

Financial Statement Announcement for the First Quarter ended 31 March 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Consolidated income statement for first quarter ended 31 March 2019. These figures have not been audited or reviewed.

(In Singapore dollars)	Jan - Mar 2019 \$'000	Jan - Mar 2018 \$'000	+ / (-) %
Revenue	159,510	168,974	(5.6)
Cost of sales	(142,257)	(147,565)	(3.6)
Gross profit	17,253	21,409	(19.4)
Other items of income			
Interest income	168	114	47.4
Other income	1,009	1,512	(33.3)
Other items of expense			
Marketing and distribution	(3,397)	(3,339)	1.7
Administrative expenses	(10,171)	(10,223)	(0.5)
Other operating expenses	(1,898)	(5,905)	(67.9)
Reversal of impairment loss on financial assets	-	5	(100.0)
Finance costs	(1,314)	(970)	35.5
Share of results of joint venture	244	354	(31.1)
Profit before tax	1,894	2,957	(35.9)
Income tax expense	(1,101)	(1,017)	8.3
Profit for the period	793	1,940	(59.1)
Profit attributable to:			
Owners of the Company	793	1,940	(59.1)

Consolidated statement of comprehensive income for first quarter ended 31 March 2019. These figures have not been audited or reviewed.

Profit for the period	793	1,940	(59.1)
Other comprehensive income			
Foreign currency translation	1,884	6,302	(70.1)
Share of foreign currency translation of joint venture	35	55	(36.4)
Other comprehensive income for the period, net of tax	1,919	6,357	(69.8)
Total comprehensive income for the period	2,712	8,297	(67.3)
Attributable to:			
Owners of the Company	2,712	8,297	(67.3)

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 statement of income for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Profit before tax is stated after (charging) / crediting:-

	Jan - Mar 2019 \$'000	Jan - Mar 2018 \$'000	+ / (-) %
Depreciation of property, plant and equipment	(7,213)	(7,472)	(3.5)
Depreciation of right-of-use assets	(1,342)	-	n.m.
Property, plant and equipment written off	(7)	(9)	(22.2)
(Loss)/gain on disposal of property, plant and equipment	(43)	36	(219.4)
(Allowance)/write back for inventories obsolescence	(357)	164	(317.7)
Net impairment loss on capitalised contract costs	(55)	(121)	(54.5)
Write back for doubtful debts	-	5	n.m.
Amortisation of intangible assets	(381)	(379)	0.5
Reversal of provision for onerous contract	82	81	1.2
Foreign exchange loss	<u>(878)</u>	<u>(5,205)</u>	(83.1)

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

(In Singapore dollars)

