

Financial Statement and Dividend Announcement for the quarter ended 30 June 2014

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 2-14 | Q 2-13 | Increase/ (decrease) | YTD | YTD | Increase/ (decrease) |
|--------------------------------------|-----------------------|----------------------|---------------------------------|------------------------|----------------------|---------------------------------|
| | S\$'000 | S\$'000 | % | Q 2-14 | Q 2-13 | % |
| | | | | S\$'000 | S\$'000 | |
| Revenue | 212,292 | 285,046 | (25.5) | 391,219 | 552,681 | (29.2) |
| Cost of sales | <u>(198,359)</u> | <u>(256,618)</u> | (22.7) | <u>(373,914)</u> | <u>(494,080)</u> | (24.3) |
| Gross profit | 13,933 | 28,428 | (51.0) | 17,305 | 58,601 | (70.5) |
| Other items of income | | | | | | |
| Interest income | 379 | 836 | (54.7) | 1,276 | 1,700 | (24.9) |
| Other income | 1,983 | 3,135 | (36.7) | 7,565 | 5,521 | 37.0 |
| Other items of expense | | | | | | |
| Selling and distribution expenses | (1,832) | (2,060) | (11.1) | (3,652) | (3,909) | (6.6) |
| Administrative expenses | (15,875) | (20,571) | (22.8) | (32,185) | (40,119) | (19.8) |
| Finance costs | (276) | (443) | (37.7) | (837) | (981) | (14.7) |
| Other expenses | (1,951) | 3,364 | n.m. | (5,375) | 174 | n.m. |
| Share of results of associates | 64 | (69) | n.m. | 48 | (69) | n.m. |
| (Loss)/ profit before tax | <u>(3,575)</u> | <u>12,620</u> | <u>n.m.</u> | <u>(15,855)</u> | <u>20,918</u> | <u>n.m.</u> |
| Income tax credit/ (expense) | 547 | (1,730) | n.m. | 556 | (3,141) | n.m. |
| (Loss)/ profit for the period | <u><u>(3,028)</u></u> | <u><u>10,890</u></u> | <u><u>n.m.</u></u> | <u><u>(15,299)</u></u> | <u><u>17,777</u></u> | <u><u>n.m.</u></u> |
| Attributable to: | | | | | | |
| Owners of the Company | (3,024) | 10,888 | n.m. | (15,296) | 17,775 | n.m. |
| Non-controlling interests | <u>(4)</u> | <u>2</u> | <u>n.m.</u> | <u>(3)</u> | <u>2</u> | <u>n.m.</u> |
| | <u><u>(3,028)</u></u> | <u><u>10,890</u></u> | <u><u>n.m.</u></u> | <u><u>(15,299)</u></u> | <u><u>17,777</u></u> | <u><u>n.m.</u></u> |

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 30 June 2014

| | Group | | | Group | | |
|---|------------------|------------------|------------------------------|-------------------------|-------------------------|------------------------------|
| | Q2-14 S\$'000 | Q2-13 S\$'000 | Increase/ (decrease) % | YTD Q2-14 S\$'000 | YTD Q2-13 S\$'000 | Increase/ (decrease) % |
| (Loss)/ profit for the period | (3,028) | 10,890 | n.m. | (15,299) | 17,777 | n.m. |
| <u>Other comprehensive income</u> | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Foreign currency translation | (2,989) | 14,061 | n.m. | (14,791) | 21,656 | n.m. |
| Share of other comprehensive income of associates | (63) | 95 | n.m. | (26) | 95 | n.m. |
| Other comprehensive income for the period, net of tax | <u>(3,052)</u> | <u>14,156</u> | n.m. | <u>(14,817)</u> | <u>21,751</u> | n.m. |
| Total comprehensive income for the period | <u>(6,080)</u> | <u>25,046</u> | n.m. | <u>(30,116)</u> | <u>39,528</u> | n.m. |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | (6,068) | 25,013 | n.m. | (30,077) | 39,479 | n.m. |
| Non-controlling interests | <u>(12)</u> | <u>33</u> | n.m. | <u>(39)</u> | <u>49</u> | n.m. |
| | <u>(6,080)</u> | <u>25,046</u> | n.m. | <u>(30,116)</u> | <u>39,528</u> | n.m. |

n.m. – Not Meaningful

Other notes:

