

Hi-P International Limited (Registration Number: 198004817H)

Financial Statement and Dividend Announcement for the quarter ended 30 June 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), 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.

	Q 2-18	Q 2-17	Increase/ (decrease)	YTD	YTD	Increase/ (decrease)
	S\$'000	S\$'000	%	Q 2-18	Q 2-17	%
				S\$'000	S\$'000	
Revenue	302,006	279,522	8.0	583,102	523,712	11.3
Cost of sales	<u>(272,305)</u>	<u>(245,337)</u>	11.0	<u>(515,606)</u>	<u>(456,083)</u>	13.1
Gross profit	29,701	34,185	(13.1)	67,496	67,629	(0.2)
Other items of income						
Interest income	1,768	1,079	63.9	3,433	1,449	136.9
Other income	4,761	2,253	111.3	6,367	3,515	81.1
Other items of expense						
Selling and distribution expenses	(2,833)	(2,591)	9.3	(5,350)	(5,387)	(0.7)
Administrative expenses	(16,794)	(14,897)	12.7	(30,543)	(31,249)	(2.3)
Financial costs	(1,561)	(667)	134.0	(2,878)	(1,178)	144.3
Other expenses	1,014	(1,647)	n.m.	(10,306)	(5,275)	95.4
Share of results of associates	(13)	29	n.m.	(82)	150	n.m.
Share of results of a joint venture	<u>2</u>	<u>15</u>	(86.7)	<u>10</u>	<u>(22)</u>	n.m.
Profit before tax	16,045	17,759	(9.7)	28,147	29,632	(5.0)
Income tax expense	<u>(3,766)</u>	<u>(2,662)</u>	41.5	<u>(5,794)</u>	<u>(6,135)</u>	(5.6)
Profit for the period	<u>12,279</u>	<u>15,097</u>	(18.7)	<u>22,353</u>	<u>23,497</u>	(4.9)
Attributable to:						
Owners of the Company	12,294	15,099	(18.6)	22,379	23,501	(4.8)
Non-controlling interests	<u>(15)</u>	<u>(2)</u>	650.0	<u>(26)</u>	<u>(4)</u>	550.0
	<u>12,279</u>	<u>15,097</u>	(18.7)	<u>22,353</u>	<u>23,497</u>	(4.9)

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 30 June 2018

	Group			Group		
	Q2-18 S\$'000	Q2-17 S\$'000	Increase/ (decrease)	YTD Q2-18 S\$'000	YTD Q2-17 S\$'000	Increase/ (decrease) %
Profit for the period	12,279	15,097	(18.7)	22,353	23,497	(4.9)
Other comprehensive income						
Items that may be reclassified						
subsequently to profit or loss:						
Foreign currency translation	(7,899)	2,124	n.m.	3,239	(5,374)	n.m.
Share of other comprehensive income of associates	(1)	(41)	(97.6)	23	(28)	n.m.
Share of other comprehensive income of a joint venture	(2)	(9)	(77.8)	2	(9)	n.m.
Other comprehensive income for the period, net of tax	(7,902)	2,074	n.m.	3,264	(5,411)	n.m.
Total comprehensive income for the period	4,377	17,171	(74.5)	25,617	18,086	41.6
Total comprehensive income attributable to:						
Owners of the Company	4,406	17,171	(74.3)	25,641	18,112	41.6
Non-controlling interests	(29)	-	n.m.	(24)	(26)	(7.7)
	4,377	17,171	(74.5)	25,617	18,086	41.6

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:

	Q2-18	Q2-17	YTD	YTD
	S\$'000	S\$'000	Q2-18	Q2-17
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	17,101	18,377	34,321	37,609
2. Amortization of deferred capital grants	(198)	(153)	(397)	(270)
3. Amortization of intangible asset	-	23	-	52
4. Amortization of land use rights	67	65	134	131
5. Impairment loss/ (reversal of impairment loss) on property, plant and equipment	281	(32)	271	(100)
6. Net (gain)/ loss on disposal of property, plant and equipment	(141)	(125)	6	(176)
7. Property, plant and equipment written off	23	33	23	66
8. (Reversal of inventory provision)/ inventory provision	(5,143)	1,187	(5,976)	2,711
9. Inventories written back	(255)	(150)	(408)	(237)
10. Write back of doubtful receivables	(477)	(6)	(1,010)	(31)
11. Bad debt written off	2	-	2	-
12. Trade/ other payables waived	(47)	(705)	(65)	(881)
13. Directors' fees	133	90	223	179
14. Staff costs (including directors' remuneration)	90,737	86,557	168,384	160,199
15. Operating lease expense	4,664	4,606	9,291	9,662
16. Net foreign exchange (gain)/ loss	(4,795)	2,313	8,205	7,468
17. Net fair value loss/ (gain) on derivatives	3,122	(430)	1,391	(1,790)
18. Net loss on liquidation of a subsidiary	404	-	404	-
19. Provision for warranty costs	5	6	5	6
20. Allowance/ (reversal of allowance) on non-cancellable purchase commitments	218	(150)	197	(1,900)
21. Insurance claim	-	(44)	(11)	(188)

