

Third Quarterly Financial Statements Announcement for the Financial Quarter Ended 30 April 2019

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

	Group					
	3rd Quarter ended			Year to date		
	30/4/2019	30/4/2018	Change	30/4/2019	30/4/2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	32,342	35,575	(9%)	102,075	113,917	(10%)
Other items of income:						
Interest income	533	376	42%	1,648	974	69%
Dividend income	6	15	(60%)	38	40	(5%)
Net fair value gain on investment securities	182	-	NM	-	-	NM
	33,063	35,966	(8%)	103,761	114,931	(10%)
Items of expenses:						
Raw materials and consumables used	(8,274)	(6,110)	35%	(28,245)	(23,363)	21%
Changes in inventories of finished goods and work-in-progress	(551)	(951)	(42%)	1,180	(914)	NM
Employee benefits expense	(11,536)	(12,267)	(6%)	(35,924)	(38,531)	(7%)
Depreciation of property, plant and equipment	(6,624)	(6,859)	(3%)	(20,055)	(20,122)	(0%)
Operating lease expense	(531)	(427)	24%	(1,465)	(1,275)	15%
Finance costs	(385)	(383)	1%	(1,225)	(1,048)	17%
Other operating expenses	(5,134)	(6,552)	(22%)	(18,254)	(19,009)	(4%)
Net loss on disposal of investment securities	-	-	NM	(32)	-	NM
Net fair value loss on investment securities	-	(302)	(100%)	(155)	(129)	20%
Profit/(loss) before tax	28	2,115	(99%)	(414)	10,540	NM
Income tax expense	(263)	(617)	(57%)	(1,069)	(1,919)	(44%)
(Loss)/profit for the period	(235)	1,498	NM	(1,483)	8,621	NM
Other comprehensive income:						
Item that may be reclassified subsequently to profit or loss						
Foreign currency translation gain/(loss)	1,398	(74)	NM	(856)	5,883	NM
Other comprehensive income for the period, net of tax	1,398	(74)	NM	(856)	5,883	NM
Total comprehensive income for the period	1,163	1,424	(18%)	(2,339)	14,504	NM
(Loss)/profit attributable to:						
Owners of the Company	(404)	498	NM	(2,230)	3,769	NM
Non-controlling interests	169	1,000	(83%)	747	4,852	(85%)
	(235)	1,498	NM	(1,483)	8,621	NM
Total comprehensive income attributable to:						
Owners of the Company	336	438	(23%)	(2,573)	6,593	NM
Non-controlling interests	827	986	(16%)	234	7,911	(97%)
	1,163	1,424	(18%)	(2,339)	14,504	NM
(Loss)/earnings per share attributable to owners of the Company (cents)						
- Basic	(0.33)	0.41	NM	(1.82)	3.07	NM

Note:

NM - Percentage change not meaningful.

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1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediate preceding financial year

The following items have been included in arriving at profit before tax:

	Group					
	3rd Quarter ended			Year to date		
	30/4/2019	30/4/2018	Change	30/4/2019	30/4/2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Write-back/(write-down) of inventories	12	(38)	NM	(244)	(75)	NM
(Impairment)/Reversal of impairment loss on trade receivables	(1)	(2)	(50%)	5	(3)	NM
Net exchange gain/(loss)	10	(12)	NM	(90)	(103)	(13%)
Property, plant and equipment written off	-	-	NM	(40)	-	NM
Net gain on disposal of property, plant and equipment	444	4	NM	538	30	NM

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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	
	S\$'000			S\$'000	
	30/4/2019	31/7/2018 (Restated)*	1/8/2017 (Restated)*	30/4/2019	31/7/2018
ASSETS					
Non-current assets					
Property, plant and equipment	63,295	74,226	79,717	1,208	719
Investment in subsidiaries	-	-	-	13,637	13,637
Deferred tax assets	1,130	1,082	249	-	-
Total non-current assets	64,425	75,308	79,966	14,845	14,356
Current assets					
Investment securities	3,054	3,754	3,047	587	519
Inventories	6,061	4,514	5,975	-	-
Prepayments	2,138	1,633	1,215	73	63
Tax recoverables	326	409	199	-	-
Trade and other receivables	28,997	35,571	36,027	3,514	3,974
Cash and short-term deposits	86,869	87,383	68,195	19,954	20,410
Total current assets	127,445	133,264	114,658	24,128	24,966
Total assets	191,870	208,572	194,624	38,973	39,322
EQUITY AND LIABILITIES					
Equity					
Share capital	35,727	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)	33,191	35,623	29,187	(2,590)	(3,207)
Other reserves	14,089	14,715	12,590	155	155
Total equity attributable to owners of the Company	83,007	86,065	77,504	33,292	32,675
Non-controlling interests	61,409	61,615	53,744	-	-
Total equity	144,416	147,680	131,248	33,292	32,675
Non-current liabilities					
Loans and borrowings	7,424	16,338	12,518	473	319
Defined benefit liabilities	1,087	1,049	1,033	-	-
Deferred tax liabilities	2,670	2,860	1,848	1,848	1,848
Total non-current liabilities	11,181	20,247	15,399	2,321	2,167
Current liabilities					
Trade and other payables	16,818	21,093	34,510	1,193	1,983
Loans and borrowings	19,076	19,393	13,348	2,044	2,410
Provisions	21	20	22	-	-
Income tax payable	358	139	97	123	87
Total current liabilities	36,273	40,645	47,977	3,360	4,480
Total equity and liabilities	191,870	208,572	194,624	38,973	39,322

