

Financial Statement and Dividend Announcement for the quarter ended 31 December 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 4-18 | Q 4-17 | Increase/ (decrease) | YTD | YTD | Increase/ (decrease) |
|-------------------------------------|------------------|------------------|---------------------------------|--------------------|--------------------|---------------------------------|
| | S\$'000 | S\$'000 | % | Q 4-18 | Q 4-17 | % |
| | | | | S\$'000 | S\$'000 | |
| Revenue | 441,897 | 491,818 | (10.2) | 1,402,117 | 1,426,866 | (1.7) |
| Cost of sales | <u>(363,479)</u> | <u>(394,621)</u> | (7.9) | <u>(1,197,923)</u> | <u>(1,193,971)</u> | 0.3 |
| Gross profit | 78,418 | 97,197 | (19.3) | 204,194 | 232,895 | (12.3) |
| Other items of income | | | | | | |
| Interest income | 1,014 | 1,200 | (15.5) | 5,919 | 3,851 | 53.7 |
| Other income | 8,554 | 3,327 | 157.1 | 17,098 | 9,919 | 72.4 |
| Other items of expense | | | | | | |
| Selling and distribution expenses | (2,294) | (4,988) | (54.0) | (10,538) | (12,968) | (18.7) |
| Administrative expenses | (22,704) | (18,015) | 26.0 | (72,401) | (65,947) | 9.8 |
| Financial costs | (1,730) | (1,365) | 26.7 | (6,655) | (3,904) | 70.5 |
| Other expenses | (5,988) | (7,262) | (17.5) | (13,451) | (17,536) | (23.3) |
| Share of results of associates | (99) | 150 | n.m. | 486 | 100 | 386.0 |
| Share of results of a joint venture | <u>(2)</u> | <u>(112)</u> | (98.2) | <u>(166)</u> | <u>(98)</u> | 69.4 |
| Profit before tax | 55,169 | 70,132 | (21.3) | 124,486 | 146,312 | (14.9) |
| Income tax expense | <u>(10,395)</u> | <u>(10,514)</u> | (1.1) | <u>(23,564)</u> | <u>(24,829)</u> | (5.1) |
| Profit for the period | <u>44,774</u> | <u>59,618</u> | (24.9) | <u>100,922</u> | <u>121,483</u> | (16.9) |
| Attributable to: | | | | | | |
| Owners of the Company | 44,774 | 59,621 | (24.9) | 100,948 | 121,492 | (16.9) |
| Non-controlling interests | <u>-</u> | <u>(3)</u> | (100.0) | <u>(26)</u> | <u>(9)</u> | 188.9 |
| | <u>44,774</u> | <u>59,618</u> | (24.9) | <u>100,922</u> | <u>121,483</u> | (16.9) |

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 31 December 2018

| | Group | | | Group | | |
|---|------------------|------------------|------------------------------|-------------------------|-------------------------|------------------------------|
| | Q4-18 S\$'000 | Q4-17 S\$'000 | Increase/ (decrease) % | YTD Q4-18 S\$'000 | YTD Q4-17 S\$'000 | Increase/ (decrease) % |
| Profit for the period | 44,774 | 59,618 | (24.9) | 100,922 | 121,483 | (16.9) |
| <u>Other comprehensive income</u> | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Foreign currency translation | 233 | 3,614 | (93.6) | (17,170) | 1,736 | n.m |
| Share of other comprehensive income of associates | (31) | (25) | 24.0 | (91) | (69) | 31.9 |
| Share of other comprehensive income of a joint venture | (10) | 1 | n.m | (19) | (6) | 216.7 |
| Other comprehensive income for the period, net of tax | 192 | 3,590 | (94.7) | (17,280) | 1,661 | n.m |
| Total comprehensive income for the period | 44,966 | 63,208 | (28.9) | 83,642 | 123,144 | (32.1) |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 44,966 | 63,206 | (28.9) | 83,666 | 123,164 | (32.1) |
| Non-controlling interests | - | 2 | (100.0) | (24) | (20) | 20.0 |
| | 44,966 | 63,208 | (28.9) | 83,642 | 123,144 | (32.1) |

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:

| | Q4-18 S\$'000 | Q4-17 S\$'000 | YTD Q4-18 S\$'000 | YTD Q4-17 S\$'000 |
|--|--------------------------------|--------------------------------|--|--|
| 1. Depreciation of property, plant and equipment | 16,891 | 17,450 | 68,545 | 72,614 |
| 2. Amortization of deferred capital grants | (190) | (239) | (778) | (681) |
| 3. Amortization of intangible asset | - | 8 | - | 68 |
| 4. Amortization of land use rights | 64 | 66 | 262 | 262 |
| 5. Depreciation of investment property | 103 | - | 103 | - |
| 6. Impairment loss/ (reversal of impairment loss) on property, plant and equipment | 7,508 | 5 | 7,945 | (484) |
| 7. Impairment loss on intangible asset | - | 9 | - | 9 |
| 8. Net gain on disposal of property, plant and equipment | (3,245) | (234) | (3,435) | (455) |
| 9. Property, plant and equipment written off | 766 | 94 | 791 | 177 |
| 10. Inventory provision | 5,078 | 3,118 | 1,059 | 7,902 |
| 11. Inventories written back | (100) | (204) | (617) | (579) |
| 12. Onerous contract provision | 146 | 1,328 | 146 | 1,328 |
| 13. Onerous contract charges taken directly to profit or loss | - | - | - | 302 |
| 14. Impairment loss on/ (write back of) doubtful receivables | 115 | (244) | (883) | (757) |
| 15. Bad debt written off | - | - | 3 | - |
| 16. Trade/ other payables waived | (146) | (81) | (351) | (1,030) |
| 17. Directors' fees | 100 | 89 | 424 | 358 |
| 18. Staff costs (including directors' remuneration) | 124,669 | 125,600 | 412,190 | 406,523 |
| 19. Operating lease expense | 5,448 | 4,934 | 19,433 | 19,489 |
| 20. Net foreign exchange loss | 1,558 | 7,092 | 5,750 | 18,553 |
| 21. Net fair value (gain)/ loss on derivatives | (271) | (1,293) | 2,394 | (2,559) |
| 22. Net loss on liquidation of a subsidiary | - | - | 404 | - |
| 23. Gain from dilution of interest in a subsidiary | (6,123) | - | (6,123) | - |
| 24. Provision for warranty costs | 11 | 11 | 20 | 27 |
| 25. Allowance/ (reversal of allowance) on non-cancellable purchase commitments | 594 | (136) | 815 | (2,064) |
| 26. Insurance claim | (23) | (47) | (113) | (263) |

