

Financial Statement and Dividend Announcement for the quarter ended 30 June 2019

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 2-19	Q 2-18	Increase/ (decrease)	YTD	YTD	Increase/ (decrease)
	S\$'000	S\$'000	%	Q 2-19	Q 2-18	%
				S\$'000	S\$'000	
Revenue	286,445	302,006	(5.2)	573,220	583,102	(1.7)
Cost of sales	<u>(246,602)</u>	<u>(272,305)</u>	(9.4)	<u>(497,197)</u>	<u>(515,606)</u>	(3.6)
Gross profit	39,843	29,701	34.1	76,023	67,496	12.6
Other items of income						
Interest income	1,017	1,768	(42.5)	2,275	3,433	(33.7)
Other income	2,470	4,761	(48.1)	4,705	6,367	(26.1)
Other items of expense						
Selling and distribution expenses	(2,950)	(2,833)	4.1	(6,144)	(5,350)	14.8
Administrative expenses	(18,409)	(17,271)	6.6	(34,845)	(31,553)	10.4
Financial costs	(1,664)	(1,561)	6.6	(3,628)	(2,878)	26.1
(Impairments losses)/ reversal of impairment losses on financial assets, net	(21)	477	n.m.	60	1,010	(94.1)
Other expenses	287	1,014	(71.7)	(3,003)	(10,306)	(70.9)
Share of results of associates	(327)	(13)	2,415.4	(1,236)	(82)	1,407.3
Share of results of a joint venture	<u>-</u>	<u>2</u>	n.m.	<u>(5)</u>	<u>10</u>	n.m.
Profit before tax	20,246	16,045	26.2	34,202	28,147	21.5
Income tax expense	<u>(5,869)</u>	<u>(3,766)</u>	55.8	<u>(9,165)</u>	<u>(5,794)</u>	58.2
Profit for the period	<u>14,377</u>	<u>12,279</u>	17.1	<u>25,037</u>	<u>22,353</u>	12.0
Attributable to:						
Owners of the Company	14,377	12,294	16.9	25,037	22,379	11.9
Non-controlling interests	<u>-</u>	<u>(15)</u>	n.m.	<u>-</u>	<u>(26)</u>	n.m.
	<u>14,377</u>	<u>12,279</u>	17.1	<u>25,037</u>	<u>22,353</u>	12.0

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 30 June 2019

	Q2-19 S\$'000	Q2-18 S\$'000	Increase/ (decrease) %	Group		Increase/ (decrease) %
				YTD Q2-19 S\$'000	YTD Q2-18 S\$'000	
Profit for the period	14,377	12,279	17.1	25,037	22,353	12.0
<u>Other comprehensive income</u>						
Items that may be reclassified						
subsequently to profit or loss:						
Foreign currency translation	(13,047)	(7,899)	65.2	(4,610)	3,239	n.m.
Share of other comprehensive income of associates	(468)	(1)	46,700.0	(187)	23	n.m.
Share of other comprehensive income of a joint venture	(2)	(2)	0.0	(1)	2	n.m.
Other comprehensive income for the period, net of tax	<u>(13,517)</u>	<u>(7,902)</u>	71.1	<u>(4,798)</u>	<u>3,264</u>	n.m.
Total comprehensive income for the period	<u>860</u>	<u>4,377</u>	(80.4)	<u>20,239</u>	<u>25,617</u>	(21.0)
Attributable to:						
Owners of the Company	860	4,406	(80.5)	20,239	25,641	(21.1)
Non-controlling interests	<u>-</u>	<u>(29)</u>	n.m.	<u>-</u>	<u>(24)</u>	n.m.
Total comprehensive income for the period	<u>860</u>	<u>4,377</u>	(80.4)	<u>20,239</u>	<u>25,617</u>	(21.0)

