

**Hi-P International Limited (Registration Number: 198004817H)****Financial Statement and Dividend Announcement for the half-year ended 30 June 2020****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS****1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>1H2020</b>	<b>1H2019</b>	<b>Increase/ (decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<b>Revenue</b>	543,758	573,220	(5.1)
Cost of sales	<u>(475,390)</u>	<u>(497,197)</u>	(4.4)
<b>Gross profit</b>	68,368	76,023	(10.1)
<b>Other items of income</b>			
Interest income	2,903	2,275	27.6
Other income	7,596	4,705	61.4
<b>Other items of expense</b>			
Selling and distribution expenses	(5,368)	(6,144)	(12.6)
Administrative expenses	(37,914)	(34,845)	8.8
Financial costs	(2,229)	(3,628)	(38.6)
(Impairment losses)/ reversal of impairment losses on financial assets, net	(96)	60	n.m.
Other expenses	1,357	(3,003)	n.m.
Share of results of associates	(510)	(1,236)	(58.7)
Share of results of a joint venture	(30)	(5)	500.0
<b>Profit before tax</b>	<u>34,077</u>	<u>34,202</u>	(0.4)
Income tax expense	<u>(9,876)</u>	<u>(9,165)</u>	7.8
<b>Profit for the period</b>	<u>24,201</u>	<u>25,037</u>	(3.3)
<b>Attributable to:</b>			
Owners of the Company	<u>24,201</u>	<u>25,037</u>	(3.3)

n.m. – Not Meaningful

**Consolidated statement of comprehensive income for the half-year ended 30 June 2020**

	<b>1H2020</b>	<b>1H2019</b>	<b>Increase/ (decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<b>Profit for the period</b>	24,201	25,037	(3.3)
<b><u>Other comprehensive income</u></b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation	14,811	(4,610)	n.m.
Share of other comprehensive income of associates	311	(187)	n.m.
Share of other comprehensive income of a joint venture	9	(1)	n.m.
Other comprehensive income for the period, net of tax	15,131	(4,798)	n.m.
<b>Total comprehensive income for the period</b>	<b>39,332</b>	<b>20,239</b>	<b>94.3</b>
<b>Attributable to:</b>			
Owners of the Company	39,332	20,239	94.3

n.m. – Not Meaningful

Notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year are as follows:

	<b>1H2020</b>	<b>1H2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
1. Depreciation of property, plant and equipment	38,434	34,769
2. Amortisation of deferred grant income	(447)	(491)
3. Amortisation of intangible assets	1,335	-
4. Depreciation of investment properties	52	52
5. Rental income from investment properties	(32)	(34)
6. Depreciation of right-of-use assets	8,041	7,427
7. Expenses relating to short-term leases and leases of low-value assets	4,018	2,182
8. Impairment losses/ (reversal of impairment losses) on property, plant and equipment	391	(24)
9. Gains on disposal of property, plant and equipment, net	(519)	(197)
10. Gains on disposal of assets held for sale, net	(632)	-
11. Property, plant and equipment written off	36	21
12. Inventory provisions/ (reversal of inventory provisions)	1,936	(3,369)
13. Inventories written back	(84)	(195)
14. Onerous contract charges taken directly to profit or loss	-	7
15. Impairment losses/ (reversal of impairment losses) on financial assets, net - trade receivables	96	(60)
16. Bad debts written off	-	32
17. Trade/ other payables waived	(31)	(12)
18. Directors' fees	241	200
19. Staff costs (including directors' remuneration)	172,116	167,250
20. Foreign exchange (gains)/ losses, net	(419)	2,630
21. Fair value (gains)/ losses on derivatives, net	(48)	75
22. Allowances/ (reversal of allowances) on non-cancellable purchase commitments	402	(688)
23. Insurance claims	(41)	(48)