(Loss)/ profit from operations is arrived at after charging/ (crediting) the following:

| | Q2-14 | Q2-13 | YTD | YTD |
|--|----------------|----------------|----------------|----------------|
| | S\$'000 | S\$'000 | Q2-14 | Q2-13 |
| | | | S\$'000 | S\$'000 |
| 1. Depreciation of property, plant and equipment | 18,706 | 21,372 | 39,149 | 42,279 |
| 2. Amortization of intangible asset | 347 | - | 687 | - |
| 3. Amortization of land use rights | 65 | 144 | 131 | 193 |
| 4. Impairment loss/ (reversal of impairment loss) on property, plant and equipment | 1 | 17 | (46) | 4,471 |
| 5. Net loss on disposal of property, plant and equipment | 69 | 502 | 33 | 401 |
| 6. Property, plant and equipment written off | 79 | 123 | 79 | 159 |
| 7. (Reversal of inventory provisions)/ inventory provisions | (519) | 633 | 368 | 4,498 |
| 8. Inventories written back | (57) | (669) | (137) | (1,495) |
| 9. Impairment loss/ (write back) on doubtful receivables | 26 | 165 | (253) | (257) |
| 10. Bad debt recovered | - | - | - | (126) |
| 11. Trade/ other payables written off | (211) | (49) | (304) | (245) |
| 12. Directors' fees | 90 | 87 | 179 | 179 |
| 13. Staff costs (including directors' remuneration) | 59,124 | 69,746 | 113,456 | 133,585 |
| 14. Operating lease expense | 4,601 | 4,029 | 9,135 | 7,982 |
| 15. Net foreign exchange loss/ (gain) | 856 | (1,757) | 1,696 | (1,504) |
| 16. Net fair value loss/ (gain) on derivatives | 476 | (2,060) | 3,640 | (3,502) |
| 17. Loss on disposal of investment in a subsidiary | 59 | - | 59 | - |
| 18. Provision for warranty costs | - | 1,025 | 347 | 2,076 |
| 19. Allowance/ (reversal of allowance) on non-cancellable purchase commitments | 128 | - | (503) | - |
| 20. Insurance claim | - | - | (3,912) | - |
| 21. Sales of scrap materials | (484) | (1,069) | (1,050) | (1,742) |

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 | |
|--|----------------|----------------|----------------|----------------|
| | 30/06/2014 | 31/12/2013 | 30/06/2014 | 31/12/2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 318,096 | 346,382 | 15,121 | 16,028 |
| Intangible assets | 5,253 | 5,689 | 12 | 12 |
| Land use rights | 12,092 | 12,564 | - | - |
| Investment in subsidiaries | - | - | 253,104 | 253,155 |
| Investment in associates | 1,934 | 1,930 | 984 | 984 |
| Other receivables | - | - | 88,477 | 91,082 |
| Other long term assets | 117 | 151 | - | - |
| Deferred tax assets | 24,185 | 21,121 | - | - |
| | 361,677 | 387,837 | 357,698 | 361,261 |
| Current assets | | | | |
| Inventories | 139,546 | 163,417 | 3,144 | 3,369 |
| Trade and other receivables | 217,143 | 322,540 | 6,678 | 9,168 |
| Prepaid operating expenses | 14,757 | 11,048 | 201 | 104 |
| Derivatives | 452 | 2,650 | 170 | 7 |
| Short term deposits pledged | - | 6,970 | - | - |
| Cash and cash equivalents | 147,764 | 131,621 | 29,206 | 16,344 |
| | 519,662 | 638,246 | 39,399 | 28,992 |
| Assets of disposal group classified as held for sale (Note 1) | 239 | 389 | - | - |
| | 519,901 | 638,635 | 39,399 | 28,992 |
| Current liabilities | | | | |
| Trade and other payables | 159,930 | 239,349 | 11,749 | 10,421 |
| Accrued operating expenses | 58,353 | 59,671 | 2,008 | 4,140 |
| Provisions | 7,328 | 7,063 | - | - |
| Loans and borrowings | 74,684 | 101,632 | 18,732 | 12,624 |
| Income tax payable | 10,443 | 16,379 | - | - |
| Derivatives | 1,986 | 119 | - | 119 |
| | 312,724 | 424,213 | 32,489 | 27,304 |
| Liabilities directly associated with disposal group classified as held for sale (Note 1) | 138 | 156 | - | - |
| | 312,862 | 424,369 | 32,489 | 27,304 |
| Net current assets | 207,039 | 214,266 | 6,910 | 1,688 |
| Non-current liabilities | | | | |
| Loans and borrowings | 1,258 | 1,601 | - | - |
| Deferred tax liabilities | 3,059 | 1,443 | 850 | - |
| | 4,317 | 3,044 | 850 | - |
| Net assets | 564,399 | 599,059 | 363,758 | 362,949 |

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30/06/2014 | 31/12/2013 | 30/06/2014 | 31/12/2013 |
| | 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 | (50,288) | (50,361) | (50,288) | (50,361) |
| Accumulated profits | 448,910 | 469,249 | 285,323 | 284,880 |
| Other reserves | 41,100 | 55,425 | 8,998 | 8,705 |
| Reserve of disposal group classified as held for sale (Note 1) | 4,007 | 4,037 | - | - |
| | 563,454 | 598,075 | 363,758 | 362,949 |
| Non-controlling interests | 945 | 984 | - | - |
| Total equity | 564,399 | 599,059 | 363,758 | 362,949 |

Note 1

On 16 July 2012, the Company announced the decision of its board of directors to cease business operation of one of its wholly-owned subsidiaries, High Precision Moulding and Tools, S.A.de C.V. ("Hi-P Mexico"), with effect from 30 September 2012. Hi-P Mexico remains a dormant company thereafter.