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	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	312,339	315,131	15,905	15,946
Intangible assets	12	12	12	12
Land use rights	11,245	11,352	-	-
Investment in subsidiaries	-	-	377,991	380,535
Investment in associates	7,435	6,663	503	503
Investment in a joint venture	393	348	-	-
Other receivables	-	-	27,288	26,746
Investment securities	5,150	-	-	-
Restricted bank deposits	505	505	-	-
Deferred tax assets	27,192	25,729	-	-
	364,271	359,740	421,699	423,742
Current assets				
Inventories	184,764	178,529	3,476	3,437
Trade and other receivables	295,483	445,297	77,080	77,728
Notes receivable	340	7,551	-	-
Prepaid operating expenses	13,656	6,447	628	208
Restricted bank deposits	1,821	4,411	-	-
Cash and cash equivalents	255,439	277,914	9,377	13,748
	751,503	920,149	90,561	95,121
Total assets	1,115,774	1,279,889	512,260	518,863
Current liabilities				
Trade and other payables	309,046	419,860	7,710	9,405
Notes payable	976	1,577	-	-
Accrued operating expenses	64,035	89,246	14,676	38,425
Provisions	853	1,368	-	-
Deferred capital grants	786	784	93	93
Loans and borrowings	195,357	205,213	25,058	25,058
Income tax payable	16,863	21,557	2,222	1,473
Derivatives	205	-	-	-
	588,121	739,605	49,759	74,454
Net current assets	163,382	180,544	40,802	20,667
Non-current liabilities				
Other payables	-	-	112,571	164,006
Deferred capital grants	5,343	5,720	115	161
Loans and borrowings	-	29	-	29
Deferred tax liabilities	4,482	5,050	2,592	2,702
	9,825	10,799	115,278	166,898
Total liabilities	597,946	750,404	165,037	241,352
Net assets	517,828	529,485	347,223	277,511

	Group		Company	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to owners of the				
Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(60,976)	(56,547)	(60,976)	(56,547)
Accumulated profits	397,636	421,095	283,292	209,528
Other reserves	61,443	44,247	5,182	4,805
	<u>517,828</u>	<u>528,520</u>	<u>347,223</u>	<u>277,511</u>
Non-controlling interests	-	965	-	-
Total equity	<u>517,828</u>	<u>529,485</u>	<u>347,223</u>	<u>277,511</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable within one year or less, or on demand**

As at 30/6/2018		As at 31/12/2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
58	195,299	58	205,155

Amount repayable after one year

As at 30/6/2018		As at 31/12/2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	29	-

Lease obligation of S\$58,000 was secured against the respective leased assets.

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.

