

Financial Statement and Dividend Announcement for the quarter ended 30 June 2016

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 2-16	Q 2-15	Increase/ (decrease)	YTD	YTD	Increase/ (decrease)
	S\$'000	S\$'000	%	Q 2-16	Q 2-15	%
				S\$'000	S\$'000	
Revenue	285,368	314,683	(9.3)	560,951	594,457	(5.6)
Cost of sales	(264,633)	(301,661)	(12.3)	(523,493)	(577,011)	(9.3)
Gross profit	20,735	13,022	59.2	37,458	17,446	114.7
Other items of income						
Interest income	120	1,300	(90.8)	292	1,914	(84.7)
Other income	11,573	2,211	423.4	13,189	4,420	198.4
Other items of expense						
Selling and distribution expenses	(2,508)	(3,404)	(26.3)	(5,251)	(5,493)	(4.4)
Administrative expenses	(15,575)	(17,989)	(13.4)	(32,437)	(36,627)	(11.4)
Financial costs	(980)	(892)	9.9	(2,288)	(1,776)	28.8
Other expenses	(1,457)	(2,787)	(47.7)	(9,487)	(464)	1,944.6
Share of results of associates	71	82	(13.4)	161	240	(32.9)
Profit/ (loss) before tax	11,979	(8,457)	n.m.	1,637	(20,340)	n.m.
Income tax (expense)/ credit	(4,335)	485	n.m.	(6,365)	(1,426)	346.4
Profit/ (loss) for the period	<u>7,644</u>	<u>(7,972)</u>	n.m.	<u>(4,728)</u>	<u>(21,766)</u>	(78.3)
Attributable to:						
Owners of the Company	7,645	(7,973)	n.m.	(4,727)	(21,768)	(78.3)
Non-controlling interests	(1)	1	n.m.	(1)	2	n.m.
	<u>7,644</u>	<u>(7,972)</u>	n.m.	<u>(4,728)</u>	<u>(21,766)</u>	(78.3)

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 30 June 2016

	Group			Group		
	Q2-16 S\$'000	Q2-15 S\$'000	Increase/ (decrease)	YTD Q2-16 S\$'000	YTD Q2-15 S\$'000	Increase/ (decrease) %
Profit/ (loss) for the period	7,644	(7,972)	n.m.	(4,728)	(21,766)	(78.3)
<u>Other comprehensive income</u>						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	(12,993)	(10,129)	28.3	(35,456)	6,894	n.m.
Share of other comprehensive income of an associated company	(54)	7	n.m.	(75)	36	n.m.
Other comprehensive income for the period, net of tax	<u>(13,047)</u>	<u>(10,122)</u>	28.9	<u>(35,531)</u>	<u>6,930</u>	n.m.
Total comprehensive income for the period	<u>(5,403)</u>	<u>(18,094)</u>	(70.1)	<u>(40,259)</u>	<u>(14,836)</u>	171.4
Total comprehensive income attributable to:						
Owners of the Company	(5,377)	(18,072)	(70.2)	(40,188)	(14,857)	170.5
Non-controlling interests	<u>(26)</u>	<u>(22)</u>	18.2	<u>(71)</u>	<u>21</u>	n.m.
	<u>(5,403)</u>	<u>(18,094)</u>	(70.1)	<u>(40,259)</u>	<u>(14,836)</u>	171.4

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:

	Q2-16	Q2-15	YTD	YTD
	S\$'000	S\$'000	Q2-16	Q2-15
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	20,748	24,180	42,936	45,681
2. Amortization of deferred capital grant	(14)	-	(201)	-
3. Amortization of intangible asset	28	369	84	730
4. Adjustment to amortization of intangible asset	(2,092)	-	(2,092)	-
5. Amortization of land use rights	66	70	135	140
6. Impairment loss on property, plant and equipment	654	317	821	201
7. Net (gain)/loss on disposal of property, plant and equipment	(159)	(43)	172	(199)
8. Property, plant and equipment (written back)/ written off	(1)	1	-	96
9. Inventory provisions	2,065	3,490	8,054	6,224
10. Inventories (written back)/ written off	(141)	(89)	(297)	2,987
11. Write back of doubtful receivables	(418)	(66)	(453)	(49)
12. Trade/ other payables written off	(154)	(2)	(370)	(31)
13. Directors' fees	90	90	179	179
14. Staff costs (including directors' remuneration)	75,143	86,016	150,448	158,968
15. Operating lease expense	5,070	6,583	10,353	12,833
16. Net foreign exchange loss/ (gain)	3,252	3,957	10,167	(1,309)
17. Net fair value loss/ (gain) on derivatives	47	(2,280)	745	(499)
18. Gain on disposal of investment securities	(10,470)	-	(10,470)	-
19. Provision for warranty costs	31	176	40	176
20. (Reversal of allowance)/ allowance on non-cancellable purchase commitments	(188)	1,330	(324)	1,561

