

Financial Statement and Dividend Announcement for the quarter ended 30 June 2012

**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 2-12	Q 2-11	Increase/ (decrease)	YTD	YTD	Increase/ (decrease)
	S\$'000	S\$'000	%	Q 2-12	Q 2-11	%
				S\$'000	S\$'000	
Revenue	251,762	229,917	9.5	530,117	473,206	12.0
Cost of sales	(236,652)	(199,682)	18.5	(495,300)	(403,230)	22.8
Gross profit	15,110	30,235	(50.0)	34,817	69,976	(50.2)
Other items of income						
Interest income	2,136	857	149.2	4,672	1,522	207.0
Other income	999	5,911	(83.1)	8,031	11,267	(28.7)
Other items of expense						
Selling and distribution expenses	(1,912)	(1,751)	9.2	(3,637)	(3,890)	(6.5)
Administrative expenses	(18,061)	(17,135)	5.4	(35,353)	(33,147)	6.7
Financial costs	(1,151)	(154)	647.4	(2,295)	(244)	840.6
Other expenses	607	(2,650)	n.m.	(6,591)	(6,222)	5.9
Share of results of associates	(26)	(44)	(40.9)	(44)	59	n.m.
(Loss)/ profit before tax	(2,298)	15,269	n.m.	(400)	39,321	n.m.
Taxation	199	(4,050)	n.m.	(181)	(10,249)	(98.2)
(Loss)/ profit, net of tax	(2,099)	11,219	n.m.	(581)	29,072	n.m.
Attributable to:						
Owners of the Company	(2,114)	11,228	n.m.	(583)	29,090	n.m.
Non-controlling interests	15	(9)	n.m.	2	(18)	n.m.
	(2,099)	11,219	n.m.	(581)	29,072	n.m.

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 30 June 2012

	Group			Group		
	Q2-12 S\$'000	Q2-11 S\$'000	Increase/ (decrease) %	YTD Q2-12 S\$'000	YTD Q2-11 S\$'000	Increase/ (decrease) %
(Loss)/ profit for the period	(2,099)	11,219	n.m.	(581)	29,072	n.m.
Other comprehensive income:						
Foreign currency translation	1,733	(4,045)	n.m.	(8,548)	(9,596)	(10.9)
Share of other comprehensive income of associates	-	-	n.m.	-	12	n.m.
Other comprehensive income for the period, net of tax	<u>1,733</u>	<u>(4,045)</u>	n.m.	<u>(8,548)</u>	<u>(9,584)</u>	(10.8)
Total comprehensive income for the period	<u>(366)</u>	<u>7,174</u>	n.m.	<u>(9,129)</u>	<u>19,488</u>	n.m.
Total comprehensive income attributable to:						
Owners of the Company	(390)	7,191	n.m.	(9,109)	19,528	n.m.
Non-controlling interests	<u>24</u>	<u>(17)</u>	n.m.	<u>(20)</u>	<u>(40)</u>	(50.0)
	<u>(366)</u>	<u>7,174</u>	n.m.	<u>(9,129)</u>	<u>19,488</u>	n.m.

n.m. – Not Meaningful

Other notes:

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

	Q2-12	Q2-11	YTD	YTD
	S\$'000	S\$'000	Q2-12	Q2-11
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	16,597	14,164	31,740	30,915
2. Impairment loss/ (reversal of impairment loss) on property, plant and equipment	492	(136)	2,391	(581)
3. Net loss/ (gain) on disposal of property, plant and equipment	269	(460)	139	(498)
4. Property, plant and equipment (written back)/ written off	(57)	17	314	61
5. Allowance/ (reversal of allowance) for inventory obsolescence	539	(2,951)	2,632	(2,212)
6. Inventories written back	(286)	(610)	(526)	(1,128)
7. Impairment loss/ (write back) on doubtful receivables	7	195	(292)	(52)
8. Bad debt written off/ (recovered)	-	86	(42)	126
9. Directors' fees	88	102	187	204
10. Staff costs (including directors' remuneration)	56,943	54,075	112,829	106,135
11. Operating lease expense	4,660	3,965	9,735	8,067
12. Net foreign exchange (gain)/ loss	(1,422)	2,843	1,658	6,305
13. Net fair value loss/ (gain) on derivatives	3,115	(1,689)	(516)	(3,877)
14. Loss on disposal of investment in a subsidiary	-	-	1,516	-