	Q2-18 S\$'000	Q2-17 S\$'000	YTD Q2-18 S\$'000	YTD Q2-17 S\$'000
Cash flows from operating activities				
Profit before tax	16,045	17,759	28,147	29,632
Adjustments for:				
Depreciation of property, plant and equipment	17,101	18,377	34,321	37,609
Amortization of deferred capital grants	(198)	(153)	(397)	(270)
Amortization of intangible asset	-	23	-	52
Amortization of land use rights	67	65	134	131
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	281	(32)	271	(100)
Net (gain)/ loss on disposal of property, plant and equipment	(141)	(125)	6	(176)
Property, plant and equipment written off	23	33	23	66
(Reversal of inventory provision)/ inventory provision	(5,143)	1,187	(5,976)	2,711
Inventories written back	(255)	(150)	(408)	(237)
Provision for warranty costs	5	6	5	6
Write back of doubtful receivables	(477)	(6)	(1,010)	(31)
Bad debts written off	2	-	2	-
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	218	(150)	197	(1,900)
Trade/ other payables waived	(47)	(705)	(65)	(881)
Equity compensation expense	-	7	-	27
Financial costs	1,561	667	2,878	1,178
Interest income	(1,768)	(1,079)	(3,433)	(1,449)
Net fair value loss/ (gain) on derivatives - unrealised	205	-	205	(254)
Net unrealised exchange difference	773	1,034	5,176	987
Net loss on liquidation of a subsidiary	404	-	404	-
Share of results of associates	13	(29)	82	(150)
Share of results of a joint venture	(2)	(15)	(10)	22
Operating cash flows before changes in working capital	28,667	36,714	60,552	66,973
Changes in working capital				
Decrease/ (increase) in inventories	2,989	(28,603)	2,638	(18,220)
(Increase)/ decrease in trade and other receivables	(23,724)	(15,672)	151,926	107,891
Decrease in notes receivable	4,404	2	7,211	-
(Increase)/ decrease in prepaid operating expenses	(1,054)	(175)	(7,122)	3,371
(Decrease)/ increase in trade and other payables	(22,092)	64,564	(122,332)	27,112
Decrease in notes payable	(525)	(1,140)	(601)	(1,967)
Increase/ (decrease) in accrued operating expenses	2,362	149	(26,958)	(22,481)
Total changes in working capital	(37,640)	19,125	4,762	95,706
Cash flows (used in)/ generated from operations	(8,973)	55,839	65,314	162,679
Income taxes paid	(5,620)	(4,370)	(11,839)	(6,909)
Net cash flows (used in)/ generated from operating activities	(14,593)	51,469	53,475	155,770

	Q2-18 S\$'000	Q2-17 S\$'000	YTD Q2-18 S\$'000	YTD Q2-17 S\$'000
Cash flows from investing activities				
Proceeds from capital grants	-	1,525	-	1,525
Consultancy fee paid for capital grants application	-	(122)	-	(122)
Interest received	1,727	872	3,358	1,059
Proceeds from disposal of property, plant and equipment	297	467	455	629
Purchase of property, plant and equipment (Note a)	(13,083)	(12,330)	(26,085)	(19,626)
Purchase of investment securities	(5,228)		(5,228)	
Investment in an associate	-	-	(831)	-
Investment in a joint venture	-	-	-	(484)
Net cash outflow on liquidation of a subsidiary	(118)	-	(118)	-
Net cash flows used in investing activities	(16,405)	(9,588)	(28,449)	(17,019)
Cash flows from financing activities				
Decrease in restricted bank deposits	1,483	3,025	2,590	7,399
Dividends paid on ordinary shares	(32,281)	(3,227)	(32,281)	(3,227)
Purchase of treasury shares	(5,068)	(1,670)	(5,068)	(1,670)
Proceeds from re-issuance of treasury shares	30	377	1,016	377
Financial costs paid	(1,562)	(672)	(2,789)	(1,183)
Net (repayment of)/ proceeds from loans and borrowings	(44,247)	33,189	(13,724)	5,178
Repayments of obligations under finance lease	(15)	(424)	(30)	(2,027)
Net cash flows (used in)/ generated from financing activities	(81,660)	30,598	(50,286)	4,847
Net (decrease)/ increase in cash and cash equivalents	(112,658)	72,479	(25,260)	143,598
Effect of exchange rate changes on cash and cash equivalents	(311)	453	2,785	(1,619)
Cash and cash equivalents at beginning of period	368,408	179,974	277,914	110,927
Cash and cash equivalents at end of period	255,439	252,906	255,439	252,906

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment

Current period additions	18,874	10,249	31,395	18,839
Less: Payable to creditors	(8,800)	(4,023)	(10,652)	(5,227)
	10,074	6,226	20,743	13,612
Payments for prior period/year purchases	3,009	6,104	5,342	6,014
Net cash outflow for purchase	13,083	12,330	26,085	19,626