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	
	30/6/2016 S\$'000	31/12/2015 S\$'000	30/6/2016 S\$'000	31/12/2015 S\$'000
Non-current assets				
Property, plant and equipment	383,657	450,599	16,376	15,940
Intangible assets	147	3,161	12	12
Land use rights	11,641	12,438	-	-
Investment in subsidiaries	-	-	352,183	352,183
Investment in associates	2,563	2,476	503	984
Other receivables	-	-	86,952	76,338
Investment securities	-	477	-	-
Other long term assets	18	35	-	-
Deferred tax assets	26,098	26,325	-	-
	424,124	495,511	456,026	445,457
Current assets				
Inventories	208,811	242,802	4,252	6,205
Trade and other receivables	321,785	480,163	63,492	84,277
Prepaid operating expenses	7,353	9,632	811	426
Short term deposits pledged	3,299	-	-	-
Cash and cash equivalents	99,840	126,156	7,032	7,925
	641,088	858,753	75,587	98,833
Total assets	1,065,212	1,354,264	531,613	544,290
Current liabilities				
Trade and other payables	246,809	377,388	44,603	10,363
Notes payable	1,346	-	-	-
Accrued operating expenses	59,133	81,518	3,924	7,686
Provisions	202	179	-	-
Deferrred Capital Grant - Current	467	705	-	-
Loans and borrowings	218,132	315,362	39,996	80,675
Income tax payable	14,057	12,906	2,505	2,061
Derivatives	487	860	-	-
	540,633	788,918	91,028	100,785
Net current assets/ (liabilities)	100,455	69,835	(15,441)	(1,952)
Non-current liabilities				
Deferred capital grant - Non-current	5,149	2,703	-	-
Loans and borrowings	111	911	111	140
Deferred tax liabilities	4,248	4,049	2,169	1,959
	9,508	7,663	2,280	2,099
Total liabilities	550,141	796,581	93,308	102,884
Net assets	515,071	557,683	438,305	441,406

	Group		Company	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
	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	(51,394)	(51,512)	(51,394)	(51,512)
Accumulated profits	411,169	418,358	360,302	363,498
Other reserves	34,605	70,075	9,672	9,695
	<u>514,105</u>	<u>556,646</u>	<u>438,305</u>	<u>441,406</u>
Non-controlling interests	966	1,037	-	-
Total equity	<u>515,071</u>	<u>557,683</u>	<u>438,305</u>	<u>441,406</u>

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

Amount repayable within one year or less, or on demand

As at 30/6/2016		As at 31/12/2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
5,771	212,361	10,241	305,121

Amount repayable after one year

As at 30/6/2016		As at 31/12/2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
111	-	911	-

Lease obligations of S\$5,882,000 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.