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 | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 293,573 | 315,131 | 15,798 | 15,946 |
| Intangible assets | 12 | 12 | 12 | 12 |
| Land use rights | 10,806 | 11,352 | - | - |
| Investment property | 293 | - | - | - |
| Investment in subsidiaries | - | - | 392,046 | 372,717 |
| Investment in associates | 21,345 | 6,663 | 503 | 503 |
| Investment in a joint venture | 207 | 348 | - | - |
| Other investment | 4,968 | - | - | - |
| Other receivables | - | - | - | 26,746 |
| Restricted bank deposits | 495 | 505 | - | - |
| Deferred tax assets | 21,925 | 25,729 | - | - |
| | 353,624 | 359,740 | 408,359 | 415,924 |
| Current assets | | | | |
| Inventories | 176,925 | 178,529 | 3,794 | 3,437 |
| Trade and other receivables | 395,953 | 445,297 | 99,405 | 85,546 |
| Notes receivable | - | 7,551 | - | - |
| Prepaid operating expenses | 10,266 | 6,447 | 250 | 208 |
| Restricted bank deposits | 1,263 | 4,411 | - | - |
| Cash and cash equivalents | 286,653 | 277,914 | 10,325 | 13,748 |
| | 871,060 | 920,149 | 113,774 | 102,939 |
| Total assets | 1,224,684 | 1,279,889 | 522,133 | 518,863 |
| Current liabilities | | | | |
| Trade and other payables | 356,684 | 386,531 | 5,878 | 9,136 |
| Notes payable | 879 | 1,577 | - | - |
| Contract liabilities | 22,413 | 33,329 | 126 | 269 |
| Accrued operating expenses | 80,826 | 89,246 | 34,028 | 38,425 |
| Provisions | 302 | 1,368 | - | - |
| Deferred capital grants | 758 | 784 | 89 | 93 |
| Loans and borrowings | 168,252 | 205,213 | 38,650 | 25,058 |
| Income tax payable | 21,686 | 21,557 | 3,098 | 1,473 |
| | 651,800 | 739,605 | 81,869 | 74,454 |
| Net current assets | 219,260 | 180,544 | 31,905 | 28,485 |
| Non-current liabilities | | | | |
| Other payables | - | - | 103,371 | 164,006 |
| Deferred capital grants | 4,781 | 5,720 | 72 | 161 |
| Loans and borrowings | - | 29 | - | 29 |
| Deferred tax liabilities | 4,092 | 5,050 | 2,452 | 2,702 |
| | 8,873 | 10,799 | 105,895 | 166,898 |
| Total liabilities | 660,673 | 750,404 | 187,764 | 241,352 |
| Net assets | 564,011 | 529,485 | 334,369 | 277,511 |

| | Group | | Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 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 | (65,019) | (56,547) | (65,019) | (56,547) |
| Accumulated profits | 467,966 | 421,095 | 274,088 | 209,528 |
| Other reserves | 41,339 | 44,247 | 5,575 | 4,805 |
| | <u>564,011</u> | <u>528,520</u> | <u>334,369</u> | <u>277,511</u> |
| Non-controlling interests | - | 965 | - | - |
| Total equity | <u>564,011</u> | <u>529,485</u> | <u>334,369</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 31/12/2018 | | As at 31/12/2017 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 24 | 168,228 | 58 | 205,155 |

Amount repayable after one year

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

Lease obligation of S\$24,000 was secured against the leased asset.

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.

| | Q4-18 S\$'000 | Q4-17 S\$'000 | YTD Q4-18 S\$'000 | YTD Q4-17 S\$'000 |
|---|------------------|------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | | | |
| Profit before tax | 55,169 | 70,132 | 124,486 | 146,312 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 16,891 | 17,450 | 68,545 | 72,614 |
| Amortization of deferred capital grants | (190) | (239) | (778) | (681) |
| Amortization of intangible asset | - | 8 | - | 68 |
| Amortization of land use rights | 64 | 66 | 262 | 262 |
| Depreciation of investment property | 103 | - | 103 | - |
| Impairment loss/ (reversal of impairment loss) on property, plant and equipment | 7,508 | 5 | 7,945 | (484) |
| Impairment loss on intangible asset | - | 9 | - | 9 |
| Net gain on disposal of property, plant and equipment | (3,245) | (234) | (3,435) | (455) |
| Property, plant and equipment written off | 766 | 94 | 791 | 177 |
| Inventory provision | 5,078 | 3,118 | 1,059 | 7,902 |
| Inventories written back | (100) | (204) | (617) | (579) |
| Provision for warranty costs | 11 | 11 | 20 | 27 |
| Onerous contract provision | 146 | 1,328 | 146 | 1,328 |
| Impairment loss on/ (write back of) doubtful receivables | 115 | (244) | (883) | (757) |
| Bad debts written off | - | - | 3 | - |
| Allowance/ (reversal of allowance) on non-cancellable purchase commitments | 594 | (136) | 815 | (2,064) |
| Trade/ other payables waived | (146) | (81) | (351) | (1,030) |
| Equity compensation expense | 14 | - | 1,179 | 27 |
| Financial costs | 1,730 | 1,365 | 6,655 | 3,904 |
| Interest income | (1,014) | (1,200) | (5,919) | (3,851) |
| Net fair value gain on derivatives - unrealised | - | (658) | - | (254) |
| Gain from dilution of interest in a subsidiary | (6,123) | - | (6,123) | - |
| Net loss on liquidation of a subsidiary | - | - | 404 | - |
| Net unrealised exchange difference | (273) | 2,084 | 723 | 4,798 |
| Share of results of associates | 99 | (150) | (486) | (100) |
| Share of results of a joint venture | 2 | 112 | 166 | 98 |
| Operating cash flows before changes in working capital | 77,199 | 92,636 | 194,710 | 227,271 |
| <u>Changes in working capital</u> | | | | |
| Decrease/ (increase) in inventories | 29,141 | 14,564 | (4,630) | (45,858) |
| (Increase)/ decrease in trade and other receivables | (42,599) | (85,969) | 59,331 | (84,929) |
| Decrease/ (increase) in notes receivable | - | 6,553 | 7,551 | (7,551) |
| Decrease/ (increase) in prepaid operating expenses | 1,078 | 424 | (4,074) | 2,437 |
| Increase/ (decrease) in trade and other payables and contract liabilities | 7,734 | 25,174 | (55,596) | 182,298 |
| Increase/ (decrease) in notes payable | 57 | 216 | (698) | (1,332) |
| Increase/ (decrease) in accrued operating expenses | 10,293 | 18,499 | (7,999) | 6,636 |
| Total changes in working capital | 5,704 | (20,539) | (6,115) | 51,701 |
| Cash flows generated from operations | 82,903 | 72,097 | 188,595 | 278,972 |
| Income taxes paid | (5,768) | (4,684) | (21,165) | (18,754) |
| Net cash flows generated from operating activities | 77,135 | 67,413 | 167,430 | 260,218 |

