



Financial Statements And Dividend Announcement  
For First Quarter Financial Period Ended 31 May 2019

**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 2019.

**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 31.5.2019 S\$'000	3 months ended 31.5.2018 S\$'000	
Turnover		12,392	21,418	(42.1)
Cost of sales		(11,098)	(18,337)	(39.5)
Gross profit		1,294	3,081	(58.0)
Other operating income	a	612	914	(33.0)
Distribution and selling expenses		(392)	(808)	(51.5)
General and administrative expenses		(1,908)	(2,282)	(16.4)
Finance costs		(89)	(140)	(36.4)
(Loss)/profit before taxation	b	(483)	765	n.m.
Income tax expense		(99)	(118)	(16.1)
(Loss)/profit for the financial period		(582)	647	n.m.
Other comprehensive income:				
Foreign currency translation gain		300	306	
Total comprehensive income for the financial period		(282)	953	
(Loss)/profit attributable to:				
Equity owners of the Company		(582)	647	
Total comprehensive income attributable to:				
Equity owners of the Company		(282)	953	
Earnings per share (cents)				
Basic and diluted		(0.19)	0.21	

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)**

		<b>GROUP</b>	
		3 months ended	
		31.5.2019	31.5.2018
		S\$'000	S\$'000
<u>Notes</u>			
a	The Group's other operating income included the following:		
	Sales of scrap metal	466	830
	Rental income	89	26
	Sundry income	8	50
	Interest income	49	3
	Bad debt recovered	-	4
	Gain on disposal of property, plant and equipment	-	1
b	The Group's profit before taxation is arrived at after charging/(crediting):		
	Amortisation and depreciation	1,890	2,520
	Foreign exchange (gain)/loss		
	- Realised exchange (gain)/loss	(247)	(150)
	- Unrealised exchange (gain)/loss	641	446
		<u>394</u>	<u>296</u>
	Interest expense	89	140
	(Write-back)/allowance for inventories obsolescence	(14)	6

**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	
	31.5.2019	28.2.2019	31.5.2019	28.2.2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment *	50,342	51,625	2,649	1,564
Investment properties	2,444	2,460	2,444	2,460
Investments in subsidiaries	-	-	34,716	34,716
Deferred tax assets	273	273	272	272
	<u>53,059</u>	<u>54,358</u>	<u>40,081</u>	<u>39,012</u>
<b>Current assets</b>				
Inventories	10,314	10,771	-	-
Trade receivables	11,912	10,179	-	-
Other receivables	1,887	1,774	11,078	16,758
Other current assets	689	785	61	80
Cash and bank balances	19,807	20,701	7,518	1,732
	<u>44,609</u>	<u>44,210</u>	<u>18,657</u>	<u>18,570</u>
<b>Total assets</b>	<u>97,668</u>	<u>98,568</u>	<u>58,738</u>	<u>57,582</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	4,090	3,688	27	29
Other payables	4,326	4,016	646	602
Lease liabilities **	6	-	6	-
Interest-bearing loans and borrowings	2,986	5,161	-	-
Income tax payable	107	181	-	-
	<u>11,515</u>	<u>13,046</u>	<u>679</u>	<u>631</u>
<b>Net current assets</b>	<u>33,094</u>	<u>31,164</u>	<u>17,978</u>	<u>17,939</u>
<b>Non-current liability</b>				
Interest-bearing loans and borrowings	311	456	-	-
Lease liabilities **	1,101	-	1,101	-
Deferred tax liabilities	4,173	4,182	-	-
	<u>5,585</u>	<u>4,638</u>	<u>1,101</u>	<u>-</u>
<b>Total liabilities</b>	<u>17,100</u>	<u>17,684</u>	<u>1,780</u>	<u>631</u>
<b>Net assets</b>	<u>80,568</u>	<u>80,884</u>	<u>56,958</u>	<u>56,951</u>
<b>Equity attributable to owners of the Company</b>				
Share capital	50,200	50,200	50,200	50,200
Treasury shares	(1,957)	(1,923)	(1,957)	(1,923)
Revenue reserve	36,845	37,427	8,715	8,674
Statutory reserve	1,219	1,219	-	-
Foreign currency translation reserve	(5,739)	(6,039)	-	-
<b>Total equity</b>	<u>80,568</u>	<u>80,884</u>	<u>56,958</u>	<u>56,951</u>
<b>Total equity and liabilities</b>	<u>97,668</u>	<u>98,568</u>	<u>58,738</u>	<u>57,582</u>

\*Included right-of-use assets recognised upon adoption of SFRS(I) 16 Leases on 1 March 2019 based on the modified retrospective approach.