On 31 March 2014, the Company announced the appointment of a liquidator of Hi-P Mexico to commence the member's voluntary liquidation of Hi-P Mexico.

In accordance with FRS 105, the assets and liabilities related to Hi-P Mexico are presented as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale". The assets and liabilities of Hi-P Mexico classified as held for sale and the related reserve as at Balance Sheet date are as follows:

| | Group | |
|---|-------------------|-------------------|
| | 30/06/2014 | 31/12/2013 |
| | S\$'000 | S\$'000 |
| Assets | | |
| Trade and other receivables | 18 | 75 |
| Prepaid operating expenses | - | 1 |
| Cash and cash equivalents | 221 | 313 |
| Assets of disposal group classified as held for sale | 239 | 389 |
| Liabilities | | |
| Trade and other payables | 89 | 91 |
| Accrued operating expenses | 49 | 65 |
| Liabilities directly associated with disposal group classified as held for sale | 138 | 156 |
| Net assets of disposal group classified as held for sale | 101 | 233 |
| Reserve | | |
| Foreign currency translation reserve | 4,007 | 4,037 |

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

Amount repayable within one year or less, or on demand

| As at 30/06/2014 | | As at 31/12/2013 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 630 | 74,054 | 640 | 100,992 |

Amount repayable after one year

| As at 30/06/2014 | | As at 31/12/2013 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 1,258 | - | 1,601 | - |

Lease obligations of S\$1,888,000 were 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.

| | Q2-14 S\$'000 | Q2-13 S\$'000 | YTD Q2-14 S\$'000 | YTD Q2-13 S\$'000 |
|---|------------------|------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | | | |
| (Loss)/ profit before tax | (3,575) | 12,620 | (15,855) | 20,918 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 18,706 | 21,372 | 39,149 | 42,279 |
| Amortization of intangible asset | 347 | - | 687 | - |
| Amortization of land use rights | 65 | 144 | 131 | 193 |
| Impairment loss/ (reversal of impairment loss) on property, plant and equipment | 1 | 17 | (46) | 4,471 |
| Net loss on disposal of property, plant and equipment | 69 | 502 | 33 | 401 |
| Property, plant and equipment written off | 79 | 123 | 79 | 159 |
| (Reversal of inventory provisions)/ inventory provisions | (519) | 633 | 368 | 4,498 |
| Inventories written back | (57) | (669) | (137) | (1,495) |
| Provision for warranty costs | - | 1,025 | 347 | 2,076 |
| Impairment loss/ (write back) on doubtful receivables | 26 | 165 | (253) | (257) |
| Bad debts recovered | - | - | - | (126) |
| Allowance/ (reversal of allowance) on non-cancellable purchase commitments | 128 | - | (503) | - |
| Trade/ other payables written off | (211) | (49) | (304) | (245) |
| Equity compensation expense | 209 | 243 | 366 | 626 |
| Finance costs | 276 | 443 | 837 | 981 |
| Interest income | (379) | (836) | (1,276) | (1,700) |
| Net fair value loss/ (gain) on derivatives - unrealised | 314 | (864) | 4,065 | (1,540) |
| Loss on disposal of investment in a subsidiary | 59 | - | 59 | - |
| Net unrealised exchange difference | 597 | 2,694 | 1,920 | 3,260 |
| Share of results of associates | (64) | 69 | (48) | 69 |
| Operating cash flows before changes in working capital | 16,071 | 37,632 | 29,619 | 74,568 |
| Changes in working capital | | | | |
| Decrease/ (increase) in inventories | 9,793 | (27,416) | 17,708 | (28,669) |
| (Increase)/ decrease in trade and other receivables | (28,939) | (12,183) | 101,127 | 72,749 |
| (Increase)/ decrease in prepaid operating expenses and other long term assets | (4,791) | 174 | (3,990) | 7,558 |
| Increase/ (decrease) in trade and other payables | 221 | 19,583 | (74,977) | (39,523) |
| Increase/ (decrease) in accrued operating expenses | 6,661 | 8,366 | (48) | 16,148 |
| Decrease/ (increase) in amounts due from related parties | 53 | (106) | 126 | (108) |
| Total changes in working capital | (17,002) | (11,582) | 39,946 | 28,155 |
| Cash flows (used in)/ generated from operations | (931) | 26,050 | 69,565 | 102,723 |
| Income taxes paid | (3,610) | (2,104) | (6,398) | (4,145) |
| Net cash flows (used in)/ generated from operating activities | (4,541) | 23,946 | 63,167 | 98,578 |