n.m. – Not Meaningful

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

	Q2-19	Q2-18	YTD	YTD
	S\$'000	S\$'000	Q2-19	Q2-18
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	17,464	17,075	34,769	34,269
2. Amortisation of deferred capital grants	(208)	(198)	(491)	(397)
3. Depreciation of investment properties	26	26	52	52
4. Rental income from investment properties	(17)	(17)	(34)	(22)
5. Amortisation of land use rights	64	67	129	134
6. Depreciation of right-of-use assets	3,579	-	7,298	-
7. Operating lease expenses	1,263	4,664	2,182	9,291
8. (Reversal of impairment)/ impairment loss on property, plant and equipment	(24)	281	(24)	271
9. Net loss/ (gain) on disposal of property, plant and equipment	80	(141)	(197)	6
10. Property, plant and equipment written off	21	23	21	23
11. Reversal of inventory provisions	(959)	(5,143)	(3,369)	(5,976)
12. Inventories written back	(120)	(255)	(195)	(408)
13. Onerous contract provisions	-	-	7	-
14. Net impairment losses/ (reversal of impairment losses) on financial assets - trade receivables	21	(477)	(60)	(1,010)
15. Bad debts written off	-	2	32	2
16. Trade/ other payables waived	(12)	(47)	(12)	(65)
17. Directors' fees	100	100	200	198
18. Staff costs (including directors' remuneration)	92,731	90,737	167,250	168,384
19. Net foreign exchange (gain)/ loss	(2,680)	(4,795)	2,630	8,205
20. Net fair value loss on derivatives	1,983	3,122	75	1,391
21. Net loss on liquidation of a subsidiary	-	404	-	404
22. Provision for warranty costs	-	5	-	5
23. (Reversal of allowance)/ allowance on non-cancellable purchase commitments	(270)	218	(688)	197
24. Insurance claim	(29)	-	(48)	(11)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2019 S\$'000	31/12/2018 S\$'000	30/6/2019 S\$'000	31/12/2018 S\$'000
Non-current assets				
Property, plant and equipment	287,212	293,573	15,530	15,798
Investment properties	239	293	-	-
Intangible assets	12	12	12	12
Land use rights	10,608	10,806	-	-
Right-of-use assets	31,829	-	5,006	-
Investment in subsidiaries	-	-	444,312	392,046
Investment in associates	23,906	21,345	503	503
Investment in a joint venture	201	207	-	-
Other investment	7,880	4,968	-	-
Restricted bank deposits	-	495	-	-
Deferred tax assets	22,003	21,925	-	-
	383,890	353,624	465,363	408,359
Current assets				
Inventories	147,541	176,925	3,336	3,794
Trade and other receivables	256,970	395,953	67,156	99,405
Prepaid operating expenses	11,048	10,266	546	250
Restricted bank deposits	3,152	1,263	-	-
Cash and cash equivalents	248,882	286,653	9,509	10,325
	667,593	871,060	80,547	113,774
Total assets	1,051,483	1,224,684	545,910	522,133
Current liabilities				
Trade and other payables	247,475	356,684	4,209	5,878
Notes payable	236	879	-	-
Contract liabilities	23,328	22,413	158	126
Accrued operating expenses	60,633	80,826	16,102	34,028
Provisions	53	302	-	-
Deferred capital grants	796	758	133	89
Loans and borrowings	102,835	168,252	45,014	38,650
Lease liabilities arising from right-of-use assets	12,069	-	48	-
Income tax payable	20,371	21,686	2,116	3,098
Derivatives	2	-	-	-
	467,798	651,800	67,780	81,869
Net current assets	199,795	219,260	12,767	31,905
Non-current liabilities				
Other payables	-	-	92,547	103,371
Deferred capital grants	4,412	4,781	75	72
Lease liabilities arising from right-of-use assets	20,044	-	4,991	-
Deferred tax liabilities	3,858	4,092	2,450	2,452
	28,314	8,873	100,063	105,895
Total liabilities	496,112	660,673	167,843	187,764
Net assets	555,371	564,011	378,067	334,369

	Group		Company	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	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	(62,440)	(65,019)	(62,440)	(65,019)
Accumulated profits	453,280	467,966	314,615	274,088
Other reserves	44,806	41,339	6,167	5,575
Total equity	555,371	564,011	378,067	334,369

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

Bank loans and borrowings

Amount repayable in one year or less, or on demand

As at 30/6/2019		As at 31/12/2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	102,835	24	168,228

Lease liabilities arising from right-of-use assets

Amount repayable in one year or less, or on demand

As at 30/6/2019	As at 31/12/2018
Secured S\$'000	Secured S\$'000
12,069	-

Amount repayable after one year

As at 30/6/2019	As at 31/12/2018
Secured S\$'000	Secured S\$'000
20,044	-

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.