\*\*Lease liabilities recognised upon adoption of SFRS(I) 16 Leases on 1 March 2019 based on the modified retrospective approach.

**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 31.05.2019		As at 28.02.2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,986	-	5,161	-

# The amount of \$2,986,000 (28.02.2019: \$5,161,000) includes \$971,000 (28.02.2019: \$1,230,000) 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 31.05.2019		As at 28.02.2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
311	-	456	-

C) Details of any collateral

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**

	<b>GROUP</b>	
	3 months ended	
	31.5.2019	31.5.2018
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(483)	765
Adjustments for:		
Amortisation and depreciation	1,890	2,520
(Write-back)/allowance for stock obsolescence	(14)	6
Gain on disposal of property, plant and equipment	-	(1)
Unrealised exchange gain	(57)	(23)
Finance cost	89	140
Interest income	(49)	(3)
Bad debts recovered	-	(4)
<b>Operating cash flows before changes in working capital</b>	1,376	3,400
(Increase)/decrease in:		
Inventories	501	(233)
Trade receivables	(1,618)	2,054
Other receivables and prepayments	303	1,327
(Decrease)/increase in:		
Trade payables	384	(3,205)
Other payables	417	(1,775)
<b>Cash flow generated from operations</b>	1,363	1,568
Interest received	49	3
Bank loan interest paid	(70)	(140)
Income tax paid	(43)	(55)
<b>Net cash flow generated from operating activities</b>	1,299	1,376

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)

	<b>GROUP</b>	
	3 months ended	
	31.5.2019	31.5.2018
	S\$'000	S\$'000
<b>Cash flow from investing activities</b>		
Proceeds from disposal of investment in associate companies	-	8,370
Purchase of property, plant and equipment	(45)	(142)
Proceeds from disposal of property, plant and equipment	-	42
Increase in pledged deposits	(5)	-
Advance payment to suppliers of property, plant and equipment	-	(285)
<b>Net cash flow (used in)/generated from investing activities</b>	<b>(50)</b>	<b>7,985</b>
<b>Cash flow from financing activities</b>		
Proceeds from interest-bearing loans and borrowings	1,883	3,115
Repayment of interest-bearing loans and borrowings	(4,192)	(9,569)
Repayment of lease liabilities	(21)	-
Purchase of treasury shares	(34)	-
<b>Net cash flow used in financing activities</b>	<b>(2,364)</b>	<b>(6,454)</b>
Net (decrease)/increase in cash and cash equivalents	(1,115)	2,907
Cash and cash equivalents at beginning of financial period	20,552	9,041
Effect of exchange rate changes on cash and cash equivalents	221	110
<b>Cash and cash equivalents at end of financial period</b>	<b>19,658</b>	<b>12,058</b>

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

	<b>GROUP</b>	
	31.5.2019	31.5.2018
	S\$'000	S\$'000
Cash and bank balances	19,658	12,058
Fixed deposits	149	143
	<b>19,807</b>	<b>12,201</b>
Less:		
Cash and cash equivalents subject to restriction *	(149)	(143)
Cash and cash equivalents at end of financial period	<b>19,658</b>	<b>12,058</b>