| | Q4-18 | Q4-17 | YTD | YTD |
|--|-----------------|-----------------|-----------------|-----------------|
| | S\$'000 | S\$'000 | Q4-18 | Q4-17 |
| | | | S\$'000 | S\$'000 |
| Cash flows from investing activities | | | | |
| Interest received | 1,069 | 1,277 | 5,733 | 3,575 |
| Purchase of property, plant and equipment (Note a) | (12,851) | (6,699) | (61,192) | (31,600) |
| Proceeds from disposal of property, plant and equipment | 9,886 | 226 | 10,548 | 1,316 |
| Net cash outflow on liquidation of a subsidiary | - | - | (118) | - |
| Investment in associates | (8,787) | (4,108) | (9,618) | (4,108) |
| Dividends received from an associated company | 150 | - | 150 | - |
| Investment in a joint venture | - | - | - | (484) |
| Purchase of other investment | - | - | (5,228) | - |
| Proceeds from capital grants | - | 320 | - | 1,845 |
| Consultancy fee paid for capital grants application | - | - | - | (122) |
| Net cash flows used in investing activities | (10,533) | (8,984) | (59,725) | (29,578) |
| Cash flows from financing activities | | | | |
| Decrease/ (increase) in restricted bank deposits | 406 | (2,134) | 3,158 | 4,818 |
| Dividends paid on ordinary shares | (8,007) | (16,164) | (40,288) | (172,689) |
| Purchase of treasury shares | (1,978) | (1,281) | (9,764) | (3,128) |
| Proceeds from re-issuance of treasury shares | - | 906 | 1,016 | 2,910 |
| Financial costs paid | (1,678) | (1,365) | (6,621) | (3,909) |
| Net (repayment of)/ proceeds from loans and borrowings | (3,429) | (54,783) | (39,626) | 111,750 |
| Repayments of obligations under finance lease | (19) | (15) | (64) | (2,052) |
| Net cash flows used in financing activities | (14,705) | (74,836) | (92,189) | (62,300) |
| Net increase/ (decrease) in cash and cash equivalents | 51,897 | (16,407) | 15,516 | 168,340 |
| Effect of exchange rate changes on cash and cash equivalents | 238 | 195 | (6,777) | (1,353) |
| Cash and cash equivalents at beginning of period | 234,518 | 294,126 | 277,914 | 110,927 |
| Cash and cash equivalents at end of period | 286,653 | 277,914 | 286,653 | 277,914 |

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment

| | | | | |
|--|---------------|--------------|---------------|---------------|
| Current period additions | 12,635 | 6,021 | 71,921 | 29,410 |
| Less: Payable to creditors | (7,486) | (4,520) | (17,530) | (5,593) |
| | 5,149 | 1,501 | 54,391 | 23,817 |
| Payments for prior period/year purchases | 7,702 | 5,198 | 6,801 | 7,783 |
| Net cash outflow for purchase | 12,851 | 6,699 | 61,192 | 31,600 |

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 12 months ended 31 December 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 12 months ended 31 December 2018 (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 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 |

(i) Consolidated statement of changes in equity for the 12 months ended 31 December 2018 (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 30 June 2018 | 119,725 | (60,976) | 61,443 | 397,636 | 517,828 | - | 517,828 |
| Profit for the period | - | - | - | 33,795 | 33,795 | - | 33,795 |
| Share of other comprehensive income of associates | - | - | (83) | - | (83) | - | (83) |
| Share of other comprehensive income of a joint venture | - | - | (11) | - | (11) | - | (11) |
| Foreign currency translation | - | - | (20,642) | - | (20,642) | - | (20,642) |
| Other comprehensive income for the period, net of tax | - | - | (20,736) | - | (20,736) | - | (20,736) |
| Total comprehensive income for the period | - | - | (20,736) | 33,795 | 13,059 | - | 13,059 |
| <u>Contributions by and distributions to owners</u> | | | | | | | |
| Employee share award scheme - Equity compensation benefits | - | - | 1,165 | - | 1,165 | - | 1,165 |
| Purchase of treasury shares | - | (2,718) | - | - | (2,718) | - | (2,718) |
| Treasury shares reissued pursuant to employee share award scheme | - | 618 | (618) | - | - | - | - |
| Total transactions with owners in their capacity as owners | - | (2,100) | 547 | - | (1,553) | - | (1,553) |
| <u>Others</u> | | | | | | | |
| Transfer from retained earnings to statutory reserve fund | - | - | 42 | (42) | - | - | - |
| Total others | - | - | 42 | (42) | - | - | - |
| Closing balance at 30 September 2018 | 119,725 | (63,076) | 41,296 | 431,389 | 529,334 | - | 529,334 |