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 2018

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2018	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Profit for the period	-	-	-	10,085	10,085	(11)	10,074
Share of other comprehensive income of associates	-	-	24	-	24	-	24
Share of other comprehensive income of a joint venture	-	-	4	-	4	-	4
Foreign currency translation	-	-	11,122	-	11,122	16	11,138
Other comprehensive income for the period, net of tax	-	-	11,150	-	11,150	16	11,166
Total comprehensive income for the period	-	-	11,150	10,085	21,235	5	21,240
<u>Contributions by and distributions to owners</u>							
Treasury shares reissued pursuant to employee share option scheme	-	617	369	-	986	-	986
Total transactions with owners in their capacity as owners	-	617	369	-	986	-	986
Closing balance at 31 March 2018	119,725	(55,930)	55,766	431,180	550,741	970	551,711

(i) Consolidated statement of changes in equity for the 6 months ended 30 June 2018 (cont'd)

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 31 March 2018	119,725	(55,930)	55,766	431,180	550,741	970	551,711
Profit for the period	-	-	-	12,294	12,294	(15)	12,279
Share of other comprehensive income of associates	-	-	(1)	-	(1)	-	(1)
Share of other comprehensive income of a joint venture	-	-	(2)	-	(2)	-	(2)
Foreign currency translation	-	-	(7,885)	-	(7,885)	(14)	(7,899)
Other comprehensive income for the period, net of tax	-	-	(7,888)	-	(7,888)	(14)	(7,902)
Total comprehensive income for the period	-	-	(7,888)	12,294	4,406	(29)	4,377
<u>Contributions by and distributions to owners</u>							
Purchase of treasury shares	-	(5,068)	-	-	(5,068)	-	(5,068)
Treasury shares reissued pursuant to employee share option scheme	-	22	8	-	30	-	30
Dividends on ordinary shares	-	-	-	(32,281)	(32,281)	-	(32,281)
Total contributions by and distributions to equity holders	-	(5,046)	8	(32,281)	(37,319)	-	(37,319)
<u>Changes in ownership interests in subsidiaries</u>							
Liquidation of a subsidiary	-	-	-	-	-	(941)	(941)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	(941)	(941)
Total transactions with owners in their capacity as owners	-	(5,046)	8	(32,281)	(37,319)	(941)	(38,260)
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	13,557	(13,557)	-	-	-
Total others	-	-	13,557	(13,557)	-	-	-
Closing balance at 30 June 2018	119,725	(60,976)	61,443	397,636	517,828	-	517,828

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2017

Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2017	119,725	(55,701)	47,083	467,129	578,236	985	579,221
Profit for the period	-	-	-	8,402	8,402	(2)	8,400
Share of other comprehensive income of an associate	-	-	13	-	13	-	13
Foreign currency translation	-	-	(7,474)	-	(7,474)	(24)	(7,498)
Other comprehensive income for the period, net of tax	-	-	(7,461)	-	(7,461)	(24)	(7,485)
Total comprehensive income for the period	-	-	(7,461)	8,402	941	(26)	915
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes	-	-	20	-	20	-	20
-Equity compensation benefits	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	20	-	20	-	20
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	27	(27)	-	-	-
Total others	-	-	27	(27)	-	-	-
Closing balance at 31 March 2017	119,725	(55,701)	39,669	475,504	579,197	959	580,156

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2017 (cont'd)

Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 31 March 2017	119,725	(55,701)	39,669	475,504	579,197	959	580,156
Profit for the period	-	-	-	15,099	15,099	(2)	15,097
Share of other comprehensive income of an associate	-	-	(41)	-	(41)	-	(41)
Share of other comprehensive income of a joint venture	-	-	(9)	-	(9)	-	(9)
Foreign currency translation	-	-	2,122	-	2,122	2	2,124
Other comprehensive income for the period, net of tax	-	-	2,072	-	2,072	2	2,074
Total comprehensive income for the period	-	-	2,072	15,099	17,171	-	17,171
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes	-	-	7	-	7	-	7
-Equity compensation benefits	-	-	-	-	-	-	-
Purchase of treasury shares	-	(1,847)	-	-	(1,847)	-	(1,847)
Treasury shares reissued pursuant to employee share option & award schemes	-	405	(28)	-	377	-	377
Dividends on ordinary shares	-	-	-	(3,227)	(3,227)	-	(3,227)
Total transactions with owners in their capacity as owners	-	(1,442)	(21)	(3,227)	(4,690)	-	(4,690)
Closing balance at 30 June 2017	119,725	(57,143)	41,720	487,376	591,678	959	592,637