	Q2-16 S\$'000	Q2-15 S\$'000	YTD Q2-16 S\$'000	YTD Q2-15 S\$'000
Cash flows from operating activities				
Profit/ (loss) before tax	11,979	(8,457)	1,637	(20,340)
Adjustments for:				
Depreciation of property, plant and equipment	20,748	24,180	42,936	45,681
Amortization of deferred capital grants	(14)	-	(201)	-
(Reversal of amortization)/ amortization of intangible asset	(2,064)	369	(2,008)	730
Amortization of land use rights	66	70	135	140
Impairment loss on property, plant and equipment	654	317	821	201
Net (gain)/ loss on disposal of property, plant and equipment	(159)	(43)	172	(199)
Property, plant and equipment (written back)/ written off	(1)	1	-	96
Inventory provisions	2,065	3,490	8,054	6,224
Inventories (written back)/ written off	(141)	(89)	(297)	2,987
Provision for warranty costs	23	176	32	176
Write back of doubtful receivables	(418)	(66)	(453)	(49)
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(188)	1,330	(324)	1,561
Trade/ other payables written off	(154)	(2)	(370)	(31)
Equity compensation expense	36	81	95	277
Financial costs	980	892	2,288	1,776
Interest income	(120)	(1,300)	(292)	(1,914)
Net fair value gain on derivatives - unrealised	(123)	(2,313)	(373)	(2,707)
Gain on disposal of investment securities	(10,470)	-	(10,470)	-
Net unrealised exchange difference	6,918	2,321	3,441	(1,573)
Share of results of associates	(71)	(82)	(161)	(240)
Operating cash flows before changes in working capital	29,546	20,875	44,662	32,796
Changes in working capital				
(Increase)/ decrease in inventories	(6,919)	(29,507)	10,892	(30,003)
(Increase)/ decrease in trade and other receivables	(2,057)	(162,490)	145,411	(134,984)
Decrease/ (increase) in prepaid operating expenses and other long term assets	3,729	3,124	1,721	(2,158)
(Decrease)/ increase in trade and other payables	(2,478)	100,797	(73,276)	49,592
Increase in notes payable	532	-	1,368	-
(Decrease)/ increase in accrued operating expenses	(3,905)	7,277	(18,556)	7,247
Total changes in working capital	(11,098)	(80,799)	67,560	(110,306)
Cash flows generated from/ (used in) operations	18,448	(59,924)	112,222	(77,510)
Income taxes paid	(4,916)	(4,249)	(5,818)	(4,995)
Net cash flows generated from/ (used in) operating activities	13,532	(64,173)	106,404	(82,505)

	Q2-16	Q2-15	YTD	YTD
	S\$'000	S\$'000	Q2-16	Q2-15
			S\$'000	S\$'000
Cash flows from investing activities				
Proceeds from capital grants	-	-	2,805	3,903
Consultancy fee paid for capital grants application	-	(392)	-	(392)
Interest received	120	1,157	301	1,690
Proceeds from disposal of property, plant and equipment	2,010	204	2,934	382
Purchase of property, plant and equipment (Note a)	(9,573)	(35,146)	(44,049)	(65,938)
Acquisition of intangible asset (Note a)	-	(59)	-	(59)
Proceeds from disposal of investment securities	10,925	-	10,925	-
Purchase of investment securities	-	-	-	(486)
Net cash flows generated from/ (used in) investing activities	3,482	(34,236)	(27,084)	(60,900)
Cash flows from financing activities				
(Increase)/ decrease in short term deposits pledged	(641)	4,005	(3,299)	4,356
Dividends paid on ordinary shares	(2,449)	(8,174)	(2,449)	(8,174)
Purchase of treasury shares	-	(622)	-	(622)
Interest paid	(980)	(1,061)	(2,288)	(1,776)
Net (repayment of)/ proceeds from loans and borrowings	(35,813)	73,738	(87,008)	50,158
Repayments of obligations under finance lease	(2,068)	(1,241)	(4,720)	(1,533)
Net cash flows (used in)/ generated from financing activities	(41,951)	66,645	(99,764)	42,409
Net decrease in cash and cash equivalents	(24,937)	(31,764)	(20,444)	(100,996)
Effect of exchange rate changes on cash and cash equivalents	(2,247)	(2,937)	(5,872)	1,461
Cash and cash equivalents at beginning of period	127,024	143,312	126,156	208,146
Cash and cash equivalents at end of period	99,840	108,611	99,840	108,611

Note to the Consolidated Cash Flow Statement

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

Current period additions	5,165	56,327	14,140	106,632
Less: Payable to creditors	(764)	(31,736)	(3,685)	(44,303)
Acquired by means of finance leases	-	(107)	-	(13,009)
	4,401	24,484	10,455	49,320
Payments for prior period/year purchases	5,172	10,721	33,594	16,677
Net cash outflow for purchase	9,573	35,205	44,049	65,997