**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	
	30/6/2020 S\$'000	31/12/2019 S\$'000	30/6/2020 S\$'000	31/12/2019 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	306,750	296,918	15,788	15,892
Investment properties	137	184	-	-
Intangible assets	33,564	34,899	12	12
Right-of-use assets	41,756	37,555	5,206	5,252
Investment in subsidiaries	-	-	447,758	444,312
Investment in associates	23,109	23,458	503	503
Investment in a joint venture	163	184	-	-
Other investments	7,900	7,732	-	-
Loan to an associate	4,630	-	-	-
Deferred tax assets	23,302	25,692	-	-
	441,311	426,622	469,267	465,971
<b>Current assets</b>				
Inventories	220,786	157,724	3,785	4,022
Trade and other receivables	273,496	361,995	76,903	66,582
Prepaid operating expenses	8,507	8,901	356	489
Derivatives	576	385	-	-
Restricted bank deposits	3,160	3,093	-	-
Cash and cash equivalents	318,142	329,592	25,061	5,319
	824,667	861,690	106,105	76,412
Assets held for sale	-	3,299	-	-
	824,667	864,989	106,105	76,412
<b>Total assets</b>	1,265,978	1,291,611	575,372	542,383
<b>Current liabilities</b>				
Trade and other payables	339,418	400,125	22,701	5,754
Notes payable	647	560	-	-
Contract liabilities	30,001	28,510	124	113
Accrued operating expenses	62,026	78,850	3,586	11,196
Provisions	432	425	-	-
Loans and borrowings	124,369	122,103	25,151	25,000
Lease liabilities related to right-of-use assets	9,669	10,179	68	63
Deferred grant income	1,592	838	642	102
Income tax payable	26,175	24,289	2,491	825
Dividends payable	16,139	-	16,139	-
	610,468	665,879	70,902	43,053
<b>Net current assets</b>	214,199	199,110	35,203	33,359
<b>Non-current liabilities</b>				
Other payables	-	-	96,636	96,636
Lease liabilities related to right-of-use assets	20,082	15,488	5,280	5,283
Deferred tax liabilities	10,786	11,346	2,537	2,566
Deferred grant income	4,223	4,494	45	68
	35,091	31,328	104,498	104,553
<b>Total liabilities</b>	645,559	697,207	175,400	147,606
<b>Net assets</b>	620,419	594,404	399,972	394,777

	<b>Group</b>		<b>Company</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(60,360)	(61,486)	(60,360)	(61,486)
Accumulated profits	509,098	501,093	331,399	329,026
Other reserves	51,956	35,072	9,208	7,512
<b>Total equity</b>	<b>620,419</b>	<b>594,404</b>	<b>399,972</b>	<b>394,777</b>
<b>Total equity and liabilities</b>	<b>1,265,978</b>	<b>1,291,611</b>	<b>575,372</b>	<b>542,383</b>

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

**Bank loans and borrowings**

**Amount repayable in one year or less, or on demand**

As at 30/6/2020		As at 31/12/2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	124,369	-	122,103

**Lease liabilities related to right-of-use assets**

**Amount repayable in one year or less, or on demand**

As at 30/6/2020	As at 31/12/2019
Secured S\$'000	Secured S\$'000
9,669	10,179

**Amount repayable after one year**

As at 30/6/2020	As at 31/12/2019
Secured S\$'000	Secured S\$'000
20,082	15,488

**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.**

	<b>1H2020</b>	<b>1H2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	34,077	34,202
Adjustments for:		
Depreciation of property, plant and equipment	38,434	34,769
Amortisation of deferred grant income	(447)	(491)
Amortisation of intangible assets	1,335	-
Depreciation of investment properties	52	52
Depreciation of right-of-use assets	8,041	7,427
Impairment losses/ (reversal of impairment losses) on property, plant and equipment	391	(24)
Gains on disposal of property, plant and equipment, net	(519)	(197)
Gains on disposal of assets held for sale, net	(632)	-
Property, plant and equipment written off	36	21
Inventory provisions/ (reversal of inventory provisions)	1,936	(3,369)
Inventories written back	(84)	(195)
Covid-19 related rental rebates	(310)	-
Impairment losses/ (reversal of impairment losses) on financial assets - trade receivables, net	96	(60)
Bad debts written off	-	32
Allowances/ (reversal of allowances) on non-cancellable purchase commitments	402	(688)
Trade/ other payables waived	(31)	(12)
Equity compensation expenses	2,822	1,464
Financial costs	2,229	3,628
Interest income	(2,903)	(2,275)
Fair value (gains)/ losses on derivatives - unrealised, net	(191)	2
Net unrealised exchange differences	(290)	(421)
Share of results of associates	510	1,236
Share of results of a joint venture	30	5
<b>Operating cash flows before changes in working capital</b>	<b>84,984</b>	<b>75,106</b>
<b>Changes in working capital</b>		
(Increase)/ decrease in inventories	(60,915)	31,599
Decrease in trade and other receivables	92,183	123,238
Decrease/ (increase) in prepaid operating expenses	502	(834)
Decrease in trade and other payables and contract liabilities	(52,965)	(88,993)
Increase/ (decrease) in notes payable	87	(643)
Decrease in accrued operating expenses	(17,756)	(19,332)
Increase in restricted bank deposits	-	(1,394)
Increase in deferred grant income	355	-
Total changes in working capital	(38,509)	43,641
<b>Cash flows generated from operations</b>	<b>46,475</b>	<b>118,747</b>
Income taxes paid	(5,852)	(12,873)
<b>Net cash flows generated from operating activities</b>	<b>40,623</b>	<b>105,874</b>