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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	329,138	284,392	17,044	18,069
Investment in subsidiaries	-	-	212,147	207,821
Investment in associates	2,284	2,328	1,478	1,478
Other investment	12	12	12	12
Trade and other receivables	-	-	64,918	60,649
Other long term assets	271	87	-	-
Deferred tax assets	10,171	13,974	-	-
Current assets				
Inventories	146,699	124,832	3,915	3,889
Trade and other receivables	248,437	293,318	113,298	140,283
Prepaid operating expenses	39,898	16,453	666	510
Derivatives	481	984	252	692
Cash and cash equivalents	286,682	339,713	62,608	48,297
	722,197	775,300	180,739	193,671
Current liabilities				
Trade and other payables	280,193	311,355	22,746	15,870
Accrued operating expenses	37,709	33,467	7,528	10,586
Loans and borrowings	165,899	116,692	114,584	116,176
Income tax payable	4,994	10,742	229	357
Derivatives	2,985	2,835	2,612	2,237
	491,780	475,091	147,699	145,226
Net current assets	230,417	300,209	33,040	48,445
Non-current liabilities				
Loans and borrowings	2,347	2,725	-	-
Deferred tax liabilities	1,554	1,582	-	-
	3,901	4,307	-	-
Net assets	568,392	596,695	328,639	336,474
Equity attributable to owners of the Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(44,561)	(44,235)	(44,561)	(44,235)
Accumulated profits	456,660	477,068	246,605	255,091
Other reserves	35,626	43,175	6,870	5,893
	567,450	595,733	328,639	336,474
Non-controlling interests	942	962	-	-
Total equity	568,392	596,695	328,639	336,474

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

Amount repayable within one year or less, or on demand

As at 30/6/2012		As at 31/12/2011	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
518	165,381	583	116,109

Amount repayable after one year

As at 30/6/2012		As at 31/12/2011	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,347	-	2,725	-

Lease obligations 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.

	Q2-12	Q2-11	YTD	YTD
	S\$'000	S\$'000	Q2-12	Q2-11
			S\$'000	S\$'000
Cash flows from operating activities				
(Loss)/ profit before tax	(2,298)	15,269	(400)	39,321
Adjustments for:				
Depreciation of property, plant and equipment	16,597	14,164	31,740	30,915
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	492	(136)	2,391	(581)
Net loss/ (gain) on disposal of property, plant and equipment	269	(460)	139	(498)
Property, plant and equipment (written back)/ written off	(57)	17	314	61
Allowance/ (reversal of allowance) for inventory obsolescence	539	(2,951)	2,632	(2,212)
Inventories written back	(286)	(610)	(526)	(1,128)
Impairment loss/ (write back) on doubtful receivables	7	195	(292)	(52)
Bad debts written off/ (recovered)	-	86	(42)	126
Equity compensation expense	543	559	954	928
Interest expense	1,151	154	2,295	244
Interest income	(2,136)	(857)	(4,672)	(1,522)
Net fair value loss/ (gain) on derivatives - unrealised	3,427	(379)	611	(1,614)
Loss on disposal of investment in a subsidiary	-	-	1,516	-
Unrealised exchange difference	(167)	146	1,283	355
Share of results of associates	26	44	44	(59)
Operating cash flows before changes in working capital	18,107	25,241	37,987	64,284
Changes in working capital				
Increase in inventories	(9,173)	(24,904)	(26,798)	(33,690)
(Increase)/ decrease in trade and other receivables	(10,776)	(4,516)	39,580	61,930
Increase in prepaid operating expenses	(13,954)	(13,011)	(23,989)	(13,053)
(Decrease)/ increase in trade and other payables	(16,162)	26,257	(62,267)	(7,743)
Increase/ (decrease) in accrued operating expenses	3,419	(497)	4,651	(4,998)
Increase in amounts due from related parties	(21)	(79)	(1)	(56)
Total changes in working capital	(46,667)	(16,750)	(68,824)	2,390
Cash flows (used in)/ generated from operations	(28,560)	8,491	(30,837)	66,674
Income taxes paid	(1,912)	(5,618)	(3,423)	(14,318)
Net cash flows (used in)/ generated from operating activities	(30,472)	2,873	(34,260)	52,356