| | Q2-14 | Q2-13 | YTD | YTD |
|--|-----------------|-----------------|-----------------|-----------------|
| | S\$'000 | S\$'000 | Q2-14 | Q2-13 |
| | | | S\$'000 | S\$'000 |
| Cash flows from investing activities | | | | |
| Dividends received from an associated company | - | - | - | 150 |
| Interest received | 535 | 797 | 1,327 | 1,520 |
| Proceeds from disposal of property, plant and equipment | 290 | 1,703 | 386 | 2,228 |
| Purchase of property, plant and equipment (Note a) | (4,740) | (15,759) | (19,563) | (30,264) |
| Acquisition of intangible asset (Note a) | (251) | - | (251) | - |
| Acquisition of land use rights | - | (6,732) | - | (6,732) |
| Net cash flows used in investing activities | (4,166) | (19,991) | (18,101) | (33,098) |
| Cash flows from financing activities | | | | |
| Decrease/ (increase) in short term deposits pledged | - | 3,114 | 6,970 | (14,081) |
| Dividends paid on ordinary shares | (4,910) | (9,908) | (4,910) | (9,908) |
| Purchase of treasury shares | - | (6,076) | - | (6,076) |
| Interest paid | (276) | (443) | (837) | (981) |
| Repayment of loans and borrowings | (25,244) | (32,083) | (75,668) | (50,447) |
| Proceeds from loans and borrowings | 23,482 | 21,263 | 48,730 | 31,475 |
| Repayments of obligations under finance lease | (156) | (132) | (309) | (263) |
| Net cash flows used in financing activities | (7,104) | (24,265) | (26,024) | (50,281) |
| Net (decrease)/ increase in cash and cash equivalents | (15,811) | (20,310) | 19,042 | 15,199 |
| Effect of exchange rate changes on cash and cash equivalents | (733) | 4,187 | (2,991) | 6,329 |
| Cash and cash equivalents at beginning of period | 164,529 | 204,722 | 131,934 | 167,071 |
| Cash and cash equivalents at end of period | 147,985 | 188,599 | 147,985 | 188,599 |

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment & intangible assets

| | | | | |
|--|--------------|---------------|---------------|---------------|
| Current period additions | 13,547 | 10,879 | 22,628 | 19,822 |
| Less: Payable to creditors | (11,476) | (3,944) | (16,572) | (8,083) |
| | 2,071 | 6,935 | 6,056 | 11,739 |
| Payments for prior period/year purchases | 2,920 | 8,824 | 13,758 | 18,525 |
| Net cash outflow for purchase | 4,991 | 15,759 | 19,814 | 30,264 |

(b) Reconciliation of cash and cash equivalents at 30 June 2014

| | |
|---|----------------|
| Cash and cash equivalents at end of period per Statement of Financial Position | 147,764 |
| Cash and cash equivalents of disposal group classified as held for sale | 221 |
| Cash and cash equivalents at end of period per Cash Flow Statement above | 147,985 |

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 2014

| Group | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|-----------------|----------------|---|---------------------|--|---------------------------|--------------|
| | Share capital | Treasury shares | Other reserves | Reserve of disposal group classified as held for sale | 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 | S\$'000 |
| Opening balance at 1 January 2014 | 119,725 | (50,361) | 55,425 | 4,037 | 469,249 | 598,075 | 984 | 599,059 |
| Loss for the period | - | - | - | - | (12,272) | (12,272) | 1 | (12,271) |
| Share of other comprehensive income of associates | - | - | 52 | - | (15) | 37 | - | 37 |
| Foreign currency translation | - | - | (11,774) | - | - | (11,774) | (28) | (11,802) |
| Other comprehensive income for the period, net of tax | - | - | (11,722) | - | (15) | (11,737) | (28) | (11,765) |
| Total comprehensive income for the period | - | - | (11,722) | - | (12,287) | (24,009) | (27) | (24,036) |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Employee share option and award scheme -Equity compensation benefits | - | - | 157 | - | - | 157 | - | 157 |
| Total transactions with owners in their capacity as owners | - | - | 157 | - | - | 157 | - | 157 |
| <u>Others</u> | | | | | | | | |
| Reserve attributable to disposal group classified as held for sale | - | - | (1) | 1 | - | - | - | - |
| Transfer from retained earnings to statutory reserve fund | - | - | 118 | - | (118) | - | - | - |
| Total others | - | - | 117 | 1 | (118) | - | - | - |
| Closing balance at 31 March 2014 | 119,725 | (50,361) | 43,977 | 4,038 | 456,844 | 574,223 | 957 | 575,180 |

(i) Consolidated statement of changes in equity for the 6 months ended 30 June 2014 (cont'd)