	<b>1H2020</b>	<b>1H2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from investing activities</b>		
Interest received	1,839	2,599
Purchase of property, plant and equipment (Note a)	(54,217)	(32,896)
Proceeds from disposal of property, plant and equipment	617	866
Proceeds from disposal of assets held for sale	7,115	-
Investment in an associate	-	(4,038)
Dividend received from an associate	150	-
Purchase of other investment	-	(3,032)
Proceeds from deferred grant income	44	200
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<b>Net cash flows used in investing activities</b>	<b>(44,452)</b>	<b>(36,301)</b>
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<b>Cash flows from financing activities</b>		
Dividends paid on ordinary shares	-	(32,050)
Purchase of treasury shares	-	(519)
Proceeds from re-issuance of treasury shares	-	2,226
Financial costs paid	(2,754)	(3,708)
Net proceeds/ (repayment) of loans and borrowings	1,883	(65,432)
Repayment of principal obligations under lease liabilities related to right-of-use assets	(7,607)	(7,016)
Repayment of principal obligations under hire purchase arrangement	-	(24)
Loan to an associate	(4,630)	-
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<b>Net cash flows used in financing activities</b>	<b>(13,108)</b>	<b>(106,523)</b>
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<b>Net decrease in cash and cash equivalents</b>	<b>(16,937)</b>	<b>(36,950)</b>
Effect of exchange rate changes on cash and cash equivalents	5,487	(821)
Cash and cash equivalents at beginning of period	329,592	286,653
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<b>Cash and cash equivalents at end of period</b>	<b>318,142</b>	<b>248,882</b>
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#### **Note to the Consolidated Cash Flow Statement**

##### (a) Purchase of property, plant and equipment

Current period additions	45,682	31,163
Less: Payable to creditors	(22,283)	(13,980)
	<hr/>	<hr/>
	23,399	17,183
Payments for prior period purchases	30,818	15,713
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<b>Net cash outflow for purchase</b>	<b>54,217</b>	<b>32,896</b>
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**1(d)(i) A statement (for the issuer and the 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.**

**(i) Consolidated statement of changes in equity for the 6 months ended 30 June 2020**

<b>Group</b>	<b>Attributable to owners of the Company</b>				<b>Total equity</b>
	<b>Share capital</b>	<b>Treasury shares</b>	<b>Other reserves</b>	<b>Accumulated profits</b>	<b>attributable to owners of the Company</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Opening balance at 1 January 2020</b>	119,725	(61,486)	35,072	501,093	594,404
Profit for the period	-	-	-	24,201	24,201
<u>Other comprehensive income</u>					
Share of other comprehensive income of associates	-	-	311	-	311
Share of other comprehensive income of a joint venture	-	-	9	-	9
Foreign currency translation	-	-	14,811	-	14,811
<b>Other comprehensive income for the period, net of tax</b>	-	-	15,131	-	15,131
<b>Total comprehensive income for the period</b>	-	-	15,131	24,201	39,332
<u>Contributions by and distributions to owners</u>					
Employee share award scheme -Equity compensation benefits	-	-	2,822	-	2,822
Treasury shares reissued pursuant to employee share award scheme	-	1,126	(1,126)	-	-
Dividends on ordinary shares	-	-	-	(16,139)	(16,139)
<b>Total transactions with owners in their capacity as owners</b>	-	1,126	1,696	(16,139)	(13,317)
<u>Others</u>					
Transfer from retained earnings to statutory reserve fund	-	-	57	(57)	-
<b>Total others</b>	-	-	57	(57)	-
<b>Closing balance at 30 June 2020</b>	119,725	(60,360)	51,956	509,098	620,419