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 2016

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2016	119,725	(51,512)	70,075	418,358	556,646	1,037	557,683
Loss for the period	-	-	-	(12,371)	(12,371)	-	(12,371)
Share of other comprehensive income of an associated company	-	-	(21)	-	(21)	-	(21)
Foreign currency translation	-	-	(22,418)	-	(22,418)	(45)	(22,463)
Other comprehensive income for the period, net of tax	-	-	(22,439)	-	(22,439)	(45)	(22,484)
Total comprehensive income for the period	-	-	(22,439)	(12,371)	(34,810)	(45)	(34,855)
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes -Equity compensation benefits	-	-	59	-	59	-	59
Total transactions with owners in their capacity as owners	-	-	59	-	59	-	59
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	14	(14)	-	-	-
Total others	-	-	14	(14)	-	-	-
Closing balance at 31 March 2016	119,725	(51,512)	47,709	405,973	521,895	992	522,887

(i) Consolidated statement of changes in equity for the 6 months ended 30 June 2016 (cont'd)

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 31 March 2016	119,725	(51,512)	47,709	405,973	521,895	992	522,887
Profit for the period	-	-	-	7,645	7,645	(1)	7,644
Share of other comprehensive income of an associated company	-	-	(54)	-	(54)	-	(54)
Foreign currency translation	-	-	(12,968)	-	(12,968)	(25)	(12,993)
Other comprehensive income for the period, net of tax	-	-	(13,022)	-	(13,022)	(25)	(13,047)
Total comprehensive income for the period	-	-	(13,022)	7,645	(5,377)	(26)	(5,403)
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes -Equity compensation benefits	-	-	36	-	36	-	36
Treasury shares reissued pursuant to employee share award scheme	-	118	(118)	-	-	-	-
Dividends on ordinary shares	-	-	-	(2,449)	(2,449)	-	(2,449)
Total transactions with owners in their capacity as owners	-	118	(82)	(2,449)	(2,413)	-	(2,413)
Closing balance at 30 June 2016	119,725	(51,394)	34,605	411,169	514,105	966	515,071

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2015

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2015	119,725	(51,035)	62,650	474,579	605,919	1,010	606,929
(Loss)/ profit for the period	-	-	-	(13,795)	(13,795)	1	(13,794)
Share of other comprehensive income of an associated company	-	-	29	-	29	-	29
Foreign currency translation	-	-	16,981	-	16,981	42	17,023
Other comprehensive income for the period, net of tax	-	-	17,010	-	17,010	42	17,052
Total comprehensive income for the period	-	-	17,010	(13,795)	3,215	43	3,258
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes -Equity compensation benefits	-	-	196	-	196	-	196
Total transactions with owners in their capacity as owners	-	-	196	-	196	-	196
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	9	(9)	-	-	-
Total others	-	-	9	(9)	-	-	-
Closing balance at 31 March 2015	119,725	(51,035)	79,865	460,775	609,330	1,053	610,383

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2015 (cont'd)

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 31 March 2015	119,725	(51,035)	79,865	460,775	609,330	1,053	610,383
(Loss)/ profit for the period	-	-	-	(7,973)	(7,973)	1	(7,972)
Share of other comprehensive income of an associated company	-	-	7	-	7	-	7
Foreign currency translation	-	-	(10,106)	-	(10,106)	(23)	(10,129)
Other comprehensive income for the period, net of tax	-	-	(10,099)	-	(10,099)	(23)	(10,122)
Total comprehensive income for the period	-	-	(10,099)	(7,973)	(18,072)	(22)	(18,094)
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes -Equity compensation benefits	-	-	81	-	81	-	81
Purchase of treasury shares	-	(622)	-	-	(622)	-	(622)
Treasury shares reissued pursuant to employee share award scheme	-	143	(143)	-	-	-	-
Dividends on ordinary shares	-	-	-	(8,174)	(8,174)	-	(8,174)
Total transactions with owners in their capacity as owners	-	(479)	(62)	(8,174)	(8,715)	-	(8,715)
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	1	(1)	-	-	-
Total others	-	-	1	(1)	-	-	-
Closing balance at 30 June 2015	119,725	(51,514)	69,705	444,627	582,543	1,031	583,574

