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Sunningdale reports 54.1% yoy increase in core net profit to S$1.9 million for 1H2020 despite revenue declining by 14.7% yoy; declares interim dividend of 1.8 Singapore cents

- Revenue declines 14.7% yoy to S$275.1 million, attributable to the slowdown across global automotive markets and mandatory government closures of the Group's manufacturing facilities due to COVID-19
- Gross profit margin expands 2.0 percentage points to 12.2%, driven by the completion of relocation of the Group's parts operations from one plant in Shanghai to Chuzhou, change in product mix, tightened cost controls, improved operational efficiency, governments' stimulus grants and waiver of foreign worker levy
- Group's Healthcare segment continues to garner momentum, recording robust growth having secured new projects from new and existing customers
- Board of Directors declares an interim dividend of 1.8 Singapore cents per share (1H2019: 3.0 Singapore cents per share)

SINGAPORE – 6 August 2020 – Singapore Exchange Mainboard-listed Sunningdale Tech Ltd. ("Sunningdale Tech" or "the Group"), a leading manufacturer of precision plastic components, has announced its financial results for the first half ("1H2020") ended 30 June 2020.

Financial Highlights

(S$'000)	1H2020	1H2019	Change
Revenue	275,099	322,640	(14.7)%
Gross Profit	33,540	32,838	2.1%
Gross Profit Margin (%)	12.2	10.2	2.0 pts
Net profit	8,253	(292)	n.m.
Core Net Profit (excluding FX gains/losses, retrenchment costs, onerous rental, gains/losses on the disposal of PPE, allowance for impairment on PPE, government grants due to COVID-19 and reduction and exemption on social security contribution and FWL)	1,914	1,242	54.1%
Earnings per Share – Basic (Sing cents)	4.30	(0.15)	n.m.
Net Asset Value per Share (Sing $)	2.00	1.93	3.6%

The Group's revenue declined 14.7% year-on-year ("yoy") to S$275.1 million for 1H2020, mainly due to COVID-19 disruptions. Revenue from the Automotive segment declined 29.4% yoy to S$84.2 million for 1H2020, due mainly to mandatory government closures of the Group's manufacturing facilities, coupled by a slowdown across US and Europe markets as customers are affected by COVID-19 shutdowns.

Similarly, revenue from the Group's Consumer/IT segment declined 12.0% yoy to S$105.6 million for 1H2020, attributable mainly to a deliberate decision to exit the lower-margin business of a particular customer in February 2019, as well as the impact of COVID-19 shutdowns on the Group's manufacturing facilities in China, Malaysia and Singapore, except for those involved in certain essential goods and services. The impact on revenue however was partially offset by strong orders from three customers.

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Conversely, the Group's Healthcare segment continues to garner momentum, driven by the increase in orders secured amid COVID-19 and new projects launched. Accordingly, revenue from the Healthcare segment rose 17.9% yoy to S$34.5 million for 1H2020.

While the Group recorded only a marginal 2.1% yoy increase in gross profit to S$33.5 million for 1H2020, gross profit margin improved significantly, expanding 2.0 percentage points to 12.2% for the same period in the preceding year. This improvement was driven by the completion of relocation of the Group's parts operations from one plant in Shanghai to Chuzhou, changes in product mix, tightened cost controls, improvement in operational efficiency and the reduction and exemption of social security contributions required by the Human Resource Social Security Bureau in China, coupled with the waiver of foreign worker levy in Singapore. Without the reduction and exemption on social security contribution and waiver of foreign worker levy, the gross profit margin would be 11.4%

Overall, the Group posted net profit attributable to shareholders of S$8.3 million for 1H2020, compared to a net loss of S$0.3 million for 1H2019. Having taken into account adjustments for net foreign exchange gains/losses, retrenchment costs, onerous rent, allowance for impairment on property, plant and equipment ("PPE"), net gains/losses on disposal of PPE, government grants due to COVID-19 and reduction and exemption on social security contribution and foreign worker levy (FWL), the Group recorded a 54.1% yoy increase in core net profit to S$1.9 million for 1H2020.