(i) Consolidated statement of changes in equity for the 12 months ended 31 December 2018 (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 30 September 2018 - as previously reported | 119,725 | (63,076) | 41,296 | 431,389 | 529,334 | - | 529,334 |
| Effects of the adoption of SFRS(I) | - | - | - | (318) | (318) | - | (318) |
| Opening balance at 30 September 2018 - as restated | 119,725 | (63,076) | 41,296 | 431,071 | 529,016 | - | 529,016 |
| Profit for the period | - | - | - | 44,774 | 44,774 | - | 44,774 |
| Share of other comprehensive income of associates | - | - | (31) | - | (31) | - | (31) |
| Share of other comprehensive income of a joint venture | - | - | (10) | - | (10) | - | (10) |
| Foreign currency translation | - | - | 233 | - | 233 | - | 233 |
| Other comprehensive income for the period, net of tax | - | - | 192 | - | 192 | - | 192 |
| Total comprehensive income for the period | - | - | 192 | 44,774 | 44,966 | - | 44,966 |
| <u>Contributions by and distributions to owners</u> | | | | | | | |
| Employee share award scheme - Equity compensation benefits | - | - | 14 | - | 14 | - | 14 |
| Purchase of treasury shares | - | (1,978) | - | - | (1,978) | - | (1,978) |
| Treasury shares reissued pursuant to employee share award scheme | - | 35 | (35) | - | - | - | - |
| Dividends on ordinary shares | - | - | - | (8,007) | (8,007) | - | (8,007) |
| Total transactions with owners in their capacity as owners | - | (1,943) | (21) | (8,007) | (9,971) | - | (9,971) |
| <u>Others</u> | | | | | | | |
| Expiry of employee share options | - | - | (133) | 133 | - | - | - |
| Transfer from retained earnings to statutory reserve fund | - | - | 5 | (5) | - | - | - |
| Total others | - | - | (128) | 128 | - | - | - |
| Closing balance at 31 December 2018 | 119,725 | (65,019) | 41,339 | 467,966 | 564,011 | - | 564,011 |

(ii) Consolidated statement of changes in equity for the 12 months ended 31 December 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 12 months ended 31 December 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 |

(ii) Consolidated statement of changes in equity for the 12 months ended 31 December 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 30 June 2017 | 119,725 | (57,143) | 41,720 | 487,376 | 591,678 | 959 | 592,637 |
| Profit for the period | - | - | - | 38,370 | 38,370 | (2) | 38,368 |
| Share of other comprehensive income of an associate | - | - | (16) | - | (16) | - | (16) |
| Share of other comprehensive income of a joint venture | - | - | 2 | - | 2 | - | 2 |
| Foreign currency translation | - | - | 3,490 | - | 3,490 | 6 | 3,496 |
| Other comprehensive income for the period, net of tax | - | - | 3,476 | - | 3,476 | 6 | 3,482 |
| Total comprehensive income for the period | - | - | 3,476 | 38,370 | 41,846 | 4 | 41,850 |
| Contributions by and distributions to owners | | | | | | | |
| Treasury shares reissued pursuant to employee share option scheme | - | 1,211 | 416 | - | 1,627 | - | 1,627 |
| Dividends on ordinary shares | - | - | - | (153,298) | (153,298) | - | (153,298) |
| Total transactions with owners in their capacity as owners | - | 1,211 | 416 | (153,298) | (151,671) | - | (151,671) |
| Closing balance at 30 September 2017 | 119,725 | (55,932) | 45,612 | 372,448 | 481,853 | 963 | 482,816 |

(ii) Consolidated statement of changes in equity for the 12 months ended 31 December 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 30 September 2017 | 119,725 | (55,932) | 45,612 | 372,448 | 481,853 | 963 | 482,816 |
| Profit for the period | - | - | - | 59,621 | 59,621 | (3) | 59,618 |
| Share of other comprehensive income of an associate | - | - | (25) | - | (25) | - | (25) |
| Share of other comprehensive income of a joint venture | - | - | 1 | - | 1 | - | 1 |
| Foreign currency translation | - | - | 3,609 | - | 3,609 | 5 | 3,614 |
| Other comprehensive income for the period, net of tax | - | - | 3,585 | - | 3,585 | 5 | 3,590 |
| Total comprehensive income for the period | - | - | 3,585 | 59,621 | 63,206 | 2 | 63,208 |
| <u>Contributions by and distributions to owners</u> | | | | | | | |
| Purchase of treasury shares | - | (1,281) | - | - | (1,281) | - | (1,281) |
| Treasury shares reissued pursuant to employee share option scheme | - | 666 | 240 | - | 906 | - | 906 |
| Dividends on ordinary shares | - | - | - | (16,164) | (16,164) | - | (16,164) |
| Total transactions with owners in their capacity as owners | - | (615) | 240 | (16,164) | (16,539) | - | (16,539) |
| <u>Others</u> | | | | | | | |
| Expiry of employee share options & awards | - | - | (5,562) | 5,562 | - | - | - |
| Transfer from retained earnings to statutory reserve fund | - | - | 372 | (372) | - | - | - |
| Total others | - | - | (5,190) | 5,190 | - | - | - |
| Closing balance at 31 December 2017 | 119,725 | (56,547) | 44,247 | 421,095 | 528,520 | 965 | 529,485 |

(iii) Statement of changes in equity of the Company for the 12 months ended 31 December 2018