Attributable to owners of the Company

| Group | Share capital | Treasury shares | Other reserves | Reserve of disposal group classified as held for sale | 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 | S\$'000 |
| Closing balance at 31 March 2014 | 119,725 | (50,361) | 43,977 | 4,038 | 456,844 | 574,223 | 957 | 575,180 |
| Loss for the period | - | - | - | - | (3,024) | (3,024) | (4) | (3,028) |
| Share of other comprehensive income of associates | - | - | (67) | - | - | (67) | - | (67) |
| Foreign currency translation | - | - | (2,977) | - | - | (2,977) | (8) | (2,985) |
| Other comprehensive income for the period, net of tax | - | - | (3,044) | - | - | (3,044) | (8) | (3,052) |
| Total comprehensive income for the period | - | - | (3,044) | - | (3,024) | (6,068) | (12) | (6,080) |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Employee share option and award scheme -Equity compensation benefits | - | - | 209 | - | - | 209 | - | 209 |
| Treasury shares reissued pursuant to employee share award scheme | - | 73 | (73) | - | - | - | - | - |
| Dividends on ordinary shares | - | - | - | - | (4,910) | (4,910) | - | (4,910) |
| Total transactions with owners in their capacity as owners | - | 73 | 136 | - | (4,910) | (4,701) | - | (4,701) |
| <u>Others</u> | | | | | | | | |
| Reserve attributable to disposal group classified as held for sale | - | - | 31 | (31) | - | - | - | - |
| Total others | - | - | 31 | (31) | - | - | - | - |
| Closing balance at 30 June 2014 | 119,725 | (50,288) | 41,100 | 4,007 | 448,910 | 563,454 | 945 | 564,399 |

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2013

Attributable to owners of the Company

| Group | Share capital | Treasury shares | Other reserves | Reserve of disposal group classified as held for sale | 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 | S\$'000 |
| Opening balance at 1 January 2013 | 119,725 | (44,285) | 25,088 | 3,890 | 474,409 | 578,827 | 923 | 579,750 |
| Profit for the period | - | - | - | - | 6,886 | 6,886 | 1 | 6,887 |
| Foreign currency translation | - | - | 7,580 | - | - | 7,580 | 15 | 7,595 |
| Other comprehensive income for the period, net of tax | - | - | 7,580 | - | - | 7,580 | 15 | 7,595 |
| Total comprehensive income for the period | - | - | 7,580 | - | 6,886 | 14,466 | 16 | 14,482 |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Employee share option scheme -Equity compensation benefits | - | - | 383 | - | - | 383 | - | 383 |
| Total transactions with owners in their capacity as owners | - | - | 383 | - | - | 383 | - | 383 |
| <u>Others</u> | | | | | | | | |
| Reserve attributable to disposal group classified as held for sale | - | - | (349) | 349 | - | - | - | - |
| Transfer from retained earnings to statutory reserve fund | - | - | 42 | - | (42) | - | - | - |
| Total others | - | - | (307) | 349 | (42) | - | - | - |
| Closing balance at 31 March 2013 | 119,725 | (44,285) | 32,744 | 4,239 | 481,253 | 593,676 | 939 | 594,615 |

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2013 (cont'd)

Attributable to owners of the Company

| Group | Share capital | Treasury shares | Other reserves | Reserve of disposal group classified as held for sale | 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 | S\$'000 |
| Closing balance at 31 March 2013 | 119,725 | (44,285) | 32,744 | 4,239 | 481,253 | 593,676 | 939 | 594,615 |
| Profit for the period | - | - | - | - | 10,888 | 10,888 | 2 | 10,890 |
| Foreign currency translation | - | - | 14,030 | - | - | 14,030 | 31 | 14,061 |
| Share of other comprehensive income of associates | - | - | 95 | - | - | 95 | - | 95 |
| Other comprehensive income for the year, net of tax | - | - | 14,125 | - | - | 14,125 | 31 | 14,156 |
| Total comprehensive income for the period | - | - | 14,125 | - | 10,888 | 25,013 | 33 | 25,046 |
| <u>Contributions by and distributions to owners</u> | | | | | | | | |
| Employee share option and award scheme -Equity compensation benefits | - | - | 243 | - | - | 243 | - | 243 |
| Purchase of treasury shares | - | (6,076) | - | - | - | (6,076) | - | (6,076) |
| Dividends on ordinary shares | - | - | - | - | (9,908) | (9,908) | - | (9,908) |
| Total transactions with owners in their capacity as owners | - | (6,076) | 243 | - | (9,908) | (15,741) | - | (15,741) |
| <u>Others</u> | | | | | | | | |
| Reserve attributable to disposal group classified as held for sale | - | - | 137 | (137) | - | - | - | - |
| Total others | - | - | 137 | (137) | - | - | - | - |
| Closing balance at 30 June 2013 | 119,725 | (50,361) | 47,249 | 4,102 | 482,233 | 602,948 | 972 | 603,920 |