	Q2-12	Q2-11	YTD	YTD
	S\$'000	S\$'000	Q2-12	Q2-11
			S\$'000	S\$'000
Cash flows from investing activities				
Dividends received from an associated company	-	-	-	150
Interest received	2,312	857	4,969	1,522
Proceeds from disposal of property, plant and equipment	323	656	642	746
Purchase of property, plant and equipment (Note a)	(29,748)	(11,831)	(46,775)	(19,065)
Purchase of short term investments	-	(16,400)	-	(16,400)
Proceeds from short term investments	-	-	-	3,906
Net cash flows used in investing activities	(27,113)	(26,718)	(41,164)	(29,141)
Cash flows from financing activities				
Dividends paid on ordinary shares	(19,824)	(29,811)	(19,824)	(29,811)
Purchase of treasury shares	(532)	-	(1,095)	(9,777)
Proceeds from re-issuance of treasury shares	792	810	792	1,266
Interest paid	(1,151)	(154)	(2,295)	(244)
Proceeds from loans and borrowings	38,282	24,680	51,456	24,680
Repayments of obligations under finance lease	(143)	(148)	(294)	(289)
Net cash flows generated from/ (used in) financing activities	17,424	(4,623)	28,740	(14,175)
Net (decrease)/ increase in cash and cash equivalents	(40,161)	(28,468)	(46,684)	9,040
Effect of exchange rate changes on cash and cash equivalents	1,490	(1,267)	(6,347)	(2,861)
Cash and cash equivalents at beginning of period	325,353	250,892	339,713	214,978
Cash and cash equivalents at end of period	286,682	221,157	286,682	221,157
Note to the Consolidated Cash Flow Statement				
(a) Purchase of Property, plant and equipment				
Current year additions	55,500	13,174	85,511	23,112
Less: Payable to creditors	(35,355)	(8,582)	(48,809)	(8,877)
	20,145	4,592	36,702	14,235
Payments for prior period/year purchases	9,603	7,239	10,073	4,830
Net cash outflow for purchase	29,748	11,831	46,775	19,065

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 2012

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 2012	119,725	(44,235)	43,175	477,068	595,733	962	596,695
Profit for the period	-	-	-	1,530	1,530	(13)	1,517
Foreign currency translation	-	-	(10,250)	-	(10,250)	(31)	(10,281)
Total comprehensive income for the period	-	-	(10,250)	1,530	(8,720)	(44)	(8,764)
<u>Contributions by and distributions to owners</u>							
Employee share option scheme	-	-	411	-	411	-	411
-Equity compensation benefits	-	(563)	-	-	(563)	-	(563)
Purchase of treasury shares	-	(563)	-	-	(563)	-	(563)
Total transactions with owners in their capacity as owners	-	(563)	411	-	(152)	-	(152)
Closing balance at 31 March 2012	119,725	(44,798)	33,336	478,598	586,861	918	587,779
Loss for the period	-	-	-	(2,114)	(2,114)	15	(2,099)
Foreign currency translation	-	-	1,724	-	1,724	9	1,733
Total comprehensive income for the period	-	-	1,724	(2,114)	(390)	24	(366)
<u>Contributions by and distributions to owners</u>							
Employee share option scheme	-	-	543	-	543	-	543
-Equity compensation benefits	-	(532)	-	-	(532)	-	(532)
Purchase of treasury shares	-	(532)	-	-	(532)	-	(532)
Treasury shares reissued pursuant to employee share option plans	-	769	23	-	792	-	792
Dividends on ordinary shares	-	-	-	(19,824)	(19,824)	-	(19,824)
Total transactions with owners in their capacity as owners	-	237	566	(19,824)	(19,021)	-	(19,021)
					-		
Closing balance at 30 June 2012	119,725	(44,561)	35,626	456,660	567,450	942	568,392