Attributable to owners of the Company

| Company | Share capital S\$'000 | Treasury shares S\$'000 | Capital reserve S\$'000 | Accumulated profits S\$'000 | Total equity S\$'000 |
|---|----------------------------------|------------------------------------|------------------------------------|--|---------------------------------|
| 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 scheme | - | 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 | 119,725 | (60,976) | 5,182 | 283,292 | 347,223 |
| Profit for the period | - | - | - | (4,272) | (4,272) |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share award scheme - Equity compensation benefits | - | - | 1,165 | - | 1,165 |
| Treasury shares reissued pursuant to employee share award scheme | - | 618 | (618) | - | - |
| Purchase of treasury shares | - | (2,718) | - | - | (2,718) |
| Total transactions with owners in their capacity as owners | - | (2,100) | 547 | - | (1,553) |
| Closing balance at 30 September 2018 | 119,725 | (63,076) | 5,729 | 279,020 | 341,398 |
| Profit for the period | - | - | - | 2,942 | 2,942 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share award scheme - Equity compensation benefits | - | - | 14 | - | 14 |
| Treasury shares reissued pursuant to employee share award scheme | - | 35 | (35) | - | - |
| Dividends on ordinary shares | - | - | - | (8,007) | (8,007) |
| Expiry of employee share options & awards | - | - | (133) | 133 | - |
| Purchase of treasury shares | - | (1,978) | - | - | (1,978) |
| Total transactions with owners in their capacity as owners | - | (1,943) | (154) | (7,874) | (9,971) |
| Closing balance at 31 December 2018 | 119,725 | (65,019) | 5,575 | 274,088 | 334,369 |

(iv) Statement of changes in equity of the Company for the 12 months ended 31 December 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 | 119,725 | (57,143) | 9,711 | 384,621 | 456,914 |
| Loss for the period | - | - | - | (3,074) | (3,074) |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Treasury shares reissued pursuant to employee share option scheme | - | 1,211 | 416 | - | 1,627 |
| Dividends on ordinary shares | - | - | - | (153,298) | (153,298) |
| Total transactions with owners in their capacity as owners | - | 1,211 | 416 | (153,298) | (151,671) |
| Closing balance at 30 September 2017 | 119,725 | (55,932) | 10,127 | 228,249 | 302,169 |
| Loss for the period | - | - | - | (8,119) | (8,119) |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Treasury shares reissued pursuant to employee share option scheme | - | 666 | 240 | - | 906 |
| Dividends on ordinary shares | - | - | - | (16,164) | (16,164) |
| Expiry of employee share options & awards | - | - | (5,562) | 5,562 | - |
| Purchase of treasury shares | - | (1,281) | - | - | (1,281) |
| Total transactions with owners in their capacity as owners | - | (615) | (5,322) | (10,602) | (16,539) |
| Closing balance at 31 December 2017 | 119,725 | (56,547) | 4,805 | 209,528 | 277,511 |

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 31 December 2018, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

During the quarter ended 31 December 2018, 53 options have lapsed while no options were exercised.

There are 8,422,770 options outstanding as at 31 December 2018 (31 December 2017: 9,821,118).

Share Awards

During the quarter ended 31 December 2018, no awards were vested.

There are 910,000 share awards outstanding as at 31 December 2018 (31 December 2017: nil).

Treasury Shares

During the quarter ended 31 December 2018, the Company has purchased 2,372,200 shares to be held as treasury shares.

The number of treasury shares held by the Company as at 31 December 2018 is 86,505,393 (31 December 2017: 79,585,734).

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 31 December 2018 was 800,669,607 (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.

As at 30 September 2018, there were 82,000 treasury shares pending to be transferred to employees for the share awards vested on 31 August 2018. Out of which, 46,000 treasury shares were transferred to employees during the quarter ended 31 December 2018. As at 31 December 2018, there are remaining 36,000 treasury shares pending to be transferred to employees due to their Central Depository Accounts not ready.

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 fourth quarter and full year ended 31 December 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> |
|---|---|
| Amendments to SFRS(I) 2 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| SFRS(I) 9 <i>Financial Instruments</i> | 1 January 2018 |
| SFRS(I) 15 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Amendments to SFRS(I) 28 <i>Investments in Associates and Joint Ventures</i> | 1 January 2018 |
| SFRS(I) INT 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |

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).

| | Q4-18 | Q4-17 | YTD Q4-18 | YTD Q4-17 |
|--|-------|-------|--------------|--------------|
| Operating profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue | 10.1% | 12.1% | 7.2% | 8.5% |
| Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period | 7.9% | 11.3% | 17.9% | 23.0% |
| Earnings per ordinary share | | | | |
| (a) Based on weighted average number of ordinary shares in issue (cents) | 5.56 | 7.39 | 12.54 | 15.05 |
| (b) On a fully diluted basis (cents)* | 5.55 | 7.34 | 12.50 | 14.95 |

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

* For 4Q2018, 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 | |
|--|------------|------------|------------|------------|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents) | 70.44 | 65.44 | 41.76 | 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

FY2018 vs. FY2017

The Group's revenue decreased by S\$24.7 million (1.7%) year-on-year ("yoy") to S\$1,402.1 million for FY2018. Gross profit decreased by S\$28.7 million (12.3%) yoy to S\$204.2 million for FY2018 and gross profit margin decreased from 16.3% for FY2017 to 14.6% for FY2018. The decline in gross profit margin was mainly due to (i) increasingly competitive pricing, (ii) a slower pace of decrease in labour costs as compared to the decrease in sales attributed to an increase in minimal wages imposed by the applicable local governmental authorities in the PRC and (iii) lower manufacturing yield for certain new products during the initial ramp up stage. This decline was partially offset by lower inventory provisions, lower tool amortization and depreciation.

Net interest expense (interest income net of financial costs) increased from S\$0.1 million to S\$0.7 million for FY2018 mainly due to an increase in borrowing interest rates.

Other income increased by S\$7.2 million (72.4%) yoy to S\$17.1 million for FY2018. The increase was mainly due to a pre-tax gain of S\$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd., in 4Q2018. Please refer to the SGX announcement dated 14 October 2018 for further details.

Total selling, distribution and administrative expenses increased by S\$4.0 million (5.1%) yoy to S\$82.9 million for FY2018. The increase was mainly due to higher staff costs resulting from annual salary increments and an increase in social security contributions imposed by local authorities.

Other expenses decreased by S\$4.1 million (23.3%) yoy to S\$13.5 million for FY2018. The improvement was mainly due to (i) a S\$7.9 million yoy decrease in net loss arising from net foreign exchange differences and fair value differences on hedging contracts, (ii) a S\$3.0 million yoy increase in gains on the disposal of property, plant and equipment which was mainly derived from the disposal of machines to an associate, and (iii) a S\$1.5 million yoy decrease in cost relating to a rental contract. This improvement was partially offset by an S\$8.4 million yoy increase in impairment loss on property, plant and equipment.