## (ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2019

Group	Attributable to owners of the Company				
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to owners of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Opening balance at 1 January 2019</b>	119,725	(65,019)	41,339	467,966	564,011
Profit for the period	-	-	-	25,037	25,037
<u>Other comprehensive income</u>					
Share of other comprehensive income of associates	-	-	(187)	-	(187)
Share of other comprehensive income of a joint venture	-	-	(1)	-	(1)
Foreign currency translation	-	-	(4,610)	-	(4,610)
<b>Other comprehensive income for the period, net of tax</b>	-	-	(4,798)	-	(4,798)
<b>Total comprehensive income for the period</b>	-	-	(4,798)	25,037	20,239
<u>Contributions by and distributions to owners</u>					
Employee share award scheme -Equity compensation benefits	-	-	1,464	-	1,464
Purchase of treasury shares	-	(519)	-	-	(519)
Treasury shares reissued pursuant to employee share option & award schemes	-	3,098	(872)	-	2,226
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
<b>Total transactions with owners in their capacity as owners</b>	-	2,579	592	(32,050)	(28,879)
<u>Others</u>					
Transfer from retained earnings to statutory reserve fund	-	-	7,673	(7,673)	-
<b>Total others</b>	-	-	7,673	(7,673)	-
<b>Closing balance at 30 June 2019</b>	119,725	(62,440)	44,806	453,280	555,371

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2020

Company	<u>Attributable to owners of the Company</u>				Total equity S\$'000
	Share capital	Treasury shares	Capital reserve	Accumulated profits	
	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Opening balance at 1 January 2020</b>	119,725	(61,486)	7,512	329,026	394,777
Profit for the period	-	-	-	18,512	18,512
<u>Contributions by and distributions to owners</u>					
Employee share award scheme	-	-	2,822	-	2,822
- Equity compensation benefits	-	-	-	-	-
Treasury shares reissued pursuant to employee share award scheme	-	1,126	(1,126)	-	-
Dividends on ordinary shares	-	-	-	(16,139)	(16,139)
<b>Total transactions with owners in their capacity as owners</b>	-	1,126	1,696	(16,139)	(13,317)
<b>Closing balance at 30 June 2020</b>	<u>119,725</u>	<u>(60,360)</u>	<u>9,208</u>	<u>331,399</u>	<u>399,972</u>

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2019

Company	<u>Attributable to owners of the Company</u>				Total equity S\$'000
	Share capital	Treasury shares	Capital reserve	Accumulated profits	
	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Opening balance at 1 January 2019</b>	119,725	(65,019)	5,575	274,088	334,369
Profit for the period	-	-	-	72,577	72,577
<u>Contributions by and distributions to owners</u>					
Employee share award scheme	-	-	1,464	-	1,464
- Equity compensation benefits	-	-	-	-	-
Purchase of treasury shares	-	(519)	-	-	(519)
Treasury shares reissued pursuant to employee share option & award schemes	-	3,098	(872)	-	2,226
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
<b>Total transactions with owners in their capacity as owners</b>	-	2,579	592	(32,050)	(28,879)
<b>Closing balance at 30 June 2019</b>	<u>119,725</u>	<u>(62,440)</u>	<u>6,167</u>	<u>314,615</u>	<u>378,067</u>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

During the half-year ended 30 June 2020, there has been no increase in the issued and paid-up share capital of the Company.

#### Share Options

(a) Hi-P Employee Share Option Scheme 2003

During the half-year ended 30 June 2020, 2,591 options have lapsed but no options were exercised.

There were 4,777,603 options outstanding as at 30 June 2020 (30 June 2019: 4,800,323).