As at	Group			Company		
	31.03.2019 \$'000	31.12.2018 \$'000	+ / (-) %	31.03.2019 \$'000	31.12.2018 \$'000	+ / (-) %
Non-current assets						
Property, plant and equipment	188,153	190,435	(1.2)	11,135	11,015	1.1
Right-of-use assets	22,994	-	n.m.	1,320	-	n.m.
Intangible assets	13,694	14,087	(2.8)	-	-	n.m.
Other investments	1,539	1,539	-	-	-	n.m.
Investment in subsidiaries	-	-	n.m.	365,853	365,862	(0.0)
Investment in joint venture	6,946	6,659	4.3	-	-	n.m.
Prepayments	116	137	(15.3)	116	137	(15.3)
Other receivables	-	-	n.m.	371	374	(0.8)
Deferred tax assets	2,714	2,707	0.3	-	-	n.m.
	236,156	215,564	9.6	378,795	377,388	0.4
Current assets						
Inventories	116,620	114,911	1.5	8,391	7,545	11.2
Contract assets	40,613	41,744	(2.7)	4,147	3,620	14.6
Prepayments	5,127	4,955	3.5	866	661	31.0
Trade and other receivables	208,499	248,510	(16.1)	62,862	62,428	0.7
Cash and short term deposits	114,228	88,746	28.7	12,709	3,148	303.7
	485,087	498,866	(2.8)	88,975	77,402	15.0
Less: Current liabilities						
Trade and other payables	167,648	173,072	(3.1)	73,092	69,244	5.6
Contract liabilities	31,450	37,047	(15.1)	7,928	8,404	(5.7)
Loans and borrowings	80,491	86,264	(6.7)	38,624	44,296	(12.8)
Lease liabilities	5,329	-	n.m.	68	-	n.m.
Tax payable	3,623	4,042	(10.4)	-	-	n.m.
	288,541	300,425	(4.0)	119,712	121,944	(1.8)
Net current assets / (liabilities)	196,546	198,441	(1.0)	(30,737)	(44,542)	(31.0)
Less: Non-current liabilities						
Other liabilities	1,714	1,752	(2.2)	-	-	n.m.
Loans and borrowings	24,169	23,458	3.0	137	547	(75.0)
Lease liabilities	14,990	-	n.m.	1,257	-	n.m.
Deferred tax liabilities	7,507	7,480	0.4	-	-	n.m.
	48,380	32,690	48.0	1,394	547	154.8
Net assets	384,322	381,315	0.8	346,664	332,299	4.3
Equity attributable to owners of the Company						
Share capital	302,096	302,096	-	302,096	302,096	-
Reserves	82,226	79,219	3.8	44,568	30,203	47.6
Total equity	384,322	381,315	0.8	346,664	332,299	4.3

1(b)(ii)

Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 31.03.2019		As at 31.12.2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Loans and borrowings	1,613	78,878	1,591	84,673
Lease liabilities ⁽¹⁾	-	5,329	-	-

Amount repayable after one year

	As at 31.03.2019		As at 31.12.2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Loans and borrowings	-	24,169	-	23,458
Lease liabilities ⁽¹⁾	-	14,990	-	-

Details of any collateral

Collateral for secured borrowings is as follows:

- Sunningdale Innovative Technology (Tianjin) Co Ltd's loan of \$1.6 million (31.12.2018: \$1.6 million) is secured by cash and bank balances of the same amount of other subsidiary companies.

⁽¹⁾ On adoption of SFRS(I) 16, the lease liabilities of \$5.3 million (31.12.2018: \$nil) and \$15.0 million (31.12.2018: \$nil) was included in unsecured borrowings for amount repayable in one year or less or on demand and amount repayable after one year respectively.

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**

Consolidated statement of cash flows for first quarter ended 31 March 2019

(In Singapore dollars)	Jan - Mar 2019 \$'000	Jan - Mar 2018 \$'000
Cash flows from operating activities:		
Profit before tax	1,894	2,957
Adjustments for:		
Depreciation of property, plant and equipment	7,213	7,472
Depreciation of right-of-use assets	1,342	-
Property, plant and equipment written off	7	9
Loss/(gain) on disposal of property, plant and equipment	43	(36)
Allowance/(write back) for inventories obsolescence	357	(164)
Net impairment loss on capitalised contract costs	55	121
Write back for doubtful debts	-	(5)
Amortisation of intangible assets	381	379
Reversal of provision for onerous contract	(82)	(81)
Share of results of joint venture	(244)	(354)
Provision for retrenchment costs	188	-
Grant of equity-settled share awards to employees	295	299
Interest expense	1,314	970
Interest income	(168)	(114)
Currency realignment	449	3,931
Operating cashflows before changes in working capital	13,044	15,384
Increase in inventories	(1,093)	(1,769)
(Increase)/decrease in prepayments	(152)	15
Decrease in trade and other receivables and contract assets	11,943	15,872
Decrease in trade and other payables and contract liabilities	(7,460)	(20,236)
Retrenchment costs	(1,812)	(150)
Cash flows from operations	14,470	9,116
Interest paid	(1,314)	(970)
Interest received	168	114
Income tax paid	(1,495)	(1,360)
Net cash flows from operating activities	11,829	6,900
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,723)	(10,653)
Net proceeds from disposal of property, plant and equipment	27,809	99
Net cash flows from / (used in) investing activities	19,086	(10,554)
Cash flows from financing activities:		
Proceeds from loans and borrowings	6,287	9,114
Repayment of loans and borrowings	(11,324)	(6,102)
Payment of lease liabilities	(1,201)	-
Net cash flows (used in) / from financing activities	(6,238)	3,012
Net increase in cash and cash equivalents	24,677	(642)
Cash and cash equivalents at beginning of period	86,484	102,951
Effects of exchange rate changes on cash and cash equivalent	615	986
Cash and cash equivalents at end of period	111,776	103,295