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2014

| Company | Attributable to owners of the Company | | | | Total equity |
|--|--|------------------------|------------------------|----------------------------|---------------------|
| | Share capital | Treasury shares | Capital reserve | Accumulated profits | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Opening balance at 1 January 2014 | 119,725 | (50,361) | 8,705 | 284,880 | 362,949 |
| Profit for the period | - | - | - | 5,710 | 5,710 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share option and award scheme - Equity compensation benefits | - | - | 157 | - | 157 |
| Total transactions with owners in their capacity as owners | - | - | 157 | - | 157 |
| Closing balance at 31 March 2014 | 119,725 | (50,361) | 8,862 | 290,590 | 368,816 |
| Loss for the period | - | - | - | (357) | (357) |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share option & award scheme - Equity compensation benefits | - | - | 209 | - | 209 |
| Treasury shares reissued pursuant to employee share award scheme | - | 73 | (73) | - | - |
| Dividends on ordinary shares | - | - | - | (4,910) | (4,910) |
| Total transactions with owners in their capacity as owners | - | 73 | 136 | (4,910) | (4,701) |
| Closing balance at 30 June 2014 | 119,725 | (50,288) | 8,998 | 285,323 | 363,758 |

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2013

| Company | Attributable to owners of the Company | | | | Total equity |
|--|--|------------------------|------------------------|----------------------------|---------------------|
| | Share capital | Treasury shares | Capital reserve | Accumulated profits | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Opening balance at 1 January 2013 | 119,725 | (44,285) | 7,727 | 250,947 | 334,114 |
| Profit for the period | - | - | - | 2,435 | 2,435 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share option scheme - Equity compensation benefits | - | - | 383 | - | 383 |
| Total transactions with owners in their capacity as owners | - | - | 383 | - | 383 |
| Closing balance at 31 March 2013 | 119,725 | (44,285) | 8,110 | 253,382 | 336,932 |
| Profit for the period | - | - | - | 3,730 | 3,730 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Employee share option & award scheme - Equity compensation benefits | - | - | 243 | - | 243 |
| Purchase of treasury shares | - | (6,076) | - | - | (6,076) |
| Dividends on ordinary shares | - | - | - | (9,908) | (9,908) |
| Total transactions with owners in their capacity as owners | - | (6,076) | 243 | (9,908) | (15,741) |
| Closing balance at 30 June 2013 | 119,725 | (50,361) | 8,353 | 247,204 | 324,921 |

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 financial period ended 30 June 2014, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

On 7 May 2014, 3,000,000 options were issued to an employee at an exercise price of S\$0.57. The options are exercisable in 4 stages in the proportion of 25% each at any time after 12 months, 24 months, 36 months and 48 months respectively from the Date of Grant.

During the quarter ended 30 June 2014, 327,010 options have lapsed while no options were exercised.

There are 23,633,533 options outstanding as at 30 June 2014 (31 December 2013: 21,199,159).

Share Awards

On 7 May 2014, 233,675 awards were issued to employees at no exercise price, out of which 110,777 awards were issued to controlling shareholder, a director and their associate. The awards are vested in 2 stages in the proportion of 50% each after the expiry of 12 months and 24 months respectively from the Date of Grant.

During the quarter ended 30 June 2014, 11,543 awards have lapsed while 104,839 awards have been vested.

There are 326,977 share awards outstanding as at 30 June 2014 (31 December 2013: 211,917).

Treasury Shares

During the quarter ended 30 June 2014, the Company has not purchased any shares to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2014 is 68,853,166 (31 December 2013: 68,953,500).

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 2014 was 818,321,834 (31 December 2013: 818,221,500).

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 financial period ended 30 June 2014, 100,334 treasury shares were transferred to employees upon vesting of share awards. As at 30 June 2014, there are 4,505 treasury shares pending to be transferred to an employee for the share awards vested on 12 Apr 2014.

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 2013.

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.

In the current financial period, the Group adopted the new/ revised Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2014.

The following are the new or amended FRS that are relevant to the Group:

| <i>Description</i> | <i>Effective for annual periods beginning on or after</i> |
|--|---|
| Revised FRS 27 <i>Separate Financial Statements</i> | 1 January 2014 |
| Revised FRS 28 <i>Investments in Associates and Joint Ventures</i> | 1 January 2014 |
| FRS 110 <i>Consolidated Financial Statements</i> | 1 January 2014 |
| FRS 111 <i>Joint Arrangements</i> | 1 January 2014 |
| FRS 112 <i>Disclosure of Interests in Other Entities</i> | 1 January 2014 |
| Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2014 |
| Amendments to FRS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i> | 1 January 2014 |
| Amendments to FRS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> | 1 January 2014 |
| Amendments to the transition guidance of FRS 110 <i>Consolidated Financial Statements</i> , FRS 111 <i>Joint Arrangements</i> and FRS 112 <i>Disclosure of Interests in Other Entities</i> | 1 January 2014 |
| Amendments to FRS 110, FRS 112 and FRS 27: <i>Investment Entities</i> | 1 January 2014 |
| Improvements to FRSs: | 1 July 2014 |
| - Amendments to FRS 103 <i>Business Combinations</i> | |
| - Amendments to FRS108 <i>Operating Segments</i> | |
| - Amendment to FRS 16 <i>Property, Plant and Equipment</i> | |
| - Amendment to FRS 24 <i>Related Party Disclosures</i> | |
| - Amendment to FRS 38 <i>Intangible Assets</i> | |
| - Amendment to FRS 113 <i>Fair Value Measurement</i> | |