(b) Hi-P Employee Share Option Scheme 2014

On 30 June 2020, 10,300,000 options were issued to employees at an exercise price of S\$1.08. The options are exercisable in 5 stages in the proportion of up to 20% each after the first anniversary up to the fifth anniversary of the date of grant .

During the half-year ended 30 June 2020, no options have lapsed nor options were exercised.

There were 10,771,798 options outstanding as at 30 June 2020 (30 June 2019: 471,798).

In respect of the two employee share option schemes aforementioned, there was an aggregate of 15,549,401 options outstanding as at 30 June 2020 (30 June 2019: 5,272,121).

#### Share Awards

The Company granted of 2,248,000 share awards pursuant to the Hi-P Employee Share Award Scheme 2018 on 14 April 2020, of which 1,496,000 share awards were vested on 17 April 2020 and the balance of 752,000 share awards will be vested on the day on which the relevant employees reach the age of 65.

During the half-year ended 30 June 2020, an aggregate of 188,000 share awards have lapsed.

Under the Hi-P Employee Share Award Scheme 2018, there were 4,477,475 share awards in aggregate remaining to be vested as at 30 June 2020 (30 June 2019: 1,680,000).

#### Treasury Shares

During the half-year ended 30 June 2020, the Company has not purchased any share to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2020 was 80,214,259 (30 June 2019: 82,977,744), representing 9.94% of the total number of issued shares (excluding treasury shares) (30 June 2019: 10.32%).

### Subsidiary Holdings

There were no holdings in Hi-P International Limited by any subsidiary as at 30 June 2020 (30 June 2019: Nil).

**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 total number of issued ordinary shares excluding treasury shares as at 30 June 2020 was 806,960,741 (31 December 2019: 805,464,741).

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

During the half-year ended 30 June 2020, 1,496,000 treasury shares were transferred to employees upon vesting of share awards.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable, as there were no holdings in Hi-P International Limited by any subsidiary as at the end of the current financial period reported on.

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

The figures have not been reviewed or audited by the Company's auditor.

**3. Where the figures have been audited or reviewed, the auditor's report (including any modifications 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.**

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 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.**

During the current financial period, the Group adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2020.

The following standards are relevant to the Group:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to References to the Conceptual Framework in SFRS(I) Standards	<i>1 January 2020</i>
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	<i>1 January 2020</i>
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	<i>1 January 2020</i>

The adoption of the above SFRS(I)s did not have any significant impact on the financial statements.

**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:-**

- (a) Based on the weighted average number of ordinary shares on issue; and  
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	<b>1H2020</b>	<b>1H2019</b>
Operating profit after exceptional items and tax as a percentage of revenue	4.5%	4.4%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	3.9%	4.5%
Earnings per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	3.00	3.12
(b) On a fully diluted basis (cents) *	2.98	3.12

Earnings per share have been computed based on the weighted average number of ordinary shares in issue during the period.

\* For 1H2020, the financial effect of certain share options issued has been disregarded in the calculation of dilutive earnings per ordinary share as the stock option exercise prices are above the average market price.

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

	<b>Group</b>		<b>Company</b>	
	<b>30/6/2020</b>	<b>31/12/2019</b>	<b>30/6/2020</b>	<b>31/12/2019</b>
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	76.88	73.80	49.57	49.01

- 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.**

### **Revenue and Profitability Analysis**

1H2020 vs. 1H2019

Revenue decreased by S\$29.5 million (5.1%) yoy to S\$543.8 million for 1H2020 due primarily to the negative impact from COVID-19 disruptions in 1Q2020. This decline was cushioned by higher revenue for 2Q2020.

Gross profit decreased by S\$7.7 million (10.1%) yoy to S\$68.4 million for 1H2020, while gross profit margin contracted from 13.3% for 1H2019 to 12.6% for 1H2020. The decline was mainly due to (i) lower revenue, (ii) losses resulting from COVID-19 disruptions for the Group's China operations in February 2020, (iii) inventory provision of S\$1.9 million for 1H2020 compared to a reversal of S\$3.4 million for 1H2019 and (iv) higher depreciation of property, plant & equipment. The decline was partially offset by government subsidies granted to the Group and several cost control measures.