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2016

Company	<u>Attributable to owners of the Company</u>				Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	
Opening balance at 1 January 2016	119,725	(51,512)	9,695	363,498	441,406
Loss for the period	-	-	-	(1,579)	(1,579)
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes - Equity compensation benefits	-	-	59	-	59
Total transactions with owners in their capacity as owners	-	-	59	-	59
Closing balance at 31 March 2016	119,725	(51,512)	9,754	361,919	439,886
Profit for the period	-	-	-	832	832
<u>Contributions by and distributions to owners</u>					
Employee share option & award schemes - Equity compensation benefits	-	-	36	-	36
Treasury shares reissued pursuant to employee share award scheme	-	118	(118)	-	-
Dividends on ordinary shares	-	-	-	(2,449)	(2,449)
Total transactions with owners in their capacity as owners	-	118	(82)	(2,449)	(2,413)
Closing balance at 30 June 2016	<u>119,725</u>	<u>(51,394)</u>	<u>9,672</u>	<u>360,302</u>	<u>438,305</u>

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2015

Company	<u>Attributable to owners of the Company</u>				Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	
Opening balance at 1 January 2015	119,725	(51,035)	9,422	309,387	387,499
Profit for the period	-	-	-	14,462	14,462
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes - Equity compensation benefits	-	-	196	-	196
Total transactions with owners in their capacity as owners	-	-	196	-	196
Closing balance at 31 March 2015	119,725	(51,035)	9,618	323,849	402,157
Profit for the period	-	-	-	51,323	51,323
<u>Contributions by and distributions to owners</u>					
Employee share option & award schemes - Equity compensation benefits	-	-	81	-	81
Purchase of treasury shares	-	(622)	-	-	(622)
Treasury shares reissued pursuant to employee share award scheme	-	143	(143)	-	-
Dividends on ordinary shares	-	-	-	(8,174)	(8,174)
Total transactions with owners in their capacity as owners	-	(479)	(62)	(8,174)	(8,715)
Closing balance at 30 June 2015	<u>119,725</u>	<u>(51,514)</u>	<u>9,556</u>	<u>366,998</u>	<u>444,765</u>

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

During the quarter ended 30 June 2016, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

During the quarter ended 30 June 2016, 3,167,440 options have lapsed while no option was exercised.

There are 13,738,887 options outstanding as at 30 June 2016 (30 June 2015: 20,336,313).

Share Awards

During the quarter ended 30 June 2016, 587 awards have lapsed while 163,648 awards were vested.

There are 74,088 share awards outstanding as at 30 June 2016 (30 June 2015: 276,627).

Treasury Shares

During the quarter ended 30 June 2016, 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 2016 is 70,709,728 (30 June 2015: 70,874,777).

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 2016 was 816,465,272 (31 December 2015: 816,302,763).

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

During the quarter ended 30 June 2016, 162,509 treasury shares were transferred to employees upon vesting of share awards. As at 30 June, 2016, there are 1,139 treasury shares pending to be transferred to employees for the share awards vested on 12 May 2016.

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 2015.

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 accordance with its policy, the Group reviews the estimated useful lives of its fixed assets on an ongoing basis. The review indicated that the actual lives of certain machinery and equipment at its manufacturing plants were longer than the estimated useful lives used for depreciation purposes in the Group's financial statements. To better reflect the estimated periods during which these assets will remain in service, the estimated useful lives of certain machinery and equipment that were previously recorded at 5 years were increased to 8 years with effect from 1 January 2016. The effect of this change in estimate has resulted in a decrease in 1Q2016 and 2Q2016 depreciation expenses by \$4,209,000 and \$4,205,000 respectively.

In the current financial period, the Group adopted the new/ revised Financial Reporting Standards ("FRS") that are effective for annual periods beginning on or after 1 January 2016.

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>
Improvements to FRSs	
(a) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(b) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure initiative</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016

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).

	Q2-16	Q2-15	YTD Q2-16	YTD Q2-15
Operating profit/ (loss) after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	2.7%	(2.5%)	(0.8%)	(3.7%)
Operating profit/ (loss) after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	1.5%	(1.4%)	(0.9%)	(3.7%)
Earning/ (loss) per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	0.94	(0.98)	(0.58)	(2.66)
(b) On a fully diluted basis (cents)*	0.94	(0.98)	(0.58)	(2.66)

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

* The financial effect of share options issued has been disregarded in the calculation of dilutive earnings/ (loss) per ordinary share as the stock option exercise prices are above the market price.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year :

	Group		Company	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	62.97	68.19	53.68	54.07

- 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

Revenue decreased by S\$29.3 million (9.3%) yoy to S\$285.4 million for 2Q2016 mainly due to mass production of certain projects being shifted from 2Q2016 to 3Q2016 and a challenging business landscape marked by subdued market demand. The decrease was partially offset by an increase in orders from existing and new customers, which was in line with our strategy to increase allocation from existing customers and diversify our customer base.