	Q2-19	Q2-18	YTD	YTD
	S\$'000	S\$'000	Q2-19	Q2-18
			S\$'000	S\$'000
Cash flows from operating activities				
Profit before tax	20,246	16,045	34,202	28,147
Adjustments for:				
Depreciation of property, plant and equipment	17,464	17,075	34,769	34,269
Amortization of deferred capital grants	(208)	(198)	(491)	(397)
Depreciation of investment properties	26	26	52	52
Amortisation of land use rights	64	67	129	134
Depreciation of right-of-use assets	3,579	-	7,298	-
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	(24)	281	(24)	271
Net loss/ (gain) on disposal of property, plant and equipment	80	(141)	(197)	6
Property, plant and equipment written off	21	23	21	23
Reversal of inventory provisions	(959)	(5,143)	(3,369)	(5,976)
Inventories written back	(120)	(255)	(195)	(408)
Provision for warranty costs	-	5	-	5
Net impairment losses/ (reversal of impairment losses) on financial assets - trade receivables	21	(477)	(60)	(1,010)
Bad debts written off	-	2	32	2
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(270)	218	(688)	197
Trade/ other payables waived	(12)	(47)	(12)	(65)
Equity compensation expense	1,450	-	1,464	-
Financial costs	1,664	1,561	3,628	2,878
Interest income	(1,017)	(1,768)	(2,275)	(3,433)
Net fair value loss on derivatives - unrealised	31	205	2	205
Net unrealised exchange difference	(1,834)	773	(421)	5,176
Net loss on liquidation of a subsidiary	-	404	-	404
Share of results of associates	327	13	1,236	82
Share of results of a joint venture	-	(2)	5	(10)
Operating cash flows before changes in working capital	40,529	28,667	75,106	60,552
Changes in working capital				
(Increase)/ decrease in inventories	(16,347)	2,989	31,599	2,638
Decrease/ (increase) in trade and other receivables	19,452	(23,724)	123,238	151,926
Decrease in notes receivable	-	4,404	-	7,211
Increase in prepaid operating expenses	(1,146)	(1,054)	(834)	(7,122)
Decrease in trade and other payables and contract liabilities	(480)	(22,092)	(88,993)	(122,332)
Decrease in notes payable	(230)	(525)	(643)	(601)
Increase/ (decrease) in accrued operating expenses	4,561	2,362	(19,332)	(26,958)
Total changes in working capital	5,810	(37,640)	45,035	4,762
Cash flows generated from/ (used in) operations	46,339	(8,973)	120,141	65,314
Income taxes paid	(6,701)	(5,620)	(12,873)	(11,839)
Net cash flows generated from/ (used in) operating activities	39,638	(14,593)	107,268	53,475

	Q2-19 S\$'000	Q2-18 S\$'000	YTD Q2-19 S\$'000	YTD Q2-18 S\$'000
Cash flows from investing activities				
Interest received	1,442	1,727	2,599	3,358
Purchase of property, plant and equipment (Note a)	(20,116)	(13,083)	(32,896)	(26,085)
Proceeds from disposal of property, plant and equipment	19	297	866	455
Net cash outflow on liquidation of a subsidiary	-	(118)	-	(118)
Investment in an associate	-	-	(4,038)	(831)
Purchase of other investment	(3,032)	(5,228)	(3,032)	(5,228)
Proceeds from capital grants	-	-	200	-
Net cash flows used in investing activities	(21,687)	(16,405)	(36,301)	(28,449)
Cash flows from financing activities				
(Increase)/ decrease in restricted bank deposits	(2,689)	1,483	(1,394)	2,590
Dividends paid on ordinary shares	(32,050)	(32,281)	(32,050)	(32,281)
Purchase of treasury shares	-	(5,068)	(519)	(5,068)
Proceeds from re-issuance of treasury shares	1,946	30	2,226	1,016
Financial costs paid	(1,669)	(1,562)	(3,708)	(2,789)
Net repayment of loans and borrowings	(4,223)	(44,247)	(65,432)	(13,724)
Repayments of obligations under lease liabilities arising from right-of-use assets	(3,705)	-	(7,016)	-
Repayments of obligations under other lease liabilities	(14)	(15)	(24)	(30)
Net cash flows used in financing activities	(42,404)	(81,660)	(107,917)	(50,286)
Net decrease in cash and cash equivalents	(24,453)	(112,658)	(36,950)	(25,260)
Effect of exchange rate changes on cash and cash equivalents	(2,816)	(311)	(821)	2,785
Cash and cash equivalents at beginning of period	276,151	368,408	286,653	277,914
Cash and cash equivalents at end of period	248,882	255,439	248,882	255,439