The Group recorded a net interest income (interest income net off with financial costs) of S\$0.7 million for 1H2020, as compared to a net interest expense of S\$1.4 million for 1H2019. This was mainly due to lower borrowing rates and higher net cash for 1H2020 as compared to 1H2019.

Other income increased by S\$2.9 million (61.4%) yoy to S\$7.6 million for 1H2020. The increase was mainly due to the various subsidies granted to the Group.

Total selling, distribution and administrative expenses increased by S\$2.3 million (5.6%) yoy to S\$43.3 million for 1H2020. The increase was mainly due to the amortization of identifiable intangible assets arising from the acquisition of South East Asia Moulding Company Pte. Ltd, ("Seamco") in end October 2019 and higher employee share award expense.

Other expenses generated an income of S\$1.4 million for 1H2020, as compared to an expense of S\$3.0 million for 1H2019. The improvement was mainly due to a net gain of S\$0.5 million arising from foreign exchange differences and hedging contracts for 1H2020, as compared to a net loss of S\$2.7 million for 1H2019.

The Group recorded an income tax expense of S\$9.9 million for 1H2020, representing an effective tax rate of 29.0% (1H2019: 26.8%). The higher effective tax rate for 1H2020 was mainly the result of taxes imposed on profitable entities, and lesser deferred tax asset recognized on unutilized tax losses as compared to 1H2019.

As a result of the above factors, the Group's net profit after tax decreased marginally by S\$0.8 million (3.3%) yoy to S\$24.2 million for 1H2020.



### **Balance Sheet Analysis**

Right-of-use assets increased by S\$4.2 million (11.2%) from S\$37.6 million as at 31 December 2019 to S\$41.8 million as at 30 June 2020 mainly due to lease renewal for our manufacturing plants. Correspondingly, lease liabilities (current and non-current) increased by S\$4.1 million (15.9%) from S\$25.7 million as at 31 December 2019 to S\$29.8 million as at 30 June 2020.

Loan to an associate of S\$4.6 million as at 30 June 2020 represents a 2-year interest bearing loan granted by the Group to its associated company, Hi-Flex (Suzhou) Electronics Co., Ltd., for working capital purposes.

Deferred tax assets decreased by S\$2.4 million (9.3%) from S\$25.7 million as at 31 December 2019 to S\$23.3 million as at 30 June 2020, mainly in line with the decrease in bonus accrual.

The Group's inventories increased by S\$63.1 million (40.0%) from S\$157.7 million as at 31 December 2019 to S\$220.8 million as at 30 June 2020 mainly due to the buildup of inventory for 3Q2020, as sales for 3Q2020 are expected to be higher than 1Q2020.

Trade and other receivables decreased by S\$88.5 million (24.4%) from S\$362.0 million as at 31 December 2019 to S\$273.5 million as at 30 June 2020. The decrease was mainly due to the decrease in trade receivables resulting from lower sales for 2Q2020 as compared to 4Q2019.

Assets held for sale were fully disposed of during the period.

Trade and other payables, notes payable and contract liabilities decreased by S\$59.1 million (13.8%) from S\$429.2 million as at 31 December 2019 to S\$370.1 million as at 30 June 2020. The decrease was mainly due to lower purchases in 2Q2020 resulting from lower sales for 2Q2020 as compared to 4Q2019.

Accrued operating expenses decreased by S\$16.9 million (21.3%) from S\$78.9 million as at 31 December 2019 to S\$62.0 million as at 30 June 2020 mainly due to a decrease in bonus accruals following payout in 1Q2020.

Dividend payable of S\$16.1 million represented a final dividend of 2.0 Singapore cents per ordinary share for the financial year ended 31 December 2019 which was paid on 1 July 2020.

Current bank loans and borrowings (excluding lease liabilities related to right-of-use assets) increased by S\$2.3 million (1.9%) from S\$122.1 million as at 31 December 2019 to S\$124.4 million as at 30 June 2020. Cash and cash equivalents and restricted bank deposits decreased by S\$11.4 million (3.4%) from S\$332.7 million as at 31 December 2019 to S\$321.3 million as at 30 June 2020. This resulted in a net cash position of S\$196.9 million as at 30 June 2020 (31 December 2019: S\$210.6 million).