Despite the decrease in sales by S\$29.3 million (9.3%), gross profit increased by S\$7.7 million (59.2%) yoy to S\$20.7 million for 2Q2016. Gross profit margin increased from 4.1% for 2Q2015 to 7.3% for 2Q2016. The improvement was mainly attributed to (i) the Group's commitment on tightening cost controls (ii) improved labor productivity (iii) lower depreciation arising mainly from a change in the estimated useful lives of certain machinery and equipment (iv) lower rework and scrap expenses, and (v) a reduction in amortisation as the Group is no longer obligated to pay for licensed rights due to a change in contract terms.

Net interest expense of S\$0.9 million for 2Q2016 was mainly due to a net debt position for 2Q2016.

Other income of S\$11.6 million for 2Q2016 consisted mainly of a pre-tax gain of S\$10.5 million on the disposal of an investment in a startup company.

Total selling, distribution and administrative expenses decreased by S\$3.3 million (15.5%) yoy to S\$18.1 million for 2Q2016 mainly due to lower marketing expenses and better cost controls.

Other expenses decreased by S\$1.3 million (47.7%) yoy to S\$1.5 million for 2Q2016 mainly due to lower accrual for non-cancellable purchase commitments and higher net gain on sales of raw materials. The decrease was partially offset by a net fair value loss on derivatives amounting to S\$0.05 million for 2Q2016 (2Q2015: net fair value gain S\$2.3 million).

The Group recorded an income tax expense of S\$4.3 million for 2Q2016, representing an effective tax rate of 36.2%. This was the result of taxes imposed on profitable entities, tax on the gain on disposal of investment and certain deferred tax assets not being recognized.

As a result of the above factors, the Group recorded a net profit after tax of S\$7.6 million for 2Q2016 (2Q2015: net loss of S\$8.0 million).

Balance Sheet Analysis

The net book value of property, plant and equipment decreased by S\$66.9 million (14.9%) from S\$450.6 million as at 31 December 2015 to S\$383.7 million as at 30 June 2016 mainly due to depreciation of S\$42.9 million, translation loss of S\$34.2 million and disposal of S\$3.1 million. The decrease was partially offset by additions of S\$14.1 million.

The net book value of intangible assets decreased by S\$3.1 million (95.3%) from S\$3.2 million as at 31 December 2015 to S\$0.1 million as at 30 June 2016 mainly due to an adjustment to licensed rights which the Group is no longer obligated to pay for due to a change in contract terms.

Investment in a startup company, comprising 4.44% of the total shareholding of the company, was disposed of for an aggregate consideration of RMB52.6 million (equivalent to S\$10.9 million). Accordingly, the Group recorded a pre-tax gain of S\$10.5 million for 2Q2016.

Inventories decreased by S\$34.0 million (14.0%) from S\$242.8 million as at 31 December 2015 to S\$208.8 million as at 30 June 2016 mainly due to better inventory controls.

Trade and other receivables decreased by S\$158.4 million (33.0%) from S\$480.2 million as at 31 December 2015 to S\$321.8 million as at 30 June 2016. The decrease was mainly due to a decrease in trade receivables resulting from lower sales for 2Q2016 as compared to 4Q2015, and better control of trade receivables.

Prepaid operating expenses decreased by S\$2.2 million (23.7%) from S\$9.6 million as at 31 December 2015 to S\$7.4 million as at 30 June 2016 mainly due to a decrease in prepayment for purchase of property, plant and equipment.

Short term deposits of S\$3.3 million were pledged to banks in the PRC as at 30 June 2016, mainly for the purpose of custom clearance and issuance of letter of credit.

Notes payable, trade and other payables decreased by S\$129.2 million (34.2%) from S\$377.4 million as at 31 December 2015 to S\$248.2 million as at 30 June 2016 mainly due to less purchases coupled with more payments made to trade payables and fixed asset creditors brought forward from last year.

Accrued operating expenses decreased by S\$22.4 million (27.5%) from S\$81.5 million as at 31 December 2015 to S\$59.1 million as at 30 June 2016. The decrease was mainly due to lower accruals for employment related costs resulting from less headcount in June 2016 as compared to December 2015, decrease in accrual for bonus upon payout, and decrease in accrual for licensed rights which the Group is no longer obligated to pay for due to a change in contract terms.