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)"). Refer to Section 5 for further details.

SUNRIGHT LIMITED**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

Amount repayable in one year or less, or on demand

As at 30/4/2019		As at 31/7/2018	
Secured	Unsecured	Secured	Unsecured
\$5,641,000	\$13,435,000	\$4,351,000	\$15,042,000

Amount repayable after one year

As at 30/4/2019		As at 31/7/2018	
Secured	Unsecured	Secured	Unsecured
\$3,162,000	\$4,262,000	\$3,612,000	\$12,726,000

Details of any collaterals

The Group's loans and borrowings include obligations under finance leases and term loans. Obligations under finance leases and term loans are secured on certain assets of the companies within the Group of net book value amounting to \$4,434,000 (31/7/2018: \$3,388,000).

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

	As at 30/4/2019 S\$'000	As at 30/4/2018 S\$'000
Cash flows from operating activities:		
(Loss)/profit before tax	(414)	10,540
Adjustments for:		
Interest income	(1,648)	(974)
Net gain on disposal of property, plant and equipment	(538)	(30)
Depreciation of property, plant and equipment	20,055	20,122
Property, plant and equipment written off	40	-
Write-down of inventories	244	75
(Reversal of impairment loss)/impairment loss on trade receivables	(5)	3
Dividend income	(38)	(40)
Net fair value loss on investment securities	155	129
Net loss on disposal of investment securities	32	-
Finance costs	1,225	1,048
Net unrealised exchange loss/(gain)	68	(4)
Operating cash flows before changes in working capital	19,176	30,869
Increase in inventories	(1,791)	(698)
Decrease in prepayments and receivables	6,284	7,085
Decrease in payables	(4,100)	(12,996)
Cash flows from operations	19,569	24,260
Income taxes paid	(997)	(1,191)
Interest paid	(1,296)	(1,048)
Interest received	1,759	974
Net cash flows from operating activities	19,035	22,995
Cash flows from investing activities:		
Increase in short-term deposits with maturity more than three months	(6,061)	(11,999)
Dividends received from investment securities	38	40
Purchases of property, plant and equipment	(8,659)	(10,902)
Proceeds from disposal of property, plant and equipment	539	33
Purchases of investment securities	(627)	(172)
Proceeds from disposal of investment securities	1,100	-
Net cash flows used in investing activities	(13,670)	(23,000)
Cash flows from financing activities:		
Proceeds from term loans	12,575	14,368
Repayment of term loans	(21,419)	(11,245)
Repayment of obligations under finance leases	(1,993)	(1,282)
Dividends paid on ordinary shares	(368)	(368)
Dividends paid to non-controlling interests	(440)	(439)
Net cash flows (used in)/from financing activities	(11,645)	1,034
Net (decrease)/increase in cash and cash equivalents	(6,280)	1,029
Effect of exchange rate changes on cash and cash equivalents	(295)	(1,829)
Cash and cash equivalents at beginning of period	36,627	45,430
Cash and cash equivalents at end of period	30,052	44,630

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Notes:

During the financial period ended 30 April 2019, the Group generated \$19,035,000 from its operating activities, and used \$13,670,000 and \$11,645,000 in its investing activities and financing activities respectively. These resulted in a net decrease of \$6,280,000 in the Group's cash and cash equivalents as compared to 30 April 2018.