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment

Current period additions	20,607	18,874	31,163	31,395
Less: Payable to creditors	(11,743)	(8,800)	(13,980)	(10,652)
	8,864	10,074	17,183	20,743
Payments for prior period/year purchases	11,252	3,009	15,713	5,342
Net cash outflow for purchase	20,116	13,083	32,896	26,085

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 2019

Group	Attributable to owners of the Company				Total equity attributable to owners of the Company
	Share capital	Treasury shares	Other reserves	Accumulated profits	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2019	119,725	(65,019)	41,339	467,966	564,011
Profit for the period	-	-	-	10,660	10,660
<u>Other comprehensive income</u>					
Share of other comprehensive income of associates	-	-	281	-	281
Share of other comprehensive income of a joint venture	-	-	1	-	1
Foreign currency translation	-	-	8,437	-	8,437
Other comprehensive income for the period, net of tax	-	-	8,719	-	8,719
Total comprehensive income for the period	-	-	8,719	10,660	19,379
<u>Contributions by and distributions to owners</u>					
Employee share award scheme -Equity compensation benefits	-	-	14	-	14
Purchase of treasury shares	-	(519)	-	-	(519)
Treasury shares reissued pursuant to employee share option & award schemes	-	199	81	-	280
Total transactions with owners in their capacity as owners	-	(320)	95	-	(225)
<u>Others</u>					
Transfer from retained earnings to statutory reserve fund	-	-	71	(71)	-
Total others	-	-	71	(71)	-
Closing balance at 31 March 2019	119,725	(65,339)	50,224	478,555	583,165

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

<u>Attributable to owners of the Company</u>					
Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to owners of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 31 March 2019	119,725	(65,339)	50,224	478,555	583,165
Profit for the period	-	-	-	14,377	14,377
<u>Other comprehensive income</u>					
Share of other comprehensive income of associates	-	-	(468)	-	(468)
Share of other comprehensive income of a joint venture	-	-	(2)	-	(2)
Foreign currency translation	-	-	(13,047)	-	(13,047)
Other comprehensive income for the period, net of tax	-	-	(13,517)	-	(13,517)
Total comprehensive income for the period	-	-	(13,517)	14,377	860
<u>Contributions by and distributions to owners</u>					
Employee share award scheme -Equity compensation benefits	-	-	1,450	-	1,450
Treasury shares reissued pursuant to employee share option & award schemes	-	2,899	(953)	-	1,946
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
Total transactions with owners in their capacity as owners	-	2,899	497	(32,050)	(28,654)
<u>Others</u>					
Transfer from retained earnings to statutory reserve fund	-	-	7,602	(7,602)	-
Total others	-	-	7,602	(7,602)	-
Closing balance at 30 June 2019	119,725	(62,440)	44,806	453,280	555,371

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2018

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to owners 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 - FRS framework	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Effects of the adoption of SFRS(I)	-	-	-	(318)	(318)	-	(318)
Opening balance at 1 January 2018 - SFRS(I) framework	119,725	(56,547)	44,247	420,777	528,202	965	529,167
Profit for the period	-	-	-	10,085	10,085	(11)	10,074
<u>Other comprehensive income</u>							
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	430,862	550,423	970	551,393

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 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	430,862	550,423	970	551,393
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	397,318	517,510	-	517,510

