

RESPONSE TO QUERY FROM SGX

The Board of Directors (the “Board”) of Cheung Woh Technologies Ltd (the “Company”, together with its subsidiaries, collectively the “Group”) wishes to announce the following in response to the query raised by SGX in respect of the fourth quarter financial results announcement for the financial year ended 28 February 2018 (“4QFY2018 Results”).

Query (1)

The Company explained that the increase in cost of sales by 4.6% (or \$1.0 million) was mainly attributable to higher labour and overhead costs incurred during the fourth quarter ended 28 February 2018 (“4QFY18”). Included in the overhead cost of 4QFY18 was an amount of \$1.8 million that arose as a result of changes in useful life of toolings and fixtures used in the manufacturing of Baseplates. The change in useful life is upon the completion of phasing in of Baseplates and further assessment by the engineering team.

Please clarify how (i) the assessment on the useful life is determined for the toolings and fixtures used in the manufacturing of Baseplates; and (ii) the completion of phasing in of Baseplates affects the useful life.

Company’s response

(i) Toolings and fixtures used in the manufacture of Baseplates have a lifespan due to wear and tear. The engineering team estimates the total quantity of Baseplates that can be produced by the toolings and fixtures during its useful life. The total quantity is then divided by the estimated average monthly quantity produced to determine its useful life.

(ii) Upon the completion of phasing in of Baseplates production, the manufacturing processes have stabilized and the actual output had also increased significantly from the initial estimation. As a result, this led to a reassessment by the engineering team, with the useful life of the toolings and fixtures being shortened.

Query (2)

Please provide the main reason the Group recorded a gross loss of approximately S\$1.2 million for 4QFY18.

Company’s response

The main reason that the Group recorded a gross loss was due to a one-time overhead cost of \$1.8 million arising as a result of change in useful life of toolings and fixtures used in the manufacture of Baseplates.

Query (3)

We note the following disclosure in the Group and the Company’s interest-bearing loans and borrowings:

	Group		Company	
	28 February 2018	28 February 2017	28 February 2018	28 February 2017
Line item in the Financial Statement	S\$'000	S\$'000	S\$'000	S\$'000
Current Liabilities Interest-bearing loans and borrowings	16,237	10,231	9,770	1,784
Non-current Liabilities Interest-bearing loans and borrowings	2,627	4,063	-	-
Total	18,864	14,294	9,770	1,784

Please elaborate on the use of the additional financings.

Company's response

The additional financings were used in:

- (i) Purchase of property, plant and equipment
- (ii) Working capital
- (iii) Maintain sufficient buffer in cash and bank balances

Query (4)

In paragraph 8 under the explanation on the consolidated statement of cash flows, it is noted that advance payments were made to suppliers of property, plant and equipment. Please clarify as to what property, plant and equipment the advance payments were made to.

Company's response

Advance payment to suppliers of property, plant and equipment are partial payments made to suppliers in accordance to the progress of construction of machinery. The advance payment is reclassified to property, plant and equipment upon full payment made to the suppliers.

During the year, the Group had made advance payments for purchase of property, plant and equipment such as forging press, ovens, high speed milling machines, helium leak testers and measurement equipment.

By Order of the Board

Law Yu Chui
Director

8 May 2018