Cash and cash equivalents comprised of the following:

	Group	
	S\$'000	
	30/4/2019	30/4/2018
Cash at banks and on hand	17,022	20,146
Bank deposits	69,847	59,248
Cash and short-term deposits	86,869	79,394
Less: Bank deposits with maturity more than three months	(56,817)	(34,764)
Cash and cash equivalents	30,052	44,630

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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

Statement of changes in equity for financial period ended 30 April 2019

	Total equity	Total equity attributable to owners of the Company	Share capital	Retained earnings/ (accumulated losses)	Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group								
As at 1 August 2018, as previously reported	147,680	86,065	35,727	52,695	(14,947)	11,730	860	61,615
Effect of adopting of SFRS(I)	-	-	-	(17,072)	17,072	-	-	-
As at 1 August 2018, as restated	147,680	86,065	35,727	35,623	2,125	11,730	860	61,615
Profit for the period	(1,483)	(2,230)	-	(2,230)	-	-	-	747
Distribution of surplus assets by a subsidiary (Note 1)	-	-	-	166	117	(283)	-	-
Other comprehensive income for the period, net of tax	(973)	(460)	-	-	(460)	-	-	(513)
Total comprehensive income for the period	145,224	83,375	35,727	33,559	1,782	11,447	860	61,849
Dividends on ordinary shares	(368)	(368)	-	(368)	-	-	-	-
Dividends paid to non-controlling interests	(440)	-	-	-	-	-	-	(440)
As at 30 April 2019	144,416	83,007	35,727	33,191	1,782	11,447	860	61,409
The Company								
As at 1 August 2018	32,675	32,675	35,727	(3,207)	-	155	-	-
Profit for the period	985	985	-	985	-	-	-	-
Total comprehensive income for the period	33,660	33,660	35,727	(2,222)	-	155	-	-
Dividends on ordinary shares	(368)	(368)	-	(368)	-	-	-	-
As at 30 April 2019	33,292	33,292	35,727	(2,590)	-	155	-	-

Statement of changes in equity for financial period ended 30 April 2018

	Total equity	Total equity attributable to owners of the Company	Share capital	Retained earnings/ (accumulated losses)	Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group								
As at 1 August 2017, as previously reported	131,248	77,504	35,727	46,259	(17,072)	11,730	860	53,744
Effect of adopting of SFRS(I)	-	-	-	(17,072)	17,072	-	-	-
As at 1 August 2017, as restated	131,248	77,504	35,727	29,187	-	11,730	860	53,744
Profit for the period	8,621	3,769	-	3,769	-	-	-	4,852
Other comprehensive income for the period, net of tax	5,883	2,824	-	-	2,824	-	-	3,059
Total comprehensive income for the period	145,752	84,097	35,727	32,956	2,824	11,730	860	61,655
Dividends on ordinary shares	(368)	(368)	-	(368)	-	-	-	-
Dividends paid to non-controlling interests	(439)	-	-	-	-	-	-	(439)
As at 30 April 2018, as restated	144,945	83,729	35,727	32,588	2,824	11,730	860	61,216
The Company								
As at 1 August 2017	32,577	32,577	35,727	(3,305)	-	155	-	-
Profit for the period	650	650	-	650	-	-	-	-
Total comprehensive income for the period	33,227	33,227	35,727	(2,655)	-	155	-	-
Dividends on ordinary shares	(368)	(368)	-	(368)	-	-	-	-
As at 30 April 2018	32,859	32,859	35,727	(3,023)	-	155	-	-

Note 1: Upon first distribution of surplus assets from a dormant subsidiary who is in the process of voluntary liquidation.

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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

There were no changes in share capital during the financial period.

The Company did not have any outstanding convertibles as at 30 April 2019 and 30 April 2018.

There were neither treasury shares nor share option outstanding as at 30 April 2019 and 30 April 2018.

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

Total number of issued shares, excluding treasury shares

Company	
As at 30/4/2019	As at 31/7/2018
122,806,000	122,806,000

The Company did not have any treasury shares.

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

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements as at 31 July 2018, except that the Group has adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 August 2018 and all new and revised standards which are effective for annual financial periods beginning on 1 August 2018.

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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

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First Time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet under SFRS(I) has been prepared as at 1 August 2017, which is the Group's date of transition to SFRS(I).

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 August 2017, and accordingly, an amount of \$17,072,000 of foreign currency translation reserve had been transferred to the opening retained earnings as at 1 August 2017.

In addition, the Group adopted SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments* on 1 August 2018. The adoption of these standards is not expected to have any material effect on the financial performance or position of the Group and the Company.

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

(Loss)/earnings per ordinary share *

Group	
30/4/2019	30/4/2018
(1.82 cents)	3.07 cents

* The basic loss per share was based on the loss for the period attributable to owners of the Company of \$2,230,000 (2018: profit of \$3,769,000) and the weighted average number of 122,806,000 (2018: 122,806,000) ordinary shares outstanding during the financial period.