\* 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 S\$'000
	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	
<b>GROUP</b>							
<b>Balance as at 28.02.2019</b>	50,200	(1,923)	37,427	1,219	(6,039)	(4,820)	80,884
Total comprehensive loss for the financial period	-	-	(582)	-	300	300	(282)
Purchase of treasury shares	-	(34)	-	-	-	-	(34)
<b>Balance as at 31.05.2019</b>	<b>50,200</b>	<b>(1,957)</b>	<b>36,845</b>	<b>1,219</b>	<b>(5,739)</b>	<b>(4,520)</b>	<b>80,568</b>
<b>Balance as at 28.02.2018</b>	50,200	(1,923)	46,827	1,219	(5,410)	(4,191)	90,913
Total comprehensive income for the financial period	-	-	647	-	306	306	953
<b>Balance as at 31.05.2018</b>	<b>50,200</b>	<b>(1,923)</b>	<b>47,474</b>	<b>1,219</b>	<b>(5,104)</b>	<b>(3,885)</b>	<b>91,866</b>



**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
<b>COMPANY</b>				
<b>Balance as at 28.02.2019</b>	50,200	(1,923)	8,674	56,951
Total comprehensive profit for the financial period	-	-	41	41
Purchase of treasury shares	-	(34)	-	(34)
<b>Balance as at 31.05.2019</b>	<b>50,200</b>	<b>(1,957)</b>	<b>8,715</b>	<b>56,958</b>
<b>Balance as at 28.02.2018</b>	50,200	(1,923)	18,311	66,588
Total comprehensive loss for the financial period	-	-	(287)	(287)
<b>Balance as at 31.05.2018</b>	<b>50,200</b>	<b>(1,923)</b>	<b>18,024</b>	<b>66,301</b>

**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

	<u>Group and Company</u>	
	No. of shares	
	('000)	(S\$'000)
Ordinary shares - Issued and fully paid		
Balance as at 1 March 2019 and 31 May 2019	313,085	50,200

There was no change in the Company's share capital from 28 February 2019 to 31 May 2019.

As at 31 May 2019, the Company held 11,151,900 of its issued shares as Treasury Shares (31 May 2018: 10,873,000).

The Company does not have any outstanding options or convertibles at the end of the financial period under review (31 May 2018: 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.**

	31.05.2019	28.02.2019
	Number of shares	Number of shares
	('000)	('000)
Total number of shares issued	313,085	313,085
Less: Treasury shares	<u>(11,152)</u>	<u>(10,873)</u>
Issued shares excluding treasury shares	<u><u>301,933</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 2019, 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**

The Group adopted the new and revised SFRS(I)s that are effective for annual periods beginning on or after 1 March 2019. The application of the new and revised standards and interpretations has no material effect on the financial statements, except for the adoption of SFRS(I) 16 - Leases.

**Adoption of SFRS(I) 16 - Leases**

SFRS(I) 16 requires lessees to recognize most leases on the statement of financial position. At the date of initial application, the Group recognized a liability to make a lease payment and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group applied this standard using the modified retrospective approach. In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases.
- to apply the exemption not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months as of 1 March 2019.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On the adoption of SFRS(I) 16, the Group had recognised right-of-use assets (included in the Property, plant and equipment) and lease liabilities of \$1.1 million for its leases previously classified as operating leases.

**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**

	<b>GROUP</b>	
	31.5.2019	31.5.2018
(Loss)/profit attributable to shareholders (\$'000)	(582)	647
Weighted average number of shares used to compute basic and diluted earnings per share ('000)	302,119	302,212
Earnings per share (cents) - basic and diluted	(0.19)	0.21

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**

	<b>GROUP</b>		<b>COMPANY</b>	
	31.5.2019	28.2.2019	31.5.2019	28.2.2019
Net asset value per ordinary share based on share capital at the end of the period (cents)	26.68	26.76	18.86	18.84

The calculation of the net asset value per ordinary share was based on total number of 301,933,000 (28.2.2019: 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 \$12.4 million for the first quarter ended 31 May 2019 (1QFY20), a decrease of 42.1% (or \$9.0 million) as compared to \$21.4 million in the corresponding financial period in FY2019 (1QFY19). The decrease was attributed to decline in both the HDD components and PMS components segments. Turnover in HDD components segment decreased by 39.0% quarter-on-quarter mainly due to lower sales of Baseplates and air-combs. Turnover in PMS components segment decreased by 54.2% quarter-on-quarter mainly due to lower customers' demands in the Middle East.

