

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 OCTOBER 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		
	1st Quarter ended		
	31/10/2019	31/10/2018	Change
	S\$'000	S\$'000	%
Revenue	30,593	35,068	(13%)
Other items of income:			
Interest income	607	556	9%
Dividend income	21	16	31%
Items of expenses:			
Raw materials and consumables used	(5,427)	(9,024)	(40%)
Changes in inventories of finished goods and work-in-progress	(414)	1,026	NM
Employee benefits expense	(11,657)	(12,802)	(9%)
Depreciation of property, plant and equipment	(5,864)	(6,767)	(13%)
Depreciation of right-of-use assets	(346)	-	NM
Operating lease expense	(117)	(426)	(73%)
Finance costs	(333)	(436)	(24%)
Other expenses	(5,714)	(6,723)	(15%)
Net loss on disposal of investment securities	-	(32)	(100%)
Net fair value loss on investment securities	(57)	(130)	(56%)
Profit before tax	1,292	326	NM
Income tax expense	(563)	(407)	38%
Profit/(loss), net of tax	729	(81)	NM
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation loss	(2,218)	(1,389)	60%
Other comprehensive income for the period, net of tax	(2,218)	(1,389)	60%
Total comprehensive income for the period	(1,489)	(1,470)	1%
Profit/(loss) attributable to:			
Owners of the Company	28	(558)	NM
Non-controlling interests	701	477	47%
	729	(81)	NM
Total comprehensive income attributable to:			
Owners of the Company	(1,084)	(1,236)	(12%)
Non-controlling interests	(405)	(234)	73%
	(1,489)	(1,470)	1%
Earnings/(loss) per share attributable to owners of the Company (cents)			
- Basic	0.02	(0.45)	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		
	1st Quarter ended		
	31/10/2019	31/10/2018	Change
	S\$'000	S\$'000	%
Net write-down of inventories	(55)	(130)	(58%)
Net (impairment loss)/write-back of impairment loss on trade receivables	(4)	4	NM
Net exchange loss	(24)	(2)	NM
Property, plant and equipment written off	-	(25)	(100%)
Net gain on disposal of property, plant and equipment	477	93	NM
Under provision of current income tax in respect of previous years	-	(3)	(100%)

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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	
	31/10/2019	31/7/2019	31/10/2019	31/7/2019
ASSETS				
Non-current assets				
Property, plant and equipment	53,898	58,864	1,002	1,103
Investment in subsidiaries	-	-	11,262	10,706
Right-of-use assets	4,925	-	12	-
Loans to a subsidiary	-	-	346	417
Deferred tax assets	1,168	1,225	-	-
Total non-current assets	59,991	60,089	12,622	12,226
Current assets				
Investment securities	2,860	2,802	508	585
Inventories	5,089	5,297	-	-
Prepayments	1,446	1,175	75	78
Tax recoverables	192	465	-	-
Trade and other receivables	25,074	26,396	2,748	2,654
Loans to a subsidiary	-	-	284	284
Cash and short-term deposits	93,823	93,255	20,284	20,568
Total current assets	128,484	129,390	23,899	24,169
Total assets	188,475	189,479	36,521	36,395
EQUITY AND LIABILITIES				
Equity				
Share capital	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)	33,796	33,768	(5,361)	(5,352)
Other reserves	11,935	13,047	155	155
Total equity attributable to owners of the Company	81,458	82,542	30,521	30,530
Non-controlling interests	61,051	61,456	-	-
Total equity	142,509	143,998	30,521	30,530
Non-current liabilities				
Loans and borrowings	7,310	5,905	326	391
Defined benefit liabilities	1,361	1,356	-	-
Deferred tax liabilities	3,037	2,949	1,848	1,848
Total non-current liabilities	11,708	10,210	2,174	2,239
Current liabilities				
Trade and other payables	15,901	16,428	1,359	1,095
Contract liabilities	190	174	-	-
Loans and borrowings	17,753	18,586	2,404	2,484
Provisions	27	25	-	-
Income tax payable	387	58	63	47
Total current liabilities	34,258	35,271	3,826	3,626
Total equity and liabilities	188,475	189,479	36,521	36,395

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 31/10/2019		As at 31/7/2019	
Secured	Unsecured	Secured	Unsecured
\$4,847,000	\$12,906,000	\$5,216,000	\$13,370,000

Amount repayable after one year

As at 31/10/2019		As at 31/7/2019	
Secured	Unsecured	Secured	Unsecured
\$1,916,000	\$5,394,000	\$2,492,000	\$3,413,000

Details of any collaterals

Obligations under finance leases included in the Group's loans and borrowings, are secured on certain assets of the companies within the Group of net book value amounting to \$4,308,000 (31/7/2019: \$4,254,000).