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 financial period reported on; and (b) immediately preceding financial year

Net asset value per ordinary share attributable to the owners of the Company

Group	
30/4/2019	31/7/2018
67.6 cents	70.1 cents

Company	
30/4/2019	31/7/ 2018
27.1 cents	26.6 cents

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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

Review of performance

Analysis of the performance for the current quarter

The Group's revenue decreased by \$3.2 million or 9%, from \$35.6 million in the preceding year's third quarter, to \$32.3 million for the current quarter ended 30 April 2019 ("3QFY2019"). This decrease was largely attributed to lower demand for services.

Interest income was higher by \$0.2 million or 42%, from \$0.4 million to \$0.5 million, following higher placements of short-term deposits during the current quarter.

A fair value gain of \$0.2 million on investment securities was recognised, following increases in the share price of quoted investments in Singapore and Malaysia.

Raw materials and consumables used, as well as changes in inventories of finished goods and work-in-progress, were higher by \$1.8 million or 25%, from \$7.1 million to \$8.8 million, mainly due to higher material costs incurred for deliveries to new customers.

Employee benefits expense was lower by \$0.7 million or 6%, following lower production.

Other operating expenses were lower by \$1.4 million or 22%, mainly attributable to (i) lower repairs and maintenance by \$0.6 million; (ii) increase in gain on disposal of property, plant and equipment by \$0.4 million; and (iii) lower professional fees by \$0.1 million for advisory services.

Consequently, the Group's profit before tax reduced by \$2.1 million or 99%, from \$2.1 million to \$28,000 in 3QFY2019.

Analysis of the performance for the current financial year to date

The Group's revenue decreased by \$11.8 million or 10%, from \$113.9 million in the previous corresponding period, to \$102.1 million for the current financial period ended 30 April 2019. This decrease was largely attributed to lower demand for services.

Interest income was higher by \$0.7 million or 69%, from \$1.0 million to \$1.6 million, following higher placements of short-term deposits during the current financial period.

Raw materials and consumables used, as well as changes in inventories of finished goods and work-in-progress, were higher by \$2.8 million or 11%, from \$24.3 million to \$27.1 million, mainly due to higher material costs incurred for deliveries to new customers.

Employee benefits expense was lower by \$2.6 million or 7%, following lower production.

Other operating expenses were lower by \$0.8 million or 4%, mainly attributable to lower repairs and maintenance by \$0.9 million.

Consequently, the Group reported a loss before tax of \$0.4 million in the current financial period, compared to a profit before tax of \$10.5 million in the previous corresponding period.

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Review of financial position

Non-current assets decreased by \$10.9 million, from \$75.3 million as at 31 July 2018, to \$64.4 million as at 30 April 2019, mainly due to lower property, plant and equipment. This was primarily due to depreciation charge, of \$20.1 million; partially offset by capital expenditure of \$9.9 million.

Current assets were lower by \$5.8 million, from \$133.3 million to \$127.4 million, mainly due to (i) a decrease in trade and other receivables by \$6.6 million, as a result of lower trade receivables due to lower sales; and (ii) decrease in investment securities by \$0.7 million following its disposal. The decrease was partially mitigated by higher inventories, of \$1.5 million, due to increases in work-in-progress and finished goods.

Non-current liabilities were lower by \$9.1 million, from \$20.2 million to \$11.2 million, largely resulting from repayment of loans and borrowings.

Current liabilities decreased by \$4.4 million, from \$40.6 million to \$36.3 million, mainly attributable to decrease in trade and other payables by \$4.3 million. This was the result of lower accrued operating expenses and sundry payables, by \$3.5 million; and absence of dividend payable of \$0.9 million.

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

No significant variance.

10. A commentary at the date of the announcement of the significant trends and 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

World-wide semiconductor revenue reached a record of USD474.6 billion in 2018, representing an increase of 12.5% from USD421.7 billion in 2017. However, a slowdown is expected in 2019, due to the negative effects of the trade war between the United States and China.

The recent increase on tariffs against China goods by the United States and the possible China retaliations may further heighten the trade tensions.

The global GDP growth is projected to slow down from 3.6% in 2018 to 3.3% in 2019.

The Group is realigning its operations to changes in the market environment.

11. Dividend

(a) **Current Financial Period Reported On**

Any dividend declared 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

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12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

The directors do not recommend any interim dividend due to loss incurred in 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, a statement to that effect

No IPT mandate had been obtained.

14. Negative confirmation pursuant to Rule 705(5) of the Listing Manual

The Board confirmed to the best of their knowledge that nothing has come to its attention which may render the unaudited interim financial results for the third quarter ended 30 April 2019 to be false or misleading in any material respect.

15. Disclosure of confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

On behalf of the Board,

Samuel Lim Syn Soo
Executive Chairman & CEO

Kenneth Tan Teoh Khoon
Executive Director

BY ORDER OF THE BOARD

Adeline Lim Kim Swan
Company Secretary
Date: 7 June 2019