Note:

	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Cash and cash at bank	114,228	88,746	105,448	105,281
Less: Bank overdraft	(738)	(571)	(487)	(693)
Less: Bank balances pledged	(1,714)	(1,691)	(1,666)	(1,637)
Cash and cash equivalents	111,776	86,484	103,295	102,951

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 first quarter ended 31 March 2019

(In Singapore dollars)

Group	Attributable to owners of the Company				Total \$'000
	Share Capital \$'000	Retained Earnings \$'000	Foreign Currency Translation Reserve \$'000	Other Reserve \$'000	
Balance at 01.01.2018	301,015	52,661	(1,632)	14,080	366,124
Profit for the period	-	1,940	-	-	1,940
<u>Other comprehensive income</u>					
Foreign currency translation	-	-	6,034	323	6,357
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled share awards to employees	-	-	-	299	299
Transfer to statutory reserve	-	-	-	-	-
Balance at 31.03.2018	301,015	54,601	4,402	14,702	374,720
Balance at 01.01.2019	302,096	67,497	(4,279)	16,001	381,315
Profit for the period	-	793	-	-	793
<u>Other comprehensive income</u>					
Foreign currency translation	-	-	1,736	183	1,919
<u>Contributions by and distributions to owners</u>					
Grant of equity-settled share awards to employees	-	-	-	295	295
Transfer to statutory reserve	-	(281)	-	281	-
Balance at 31.03.2019	302,096	68,009	(2,543)	16,760	384,322

(In Singapore dollars)

Company	Attributable to owners of the Company			Total \$'000
	Share Capital \$'000	Retained Earnings \$'000	Other Reserve \$'000	
Balance at 01.01.2018	301,015	17,522	1,301	319,838
Profit for the period	-	398	-	398
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share awards to employees	-	-	299	299
Balance at 31.03.2018	301,015	17,920	1,600	320,535
Balance at 01.01.2019	302,096	28,873	1,330	332,299
Profit for the period	-	14,070	-	14,070
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share awards to employees	-	-	295	295
Balance at 31.03.2019	302,096	42,943	1,625	346,664

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 or 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 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

Issued and fully paid	Ordinary Share
Balance as at 31.12.2018	190,646,836
Balance as at 31.03.2019	190,646,836

As at 31.03.2019, the share capital of the Company comprised 190,646,836 ordinary shares.

The number of shares that may be issued on conversion of share awards as at 31.03.2019 was 2,938,500 (31.12.2018: 2,938,500) shares.

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.

The Company does not have treasury shares as at 31.03.2019 (31.12.2018 : nil)

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 was no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31.03.2019

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

The figures are not audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31.12.2018, except all the new and revised standards which are effective for annual financial periods beginning on or after 01.01.2019.

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 applied SFRS(I) 16 retrospectively and had not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirement of SFRS(I) 1-17. On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities of \$20,630,000 respectively for its leases previously classified as operating leases and reclassified land use right of \$2,784,000 from property, plant and equipment to right-of-use assets as of 1 January 2019.

Other than the effect of the matter as described above, the adoption of the new and revised standards did not have any material effect on the financial performance or position of the Group.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	1st Qtr 2019	1st Qtr 2018
Earnings per ordinary share (EPS) for the period based on net profit attributable to		
(a) on weighted average number of ordinary shares (cents)	0.42	1.03
(b) on a fully diluted basis (cents)	0.41	1.01

Earnings per ordinary share is calculated on the Group profit for the financial periods attributable to the shareholders of the Company divided by the weighted average number of ordinary share of 190,646,836 (1Q2018: 189,205,336) for first quarter ended 31.03.2019.