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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 31/10/2019	As at 31/10/2018
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before tax	1,292	326
Adjustments for:		
Interest income	(607)	(556)
Net gain on disposal of property, plant and equipment	(477)	(93)
Depreciation of property, plant and equipment	5,864	6,767
Depreciation of right-of-use assets	346	-
Property, plant and equipment written off	-	25
Net write-down of inventories	55	130
Net impairment loss/(write-back of impairment loss) on trade receivables	4	(4)
Dividend income	(21)	(16)
Net fair value loss on investment securities	57	130
Net loss on disposal of investment securities	-	32
Finance costs	333	436
Net unrealised exchange loss/(gain)	102	(48)
Operating cash flows before changes in working capital	6,948	7,129
Decrease/(increase) in inventories	153	(1,588)
Decrease in prepayments and receivables	2,155	2,030
Decrease in payables and contract liabilities	(2,389)	(1,017)
Cash flows from operations	6,867	6,554
Net income taxes received/(paid)	173	(347)
Interest paid	(320)	(458)
Interest received	674	560
Net cash flows from operating activities	7,394	6,309
Cash flows from investing activities:		
Decrease/(increase) in short-term deposits with maturity more than three months	2,022	(441)
Dividends received from investment securities	21	16
Purchases of property, plant and equipment	(1,097)	(2,234)
Proceeds from disposal of property, plant and equipment	484	111
Purchases of investment securities	(156)	(189)
Proceeds from disposal of investment securities	-	760
Net cash flows from/(used in) investing activities	1,274	(1,977)
Cash flows from financing activities:		
Proceeds from term loans	2,460	1,552
Repayment of term loans	(6,388)	(4,101)
Repayment of leases	(905)	(671)
Net cash flows used in financing activities	(4,833)	(3,220)
Net increase in cash and cash equivalents	3,835	1,112
Effect of exchange rate changes on cash and cash equivalents	(1,245)	(803)
Cash and cash equivalents at beginning of year	36,019	36,627
Cash and cash equivalents at end of period	38,609	36,936

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Notes:

During the financial period ended 31 October 2019, the Group generated \$7,394,000 and \$1,274,000 from its operating activities and investing activities respectively, and used \$4,833,000 in its financing activities. These resulted in a net increase of \$3,835,000 in the Group's cash and cash equivalents.

Cash and cash equivalents comprised of the following:

Cash at banks and on hand
Bank deposits
Cash and short-term deposits
Less: Bank deposits with maturity more than three months
Cash and cash equivalents

Group	
S\$'000	
31/10/2019	31/10/2018
17,623	15,618
76,200	72,515
93,823	88,133
(55,214)	(51,197)
38,609	36,936

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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 31 October 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 2019	143,998	82,542	35,727	33,768	1,690	10,497	860	61,456
Profit for the period	729	28	-	28	-	-	-	701
Other comprehensive income for the period, net of tax	(2,218)	(1,112)	-	-	(1,112)	-	-	(1,106)
Total comprehensive income for the period, net of tax	(1,489)	(1,084)	-	28	(1,112)	-	-	(405)
As at 31 October 2019	142,509	81,458	35,727	33,796	578	10,497	860	61,051
The Company								
As at 1 August 2019	30,530	30,530	35,727	(5,352)	-	155	-	-
Loss for the period	(9)	(9)	-	(9)	-	-	-	-
Total comprehensive income for the period, net of tax	(9)	(9)	-	(9)	-	-	-	-
As at 31 October 2019	30,521	30,521	35,727	(5,361)	-	155	-	-

Statement of changes in equity for financial period ended 31 October 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 2018	147,680	86,065	35,727	35,623	2,125	11,730	860	61,615
(Loss)/profit for the period	(81)	(558)	-	(558)	-	-	-	477
Other comprehensive income for the period, net of tax	(1,389)	(678)	-	-	(678)	-	-	(711)
Total comprehensive income for the period, net of tax	(1,470)	(1,236)	-	(558)	(678)	-	-	(234)
As at 31 October 2018	146,210	84,829	35,727	35,065	1,447	11,730	860	61,381
The Company								
As at 1 August 2018	32,675	32,675	35,727	(3,207)	-	155	-	-
Profit for the period	92	92	-	92	-	-	-	-
Total comprehensive income for the period, net of tax	92	92	-	92	-	-	-	-
As at 31 October 2018	32,767	32,767	35,727	(3,115)	-	155	-	-

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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 31 October 2019 and 31 October 2018.