Current and non-current deferred capital grant increased by S\$2.2 million (64.8%) from S\$3.4 million as at 31 December 2015 to S\$5.6 million as at 30 June 2016 mainly due to a government grant received by a subsidiary in the PRC, partially offset by amortization of grants.

Current and non-current loans and borrowings decreased by S\$98.1 million (31.0%) from S\$316.3 million as at 31 December 2015 to S\$218.2 million as at 30 June 2016. The decrease was mainly due to net repayment of loans and borrowings contributed by positive cash flows generated from operating activities.

Cash and cash equivalents and short term deposits pledged decreased by S\$23.1 million (18.2%) from S\$126.2 million as at 31 December 2015 to S\$103.1 million as at 30 June 2016. Debt was S\$218.2 million, resulting in a net debt position of S\$115.1 million (31 December 2015: net debt S\$190.1 million). Consequently, the Group's net gearing ratio narrowed from 34.2% as at 31 December 2015 to 22.4% as at 30 June 2016.

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S\$29.5 million for 2Q2016. Net cash generated from operating activities for 2Q2016 amounted to S\$13.5 million.

Net cash generated from investing activities was S\$3.5 million for 2Q2016, mainly due to proceeds from the disposal of investment securities of S\$10.9 million and proceeds from the disposal of property, plant and equipment of S\$2.0 million, offset by cash outflow for the purchase of capital expenditure amounting to S\$9.6 million.

Net cash used in financing activities was S\$42.0 million for 2Q2016, mainly due to net repayment of loans and borrowings amounting to S\$35.8 million, repayment of obligations under finance lease of S\$2.1 million and dividends paid on ordinary shares of S\$2.4 million.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group recorded lower revenue for 2Q2016 as compared to 2Q2015, instead of a similar revenue as previously guided on 5 May 2016. Despite the lower revenue, the Group was profitable in 2Q2016 as previously guided, as compared to a loss in 2Q2015.

The difference between our previous forecast and the unaudited actual revenue in 2Q2016 was mainly due to the mass production of certain projects being shifted from 2Q2016 to 3Q2016 and a challenging business landscape marked by subdued market demand.

The results recorded are summarized below:

(S\$'000)	2Q2016	2Q2015
Revenue	285,368	314,683
Net profit/ (loss) after tax	7,644	(7,972)

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 a study conducted by the International Data Corporation (IDC), smartphone shipments are expected to grow 3.1% in 2016. The study also mentions that worldwide mobile phone shipments are expected to hit 1.48 billion in 2016 and grow to 1.84 billion in 2020¹.

In a separate research report conducted by the IDC, the total shipment volume of consumer wearables reached 19.7 million units in the first quarter of 2016, representing a 67.2% increase from the previous year². The IDC also expects the consumer wearables market to continue to mature and expand while it heads for continued double-digit growth each year³.

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

- Tightening cost controls in order to adopt a leaner business model
- Intensifying business development efforts to diversify the Group's customer base
- Enhancing capacity utilisation across all manufacturing sites while reducing capital expenditure

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

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

- The Group expects lower revenue and profit in 3Q2016 as compared to 3Q2015.
- The Group expects higher revenue in 2H2016 as compared to 1H2016. The Group expects to be profitable in 2H2016.
- The Group expects lower revenue in FY2016 as compared to FY2015. The Group expects to be profitable in FY2016.

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) Date payable

Not applicable.

(d) Books closure date

Not applicable.

¹ IDC, Worldwide Smartphone Growth Forecast to Slow to 3.1% in 2016 as Focus Shifts to Device Lifecycles, 1 June 2016

² IDC, Worldwide Wearables Market Increases 67.2% Amid Seasonal Retrenchment, 16 May 2016

³ IDC, Worldwide Wearables Forecast, 2016–2020, April 2016

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

No dividend has been declared/recommended in respect of the period under review.

13. Aggregate value of interested persons transactions entered into during the quarter ended 30 June 2016

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)
N.A	N.A	N.A

14. Confirmation of undertakings from directors and executive officers pursuant to Rule 720(1) of SGX-ST Listing Manual

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

Confirmation by the Board

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 30th June 2016 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director