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2011
 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 2011	119,725	(34,040)	21,263	463,701	570,649	942	571,591
Profit for the period	-	-	-	17,862	17,862	(9)	17,853
Share of other comprehensive income of associates	-	-	12	-	12	-	12
Foreign currency translation	-	-	(5,537)	-	(5,537)	(14)	(5,551)
Total comprehensive income for the period	-	-	(5,525)	17,862	12,337	(23)	12,314
<u>Contributions by and distributions to owners</u>							
Employee share option scheme -Equity compensation benefits	-	-	369	-	369	-	369
Purchase of treasury shares	-	(9,777)	-	-	(9,777)	-	(9,777)
Treasury shares reissued pursuant to employee share option plans	-	436	20	-	456	-	456
Total transactions with owners in their capacity as owners	-	(9,341)	389	-	(8,952)	-	(8,952)
Closing balance at 31 March 2011	119,725	(43,381)	16,127	481,563	574,034	919	574,953
Profit for the period	-	-	-	11,228	11,228	(9)	11,219
Foreign currency translation	-	-	(4,037)	-	(4,037)	(8)	(4,045)
Total comprehensive income for the period	-	-	(4,037)	11,228	7,191	(17)	7,174
<u>Contributions by and distributions to owners</u>							
Employee share option scheme -Equity compensation benefits	-	-	559	-	559	-	559
Treasury shares reissued pursuant to employee share option plans	-	816	(6)	-	810	-	810
Dividends on ordinary shares	-	-	-	(29,811)	(29,811)	-	(29,811)
Total transactions with owners in their capacity as owners	-	816	553	(29,811)	(28,442)	-	(28,442)
					-		
Closing balance at 30 June 2011	119,725	(42,565)	12,643	462,980	552,783	902	553,685

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2012

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 2012	119,725	(44,235)	5,893	255,091	336,474
Profit for the period	-	-	-	3,148	3,148
<u>Contributions by and distributions to owners</u>					
Employee Share Option Scheme - Equity compensation benefits	-	-	411	-	411
Purchase of treasury shares	-	(563)	-	-	(563)
Total transactions with owners in their capacity as owners	-	(563)	411	-	(152)
Balance at 31 March 2012	119,725	(44,798)	6,304	258,239	339,470
Profit for the period	-	-	-	8,190	8,190
<u>Contributions by and distributions to owners</u>					
Employee Share Option Scheme - Equity compensation benefits	-	-	543	-	543
Purchase of treasury shares	-	(532)	-	-	(532)
Treasury shares reissued pursuant to employee share option plans	-	769	23	-	792
Dividends on ordinary shares	-	-	-	(19,824)	(19,824)
Total transactions with owners in their capacity as owners	-	237	566	(19,824)	(19,021)
Balance at 30 June 2012	119,725	(44,561)	6,870	246,605	328,639

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2011

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 2011	119,725	(34,040)	3,837	233,894	323,416
Loss for the period	-	-	-	(1,140)	(1,140)
<u>Contributions by and distributions to owners</u>					
Employee Share Option Scheme - Equity compensation benefits	-	-	369	-	369
Purchase of treasury shares	-	(9,777)	-	-	(9,777)
Treasury shares reissued pursuant to employee share option plans	-	436	20	-	456
Total transactions with owners in their capacity as owners	-	(9,341)	389	-	(8,952)
Balance at 31 March 2011	119,725	(43,381)	4,226	232,754	313,324
Loss for the period	-	-	-	(1,194)	(1,194)
<u>Contributions by and distributions to owners</u>					
Employee Share Option Scheme - Equity compensation benefits	-	-	559	-	559
Treasury shares reissued pursuant to employee share option plans	-	816	(6)	-	810
Dividends on ordinary shares	-	-	-	(29,811)	(29,811)
Total transactions with owners in their capacity as owners	-	816	553	(29,811)	(28,442)
Balance at 30 June 2011	119,725	(42,565)	4,779	201,749	283,688

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 period ended 30 June 2012, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

On 9 April 2012, 7,006,159 options were issued to employees at an exercise price of S\$0.96 with a vesting period of 3 years.

On 4 May 2012, 1,360,693 options were issued to controlling shareholder, director and their associate at an exercise price of S\$0.90 with a vesting period of 3 years.