### **Cash Flows Analysis**

Net cash generated from operating activities before working capital changes was S\$85.0 million for 1H2020. Net cash generated from operating activities for 1H2020 amounted to S\$40.6 million.

Net cash used in investing activities was S\$44.5 million for 1H2020, mainly due to payments made for the purchase of capital expenditure amounting to S\$54.2 million, partially offset by the proceeds from disposal of assets held for sale of S\$7.1 million and interest received amounting to S\$1.8 million.

Net cash used in financing activities was S\$13.1 million for 1H2020, mainly due to repayment of principal obligations under lease liabilities amounting to S\$7.6 million and loan to an associate of S\$4.6 million.

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

In the Group's 4Q2019 results announcement made on 13 February 2020, the Group guided as follows:

- The Group expects lower revenue and profit for 1H2020 as compared to 1H2019

In line with our guidance, the results achieved are summarised below:

(S\$'000)	1H2020	1H2019
Revenue	543,758	573,220
Net profit after tax	24,201	25,037

**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.**

According to the International Data Corporation ("IDC"), the worldwide smartphone market is forecasted to decline 11.9% yoy in 2020 with shipments totaling 1.2 billion units<sup>1</sup>. Smartphone shipments are expected to decline 18.2% in the first half of the year as the macroeconomic impact of the COVID-19 pandemic continues to affect consumer spending. Global smartphone shipments are not expected to return to growth until the first quarter of 2021.

As for the demand for notebook computers and tablets, initial feedback on the first quarter of 2020 across Europe suggests a spike of a third or so in yoy demand, as COVID-19 lockdowns have led companies to equip employees to work at home and students set themselves up to study remotely<sup>2</sup>. The current IDC forecast is that the personal computing devices sector will not suffer as much from the rapid contraction in economic performance as many other sectors, as it is key to productivity from home for so many workers.

Taking into account the industry outlook for smartphones, notebook computers and tablets, the Group will focus its efforts on the following to overcome industry challenges:

- Transformation into a business unit ("BU") organization
- Diversifying its customer base through the development of new customers and products
- Increasing allocation from existing customers
- Exploring opportunities for mergers and acquisitions that are synergistic to the Group's operations
- Exploring opportunities to expand the Group's manufacturing footprint to non-China regions
- Enhancing capacity utilization and manufacturing yield improvements
- Tightening cost controls
- Increasing automation and artificial intelligence aided processes across the Group
- Implementing effective motivation mechanisms for staff
- Talent development and succession planning

The Group continues to strive for sustainable growth in its journey to be one of the top contract manufacturers in Asia, by providing dedicated solutions to fulfill its customers' needs - from product development, component manufacturing to complete product assembly.

Barring any other unforeseen circumstances, the Group wishes to guide its financial performance as follows:

- The Group expects higher revenue and similar profit for 2H2020 as compared to 2H2019.
- The Group expects higher revenue and profit for 2H2020 as compared to 1H2020.
- The Group expects higher revenue and similar profit for FY2020 as compared to FY2019.

<sup>1</sup> IDC, IDC Expects Worldwide Smartphone Shipments to Plummet 11.9% in 2020 Fueled by Ongoing COVID-19 Challenges, 3 June 2020

<sup>2</sup> IDC, Work-at-Home Causes One-Third Surge in Demand for Notebooks and Tablets Across Europe, says IDC, 9 April 2020

**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) The date the dividend is payable**

Not applicable.

**(d) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined**

Not applicable.

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

No dividend has been declared/recommendeded for 1H2020 as the Group wishes to conserve cash to support working capital requirements and for future business growth.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions entered into during the half-year ended 30 June 2020 as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted under the shareholders mandate pursuant to rule 920 (excluding transactions less than \$100,000)
<b>Transaction for Sales of Goods and Services</b> None	N.A.	N.A.

No IPT mandate has been obtained from shareholders.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of SGX-ST Listing Manual**

Pursuant to Listing Rule 720(1), the Company has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual.

**Negative confirmation pursuant to Rule 705(5) by the Board**

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 30 June 2020 to be false or misleading in any material aspect.

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Yao Hsiao Tung  
Executive Chairman  
Chief Executive Officer

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Gerald Lim Thien Su  
Director