The Group recorded an income tax expense of S\$23.6 million for FY2018, representing an effective tax rate of 18.9% (FY2017: 17.0%). The higher effective tax rate for FY2018 was mainly the result of taxes imposed on profitable entities, and certain deferred tax assets not being recognised for unutilised tax losses.

As a result of the above factors, the Group's net profit after tax decreased by S\$20.6 million (16.9%) yoy to S\$100.9 million for FY2018.

4Q2018 vs. 4Q2017

Amid uncertain economic conditions, revenue decreased by S\$49.9 million (10.2%) yoy to S\$441.9 million for 4Q2018 as a result of a decline in market demand from various segments.

Gross profit decreased by S\$18.8 million (19.3%) yoy to S\$78.4 million for 4Q2018 mainly due to the decline in revenue, an increasingly competitive pricing, a slower pace of decrease in labour costs as compared to the decrease in sales attributed to an increase in minimal wages imposed by the applicable local governmental authorities in the PRC, and less economies of scale as compared to 4Q2017. Correspondingly, gross profit margin decreased from 19.8% for 4Q2017 to 17.7% for 4Q2018.

Net interest expense (interest income net of financial costs) increased from S\$0.2 million to S\$0.7 million for 4Q2018 mainly due to increase in borrowing interest rates.

Other income increased by S\$5.2 million (157.1%) yoy to S\$8.6 million for 4Q2018. The increase was mainly due to a pre-tax gain of S\$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in 4Q2018. Please refer to the SGX announcement dated 14 October 2018 for further details.

Total selling, distribution and administrative expenses increased by S\$2.0 million (8.7%) yoy to S\$25.0 million for 4Q2018 mainly due to higher staff costs resulting from annual salary increment.

Other expenses decreased by S\$1.3 million (17.5%) yoy to S\$6.0 million for 4Q2018. The improvement was mainly due to (i) a S\$4.5 million yoy decrease in net loss arising from net foreign exchange differences and fair value differences on hedging contracts, (ii) a S\$3.0 million yoy increase in gain on disposal of property, plant and equipment which mainly derived from the disposal of machines to an associate, and (iii) a S\$1.2 million yoy decrease in cost relating to a rental contract. The improvement was partially offset by an S\$7.5 million yoy increase in impairment loss on property, plant and equipment.

The Group recorded an income tax expense of S\$10.4 million for 4Q2018, representing an effective tax rate of 18.8% (4Q2017: 15.0%). The lower tax rate in 4Q2017 was mainly due to the utilization of unused tax losses where deferred tax assets were not recognized in prior periods.

As a result of the above factors, the Group's net profit after tax decreased by S\$14.8 million (24.9%) yoy to S\$44.8 million for 4Q2018.

Balance Sheet Analysis

The net book value of property, plant and equipment (“PPE”) decreased by S\$21.5 million (6.8%) from S\$315.1 million as at 31 December 2017 to S\$293.6 million as at 31 December 2018 mainly due to depreciation amounting to S\$68.5 million, translation losses of S\$10.2 million, impairment losses of S\$7.9 million and disposals amounting to S\$5.6 million. The decrease was partially offset by additions amounting to S\$71.9 million.

Investment in associates increased by S\$14.6 million (220.4%) from S\$6.7 million as at 31 December 2017 to S\$21.3 million as at 31 December 2018. The increase was mainly due to the Group’s dilution of interest of a wholly owned subsidiary to become an investment with a 40% stake in Hi-Flex (Suzhou) Electronics Co., Ltd. in 4Q2018. Please refer to the SGX announcement dated 14 October 2018 for further details.

Other investment of S\$5.0 million as at 31 December 2018 (31 December 2017: nil) represents an investment of a 5% shareholding in a private company registered in PRC which is principally engaged in developing artificial intelligence and automation technologies.

Deferred tax assets decreased by S\$3.8 million (14.8%) from S\$25.7 million as at 31 December 2017 to S\$21.9 million as at 31 December 2018. The decrease was mainly due to a decrease in the tax rate from 25% to a newly approved concessionary tax rate of 15% for two of the Group’s PRC subsidiaries and recognition of deferred tax liability in respect of an accelerated tax deduction for capital allowances on qualified PPE.

Notes receivable, trade and other receivables decreased by S\$56.8 million (12.6%) from S\$452.8 million as at 31 December 2017 to S\$396.0 million as at 31 December 2018. This was mainly due to a decrease in trade and notes receivable resulting from lower sales for 4Q2018 as compared to 4Q2017.

Prepaid operating expenses increased by S\$3.9 million (59.2%) from S\$6.4 million as at 31 December 2017 to S\$10.3 million as at 31 December 2018 mainly due to an increase in prepayments for the purchase of machineries.

Current and non-current bank deposits totaling S\$1.8 million were restricted in its use as at 31 December 2018. These were mainly held for customs clearance purposes.

Notes payable, contract liabilities, trade and other payables decreased by S\$41.4 million (9.8%) from S\$421.4 million as at 31 December 2017 to S\$380.0 million as at 31 December 2018. The decrease was mainly due to less purchases in 4Q2018 resulting from lower sales for 4Q2018 as compared to 4Q2017.

Accrued operating expenses decreased by S\$8.4 million (9.4%) from S\$89.2 million as at 31 December 2017 to S\$80.8 million as at 31 December 2018 mainly due to a decrease in bonus accruals resulting from a lower profit.

Current and non-current loans and borrowings decreased by S\$37.0 million (18.0%) from S\$205.2 million as at 31 December 2017 to S\$168.2 million as at 31 December 2018. Cash and cash equivalents and restricted bank deposits increased by S\$5.6 million (2.0%) from S\$282.8 million as at 31 December 2017 to S\$288.4 million as at 31 December 2018. This resulted in a net cash position of S\$120.2 million (31 December 2017: S\$77.6 million).