Earnings per ordinary share (diluted basis) is computed based on the same basis as earnings per share by applying the weighted average number of ordinary shares in issuance during the period under review and adjusted to include all potential dilutive ordinary shares up to 31.03.2019. The adjusted weighted average number of ordinary shares is 193,585,336 (1Q2018: 192,706,836) for first quarter ended 31.03.2019.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	At 31.03.2019	At 31.12.2018	At 31.03.2019	At 31.12.2018
Net asset value per ordinary share				
Net asset value per ordinary share based on existing issued share capital as at the end of period (\$)	2.02	2.00	1.82	1.74

	Group		Company	
	At 31.03.2019	At 31.12.2018	At 31.03.2019	At 31.12.2018
Net tangible asset value per ordinary share				
Net tangible asset value per ordinary share based on existing issued share capital as at the end of period (\$)	1.94	1.93	1.82	1.74

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

CONSOLIDATED INCOME STATEMENT

January - March 2019 ("1Q19")

The Group's revenue decreased 5.6% year-on-year ("yoy") from \$169 million for 1Q18 to \$159.5 million for 1Q19.

Revenue from the Group's Automotive segment decreased 14.5% yoy to \$59.3 million mainly due to a decrease in orders from customers as a result of weakening demand across global automotive markets, certain projects reaching end-of-life and delays in new project launches.

Revenue from the Group's Consumer/IT and Healthcare segments remained stable for 1Q19 as compared to 1Q18.

The 2.3% yoy increase in revenue from the Mould Fabrication segment was mainly due to more orders recognised in profit and loss during the period.

	Jan - Mar 2019 \$'000	Jan - Mar 2018 \$'000	Inc/(Dec) %
Automotive	59,255	69,336	(14.5)
Consumer/IT	57,790	57,810	-
Healthcare	14,129	14,116	0.1
Mould Fabrication	28,336	27,712	2.3
	<u>159,510</u>	<u>168,974</u>	(5.6)

The Group's gross profit decreased 19.4% yoy from \$21.4 million for 1Q18 to \$17.3 million for 1Q19. Correspondingly, the gross profit margin declined from 12.7% for 1Q18 to 10.8% for 1Q19. This was mainly due to lower utilisation levels as a result of the decline in orders from the Automotive segment.

The decrease in other income was due to a decrease in rental income after the disposal of the Group's factory in Zhongshan, China during 4Q18 and lower government grants received.

The decrease in other expenses was mainly due to the Group reporting foreign exchange losses of \$0.9 million for 1Q19 as compared to \$5.2 million for 1Q18.

The increase in finance costs was due to accounting for finance costs from right-of-use assets ("ROUA") of \$0.2 million and an increase in borrowings.

The Group achieved a net profit of \$0.8 million for 1Q19 compared to a net profit of \$1.9 million for 1Q18. Excluding the impact from foreign exchange losses, retrenchment costs, loss/(gain) on the disposal of property, plant and equipment ("PPE") and finance costs on ROUA, net profit would have been \$2.1 million for 1Q19 and \$7.1 million for 1Q18, representing a 70.3% yoy decline.

	Jan - Mar 2019 \$'000	Jan - Mar 2018 \$'000	Inc/(Dec) %
Profit for the period reported	793	1,940	(59.1)
Adjustments:			
Foreign exchange losses	878	5,205	(83.1)
Retrenchment costs	188	-	n.m.
Loss/(gain) on disposal of PPE	43	(36)	n.m.
Finance cost on ROUA	212	-	n.m.
	<u>2,114</u>	<u>7,109</u>	(70.3)

CONSOLIDATED BALANCE SHEET

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities of \$20,630,000 respectively for its leases previously classified as operating leases and reclassified land use rights of \$2,784,000 from property, plant and equipment to right-of-use assets as of 1 January 2019.