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

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 2019	119,725	(65,019)	5,575	274,088	334,369
Profit for the period	-	-	-	75,776	75,776
<u>Contributions by and distributions to owners</u>					
Employee share award scheme	-	-	14	-	14
- Equity compensation benefits	-	(519)	-	-	(519)
Purchase of treasury shares	-	-	-	-	-
Treasury shares reissued pursuant to employee share option & award schemes	-	199	81	-	280
Total transactions with owners in their capacity as owners	-	(320)	95	-	(225)
Closing balance at 31 March 2019	119,725	(65,339)	5,670	349,864	409,920
Profit for the period	-	-	-	(3,199)	(3,199)
<u>Contributions by and distributions to owners</u>					
Employee share option & award schemes	-	-	1,450	-	1,450
- Equity compensation benefits	-	-	-	-	-
Treasury shares reissued pursuant to employee share option scheme	-	2,899	(953)	-	1,946
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
Total transactions with owners in their capacity as owners	-	2,899	497	(32,050)	(28,654)
Closing balance at 30 June 2019	119,725	(62,440)	6,167	314,615	378,067

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

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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the quarter ended 30 June 2019, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

(a) Hi-P Employee Share Option Scheme 2003

During the quarter ended 30 June 2019, no options have lapsed while 2,883,000 options were exercised.

There were 4,800,323 options outstanding as at 30 June 2019 (30 June 2018: 7,929,825).

(b) Hi-P Employee Share Option Scheme 2014

During the quarter ended 30 June 2019, no options have lapsed nor options were exercised.

There were 471,798 options outstanding as at 30 June 2019 (30 June 2018: 494,582).

In respect of the two employee share option schemes aforementioned, there was an aggregate of 5,272,121 options outstanding as at 30 June 2019 (30 June 2018: 8,424,407).

Share Awards

During the quarter ended 30 June 2019, 930,000 share awards were vested while 160,000 share awards were forfeited.

There were 1,680,000 share awards remaining to be vested as at 30 June 2019 (30 June 2018: Nil).

Treasury Shares

During the quarter ended 30 June 2019, the Company has not purchased any share to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2019 was 82,977,744 (30 June 2018: 82,316,293), representing 10.32% of the total number of issued shares (excluding treasury shares) (30 June 2018: 10.23%).

Subsidiary Holdings

There were no holdings in Hi-P International Limited by any subsidiary as at 30 June 2019 (30 June 2018: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares excluding treasury shares as at 30 June 2019 was 804,197,256 (31 December 2018: 800,669,607).

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

During the quarter ended 30 June 2019, an aggregate of 946,000 treasury shares were transferred to employees to satisfy vesting of employee share awards.

On the other hand, during the quarter ended 30 June 2019, an aggregate of 2,905,784 treasury shares were transferred to employees to satisfy exercise of employee share options.

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

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

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

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

3. Where the figures have been audited or reviewed, the auditor's report (including any 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 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

During the current financial period, the Group adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2019.

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>
SFRS(I) 16 <i>Leases</i>	<i>1 January 2019</i>
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	<i>1 January 2019</i>
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	<i>1 January 2019</i>
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	<i>1 January 2019</i>
Annual Improvements to SFRS(I)s 2015-2017 Cycle	<i>1 January 2019</i>

Except for SFRS(I) 16, the adoption of the above SFRS(I)s did not have any significant impact on the financial statements.

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. The Group has applied the modified restrospective approach and does not restate comparative amounts for the year prior to first adoption.

Under the new standard, an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) and a liability to make lease payments (i.e. the lease liability) are recognised. Interest expense on the lease liability and the depreciation expense on the right-of-use asset are recognised separately in the income statement.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

On the adoption of SFRS(I) 16, the Group has recognised an equal amount of right-of-use assets and lease liabilities of S\$39,569,000 for its leases previously classified as operating leases (excluding short-term leases and leases for which underlying assets are of low value) as at 1 January 2019.

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).