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S\$77.2 million for 4Q2018. Net cash generated from operating activities for 4Q2018 amounted to S\$77.1 million.

Net cash used in investing activities was S\$10.5 million for 4Q2018, mainly due to payments made for the purchase of capital expenditure amounting to S\$12.9 million and an investment in an associate amounting to S\$8.8 million, partially offset by proceeds from disposal of property plant and equipment amounting to S\$9.9 million.

Net cash used in financing activities was S\$14.7 million for 4Q2018, mainly due to dividend payment of S\$8.0 million, net repayments of loans and borrowings amounting to S\$3.4 million and purchase of treasury shares amounting to S\$2.0 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 3Q2018 results announcement made on 7 November 2018, the Group guided as follows:

- The Group expects lower revenue and profit for 4Q2018 as compared to 4Q2017.
- The Group expects higher revenue and profit for 2H2018 as compared to 1H2018.
- The Group expects lower revenue and profit for FY2018 as compared to FY2017.

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

| (S\$'000) | 4Q2018 | 4Q2017 | 2H2018 | 1H2018 | FY2018 | FY2017 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 441,897 | 491,818 | 819,015 | 583,102 | 1,402,117 | 1,426,866 |
| Net profit after tax | 44,774 | 59,618 | 78,569 | 22,353 | 100,922 | 121,483 |

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”) Worldwide Quarterly Mobile Phone Tracker, worldwide smartphone shipments are expected to return to low single-digit growth in 2019 through to 2022. While the on-going U.S.-China trade war has the industry on edge, IDC still believes that continued developments from emerging markets, mixed with potential around 5G and new product form factors, will bring the smartphone market back to positive growth¹.

Within the Internet of Things ("IoT") segment which is another growth driver for the Group, the IDC expects worldwide spending on IoT reach \$745 billion in 2019, an increase of 15.4% over the \$646 billion spent in 2018. IDC expects worldwide IoT spending will maintain a double-digit annual growth rate throughout the 2017-2022 forecast period and surpass the \$1 trillion mark in 2022².

Within the wearables segment where the Group has begun to gain traction, the growing popularity of smartwatches and greater wearables adoption in emerging markets is expected to combine to produce a five-year compound annual growth rate of 11.0% for the period 2017-2022³.

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:

- 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 into non-China regions
- Enhancing capacity utilization, increasing automation and manufacturing yield improvements
- Tightening cost controls

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 similar revenue and lower profit for 1Q2019 as compared to 1Q2018
- The Group expects higher revenue and profit for 2H2019 as compared to 1H2019
- The Group expects similar revenue and profit for FY2019 as compared to FY2018

¹ IDC, Smartphone Shipments Expected to Further Decline in 2018 Before Returning to Growth in 2019, According to IDC, 11 December 2018

² IDC, IDC Forecasts Worldwide Spending on the Internet of Things to Reach \$745 Billion in 2019, 3 January 2019

³ IDC, IDC Forecasts Sustained Double-Digit Growth for Wearable Devices Led by Steady Adoption of Smartwatches, 17 December 2018

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

| | | |
|----------------------|---|---|
| Name of Dividend | : | Final Dividend |
| Dividend Type | : | Cash |
| Dividend Rate | : | 4.0 cents per ordinary share |
| Tax rate | : | Exempt from tax (One-tier corporate tax system) |
| Total amount payable | : | S\$32.027 million |

(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 | : | Final Dividend |
| Dividend Type | : | Cash |
| Dividend Rate | : | 4.0 cents per ordinary share |
| Tax rate | : | Exempt from tax (One-tier corporate tax system) |
| Total amount paid | : | S\$32.281 million |

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

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

Not applicable.

13. Aggregate value of interested persons transactions entered into during the quarter ended 31 December 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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediate preceding year.

By Activities

| | PPIM S\$'000 | MDF S\$'000 | Assembly S\$'000 | Eliminations S\$'000 | Consolidated S\$'000 |
|---|-----------------|----------------|---------------------|-------------------------|-------------------------|
| 2018 December YTD | | | | | |
| Segment Revenue | | | | | |
| Sales to external customers | 943,390 | 96,463 | 362,264 | - | 1,402,117 |
| Intersegmental sales | 2,368 | 83,834 | - | (86,202) | - |
| | <u>945,758</u> | <u>180,297</u> | <u>362,264</u> | <u>(86,202)</u> | <u>1,402,117</u> |
| Profit from operations | 111,736 | 4,146 | 5,373 | - | 121,255 |
| Interest income | | | | | 5,919 |
| Other income | | | | | 17,098 |
| Financial costs | | | | | (6,655) |
| Other expenses | | | | | (13,451) |
| Share of results of associates | | | | | 486 |
| Share of results of a joint venture | | | | | (166) |
| Profit before tax | | | | | <u>124,486</u> |
| Income tax expense | | | | | <u>(23,564)</u> |
| Profit, net of tax | | | | | <u><u>100,922</u></u> |
| Depreciation of property, plant and equipment | 63,404 | 4,458 | 683 | | 68,545 |
| Amortization of deferred capital grant | (772) | (6) | - | | (778) |
| Amortization of land use rights | 262 | - | - | | 262 |
| Depreciation of investment property | 103 | - | - | | 103 |
| Provision for warranty costs | - | - | 20 | | 20 |
| (Reversal of inventory provision)/ Inventory provision | (568) | 334 | 1,293 | | 1,059 |
| Inventories written back | (532) | - | (85) | | (617) |
| Property, plant and equipment written off | 769 | - | 22 | | 791 |
| Impairment loss of property, plant and equipment | 7,910 | 18 | 17 | | 7,945 |
| Write-back on doubtful receivables | (217) | - | (666) | | (883) |
| Bad debts written off | 3 | - | - | | 3 |
| Gain from dilution of interest in a subsidiary | (6,123) | - | - | | (6,123) |
| Allowance on non-cancellable purchase commitments | 1,332 | - | (517) | | 815 |
| Trade/ other payables waived | (264) | - | (87) | | (351) |
| Onerous contract provisions | - | - | 146 | | 146 |
| Other non-cash items | (1,247) | (127) | (478) | | (1,852) |

