the manufacturing of Baseplates in the previous financial year, Baseplates sales in 2QFY19 had increased significantly quarter-on-quarter. In addition, there was an increase in demand for air combs in 2QFY19 compared to 2QFY18. This was offset by a reduction in sales for VCM plates in 2QFY19.

Turnover in PMS components segment increased by 11.5% quarter-on-quarter due to higher sales in the Middle East.

Consolidated statement of comprehensive income (cont'd)

Cost of sales ('COS') of the Group increased by 9.1% (or \$1.6 million) as compared to 2QFY18. Higher COS was in line with higher turnover recorded during 2QFY19. However, the increase in COS was lower than the increase in turnover. This was attributed to a reduction in labour and overhead costs, due to improved efficiency after the completion of phasing in of Baseplates. As a result, the gross profit margin improved as compared to 2QFY18.

Other operating income in 2QFY19 was 17.3% (or \$248K) lower as compared to 2QFY18. The decrease was mainly attributable to a foreign exchange gain which was recorded in 2QFY18. The decrease was partially offset by increases in sales of scrap metal and rental income.

Distribution and selling expenses increased by 35.2% (or \$205K) quarter-on-quarter mainly due to higher turnover in 2QFY19.

General and administrative expenses increased by 23.4% (or \$478K) as compared to 2QFY18 mainly due to foreign exchange loss recorded in 2QFY19.

Finance costs decreased by 42.6% (or \$69K) quarter-on-quarter due to lower balance of interest-bearing loans and borrowings in 2QFY19.

There was no share of results of associates in 2QFY19 as the Company had completed the disposal of its investment in associates on 31 January 2018.

Statement of financial position

The Group's non-current assets decreased by 8.9% (or \$6.5 million) as compared to previous financial year ended 28 February 2018 (FY18) mainly due to depreciation expenses charged on the property, plant and equipment. In addition, the depreciation of Renminbi against Singapore Dollar has resulted in a lower net book value of property, plant and equipment upon consolidation of financial statements.

The Group's current assets decreased by 17.3% (or \$10.4 million) as compared to FY18 mainly due to decreases in inventories, trade and other receivables. Inventories decreased by \$0.8 million as compared to FY18. Trade receivables decreased by \$0.6 million mainly due to prompt payments made by customers. Other receivables decreased by \$9.2 million mainly due to two reasons. Firstly, the proceeds from the disposal of investment in associates was received during 1QFY19. Secondly, value-added-tax recoverable in subsidiaries in China has decreased due to higher sales. The decreases were partially offset by increase in cash and bank balances. At the Company level, other receivables decreased by \$4.8 million mainly due to receipt of disposal proceeds as mentioned above which was partially offset by increase in inter-companies receivables.

The Group's current liabilities decreased by 47.3% (or \$17.3 million) as compared to FY18 mainly due to decreases in trade and other payables and interest-bearing loans and borrowings. Trade payables decreased by \$3.9 million mainly due to settlements made by the Group. Other payables decreased by \$2.0 million due to two reasons. Firstly, there was a decrease in advance payments from customers due to recognition of revenue upon delivery of goods. Secondly, payables on purchase of machinery and accrued operating expenses were reduced due to settlements. Interest-bearing loans and borrowings decreased due to repayments made during first half of FY19.

The Group's non-current liabilities decreased by 14.1% (or \$0.8 million) as compared to FY18 mainly due to the transfer of interest-bearing loans and borrowings due within the next twelve months from non-current liabilities to current liabilities.

Consolidated statement of cash flow

During 2QFY19, the Group has net cash flow generated from operating activities of \$3.5 million in contrast with \$124K used in 2QFY18. The net cash flows generated from operating activities in 2QFY19 was mainly contributed by operating cash flows before changes in working capital, decreases in inventories and other receivables and prepayments. It was partially offset by increase in trade receivables and decrease in trade payables.

In investing activities, the Group used \$351K during 2QFY19 as compared to \$3.1 million used in 2QFY18. The net cash used was mainly on purchases of property, plant and equipment.

During 2QFY19, the Group has net cash flow used in financing activities of \$5.9 million in contrast with \$3.9 million net cash flow generated in 2QFY18. The net cash flow used was mainly for repayment of interest-bearing loans and borrowings.

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

There is no variance from the previous financial results announcement for first quarter ended 31 May 2018.

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

Our air-comb business is expected to be better than the first half of FY2019.

The forecast for our forged Baseplates for helium-filled HDD is on a decreasing trend.

Components supplied to the solar energy industry is almost completed under the current project. We are actively engaging the same customer for their next project.

For the next six to nine months, PMS components segment is not expected to be as profitable as the first half of the financial year.

We have successfully secured low volume high mix machining business for power laser equipment and high voltage regulator. Shipment is scheduled to deliver in the second half of this financial year.

We have started engaging two major notebook PC companies for the supply of forged and machining components.

The global trade friction is creating an uncertain business environment.

11 Dividend

(a) Current Financial Period Reported On

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

Yes.

Name of dividend	Interim
Dividend Type	Cash
Dividend Rate	0.15 cent per ordinary share
Tax Rate	Tax Exempt (One-tier)

(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

The proposed dividend will be paid at a date to be announced.

(d) Books closure date

Notice will be given at a later date on the closure of the Share Transfer Books and the Register of Members to determine the shareholders' entitlements to the dividend.

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

Not applicable.

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 second quarter ended 31 August 2018 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

8 October 2018