The adoption of the above FRS 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).

| | Q2-14 | Q2-13 | YTD Q2-14 | YTD Q2-13 |
|--|--------|-------|--------------|--------------|
| Operating (loss)/ profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue | (1.4%) | 3.8% | (3.9%) | 3.2% |
| Operating (loss)/ profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period | (0.5%) | 1.8% | (2.7%) | 2.9% |
| (Loss)/ earnings per ordinary share | | | | |
| (a) Based on weighted average number of ordinary shares in issue (cents) | (0.37) | 1.32 | (1.87) | 2.16 |
| (b) On a fully diluted basis (cents)* | (0.37) | 1.32 | (1.87) | 2.16 |

(Loss)/ earnings per share have been computed based on the weighted average number of ordinary shares in issue during the period.

* For 2Q2014, the financial effect of share options and share awards issued has been disregarded in the calculation of dilutive loss per ordinary share as they are anti-dilutive. For 2Q2013, 6,607,548 share options and 219,274 share awards granted to employees under the existing employee share option scheme and employee share award scheme have been included in the calculation of diluted earnings per share (EPS).

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 | |
|--|------------|------------|------------|------------|
| | 30/06/2014 | 31/12/2013 | 30/06/2014 | 31/12/2013 |
| Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents) | 68.85 | 73.09 | 44.45 | 44.36 |

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

2Q2014 vs. 2Q2013

Revenue decreased by S\$72.8 million (25.5%) yoy to S\$212.3 million in 2Q2014 mainly due to lower sales volumes from two key customers. The decrease was partially offset by the orders from new customers, which was in line with our strategy to diversify our customer base.

Gross profit decreased by S\$14.5 million (51.0%) yoy to S\$13.9 million in 2Q2014 mainly due to lower sales, slower pace of decreases in labour costs, and depreciation as compared to the decrease in sales.

The decrease in labour costs was offset by the increase in minimum wages imposed by the applicable local governmental authorities in the PRC. Depreciation is computed on a straight-line basis and is not proportionate to sales. As such, our gross profit margin decreased from 10.0% in 2Q2013 to 6.6% in 2Q2014.

Net interest income decreased by S\$0.3 million (73.8%) to S\$0.1 million in 2Q2014 mainly due to lower net cash balances in 2Q2014 as compared to 2Q2013.

Other income decreased by S\$1.2 million (36.7%) yoy to S\$2.0 million in 2Q2014 mainly due lower incentives from governments and lower sale of scrap materials.

Total selling & distribution and administrative expenses decreased by S\$4.9 million (21.8%) yoy to S\$17.7 million in 2Q2014 mainly due to the decrease in provision for bonus and warranty costs.

Other expense of S\$2.0 million in 2Q2014 mainly consisted of net foreign exchange loss of S\$0.9 million (2Q2013: gain S\$1.8 million), which arose mainly from depreciation of USD against RMB and SGD, and net fair value loss on derivatives used for currency hedging of S\$0.5 million (2Q2013: gain S\$2.1 million), resulted from changes in fair value of the derivatives.

The Group recorded an income tax credit of S\$0.5 million in 2Q2014, representing an effective tax rate of 15.3% (2Q2013:13.7%).

As a result of the above factors, the Group recorded a net loss after tax of S\$3.0 million in 2Q2014.

Balance Sheet Analysis

The net book value of property, plant and equipment decreased by S\$28.3 million (8.2%) from S\$346.4 million as at 31 December 2013 to S\$318.1 million as at 30 June 2014. The decrease was mainly due to total depreciation of S\$39.1 million and translation difference of S\$11.1 million, partially offset by total additions of S\$22.4 million.

Deferred tax assets increased by S\$3.1 million (14.5%) from S\$21.1 million as at 31 December 2013 to S\$24.2 million as at 30 June 2014 mainly due to recognition of deferred tax assets on certain unutilized tax losses.

Inventories decreased by S\$23.9 million (14.6%) from S\$163.4 million as at 31 December 2013 to S\$139.5 million as at 30 June 2014 mainly due to better inventory control.

Trade and other receivables decreased by S\$105.4 million (32.7%) from S\$322.5 million as at 31 December 2013 to S\$217.1 million as at 30 June 2014 mainly due to the decrease in sales by S\$132.2 million (38.4%) from S\$344.5 million in 4Q2013 to S\$212.3 million in 2Q2014.

Prepaid operating expenses increased by S\$3.8 million (33.6%) from S\$11.0 million as at 31 December 2013 to S\$14.8 million as at 30 June 2014 mainly due to the increase in prepayment for property, plant and equipment.