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2018

Attributable to owners of the Company

<u>Company</u>	<u>Share capital</u> <u>S\$'000</u>	<u>Treasury shares</u> <u>S\$'000</u>	<u>Capital reserve</u> <u>S\$'000</u>	<u>Accumulated profits</u> <u>S\$'000</u>	<u>Total equity</u> <u>S\$'000</u>
Opening balance at 1 January 2018	119,725	(56,547)	4,805	209,528	277,511
Profit for the period	-	-	-	35,988	35,988
<u>Contributions by and distributions to owners</u>					
Treasury shares reissued pursuant to employee share option scheme	-	617	369	-	986
Total transactions with owners in their capacity as owners	-	617	369	-	986
Closing balance at 31 March 2018	119,725	(55,930)	5,174	245,516	314,485
Profit for the period	-	-	-	70,057	70,057
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(5,068)	-	-	(5,068)
Treasury shares reissued pursuant to employee share option & award schemes	-	22	8	-	30
Dividends on ordinary shares	-	-	-	(32,281)	(32,281)
Total transactions with owners in their capacity as owners	-	(5,046)	8	(32,281)	(37,319)
Closing balance at 30 June 2018	<u>119,725</u>	<u>(60,976)</u>	<u>5,182</u>	<u>283,292</u>	<u>347,223</u>

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2017

Attributable to owners of the Company

<u>Company</u>	<u>Share capital</u> <u>S\$'000</u>	<u>Treasury shares</u> <u>S\$'000</u>	<u>Capital reserve</u> <u>S\$'000</u>	<u>Accumulated profits</u> <u>S\$'000</u>	<u>Total equity</u> <u>S\$'000</u>
Opening balance at 1 January 2017	119,725	(55,701)	9,712	358,554	432,290
Profit for the period	-	-	-	12,238	12,238
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes - Equity compensation benefits	-	-	20	-	20
Total transactions with owners in their capacity as owners	-	-	20	-	20
Closing balance at 31 March 2017	119,725	(55,701)	9,732	370,792	444,548
Profit for the period	-	-	-	17,056	17,056
<u>Contributions by and distributions to owners</u>					
Employee share option & award schemes - Equity compensation benefits	-	-	7	-	7
Purchase of treasury shares	-	(1,847)	-	-	(1,847)
Treasury shares reissued pursuant to employee share option & award schemes	-	405	(28)	-	377
Dividends on ordinary shares	-	-	-	(3,227)	(3,227)
Total transactions with owners in their capacity as owners	-	(1,442)	(21)	(3,227)	(4,690)
Closing balance at 30 June 2017	<u>119,725</u>	<u>(57,143)</u>	<u>9,711</u>	<u>384,621</u>	<u>456,914</u>

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.

During the quarter ended 30 June 2018, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

During the quarter ended 30 June 2018, nil options have lapsed while 30,072 options were exercised.

There are 8,424,407 options outstanding as at 30 June 2018 (30 June 2017: 12,500,439).

Share Awards

There are no more share awards outstanding since 30 June 2017 (30 June 2017: nil).

Treasury Shares

During the quarter ended 30 June 2018, the Company has purchased 3,628,700 shares to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2018 is 82,316,293 (30 June 2017: 81,494,847).

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 2018 was 804,858,707 (31 December 2017: 807,589,266).

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.

During the quarter ended 30 June 2018, 30,072 treasury shares were transferred to employees upon exercise of share options.

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 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.

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 2017.

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 a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s for the second quarter and half year ended 30 June 2018. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The Group has not elected any optional exemption on the first-time adoption of SFRS(I)s. There is no significant impact to the Group's opening balance sheet as at 1 January 2017 on the date of transition to SFRS(I)s.

In addition, during the current financial period, the Group and Company adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018.

The following SFRS(I)s, amendments and interpretations of SFRS(I)s are relevant to the Group:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>Amendments to SFRS(I) 2 Classification and Measurement of Share-based Payment Transactions</i>	<i>1 January 2018</i>
<i>SFRS(I) 9 Financial Instruments</i>	<i>1 January 2018</i>
<i>SFRS(I) 15 Revenue from Contracts with Customers</i>	<i>1 January 2018</i>
<i>Amendments to SFRS(I) 28 Investments in Associates and Joint Ventures</i>	<i>1 January 2018</i>
<i>SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration</i>	<i>1 January 2018</i>

The adoption of the above SFRS(I) did not result in any substantial change to the Group's accounting policies nor 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).

