



Financial Statements And Related Announcement
For Third Quarter Financial Period Ended 30 November 2018

CHEUNG WOH TECHNOLOGIES LTD

Co. Reg. No. 197201205Z

Third 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 period ended 30 November 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

		GROUP		Increase/	GROUP		Increase/
	Notes	3QFY19	3QFY18	(decrease)	3QYTDFY19	3QYTDFY18	(decrease)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover		21,329	21,547	(1.0)	65,732	52,095	26.2
Cost of sales		(18,558)	(19,631)	(5.5)	(56,704)	(53,894)	5.2
Gross profit/(loss)		2,771	1,916	44.6	9,028	(1,799)	n.m.
Other operating income	a	788	1,236	(36.2)	2,888	3,804	(24.1)
Distribution and selling expenses		(637)	(1,140)	(44.1)	(2,233)	(2,881)	(22.5)
General and administrative expenses		(2,380)	(2,061)	15.5	(7,183)	(6,156)	16.7
Finance costs		(67)	(174)	(61.5)	(300)	(461)	(34.9)
Share of results of associate companies		-	(72)	(100.0)	-	10	(100.0)
Profit/(loss) before taxation	b	475	(295)	n.m.	2,200	(7,483)	n.m.
Income tax expense		(104)	(154)	(32.5)	(341)	(356)	(4.2)
Profit/(loss) for the financial period		371	(449)	n.m.	1,859	(7,839)	n.m.
Other comprehensive income:							
Foreign currency translation loss		(678)	(485)		(977)	(1,070)	
Total comprehensive income for the financial period		(307)	(934)		882	(8,909)	
Profit/(loss) attributable to:							
Equity owners of the Company		371	(449)		1,859	(7,839)	
Total comprehensive income attributable to:							
Equity owners of the Company		(307)	(934)		882	(8,909)	
Earnings per share (cents)							
Basic and diluted		0.12	(0.15)		0.62	(2.59)	

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)

Notes	GROUP		GROUP	
	3QFY19 S\$'000	3QFY18 S\$'000	3QYTD FY19 S\$'000	3QYTD FY18 S\$'000
a The Group's other operating income included the following:				
Sales of scrap metal	686	970	2,520	2,293
Sundry income	11	38	145	156
Foreign exchange gain	-	199	-	1,254
Rental income	80	26	191	77
Interest income	11	3	28	24
Bad debt recovered	-	-	4	-
b The Group's profit before taxation is arrived at after charging/(crediting):				
Amortisation and depreciation	2,351	2,512	7,305	7,533
Foreign exchange loss	495	-	1,475	-
Interest expense on interest-bearing loans and borrowings	67	174	300	461
Allowance for inventories obsolescence	6	26	11	26
Loss on disposal of property, plant and equipment	-	1	-	2
Inventories written-off	-	10	-	2,630

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	
	30.11.2018	28.2.2018	30.11.2018	28.2.2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	62,018	70,497	1,577	1,581
Investment properties	2,476	2,525	2,476	2,525
Intangible assets	115	122	115	122
Investments in subsidiary companies	-	-	44,397	44,397
Deferred tax assets	190	191	122	122
	<u>64,799</u>	<u>73,335</u>	<u>48,687</u>	<u>48,747</u>
Current assets				
Inventories	10,234	14,928	-	-
Trade receivables	19,062	22,129	-	-
Other receivables	2,158	11,560	18,002	22,270
Other current assets	981	2,097	275	215
Cash and bank balances	13,810	9,184	1,018	5,795
	<u>46,245</u>	<u>59,898</u>	<u>19,295</u>	<u>28,280</u>
Total assets	<u>111,044</u>	<u>133,233</u>	<u>67,982</u>	<u>77,027</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	4,368	11,129	37	62
Other payables	6,197	9,167	676	607
Interest-bearing loans and borrowings	4,490	16,237	-	9,770
Income tax payable	253	52	-	-
	<u>15,308</u>	<u>36,585</u>	<u>713</u>	<u>10,439</u>
Net current assets	<u>30,937</u>	<u>23,313</u>	<u>18,582</u>	<u>17,841</u>
Non-current liabilities				
Interest-bearing loans and borrowings	1,306	2,627	-	-
Deferred tax liabilities	3,088	3,108	-	-
	<u>4,394</u>	<u>5,735</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,702</u>	<u>42,320</u>	<u>713</u>	<u>10,439</u>
Net assets	<u>91,342</u>	<u>90,913</u>	<u>67,269</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	48,233	46,827	18,992	18,311
Statutory reserve	1,219	1,219	-	-
Foreign currency translation reserve	(6,387)	(5,410)	-	-
Total equity	<u>91,342</u>	<u>90,913</u>	<u>67,269</u>	<u>66,588</u>
Total equity and liabilities	<u>111,044</u>	<u>133,233</u>	<u>67,982</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 30.11.2018		As at 28.02.2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
4,490	-	6,467	9,770

The amount of \$4,490,000 (28.02.2018: \$6,467,000) includes \$1,105,000 (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 30.11.2018		As at 28.02.2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
1,306	-	2,627	-

C) Details of any collateral

- i) Certain bank borrowings of the Group and the Company are unsecured; 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.