During the period ended 30 June 2012, 86,896 options lapsed, 469,716 options were forfeited and 1,070,500 options were exercised.

There are 25,493,740 options outstanding as at 30 June 2012 (31 December 2011: 18,754,000).

Treasury Shares

For the second quarter ended 30 June 2012, the Company has purchased 752,000 shares to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2012 is 61,855,500 (31 December 2011: 61,288,000).

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 2012 was 825,319,500 (31 December 2011: 825,887,000).

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 period ended 30 June 2012, 1,070,500 treasury shares were transferred to employees upon the exercise of share options.

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

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

3. Where the figures have been audited or reviewed, the auditors' 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 2011.

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 2012. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Amendments to FRS 107	Disclosures – Transfers of Financial Assets
Amendments to FRS 12	Deferred Tax: Recovery of Underlying Assets

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).**

	Q2-12	Q2-11	YTD Q2-12	YTD Q2-11
Operating (loss)/ profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	-0.8%	4.9%	-0.1%	6.1%
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	-0.4%	2.0%	-0.1%	5.3%
(Loss)/ earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	-0.25	1.31	-0.07	3.39
(b) On a fully diluted basis (cents)*	-0.25	1.30	-0.07	3.38

*Nil (2Q2011: 8,660,000) share options granted to employees under the existing employee share option plan have been included in the calculation of diluted earnings per share (EPS). It is not meaningful to calculate the diluted EPS as the Group is in a loss position this quarter.

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

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	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	68.76	72.13	39.82	40.74

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

2Q2012 vs. 2Q2011

Revenue increased 9.5% yoy to S\$251.8 million in 2Q2012 mainly due to an increase in high level assembly projects.

Gross profit decreased 50.0% to S\$15.1 million in 2Q2012 mainly due to higher material content resulting in lower value-add from high level assembly, increased labour costs and overheads.

The increase in labour costs was partly due to a one-off restructuring cost of S\$1.0 million in relation to retrenchment of production workers in conjunction with the cessation of the business operation of Hi-P Mexico.

The increase in overheads arose from increased depreciation due to higher capital expenditure requirements for 2H2012 ramp up, increased start up costs for new projects and without any stock provision reversal.

Total selling & distribution and administrative expenses were kept in check and increased by 5.8% yoy to S\$20.0 million in 2Q2012. The increase in administrative expenses was partly due to one-off restructuring cost of S\$0.2 million in relation to retrenchment of staff in conjunction with the cessation of the business operation of Hi-P Mexico.

Net interest income increased 40.1% yoy to S\$1.0 million in 2Q2012 due to higher amount of CNY fixed deposits which earned higher interest rate and partially offset by increased USD bank borrowings.

Other income decreased 83.1% yoy to S\$1.0 million in 2Q2012 mainly due to net fair value loss on derivatives totaling S\$3.1 million (2Q2011: net fair value gain S\$1.7 million). The net fair value loss was due to the higher forward rate caused by appreciation of USD against RMB as compared with the contract rate. Other expenses became an income of S\$0.6 million mainly due to foreign exchange gain which arose mainly from appreciation of the RMB and USD against SGD totaling S\$1.4 million (2Q2011: loss S\$2.8 million), partially offset by increased provision for impairment loss of fixed assets totaling S\$0.5 million (2Q2011: impairment gain S\$0.1 million). The provision for impairment loss of fixed assets totaling S\$0.5 million was inclusive of a one-off provision of S\$1.0 million in conjunction with the cessation of the business operation of Hi-P Mexico.

The group reported a tax credit of S\$0.2 million mainly due to concessionary tax rates obtained by certain China subsidiaries. The concessionary tax rates are applicable for the period starting from 2011 to 2013.

As a result of the above factors, the Group achieved net loss after tax of S\$2.1 million in 2Q2012.

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$18.1 million in 2Q2012. Net cash flows used in operating activities in 2Q2012 amounted to S\$30.5 million.

Net cash used in investing activities was S\$27.1 million in 2Q2012, mainly due to net cash outflow for purchase of capital expenditure amounting to S\$29.7 million.

Net cash generated from financing activities was S\$17.4 million in 2Q2012, mainly due to proceeds from loans and borrowings amounting to S\$38.3 million and partially offset by dividends paid on ordinary shares of S\$19.8 million.