	Q2-18	Q2-17	YTD Q2-18	YTD Q2-17
Operating profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	4.1%	5.4%	3.8%	4.5%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	2.4%	2.6%	4.3%	4.0%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	1.52	1.87	2.77	2.91
(b) On a fully diluted basis (cents)*	1.52	1.87	2.76	2.91

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

* For 2Q2017, 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:

	Group		Company	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	64.34	65.44	43.14	34.36

- 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

2Q2018 vs. 2Q2017

The Group's revenue increased by S\$22.5 million (8.0%) year-on-year ("yoy") to S\$302.0 million for 2Q2018 mainly due to the higher sales volume for 2Q2018 as compared to 2Q2017. Gross profit decreased by S\$4.5 million (13.1%) yoy to S\$29.7 million for 2Q2018. Gross profit margin decreased from 12.2% for 2Q2017 to 9.8% for 2Q2018 mainly due to a change in product mix and more competitive pricing, partially offset by new orders of slow moving stocks resulting in reversal of inventory provision for 2Q2018.

Net interest income (interest income net off financial costs) decreased by S\$0.2 million (49.8%) yoy to S\$0.2 million for 2Q2018, as the Group reported a lower average net cash position for 2Q2018 as compared to 2Q2017.

Other income increased by S\$2.5 million (111.3%) yoy to S\$4.8 million for 2Q2018 mainly due to higher government incentives granted by the relevant authorities to the Group's subsidiaries in the People's Republic of China ("PRC").

Total selling, distribution and administrative expenses increased by S\$2.1 million (12.2%) yoy to S\$19.6 million for 2Q2018 mainly due to higher staff costs resulting from annual salary increments and an increase in the social security contributions as imposed by the local authorities.

Other expenses became an income of S\$1.0 million for 2Q2018, as compared to an expense of S\$1.6 million for 2Q2017. The improvement of S\$2.6 million was mainly contributed by a net gain of S\$1.7 million for 2Q2018 derived from net foreign exchange gain partially offset by fair value loss on hedging contracts resulting from the appreciation of USD against the RMB and SGD, as compared to a net loss of S\$1.9 million for 2Q2017. The improvement was partially offset by a loss of S\$0.4 million arising from the voluntary liquidation of Qingdao Haier Hi-P Science Technology Co., Ltd, a previously 70%-owned subsidiary of the Company.

The Group recorded an income tax expense of S\$3.8 million for 2Q2018, representing an effective tax rate of 23.5% (2Q2017: 15.0%). The higher effective tax rate for 2Q2018 as compared to 2Q2017, was mainly due to withholding tax paid on dividends declared by PRC subsidiaries to the Company in 2Q2018.

As a result of the above factors, the Group recorded a net profit of S\$12.3 million for 2Q2018 (2Q2017: S\$15.1 million).

Balance Sheet Analysis

Investment in associates increased by S\$0.7 million (11.6%) from S\$6.7 million as at 31 December 2017 to S\$7.4 million as at 30 June 2018. The increase was mainly due to the investment of a 40% shareholding in Shenzhen U Drinks Gourmet Food Co., Ltd. at a cost of RMB4.0 million (equivalent to S\$0.8 million) in January 2018. This new associate is principally engaged in the business of research and development, manufacturing and sales of capsule drinks. Please refer to the Company's announcement released via SGXNET on 20 December 2017 for further details.

Investment in securities of S\$5.2 million as at 30 June 2018 (31 December 2017: nil) represents an investment of a 5% shareholding in a private company that is registered in the PRC which is principally engaged in artificial intelligence and automation technologies.

Notes receivable, trade and other receivables decreased by S\$157.0 million (34.7%) from S\$452.8 million as at 31 December 2017 to S\$295.8 million as at 30 June 2018 mainly due to the decrease in trade and notes receivable resulting from lower sales for 2Q2018 as compared to 4Q2017.

Prepaid operating expenses increased by S\$7.3 million (111.8%) from S\$6.4 million as at 31 December 2017 to S\$13.7 million as at 30 June 2018 mainly due to an increase in prepayments for the purchase of machineries.

Current and non-current bank deposits totaling S\$2.3 million were restricted in its use as at 30 June 2018. These were mainly held for custom clearance purposes.

Notes payable, trade and other payables decreased by S\$111.4 million (26.4%) from S\$421.4 million as at 31 December 2017 to S\$310.0 million as at 30 June 2018. This was mainly due to a decrease in purchases resulting from lower sales for 2Q2018 as compared to 4Q2017.

