

**Financial Statement and Dividend Announcement for the quarter ended 30 September 2018**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Q 3-18</b>	<b>Q 3-17</b>	<b>Increase/ (decrease)</b>	<b>YTD</b>	<b>YTD</b>	<b>Increase/ (decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>Q 3-18</b>	<b>Q 3-17</b>	<b>%</b>
				<b>S\$'000</b>	<b>S\$'000</b>	
<b>Revenue</b>	377,118	411,336	(8.3)	960,220	935,048	2.7
Cost of sales	<u>(318,838)</u>	<u>(343,267)</u>	(7.1)	<u>(834,444)</u>	<u>(799,350)</u>	4.4
<b>Gross profit</b>	58,280	68,069	(14.4)	125,776	135,698	(7.3)
<b>Other items of income</b>						
Interest income	1,472	1,202	22.5	4,905	2,651	85.0
Other income	2,177	3,077	(29.2)	8,544	6,592	29.6
<b>Other items of expense</b>						
Selling and distribution expenses	(2,895)	(2,593)	11.6	(8,245)	(7,980)	3.3
Administrative expenses	(19,153)	(16,683)	14.8	(49,696)	(47,932)	3.7
Financial costs	(2,047)	(1,361)	50.4	(4,925)	(2,539)	94.0
Other expenses	2,843	(4,999)	n.m.	(7,463)	(10,274)	(27.4)
Share of results of associates	667	(200)	n.m.	585	(50)	n.m.
Share of results of a joint venture	<u>(174)</u>	<u>36</u>	n.m.	<u>(164)</u>	<u>14</u>	n.m.
<b>Profit before tax</b>	41,170	46,548	(11.6)	69,317	76,180	(9.0)
Income tax expense	<u>(7,375)</u>	<u>(8,180)</u>	(9.8)	<u>(13,169)</u>	<u>(14,315)</u>	(8.0)
<b>Profit for the period</b>	<u>33,795</u>	<u>38,368</u>	(11.9)	<u>56,148</u>	<u>61,865</u>	(9.2)
<b>Attributable to:</b>						
Owners of the Company	33,795	38,370	(11.9)	56,174	61,871	(9.2)
Non-controlling interests	<u>-</u>	<u>(2)</u>	(100.0)	<u>(26)</u>	<u>(6)</u>	333.3
	<u>33,795</u>	<u>38,368</u>	(11.9)	<u>56,148</u>	<u>61,865</u>	(9.2)

n.m. – Not Meaningful

**Consolidated statement of comprehensive income for the quarter ended 30 September 2018**

	Group			Group		
	Q3-18 S\$'000	Q3-17 S\$'000	Increase/ (decrease) %	YTD Q3-18 S\$'000	YTD Q3-17 S\$'000	Increase/ (decrease) %
<b>Profit for the period</b>	33,795	38,368	(11.9)	56,148	61,865	(9.2)
<b><u>Other comprehensive income</u></b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation	(20,642)	3,496	n.m.	(17,403)	(1,878)	826.7
Share of other comprehensive income of associates	(83)	(16)	418.8	(60)	(44)	36.4
Share of other comprehensive income of a joint venture	(11)	2	n.m.	(9)	(7)	28.6
Other comprehensive income for the period, net of tax	<u>(20,736)</u>	<u>3,482</u>	n.m.	<u>(17,472)</u>	<u>(1,929)</u>	805.8
<b>Total comprehensive income for the period</b>	<u>13,059</u>	<u>41,850</u>	(68.8)	<u>38,676</u>	<u>59,936</u>	(35.5)
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	13,059	41,846	(68.8)	38,700	59,958	(35.5)
Non-controlling interests	<u>-</u>	<u>4</u>	(100.0)	<u>(24)</u>	<u>(22)</u>	9.1
	<u>13,059</u>	<u>41,850</u>	(68.8)	<u>38,676</u>	<u>59,936</u>	(35.5)

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:

	<b>Q3-18</b>	<b>Q3-17</b>	<b>YTD</b>	<b>YTD</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>Q3-18</b>	<b>Q3-17</b>
			<b>S\$'000</b>	<b>S\$'000</b>
1. Depreciation of property, plant and equipment	17,333	17,555	51,654	55,164
2. Amortization of deferred capital grants	(191)	(172)	(588)	(442)
3. Amortization of intangible asset	-	8	-	60
4. Amortization of land use rights	64	65	198	196
5. Impairment loss/ (reversal of impairment loss) on property, plant and equipment	166	(389)	437	(489)
6. Net gain on disposal of property, plant and equipment	(196)	(45)	(190)	(221)
7. Property, plant and equipment written off	2	17	25	83
8. Inventory provision/ (reversal of inventory provision)	1,957	2,073	(4,019)	4,784
9. Inventories written back	(109)	(138)	(517)	(375)
10. Onerous contract charges taken directly to profit or loss	-	302	-	302
11. Impairment loss on /(write back of) doubtful receivables	12	(482)	(998)	(513)
12. Bad debt written off	1	-	3	-
13. Trade/ other payables waived	(140)	(68)	(205)	(949)
14. Directors' fees	101	90	324	269
15. Staff costs (including directors' remuneration)	119,137	120,724	287,521	280,923
16. Operating lease expense	4,694	4,893	13,985	14,555
17. Net foreign exchange (gain)/ loss	(4,013)	3,993	4,192	11,461
18. Net fair value loss/ (gain) on derivatives	1,274	524	2,665	(1,266)
19. Net loss on liquidation of a subsidiary	-	-	404	-
20. Provision for warranty costs	4	10	9	16
21. Allowance/ (reversal of allowance) on non-cancellable purchase commitments	24	(28)	221	(1,928)
22. Insurance claim	(79)	(28)	(90)	(216)