The Group's property, plant and equipment ("PPE") amounted to \$188.2 million as at 31 March 2019 as compared to \$190.4 million as at 31 December 2018. PPE was stated net of depreciation charges of \$7.2 million (1Q18: \$7.5 million), partially offset by currency re-alignment, reclassified land use rights to right-of-use assets and additions of \$7.2 million (1Q18: \$13.2 million) in PPE.

The decrease in trade and other receivables was due to the proceeds on disposal of the property sold for \$28.2 million collected on 3 January 2019.

The Group maintained a cash balance of \$114.2 million as at 31 March 2019 (31 December 2018: \$88.7 million). This resulted in a net cash position of \$9.5 million (31 December 2018: net debt position of \$21.0 million) after accounting for loans and borrowings amounting to \$104.7 million (31 December 2018: \$109.7 million). The increase in net cash was mainly due to a foreign currency translation gain of \$0.6 million on the opening balance of cash and cash at banks, the collection of proceeds from the disposal of the property and cash generated from operations.

CONSOLIDATED CASHFLOW STATEMENT

January - March 2019 ("1Q19")

Net cash flows from operating activities amounted to \$11.8 million for 1Q19 as compared to \$6.9 million for 1Q18. Net cash flows from investing activities amounted to \$19.1 million for 1Q19 as compared to net cash flows used in investing activities of \$10.6 million for 1Q18 due to higher net proceeds from the disposal of property, plant and equipment and less payments for the purchase of property, plant and equipment for 1Q19.

Net cash flows used in financing activities amounted to \$6.2 million for 1Q19 as compared to net cash flows from financing activities of \$3.0 million for 1Q18.

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

Not Applicable.

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

Similar to 4Q2018, the Group continues to face pressure in the form of rising labour costs, price pressure and negative market sentiment. In addition, the Group continues to be impacted by a slowdown in the automotive market, especially in China.

While still in the initial start-up phase of its operations, the Group expects production and utilisation at its Penang facility to gradually improve in 2H2019. Similarly, the Group has accelerated the shift of its operations from Shanghai to the lower-cost region of Chuzhou. Completion of this shift is expected to take place by 3Q2019.

The Group's technological capabilities and global manufacturing footprint have led to business queries from both new and existing customers. Despite the downturn in the Automotive segment, the Group continues to garner momentum in the Consumer/IT and Healthcare segments as it has secured multiple new projects from customers.

The Group's continued improvements in tightening cost controls and enhancing operational efficiency have translated to improved margins from the lows of 4Q2018. The Group expects margin pressure to ease in the coming quarters as it continues its emphasis on controlling costs and boosting productivity. While remaining vigilant of the headwinds, the Group remains confident in its resilient business model as the long-term sustainability of its operations remains on track.

11 Dividend

(a) Current Financial Period Reported On

Any dividend 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/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, a statement to that effect.

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
	1Q2019 \$'000	1Q2019 \$'000
AIA Singapore Pte Ltd		
Insurance Premium	198	-
Agilent Technologies Singapore (International) Pte Ltd		
Sales of parts	3	-
Innovalues Precision Sdn Bhd		
Sales of parts	<u>12</u>	<u>-</u>
Total	<u><u>213</u></u>	<u><u>-</u></u>

BY ORDER OF THE BOARD

KHOO BOO HOR

Executive Director &
Chief Executive Officer

06 May 2019

14 CONFIRMATION BY THE BOARD

We, KOH BOON HWEE and KHOO BOO HOR, being two directors of Sunningdale Tech Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company, that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the first quarter 2019 to be false or misleading.

On behalf of the board of directors

KOH BOON HWEE
Non-Executive Chairman

KHOO BOO HOR
Executive Director &
Chief Executive Officer

15 Issuer to confirm 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)

The Board of Directors confirms that they have procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1).