Cost of sales of the Group decreased by 39.5% (or \$7.2 million) quarter-on-quarter. The decrease was in line with the decrease in turnover except for some of the overhead costs which are fixed. As a result, the gross profit margin declined as compared to 1QFY19.

Other operating income decreased by 33.0% (or \$302K) quarter-on-quarter. The decrease was mainly attributable to a lower sales of scrap metal. The decrease was partially offset by increases in rental and interest income.

Distribution and selling expenses decreased by 51.5% (or \$416K) quarter-on-quarter mainly due to lower sales activities in 1QFY20.

General and administrative expenses decreased by 16.4% (or \$374K) quarter-on-quarter mainly due to lower administrative staff costs and audit fee after the disposal of associate company in China. This was partially offset by increase in foreign exchange loss.

Finance costs decreased by 36.4% (or \$51K) quarter-on-quarter mainly due to lower balance of interest-bearing loans and borrowings.

### **Statement of financial position**

The Group's non-current assets decreased by 2.4% (or \$1.3 million) as compared to previous financial year ended 28 February 2019 (FY19). The decrease was mainly due to depreciation expenses charged on the property, plant and equipment. In addition, the depreciation of Renminbi and Ringgit Malaysia against Singapore Dollar has resulted in a lower net book value of property, plant and equipment upon consolidation of financial statements. The decrease was partially offset by recognition of right-of-use assets (\$1.1 million) in Property, plant and equipment upon adoption of SFRS(I) 16 Leases as stated in Paragraph 5.

The Group's current assets increased by 0.9% (or \$399K) as compared to FY19 mainly due to increase in trade receivables. Trade receivables increased by \$1.7 million mainly due to higher sales in 1QFY20 as compared to 4QFY19. The increase was partially offset by decreases in inventories (\$457K) and cash and bank balances (\$0.9 million). At the Company level, other receivables decreased by \$5.7 million mainly due to settlement of intercompany receivables by the subsidiaries.

The Group's current liabilities decreased by 11.7% (or \$1.5 million) as compared to FY19 mainly due to decrease in interest-bearing loans and borrowings. Interest-bearing loans and borrowings decreased by \$2.2 million due to repayments made during the financial period. The decrease was partially offset by increases in trade payables (\$402K) and other payables (\$310K).

The Group's non-current liabilities increased by 20.4% (or \$0.9 million) as compared to FY19 mainly due to recognition of lease liabilities upon adoption of SFRS(I) 16 Leases as stated in Paragraph 5.

### **Consolidated statement of cash flow**

During 1QFY20, the Group has net cash flow generated from operating activities of \$1.3 million as compared to \$1.4 million in 1QFY19. The net cash flows generated from operating activities in 1QFY20 was mainly contributed by operating cash flows before changes in working capital, decreases in inventories and other receivables and prepayments and increases in trade and other payables. It was partially offset by increase in trade receivables.

In investing activities, the Group used \$50K during 1QFY20 in contrast with \$8.0 million generated in 1QFY19. The net cash used was on purchases of property, plant and equipment.

During 1QFY20, the Group has net cash flow used in financing activities of \$2.4 million as compared to \$6.5 million in 1QFY19. 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**

The Group has reported a loss for 1QFY20. The loss was due to unrealised foreign exchange loss arising from revaluation of intercompany balances.

The Company has made a profit guidance announcement in this regard on 2 July 2019.

**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**

Sales for HDD components segment is expected to be lower in the coming months. Our Baseplates order is expected to be completed by September 2019.

The Group will diversify into various industries by leveraging on the Group's core competence.

PMS components segment is expected to experience soft demand due to uncertainty created by global trade friction.

The global trade friction has created a challenging business environment.

**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/recommended, a statement to that effect and the reason(s) for the decision.**

As the Company was in a loss-making position in 1QFY20, the Board has not declared/recommended any dividend.

- 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 2019 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 July 2019