**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.**

	<b>Group</b>		<b>Company</b>	
	<b>30/9/2018</b>	<b>31/12/2017</b>	<b>30/9/2018</b>	<b>31/12/2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	312,145	315,131	16,189	15,946
Intangible assets	12	12	12	12
Land use rights	10,866	11,352	-	-
Investment in subsidiaries	-	-	377,991	380,535
Investment in associates	8,019	6,663	503	503
Investment in a joint venture	207	348	-	-
Other receivables	-	-	27,352	26,746
Investment securities	4,965	-	-	-
Restricted bank deposits	505	505	-	-
Deferred tax assets	28,557	25,729	-	-
	<b>365,276</b>	<b>359,740</b>	<b>422,047</b>	<b>423,742</b>
<b>Current assets</b>				
Inventories	210,456	178,529	3,995	3,437
Trade and other receivables	338,448	445,297	66,214	77,728
Notes receivable	-	7,551	-	-
Prepaid operating expenses	11,399	6,447	361	208
Restricted bank deposits	1,659	4,411	-	-
Cash and cash equivalents	234,518	277,914	21,502	13,748
	<b>796,480</b>	<b>920,149</b>	<b>92,072</b>	<b>95,121</b>
<b>Total assets</b>	<b>1,161,756</b>	<b>1,279,889</b>	<b>514,119</b>	<b>518,863</b>
<b>Current liabilities</b>				
Trade and other payables	354,799	419,860	8,169	9,405
Notes payable	822	1,577	-	-
Accrued operating expenses	70,577	89,246	21,950	38,425
Provisions	597	1,368	-	-
Deferred capital grants	761	784	93	93
Loans and borrowings	173,162	205,213	38,720	25,058
Income tax payable	22,118	21,557	2,217	1,473
	<b>622,836</b>	<b>739,605</b>	<b>71,149</b>	<b>74,454</b>
<b>Net current assets</b>	<b>173,644</b>	<b>180,544</b>	<b>20,923</b>	<b>20,667</b>
<b>Non-current liabilities</b>				
Other payables	-	-	98,884	164,006
Deferred capital grants	4,965	5,720	91	161
Loans and borrowings	-	29	-	29
Deferred tax liabilities	4,621	5,050	2,597	2,702
	<b>9,586</b>	<b>10,799</b>	<b>101,572</b>	<b>166,898</b>
<b>Total liabilities</b>	<b>632,422</b>	<b>750,404</b>	<b>172,721</b>	<b>241,352</b>
<b>Net assets</b>	<b>529,334</b>	<b>529,485</b>	<b>341,398</b>	<b>277,511</b>

	<b>Group</b>		<b>Company</b>	
	<b>30/9/2018</b>	<b>31/12/2017</b>	<b>30/9/2018</b>	<b>31/12/2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(63,076)	(56,547)	(63,076)	(56,547)
Accumulated profits	431,389	421,095	279,020	209,528
Other reserves	41,296	44,247	5,729	4,805
	<u>529,334</u>	<u>528,520</u>	<u>341,398</u>	<u>277,511</u>
Non-controlling interests	-	965	-	-
<b>Total equity</b>	<b><u>529,334</u></b>	<b><u>529,485</u></b>	<b><u>341,398</u></b>	<b><u>277,511</u></b>

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

**Amount repayable within one year or less, or on demand**

As at 30/9/2018		As at 31/12/2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
44	173,118	58	205,155

**Amount repayable after one year**

As at 30/9/2018		As at 31/12/2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	29	-

