
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 second quarter financial results announcement for the financial period ended 31 August 2017 (“2QFY2018 Results”).

Query (a)

It is noted in the statement of financial position that the Group’s inventories as at 31 August 2017 amounted to approximately S\$15,207,000, up by about 27.2% from approximately S\$11,954,000 as at 28 February 2017. This is despite a decrease of approximately 28.4% in the Group’s revenue for the half year 1 March 2017 to 31 August 2017 (“1HFY18”) of approximately S\$30,548,000, as compared to S\$42,671,000 for the half year 1 March 2016 to 31 August 2016 (“1HFY17”).

The Company disclosed that higher inventory was due to planned building up of inventories. Taking into consideration the above, please provide an elaboration on the inventories and the reason for the build-up.

Company’s response

The breakdown of inventories as at 31 August 2017 amounted to approximately S\$15,207,000 and S\$11,954,000 as at 28 February 2017 is as follows:

Products	As at 31 August 2017 (S\$’000)	As at 28 February 2017 (S\$’000)	Increase/(Decrease) (S\$’000)
Voice coil motor (VCM) plates	1,388	1,059	329
Air Combs	3,732	5,283	(1,551)
Baseplates	7,873	3,656	4,217
Precision Metal Stamping components	2,214	1,956	258
Total	15,207	11,954	3,253

The Group plans its stock level based on customers’ forecasts. There is a high inventory level for Baseplates due to its long manufacturing process with significant amounts of work-in-progress in the pipelines.

Query (b)

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

Financial statement line item	Group		Company	
	31.8.2017	28.2.2017	31.8.2017	28.2.2017
	S\$’000	S\$’000	S\$’000	S\$’000
Current liabilities	17,193	10,231	9,510	1,784
- Interest-bearing loans and borrowings				
Non-current liability	3,254	4,063	-	-
- Interest-bearing loans and borrowings				

The Company disclosed that the higher interest-bearing loans and borrowings (current portion) was mainly due to additional financings obtained during 1HFY18. Please elaborate on the use of the additional financings.

Company's response

Additional financings were used in the following:

1. purchase of property, plant and equipment;
2. working capital; and
3. maintain sufficient buffer in cash and bank balances

By Order of the Board

Law Yu Chui
Director
27 October 2017