Balance Sheet Analysis

Property, plant and equipment increased by 15.7% from S\$284.4 million as at 31 December 2011 to S\$329.1 million as at 30 June 2012 mainly due to addition of CNC machines and factory renovation.

Deferred tax assets decreased by 27.2% from S\$14.0 million as at 31 December 2011 to S\$10.2 million as at 30 June 2012, while income tax payable decreased by 53.5% from S\$10.7 million as at 31 December 2011 to S\$5.0 million as at 30 June 2012. The decrease was due to reversal of taxes from concessionary tax rates obtained by certain China subsidiaries in mid 2012. The concessionary tax rates are applicable for the period starting from 2011 to 2013.

Inventories increased by 17.5% from S\$124.8 million as at 31 December 2011 to S\$146.7 million as at 30 June 2012 due to build up of inventory for 2H2012.

Trade and other receivables decreased by 15.3% from S\$293.3 million as at 31 December 2011 to S\$248.4 million as at 30 June 2012 which was in line with the decrease in sales.

Prepaid operating expenses increased by 141.8% from S\$16.5 million as at 31 December 2011 to S\$39.9 million as at 30 June 2012 due mainly to the increase of prepaid operating expenses for fixed assets of S\$22.9 million.

Trade and other payables decreased by 10.0% from S\$311.4 million as at 31 December 2011 to S\$280.2 million as at 30 June 2012 which was in line with the decrease in cost of sales.

The increase in current loans and borrowings (in USD) from S\$116.7 million as at 31 December 2011 to S\$165.9 million as at 30 June 2012 is for hedging purpose and general working capital purposes of our subsidiaries.

Cash and cash equivalents decreased from S\$339.7 million as at 31 December 2011 to S\$286.7 million as at 30 June 2012. Debt was S\$168.2 million, resulting in a net cash position of S\$118.5 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 1Q2012 results announcement made on 2 May 2012, the Group guided *inter alia*, as follows:

The Group expects similar revenue but higher profit in 2Q2012 as compared to 1Q2012; and

The Group expects higher revenue but lower profit in 2Q2012 as compared to 2Q2011.

Subsequently in our business update on 16 July 2012, the Group guided for lower revenue as compared to 1Q2012. Revenue for 2Q2012 is higher as compared to 2Q2011 as previously guided. The Group also guided for a loss for 2Q2012 instead of a profit as previously guided.

In line with our guidance, we recorded lower revenue and net loss after tax of S\$251.8 million and S\$2.1 million respectively for 2Q2012.

(S\$'000)	2Q2012	1Q2012	2Q2011
Revenue	251,762	278,355	229,917
Net (loss)/profit after tax	(2,099)	1,517	11,219

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.

2012 has been a volatile year thus far due to Europe's debt crisis, concerns over China's growth and a lackluster economic recovery in the United States. As such, the overall business environment remained challenging.

Despite the uncertainty, the IT industry is expected to grow 4.5% in 2012 driven by strong tablet and smartphone sales as consumers continue to flock to these devices for ease of mobile computing. IT research firm IDC has forecasted annual growth rate of 50% - 60% for the tablet market over the next few years while Gartner, another leading IT research firm, expects tablet sales to surge 98% to 118.9 million units in 2012. IDC is also forecasting smartphones shipments to reach 660 million units in 2012, representing a 34% increase over 2011.

As a leading contract manufacturer to several major tablet and mobile brands, Hi-P is confident that the outlook in the industry will have a positive impact on the Group's profitability over the next six months. The Group's business development team has already made significant inroads to secure new programs in the areas of tablet computers, smart phones, sports digital devices amongst others.

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

The Group expects higher revenue in 3Q2012 as compared to 2Q2012. The Group also expects to be profitable in 3Q2012.

The Group expects similar revenue but higher profit in 3Q2012 as compared to 3Q2011.

The Group expects higher revenue and profit in 2H2012 as compared to 1H2012.

The Group expects higher revenue and profit in FY2012 as compared to FY2011.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(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 2012

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 Molex International Inc & its group of companies	\$861,599	-

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 2012 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director