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

	GROUP		GROUP	
	3QFY19	3QFY18	3QYTD FY19	3QYTD FY18
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit/(loss) before taxation	475	(295)	2,200	(7,483)
Adjustments for:				
Amortisation and depreciation	2,351	2,512	7,305	7,533
Loss on disposal of property, plant and equipment	1	1	-	2
Unrealised exchange loss/(gain)	38	(17)	(170)	76
Inventories written-off	-	10	-	2,630
Interest expense	67	174	300	461
Allowance for inventories obsolescence	6	26	11	26
Bad debts recovered	-	-	(4)	-
Share of results of associate companies	-	72	-	(10)
Interest income	(11)	(3)	(28)	(24)
Operating cash flows before changes in working capital	2,927	2,480	9,614	3,211
(Increase)/decrease in:				
Inventories	3,763	(1,009)	4,518	(6,792)
Trade receivables	2,125	(7,571)	3,270	(4,216)
Amount due from an associate company	-	(175)	-	(82)
Other receivables and prepayments	293	(650)	2,358	(3,514)
(Decrease)/increase in:				
Trade payables	(2,735)	1,721	(6,576)	4,851
Other payables	(210)	1,189	(1,825)	5,603
Cash flow generated from operations	6,163	(4,015)	11,359	(939)
Interest received	11	3	28	24
Interest paid	(67)	(174)	(300)	(461)
Income tax paid	(25)	(189)	(101)	(281)
Net cash flow generated from/(used in) operating activities	6,082	(4,375)	10,986	(1,657)

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	
	3QFY19	3QFY18	3QYTDFY19	3QYTDFY18
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from investing activities				
Additions to intangible assets	-	-	-	(23)
Purchase of property, plant and equipment	(584)	(1,543)	(814)	(7,818)
Proceeds from disposal of property, plant and equipment	-	3	23	3
Advance payment to suppliers of property, plant and equipment	(51)	(7)	(580)	(2,672)
Dividend income received from associate	-	3,318	-	3,318
Proceeds from disposal of investment in associate companies	-	-	8,370	-
Net cash flow (used in)/generated from investing activities	(635)	1,771	6,999	(7,192)
Cash flow from financing activities				
Repayment of interest-bearing loans and borrowings	(3,164)	(4,944)	(22,004)	(17,145)
Increase in cash and cash equivalents subject to restrictions	-	-	(4)	(5)
Dividends paid on ordinary shares	(453)	-	(453)	(302)
Proceeds from interest-bearing loans and borrowings	2,504	6,301	8,951	24,848
Net cash flow (used in)/generated from financing activities	(1,113)	1,357	(13,510)	7,396
Net increase/(decrease) in cash and cash equivalents	4,334	(1,247)	4,475	(1,453)
Cash and cash equivalents at beginning of financial period	9,203	10,183	9,041	10,615
Effect of exchange rate changes on cash and cash equivalents	129	45	150	(181)
Cash and cash equivalents at end of financial period	13,666	8,981	13,666	8,981

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

	GROUP	
	30.11.2018	30.11.2017
	S\$'000	S\$'000
Cash and bank balances	13,666	8,981
Fixed deposits	144	140
	13,810	9,121
Less:		
Cash and cash equivalents subject to restriction *	(144)	(140)
Cash and cash equivalents at end of financial period	13,666	8,981

* 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	
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	-	-	1,859	-	(977)	(977)	882
Dividends paid on ordinary shares	-	-	(453)	-	-	-	(453)
Balance as at 30.11.2018	50,200	(1,923)	48,233	1,219	(6,387)	(5,168)	91,342
Balance as at 28.02.2017	50,200	(1,923)	63,887	1,219	(4,682)	(3,463)	108,701
Total comprehensive loss for the financial period	-	-	(7,839)	-	(1,070)	(1,070)	(8,909)
Dividends paid on ordinary shares	-	-	(302)	-	-	-	(302)
Balance as at 30.11.2017	50,200	(1,923)	55,746	1,219	(5,752)	(4,533)	99,490

- 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	-	-	1,134	1,134
Dividends paid on ordinary shares	-	-	(453)	(453)
Balance as at 30.11.2018	<u>50,200</u>	<u>-1,923</u>	<u>18,992</u>	<u>67,269</u>
Balance as at 28.02.2017	50,200	(1,923)	17,020	65,297
Total comprehensive income for the financial period	-	-	2,991	2,991
Dividends paid on ordinary shares	-	-	(302)	(302)
Balance as at 30.11.2017	<u>50,200</u>	<u>-1,923</u>	<u>19,709</u>	<u>67,986</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 Sep 2018 and 30 November 2018	<u>313,085</u>	<u>50,200</u>

There was no change in the Company's share capital from 28 February 2018 to 30 November 2018.