The Group continued to generate strong positive operating cash flows amounting to S$45.7 million for 1H2020. This bolstered balance sheet strength as the Group recorded a net cash position of S$31.3 million as at 30 June 2020 (31 December 2020: net debt S$1.0 million).

(S$'000)	1H2020	1H2019	Change (%)
Profit/(loss) for the period	8,253	(292)	n.m.
Adjustments:			
Net foreign exchange (gain)/loss	(734)	541	(235.7)%
Retrenchment costs	194	496	(60.9)%
Onerous rent[1]	-	173	(100.0)%
Allowance for impairment on PPE	-	491	(100.0)%
Net loss/(gain) on disposal of PPE	105	(167)	(162.9%)
Government grants due to COVID-19	(3,344)	-	100.0%
Reduction and exemption on social security contribution and FWL	(2,560)	-	100.0%
Core Net Profit	1,914	1,242	54.1%

Group CEO & Executive Director Mr Khoo Boo Hor said, ***"Despite facing headwinds in the form of pricing pressure and negative market sentiment due to the COVID-19 pandemic and continuing US-***

[1]Onerous rent refers to rent paid at the Group's operations in Shanghai and Thailand despite the shifting of operations from these locations. The Group was required to pay rent at these vacant premises during 2Q19 as the rental agreements will expire at a later date.

China tensions, the Group performed fairly for 1H2020. While COVID-19 shutdowns across US and Europe impacted orders for our Automotive segment, we experienced some bright spots for our Healthcare segment as it continues to gain traction and display robust growth with new project wins from both new and existing customers. Our Consumer/IT segment has also seen gradual recovery since the end of June 2020.

Looking ahead, our immediate attitude for the second half is one of caution and heightened vigilance as we are unable to predict if lock ups and shut downs will recur, nor are we able to quantify the economic impact on end demand of our customers. However, we will continue to focus on what we can control internally. This includes tightening our cost controls, boosting productivity and implementing overall operational excellence across our various business segments and manufacturing facilities. We will also continue to monitor market conditions closely while aggressively pursuing business development initiatives to secure new projects.

The Board has declared an interim dividend of 1.8 Singapore cents per share. This is down from the interim dividend of 3.0 Singapore cents per share in 1H2019, as the Board felt that it is prudent to conserve cash in this highly uncertain environment. Furthermore, this period of crisis may throw up opportunities for mergers & acquisitions to grow the Group.

Notwithstanding the difficult market conditions and increasing uncertainties, we remain confident in our resilient business model and healthy balance sheet as the long-term sustainability of our operations remains on track."

- The End -

About Sunningdale Tech Ltd. (Bloomberg Code: SUNN:SP)

Sunningdale Tech Ltd is a leading manufacturer of precision plastic components. The Group provides one-stop, turnkey plastic solutions, with capabilities ranging from product & mould designs, mould fabrication, injection moulding, complementary finishings, through to the precision assembly of complete products.

Boasting a total factory space of more than 3 million sq feet, with more than 1000 injection moulding machines and a tooling capacity of 2,500 moulds per year, Sunningdale Tech is focusing on serving four key business segments – automotive, consumer/IT/environment, healthcare and tooling.

With manufacturing facilities across Singapore, Malaysia (Johor, Penang), China (Chuzhou, Guangzhou, Shanghai, Suzhou, Tianjin and Zhongshan), Latvia (Riga), Mexico (Guadalajara), Indonesia (Batam), Thailand (Rayong) and India (Chennai). Sunningdale Tech is strategically positioned to target and capture opportunities in diverse business sectors globally using third-party logistic partners.

For more information, please visit http://www.sdaletech.com.

Issued for and on behalf of Sunningdale Tech Ltd. by Financial PR

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