	Q2-19	Q2-18	YTD Q2-19	YTD Q2-18
Operating profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	5.0%	4.1%	4.4%	3.8%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	2.6%	2.4%	4.5%	4.3%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	1.79	1.52	3.12	2.77
(b) On a fully diluted basis (cents)	1.79	1.52	3.12	2.76

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	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	69.06	70.44	47.01	41.76

- 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

2Q2019 vs. 2Q2018

The Group's revenue decreased by S\$15.6 million (5.2%) year-on-year ("yoy") to S\$286.4 million for 2Q2019. This was mainly due to deconsolidation of our flexible printed circuit board ("FPCB") business unit upon the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in 4Q2018, price pressure and lower sales volume for certain customers in 2Q2019. The decline was cushioned by an increase in demand from customers in other segments such as consumer electronic products as the Group continues to diversify its business.

Despite the decrease in revenue, gross profit increased by S\$10.1 million (34.1%) yoy to S\$39.8 million for 2Q2019. Correspondingly, gross profit margin increased from 9.8% for 2Q2018 to 13.9% for 2Q2019. The increase was mainly due to (i) a change in product mix, (ii) better cost management, (iii) more effective spending on new product introduction, and (iv) deconsolidation of loss from FPCB business unit. The increase was partially offset by lower reversal of inventory provision for 2Q2019.

The Group recorded net interest expenses (financial costs net of interest income) of S\$0.6 million for 2Q2019 compared to net interest income of S\$0.2 million for 2Q2018. This was mainly due to (i) recognition of interest expense on lease liability pursuant to the adoption of SFRS (I) 16 *Leases*, and (ii) an increase in borrowing rates.

Other income decreased by S\$2.3 million (48.1%) yoy to S\$2.5 million for 2Q2019 mainly due to lower government incentives granted to the Group's subsidiaries.

Total selling, distribution and administrative expenses increased by S\$1.3 million (6.2%) yoy to S\$21.4 million for 2Q2019 mainly due to higher staff costs resulting from salary increments and higher bonus provisions which were aligned with the higher profit before tax.

Other expenses generated an income of S\$0.3 million for 2Q2019, as compared to an income of S\$1.0 million for 2Q2018. The decrease in income by S\$0.7 million (71.7%) was mainly due to a S\$1.0 million yoy decrease in net gain arising from foreign exchange and fair value on hedging contracts.

The Group recorded an income tax expense of S\$5.9 million for 2Q2019, representing an effective tax rate of 29.0% (2Q2018: 23.5%). The higher effective tax rate for 2Q2019 was mainly the results of taxes imposed on profitable entities, and certain deferred tax assets not being recognized for unutilized tax losses. The impact was partially offset by an adjustment of tax in respect of prior year, mainly due to an enhanced tax deduction approved in 2Q2019.

As a result of the above factors, the Group's net profit after tax increased by S\$2.1 million (17.1%) yoy to S\$14.4 million for 2Q2019.

Balance Sheet Analysis

Pursuant to the adoption of SFRS(I) 16 *Leases*, the Group recognised right-of-use assets for its leases previously classified as operating leases (excluding short-term leases and leases for which the underlying assets are of low value) with a net carrying amount of S\$31.8 million as at 30 June 2019. Correspondingly, lease liabilities (both current and non-current) arising from the right-of-use assets with a net carrying amount of S\$32.1 million was recognized as at 30 June 2019. Please refer to paragraph 5 for further details.

Investment in associates increased by S\$2.6 million (12.0%) from S\$21.3 million as at 31 December 2018 to S\$23.9 million as at 30 June 2019. The increase was mainly due to an investment of RMB20.0 million (equivalent to S\$4.0 million) in the Group's existing associate, Cino Technology (Shenzhen) Ltd., which resulted in an increase in the Group's shareholding from 20% to 40%. The increase was partially offset by share of loss in associates.

Other investment increased by S\$2.9 million (58.6%) from S\$5.0 million as at 31 December 2018 to S\$7.9 million as at 30 June 2019. The increase was mainly due to an investment of a 10% shareholding in a private company registered in the People's Republic of China. This company is a first tier original design manufacturer ("ODM") which manufactures items such as battery packs, battery cells and chargers.