By Activities

| | PPIM S\$'000 | MDF S\$'000 | Assembly S\$'000 | Eliminations S\$'000 | Consolidated S\$'000 |
|--|-----------------|----------------|---------------------|-------------------------|-------------------------|
| 2017 December YTD | | | | | |
| Segment Revenue | | | | | |
| Sales to external customers | 932,325 | 72,514 | 422,027 | - | 1,426,866 |
| Intersegmental sales | 3,625 | 59,290 | - | (62,915) | - |
| | <u>935,950</u> | <u>131,804</u> | <u>422,027</u> | <u>(62,915)</u> | <u>1,426,866</u> |
| Profit from operations | 137,111 | 3,434 | 13,435 | - | 153,980 |
| Interest income | | | | | 3,851 |
| Other income | | | | | 9,919 |
| Financial costs | | | | | (3,904) |
| Other expenses | | | | | (17,536) |
| Share of results of an associate | | | | | 100 |
| Share of results of a joint venture | | | | | (98) |
| Profit before tax | | | | | <u>146,312</u> |
| Income tax expense | | | | | <u>(24,829)</u> |
| Profit, net of tax | | | | | <u><u>121,483</u></u> |
| Depreciation of property, plant and equipment | 66,930 | 3,844 | 1,840 | | 72,614 |
| Amortization of deferred capital grant | (676) | (5) | - | | (681) |
| Amortization of intangible asset | - | - | 68 | | 68 |
| Amortization of land use rights | 262 | - | - | | 262 |
| Provision for warranty costs | - | - | 27 | | 27 |
| Inventory provisions | 8,167 | 402 | (667) | | 7,902 |
| Inventories written back | (559) | - | (20) | | (579) |
| Property, plant and equipment written off | 159 | - | 18 | | 177 |
| (Reversal of impairment)/ impairment loss of property, plant and equipment | (687) | (8) | 211 | | (484) |
| Impairment loss on intangible asset | - | - | 9 | | 9 |
| Write-back on doubtful receivables | (78) | (5) | (674) | | (757) |
| Reversal of allowance on non-cancellable purchase commitments | (877) | - | (1,187) | | (2,064) |
| Trade/ other payables waived | (1,014) | - | (16) | | (1,030) |
| Onerous contract provisions/ charges | - | - | 1,328 | | 1,328 |
| Onerous contract charges taken directly to profit or loss | 302 | - | - | | 302 |
| Other non-cash items | (279) | (22) | (127) | | (428) |

By Geographical Markets

| | Segment Revenue | |
|---|-----------------|-----------------|
| | 2018 S\$'000 | 2017 S\$'000 |
| Asia | 864,693 | 975,136 |
| Europe | 95,609 | 104,616 |
| United States and other parts of Americas | 441,815 | 347,114 |
| | 1,402,117 | 1,426,866 |

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Note 8.

17. A breakdown of the sales as follows:-

| | 2018 S\$'000 Group | 2017 S\$'000 Group | % Increase/ (decrease) Group |
|---|--------------------------|--------------------------|------------------------------------|
| (a) Sales reported for first half year | 583,102 | 523,712 | 11.3% |
| (b) Operating profit after tax before deducting non-controlling interests reported for first half year | 22,353 | 23,497 | (4.9%) |
| (c) Sales reported for second half year | 819,015 | 903,154 | (9.3%) |
| (d) Operating profit after tax before deducting non-controlling interests reported for second half year | 78,569 | 97,986 | (19.8%) |

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Total Annual Dividend

| | 2018 (S\$'000) | 2017 (S\$'000) |
|-------------------------|----------------|----------------|
| Ordinary – Interim | 8,007 | 169,462 |
| Ordinary – Final | 32,027 | 32,281 |
| Ordinary – Total | 40,034 | 201,743 |

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.:-

| Name | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|-------------------|-----|--|--|---|
| Yao Hsiao Kuang | 72 | Brother of Yao Hsiao Tung, Brother-in-law of Wong Huey Fang | <p><u>Position:</u> Senior Director, Supply Chain Management. This position was first held with effect from 26 Dec 2017.</p> <p><u>Duties:</u> He is responsible for executing and supporting the establishment of strategies in Supply Chain Management for the Group, conducting key commodities negotiations, and conducting supplier and site sourcing audits for the Group.</p> | During the year, there is no change to the duties and position held. |
| Carrie Hung Han-I | 48 | Niece of Yao Hsiao Tung and niece-in-law of Wong Huey Fang | <p><u>Position:</u> Finance Vice President. This position was first held with effect from 1 Jun 2017.</p> <p><u>Duties:</u> She is responsible for overseeing financial related matters, including</p> <ul style="list-style-type: none"> - Execute finance & treasury strategies - Drive improvement on cost controls - Direct all aspects of tax, accounting, analysis, budget management and daily finance operations. | During the year, there is no change to the duties and position held. |

| Name | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|---------------|-----|--|--|--|
| Yao Chia Juei | 43 | Niece of Yao Hsiao Tung and niece-in-law of Wong Huey Fang | <p><u>Position:</u> General Manager of Hi-P (Suzhou) Electronics Technology Co., Ltd. ("the Suzhou Mechanical Plant"). This position was held since 26 Jun 2016. General Manager of Hi-P (Suzhou) Electronics Co., Ltd. ("the Suzhou EMS Plant"). This position was first held with effect from 15 October 2018.</p> <p><u>Duties:</u> She is responsible for managing and leading all operational related matters of the Suzhou Mechanical & EMS Plants, including production, supply chain management, quality process optimization, health & safety compliances, human resource management and administration.</p> | <p>During the year, she has taken up additional role as General Manager of Hi-P (Suzhou) Electronics Co., Ltd. ("the Suzhou EMS Plant"). This position was first held with effect from 15 October 2018. There is no change to the duties but extended the existing duties to oversee one additional plant.</p> |

BY ORDER OF THE BOARD

Mr Yao Hsiao Tung

Executive Chairman and Chief Executive Officer