As at 30 November 2018, the Company held 10,873,000 of its issued shares as Treasury Shares (30 November 2017: 10,873,000).

The Company does not have any outstanding options or convertibles at the end of the financial period under review (30 November 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.**

	30.11.2018	28.02.2018
	Number of shares	Number of shares
	('000)	('000)
Total number of shares issued	313,085	313,085
Less: Treasury shares	(10,873)	(10,873)
Issued shares excluding treasury shares	<u>302,212</u>	<u>302,212</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

J 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			
	3QFY19	3QFY18	3QYTDFY19	3QYTDFY18
Profit/(loss) attributable to shareholders (\$'000)	371	(449)	1,859	(7,839)
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	0.12	(0.15)	0.62	(2.59)

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	
	30.11.2018	28.2.2018	30.11.2018	28.2.2018
Net asset value per ordinary share based on				
share capital at the end of the period (cents)	30.22	30.08	22.26	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 \$21.3 million for the third quarter ended 30 November 2018 (3QFY19), a decrease of 1.0% (or \$218K) as compared to \$21.5 million in the corresponding financial period in FY2018 (3QFY18). Turnover in PMS components segment decreased by 33.3% quarter-on-quarter due to lower customers' demands in the Middle East and Malaysia. Turnover in HDD components segment, on the other hand, increased by 5.5% quarter-on-quarter. The increase was attributable to higher sales of VCM plates and air-comb.

Cost of sales ('COS') of the Group decreased by 5.5% (or \$1.1 million) as compared to 3QFY18. The decrease was attributed to reduction in labour and overhead costs due to improved efficiency. As a result, the gross profit margin improved as compared to 3QFY18.

Consolidated statement of comprehensive income (cont'd)

Other operating income decreased by 36.2% (or \$448K) as compared to 3QFY18. The decrease was mainly attributable to a lower sales of scrap metal and a foreign exchange gain which was recorded in 3QFY18. The decrease was partially offset by an increase in rental income.

Distribution and selling expenses decreased by 44.1% (or \$0.5 million) quarter-on-quarter mainly due to more efficient mode of transport being used in 3QFY19.

General and administrative expenses increased by 15.5% (or \$319K) as compared to 3QFY18 mainly due to unrealized foreign exchange loss of \$464K recorded in 3QFY19.

Finance costs decreased by 61.5% (or \$107K) quarter-on-quarter due to lower balance of interest-bearing loans and borrowings in 3QFY19.

There was no share of results of associates in 3QFY19 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 11.6% (or \$8.5 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 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 Group's current assets decreased by 22.8% (or \$13.7 million) as compared to FY18 mainly due to decreases in inventories, trade and other receivables and other current assets. Inventories decreased by \$4.7 million as compared to FY18. The decrease was mainly caused by lower stock balance of Baseplates as a result of lower forecast by customer. Trade receivables decreased by \$3.1 million mainly due to prompt payments made by customers. Other receivables decreased by \$9.4 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. Other current assets decreased by \$1.1 million mainly due to lower balance of prepayments and advance payments made for the acquisitions of plant and machineries. The lower balance of advance payments was a result of the reclassification to property, plant and equipment upon receipt. The decreases were partially offset by increase in cash and bank balances. At the Company level, other receivables decreased by \$4.3 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 58.2% (or \$21.3 million) as compared to FY18 mainly due to decreases in trade and other payables and interest-bearing loans and borrowings. Trade payables decreased by \$6.8 million mainly due to settlements made by the Group. Other payables decreased by \$3.0 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 the financial period.

The Group's non-current liabilities decreased by 23.4% (or \$1.3 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 flows

During 3QFY19, the Group has net cash flow generated from operating activities of \$6.1 million in contrast with \$4.4 million used in 3QFY18. The net cash flows generated from operating activities in 3QFY19 was mainly contributed by operating cash flows before changes in working capital, decreases in inventories and trade receivables. It was partially offset by decrease in trade payables.

In investing activities, the Group used \$0.6 million during 3QFY19 in contrast with \$1.8 million generated in 3QFY18. The net cash used was mainly on purchases of property, plant and equipment.

During 3QFY19, the Group has net cash flow used in financing activities of \$1.1 million in contrast with \$1.4 million generated in 3QFY18. 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 the second quarter period ended 31 August 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

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.

We are in the process of sample submission to one of the major global computer companies for the supply of forged and machining Cover used in notebook personal computers.

We have successfully secured low volume high mix machining business for components of power laser equipment and high voltage regulators. Shipment has started since December 2018.

Orders for components supplied to the solar energy industry is completed. We are engaging the customer for their next project.

For the next 3 to 6 months, PMS components segment is not expected to be as profitable as the previous 3 quarters of financial year of 2019.

The global trade friction is creating 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?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommendeded, 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 to 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 third quarter ended 30 November 2018 set out above to be false or misleading in any material aspects.

For and On behalf of the Board of Directors

Law Kung Ying
Director

Law Yu Chui
Director

11 January 2019