Derivative assets decreased by S\$2.2 million (82.9%) from S\$2.7 million as at 31 December 2013 to S\$0.5 million as at 30 June 2014 and derivative liabilities increased by S\$1.9 million (1,568.9%) from S\$0.1 million as at 31 December 2013 to S\$2.0 million as at 30 June 2014 due to changes in fair value of the derivatives.

Short term deposits of S\$7.0 million were pledged to a bank in the PRC as at 31 December 2013, for settlement of trade payables by the bank on behalf of the Group. The pledged deposits were released by the bank upon repayment of the payables by the Group as at 30 June 2014.

Trade and other payables decreased by S\$79.4 million (33.2%) from S\$239.3 million as at 31 December 2013 to S\$159.9 million as at 30 June 2014 mainly due to the decrease in trade payables resulting from lower sales and hence lower material costs in 2Q2014 as compared with 4Q2013. The decrease was also due to payments of fixed assets creditors.

Deferred tax liabilities increased by S\$1.7 million (112.0%) from S\$1.4 million as at 31 December 2013 to S\$3.1 million as at 30 June 2014 mainly due to deferred tax liabilities recognized in respect of the temporary differences on depreciation and engineering costs that are capitalized.

Current and non-current loans and borrowings decreased by S\$27.3 million (26.4%) from S\$103.2 million as at 31 December 2013 to S\$75.9 million as at 30 June 2014 mainly due to repayment of loans and borrowings.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged increased by S\$9.1 million (6.5%) from S\$138.9 million as at 31 December 2013 to S\$148.0 million as at 30 June 2014. Debt was S\$75.9 million, resulting in a net cash position of S\$72.1 million (31 December 2013: S\$35.7 million).

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$16.1 million in 2Q2014. Net cash used in operating activities in 2Q2014 amounted to S\$4.5 million.

Net cash used in investing activities was S\$4.2 million in 2Q2014, mainly due to net cash outflow for purchase of capital expenditure amounting to S\$5.0 million.

Net cash used in financing activities was S\$7.1 million in 2Q2014, mainly due to dividend paid on ordinary shares of S\$4.9 million and net repayment of loans and borrowings amounting to S\$1.8 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 1Q2014 results announcement made on 5 May 2014, the Group guided as follows:

The Group expects lower revenue in 2Q2014 as compared to 2Q2013, and expects to record a loss in 2Q2014.

The Group expects higher revenue and lower loss in 2Q2014 as compared to 1Q2014.

In line with our guidance, we recorded lower revenue in 2Q2014 as compared to 2Q2013 but higher revenue and lower loss in 2Q2014 as compared to 1Q2014.

| (S\$'000) | 2Q2014 | 2Q2013 | 1Q2014 |
|------------------------------|---------------|---------------|---------------|
| Revenue | 212,292 | 285,046 | 178,927 |
| Net (loss)/ profit after tax | (3,028) | 10,890 | (12,271) |

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 renowned technology research firm, IDC, sales of tablets and smartphones will grow at 18.0% and 19.3% respectively in 2014. Growth in the tablets and smartphone space will be mainly driven by emerging markets and lower-end smartphones. This represents a shift in product mix to lower-end devices.

Separately, according to U.S. Consumer Electronics Sales and Forecasts, the semi-annual industry report released by the US-based Consumer Electronics Association, revenues for the consumer electronics industry are projected to grow 2.4% in 2014, marking a new high of US\$208.0 billion.

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

- Ongoing diversification of its customer base and product segments.
- Better utilization of production capacity and capabilities.
- Continuous improvement on cost control via automation, lean organization & manufacturing consolidation.
- Smooth execution and delivery for several new major projects.

The Group continues to aim for a sustainable growth rate and be one of the top contract manufacturers in Asia, by providing a one-stop solution 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 performance as follows:

The Group expects lower revenue but higher profit in 3Q2014 as compared to 3Q2013.

The Group expects higher revenue in 2H2014 as compared to 2H2013. The Group also expects to be profitable in 2H2014.

The Group expects lower revenue but higher profit in FY2014 as compared to FY2013.

Update on the proposed investment in Nantong Economic & Technological Development Area, PRC ("NETDA")

The Directors wish to inform that the construction of the Nantong plant in NETDA has resumed since late June 2014. As at 30 June 2014, capital expenditure of an aggregate amount of S\$49.1 million had been incurred for the proposed investment. The said amount was utilized towards land use rights, construction and renovation costs and professional fees.

The construction at the Nantong plant for a site area comprising approximately 65,000 sqm is expected to be completed by September 2014, and production is targeted to gradually commence in 4Q2014 at the newly constructed site area.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

13. Aggregate value of interested persons transactions entered into during the quarter ended 30 June 2014

| 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 Purchases of Goods and Services Moxel International Inc & its group of companies | \$164,435 | - |
| Transaction for Sales of Goods and Services Moxel International Inc & its group of companies | \$170,034 | - |

No general mandate has been obtained from shareholders for interested persons transactions.

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 2014 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director