The Group's inventories decreased by S\$29.4 million (16.6%) from S\$176.9 million as at 31 December 2018 to S\$147.5 million as at 30 June 2019 mainly due to an improvement in inventory management.

Trade and other receivables decreased by S\$139.0 million (35.1%) from S\$396.0 million as at 31 December 2018 to S\$257.0 million as at 30 June 2019. This was mainly due to a decrease in trade receivables resulting from lower sales for 2Q2019 as compared to 4Q2018.

Trade and other payables, notes payable and contract liabilities decreased by S\$109.0 million (28.7%) from S\$380.0 million as at 31 December 2018 to S\$271.0 million as at 30 June 2019. The decrease was mainly due to lower purchases in 2Q2019 resulting from lower sales for 2Q2019 as compared to 4Q2018 and a lower inventory balance.

Accrued operating expenses decreased by S\$20.2 million (25.0%) from S\$80.8 million as at 31 December 2018 to S\$60.6 million as at 30 June 2019 mainly due to a decrease in bonus accruals following payout in 1Q2019.

Current bank loans and borrowings (excluding lease liabilities arising from right-of-use assets) decreased by S\$65.4 million (38.9%) from S\$168.2 million as at 31 December 2018 to S\$102.8 million as at 30 June 2019. Cash and cash equivalents and restricted bank deposits decreased by S\$36.4 million (12.6%) from S\$288.4 million as at 31 December 2018 to S\$252.0 million as at 30 June 2019. This resulted in a net cash position of S\$149.2 million (31 December 2018: S\$120.2 million).

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S\$40.5 million for 2Q2019. Net cash generated from operating activities for 2Q2019 amounted to S\$39.6 million.

Net cash used in investing activities was S\$21.7 million for 2Q2019, mainly due to payments made for the purchase of capital expenditure amounting to S\$20.1 million.

Net cash used in financing activities was S\$42.4 million for 2Q2019, mainly due to a dividend payment of S\$32.1 million, net repayments of loans and borrowings amounting to S\$4.2 million and repayment of obligations under lease liabilities arising from right-of-use assets amounting to S\$3.7 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 1Q2019 results announcement made on 2 May 2019, the Group guided as follows:

- The Group expects lower revenue but similar profit for 2Q2019 as compared to 2Q2018

Subsequently in our business update on 11 July 2019, the Group informed that it expects lower revenue but higher profit for 2Q2019 as compared to 2Q2018 instead.

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

(S\$'000)	2Q2019	2Q2018
Revenue	286,445	302,006
Net profit after tax	14,377	12,279

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 smartphone shipments are forecasted to grow 1.4% yoy in the second half of 2019 driven by 5G acceleration, a growing selection of lower-priced premium handsets, and on-going uplift from markets like India. IDC expects 5G smartphones to experience a slow start in 2019, capturing just 0.5% of total shipments. But the ramp up will be quick across all markets, driving 5G to account for 26.3% of worldwide shipments in 2023¹.

Within the smart home devices segment, the IDC anticipates the global smart home market will reach 840.7 million units by the end of 2019 and grow to 1.46 billion units by 2023 with a compound annual growth rate of 14.9%. This growth will be driven by the growing acceptance of connected devices within the home, including smart TVs, smart speakers, cameras, door locks, doorbells, and many more².

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 to other geographical 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 higher revenue and similar profit for 3Q2019 as compared to 3Q2018
- The Group expects higher revenue and profit for 2H2019 as compared to 1H2019
- The Group expects similar revenue but lower profit for FY2019 as compared to FY2018

¹ IDC, IDC Forecasts Worldwide Smartphone Market Will Face Another Challenging Year in 2019 with a Return to Growth on the Horizon, 30 May 2019

² IDC, Growing Acceptance of Smart Home Devices Will Drive Double-Digit Growth Through 2023, According to a New IDC Forecast, 25 June 2019

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) The date the dividend is payable

Not applicable.

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

Not applicable.

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

No dividend has been declared/recommendeded for 2Q2019 as the Group wishes to conserve cash for business growth.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions entered into during the quarter ended 30 June 2019 as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

No IPT mandate has been obtained from shareholders.

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

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

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

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 30 June 2019 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director