Accrued operating expenses decreased by S\$25.2 million (28.2%) from S\$89.2 million as at 31 December 2017 to S\$64.0 million as at 30 June 2018 mainly due to a decrease in bonus accruals resulting from payouts and a reversal of accruals in respect of prior year.

Current and non-current loans and borrowings decreased by S\$9.8 million (4.8%) from S\$205.2 million as at 31 December 2017 to S\$195.4 million as at 30 June 2018. Cash and cash equivalents and restricted bank deposits decreased by S\$25.0 million (8.9%) from S\$282.8 million as at 31 December 2017 to S\$257.8 million as at 30 June 2018. This resulted in a net cash position of S\$62.4 million (31 December 2017: S\$77.6 million).

Income tax payable decreased by S\$4.7 million (21.8%) from S\$21.6 million as at 31 December 2017 to S\$16.9 million as at 30 June 2018. The decrease was mainly due to payments made to the relevant tax authorities and a reversal of tax provision resulting from a decrease in the tax rate from 25% to a newly approved concessionary tax rate of 15% for one of the PRC subsidiaries. The decrease was partially offset by tax expenses accrued by the profitable subsidiaries for 1H2018.

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S\$28.7 million for 2Q2018. Net cash used in operating activities for 2Q2018 amounted to S\$14.6 million.

Net cash used in investing activities was S\$16.4 million for 2Q2018, mainly due to payments made for the purchase of capital expenditure amounting to S\$13.1 million and payment made for the investment of a 5% shareholding in a private company that is registered in the PRC amounting to S\$5.2 million.

Net cash used in financing activities was S\$81.7 million for 2Q2018, mainly due to net repayment of loans and borrowings amounting to S\$44.2 million, payment of dividends amounting to S\$32.3 million and purchase of treasury shares amounting to S\$5.1 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 1Q2018 results announcement made on 2 May 2018, the Group guided as follows:

- The Group expects similar revenue but lower profit in 2Q2018 as compared to 2Q2017.

The Group recorded a higher revenue as opposed to a similar revenue as previously guided. This was mainly due an increase in sales volume as explained in paragraph 8. The results achieved are summarised below:

(S\$'000)	2Q2018	2Q2017
Revenue	302,006	279,522
Net profit after tax	12,279	15,097

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 will reach a total of 1.46 billion units shipped in 2018, down 0.2% from the units shipped in 2017. From there, shipments will reach 1.65 billion units in 2022, the final year of the IDC's forecast period, resulting in a CAGR of 2.5%¹.

Within the IoT segment which the Group has identified as a key avenue for growth, the IDC expects spending on IoT related products to experience a compound annual growth rate (CAGR) of 13.6% over the 2017-2022 forecast period and reach \$1.2 trillion in 2022².

Taking into account the industry outlook for the smartphone, IoT and consumer electronics markets and to overcome industry challenges, the Group will focus its efforts on:

- Developing new customers and products through targeted business development initiatives
- Increasing allocation from existing customers
- Exploring inorganic growth opportunities in automotive and medical industries
- Adopting a prudent approach to managing capital expenditure and tightening cost controls
- Enhancing capacity utilization, increasing automation and manufacturing yield improvements

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

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

- The Group expects higher revenue but similar profit for 3Q2018 as compared to 3Q2017.
- The Group expects higher revenue and profit for 2H2018 as compared to 1H2018.
- The Group expects similar revenue but lower profit for FY2018 as compared to FY2017.

¹ IDC, Worldwide Smartphone Forecast Update, 2018–2022, June 2018

² IDC Forecasts Worldwide Technology Spending on the Internet of Things to Reach \$1.2 Trillion in 2022, June 2018

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?

Name of Dividend : Interim Dividend
 Dividend Type : Cash
 Dividend Rate : 19.0 cents per ordinary share
 Tax rate : Exempt from tax (One-tier corporate tax system)
 Total amount payable : S\$153.1 million

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/ recommended in the quarter ended 30 June 2018.

13. Aggregate value of interested persons transactions entered into during the quarter ended 30 June 2018

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)
Transaction for Sales of Goods and Services None	N.A.	N.A.

14. Confirmation of undertakings from directors and executive officers pursuant to 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.

Confirmation 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 30th June 2018 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director