There were neither treasury shares nor share option outstanding as at 31 October 2019 and 31 October 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 31/10/2019	As at 31/7/2019
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 2019, except that the Group has adopted all new and revised standards which are effective for annual financial periods beginning on 1 January 2019.

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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

The Group has adopted SFRS(I) 16 *Leases* on 1 August 2019 using simplified transition approach and did not restate comparative amounts for the financial year ended 31 July 2019 as permitted under the specific transition provisions in the standard. Upon adoption of SFRS(I) 16 *Leases*, the Group recognised right-of-use assets of \$5,269,000 and lease liabilities of \$5,269,000 on 1 August 2019.

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

Basic earnings/(loss) per ordinary share amounts are calculated by dividing profit/(loss) net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the current financial period.

	Group	
	1st Quarter ended	
	31/10/2019	31/10/2018
Profit/(loss) attributable to owners of the Company (\$'000)	28	(558)
Weighted average number of ordinary shares ('000)	122,806	122,806
Earnings/(loss) per ordinary share (cents)	0.02	(0.45)

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

	Group		Company	
	31/10/2019	31/7/2019	31/10/2019	31/7/2019
Net asset value per ordinary share attributable to the owners of the Company	66.3 cents	67.2 cents	24.9 cents	24.9 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 profit before tax increased by \$1.0 million, from \$0.3 million to \$1.3 million, in the current quarter ended 31 October 2019 ("1QFY2020").

Revenue decreased by \$4.5 million or 13%, from \$35.1 million in the preceding year's first quarter, to \$30.6 million for 1QFY2020. This decrease was attributed to lower demand for both goods and services.

Raw materials and consumables used, as well as changes in inventories of finished goods and work-in-progress, were lower by \$2.2 million or 27%, from \$8.0 million to \$5.8 million, following lower revenue and lower materials required for the fulfillment of customer orders.

Employee benefits expense was lower by \$1.1 million or 9%, resulting from lower staff compensation and reduced headcount.

Depreciation of property, plant and equipment was lower by \$0.9 million or 13%, from \$6.8 million to \$5.9 million, as certain machinery and test equipment were fully depreciated.

Upon the adoption of SFRS(I) 16 *Leases*, depreciation of right-of-use assets of \$0.3 million was recognised. Operating lease expense was correspondingly reduced by \$0.3 million or 73%.

Other expenses were lower by \$1.0 million or 15%, mainly attributable to (i) lower repairs and maintenance, and utilities cost, totalling \$0.4 million, following lower production; (ii) higher gain on disposal of property, plant and equipment by \$0.4 million; and (iii) lower write-down of inventories by \$0.1 million.

Review of financial position

Property, plant and equipment was lower by 8% or \$5.0 million, from \$58.9 million as at 31 July 2019, to \$53.9 million as at 31 October 2019. This decrease was primarily due to a depreciation charge of \$5.9 million.

Right-of-use assets of \$4.9 million were recognised, representing the right to use the leased assets during the lease terms.

Current assets were lower by \$0.9 million, from \$129.4 million to \$128.5 million, mainly due to (i) decrease in trade and other receivables of \$1.3 million, as a result of lower trade receivables due to reduced sales; partially mitigated by (ii) higher cash and short-term deposits of \$0.6 million, which represented the net surplus cash generated from operations.

Non-current liabilities were higher by \$1.5 million, from \$10.2 million to \$11.7 million, primarily due to higher loans and borrowings, arising from lease liabilities of \$3.6 million; partially offset by net repayment of bank loans.

Current liabilities decreased by \$1.0 million, from \$35.3 million to \$34.3 million, mainly attributable to lower loans and borrowing by \$0.8 million, following net repayment of bank loans of \$2.1 million, partially offset by lease liabilities of \$1.3 million.

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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

As previously reported, world-wide semiconductor revenue is estimated to reach USD429 billion in 2019, representing a decline of 9.6% from USD475 billion in 2018. This is mainly due to a softening in the memory market and slower growth in certain end markets such as smartphones and personal computers.

The International Monetary Fund has again, in its October report, revised the 2019 global growth forecast downwards, from the previous projection of 3.2% to 3.0%, reflecting a continual weakening of global economies and lower business confidence.

The outcome of US-China trade relations remains uncertain.

Notwithstanding the above factors, the Group is accelerating its innovation in equipment design, factory automation and capacity utilisation, and its marketing efforts.

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

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 as the Company does not have sufficient profits.

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.

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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 first quarter ended 31 October 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: 22 November 2019