Lease obligation of S\$44,000 was secured against the leased asset.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Q3-18</b>	<b>Q3-17</b>	<b>YTD</b>	<b>YTD</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>Q3-18</b>	<b>Q3-17</b>
			<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before tax	41,170	46,548	69,317	76,180
Adjustments for:				
Depreciation of property, plant and equipment	17,333	17,555	51,654	55,164
Amortization of deferred capital grants	(191)	(172)	(588)	(442)
Amortization of intangible asset	-	8	-	60
Amortization of land use rights	64	65	198	196
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	166	(389)	437	(489)
Net gain on disposal of property, plant and equipment	(196)	(45)	(190)	(221)
Property, plant and equipment written off	2	17	25	83
Inventory provision/ (reversal of inventory provision)	1,957	2,073	(4,019)	4,784
Inventories written back	(109)	(138)	(517)	(375)
Provision for warranty costs	4	10	9	16
Impairment loss on/ (write back of) doubtful receivables	12	(482)	(998)	(513)
Bad debts written off	1	-	3	-
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	24	(28)	221	(1,928)
Trade/ other payables waived	(140)	(68)	(205)	(949)
Equity compensation expense	1,165	-	1,165	27
Financial costs	2,047	1,361	4,925	2,539
Interest income	(1,472)	(1,202)	(4,905)	(2,651)
Net fair value (gain)/ loss on derivatives - unrealised	(205)	658	-	404
Net unrealised exchange difference	(4,180)	1,727	996	2,714
Net loss on liquidation of a subsidiary	-	-	404	-
Share of results of associates	(667)	200	(585)	50
Share of results of a joint venture	174	(36)	164	(14)
<b>Operating cash flows before changes in working capital</b>	<b>56,959</b>	<b>67,662</b>	<b>117,511</b>	<b>134,635</b>
<b>Changes in working capital</b>				
Increase in inventories	(36,409)	(42,202)	(33,771)	(60,422)
(Increase)/ decrease in trade and other receivables	(49,996)	(106,851)	101,930	1,040
Decrease/ (increase) in notes receivable	340	(14,104)	7,551	(14,104)
Decrease/ (increase) in prepaid operating expenses	1,970	(1,358)	(5,152)	2,013
Increase/ (decrease) in trade and other payables	59,002	130,012	(63,330)	157,124
(Decrease)/ increase in notes payable	(154)	419	(755)	(1,548)
Increase/ (decrease) in accrued operating expenses	8,666	10,618	(18,292)	(11,863)
Total changes in working capital	(16,581)	(23,466)	(11,819)	72,240
<b>Cash flows generated from operations</b>	<b>40,378</b>	<b>44,196</b>	<b>105,692</b>	<b>206,875</b>
Income taxes paid	(3,558)	(7,161)	(15,397)	(14,070)
<b>Net cash flows generated from operating activities</b>	<b>36,820</b>	<b>37,035</b>	<b>90,295</b>	<b>192,805</b>

	Q3-18 S\$'000	Q3-17 S\$'000	YTD Q3-18 S\$'000	YTD Q3-17 S\$'000
<b>Cash flows from investing activities</b>				
Proceeds from capital grants	-	-	-	1,525
Consultancy fee paid for capital grants application	-	-	-	(122)
Interest received	1,306	1,239	4,664	2,298
Proceeds from disposal of property, plant and equipment	207	461	662	1,090
Purchase of property, plant and equipment (Note a)	(22,256)	(5,275)	(48,341)	(24,901)
Purchase of investment securities	-	-	(5,228)	-
Investment in an associate	-	-	(831)	-
Investment in a joint venture	-	-	-	(484)
Net cash outflow on liquidation of a subsidiary	-	-	(118)	-
<b>Net cash flows used in investing activities</b>	<b>(20,743)</b>	<b>(3,575)</b>	<b>(49,192)</b>	<b>(20,594)</b>
<b>Cash flows from financing activities</b>				
Decrease/ (increase) in restricted bank deposits	162	(447)	2,752	6,952
Dividends paid on ordinary shares	-	(153,298)	(32,281)	(156,525)
Purchase of treasury shares	(2,718)	(177)	(7,786)	(1,847)
Proceeds from re-issuance of treasury shares	-	1,627	1,016	2,004
Financial costs paid	(2,154)	(1,361)	(4,943)	(2,544)
Net (repayment of)/ proceeds from loans and borrowings	(22,473)	161,355	(36,197)	166,533
Repayments of obligations under finance lease	(15)	(10)	(45)	(2,037)
<b>Net cash flows (used in)/ generated from financing activities</b>	<b>(27,198)</b>	<b>7,689</b>	<b>(77,484)</b>	<b>12,536</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(11,121)</b>	<b>41,149</b>	<b>(36,381)</b>	<b>184,747</b>
Effect of exchange rate changes on cash and cash equivalents	(9,800)	71	(7,015)	(1,548)
Cash and cash equivalents at beginning of period	255,439	252,906	277,914	110,927
<b>Cash and cash equivalents at end of period</b>	<b>234,518</b>	<b>294,126</b>	<b>234,518</b>	<b>294,126</b>

#### Note to the Consolidated Cash Flow Statement

##### (a) Purchase of Property, plant and equipment

Current period additions	27,891	4,550	59,286	23,389
Less: Payable to creditors	(12,665)	(3,059)	(17,498)	(4,625)
	15,226	1,491	41,788	18,764
Payments for prior period/year purchases	7,030	3,784	6,553	6,137
<b>Net cash outflow for purchase</b>	<b>22,256</b>	<b>5,275</b>	<b>48,341</b>	<b>24,901</b>



**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 9 months ended 30 September 2018**

<b>Group</b>	<b>Attributable to owners of the Company</b>						
	<b>Share capital</b>	<b>Treasury shares</b>	<b>Other reserves</b>	<b>Accumulated profits</b>	<b>Total equity attributable to equity holders of the Company</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Opening balance at 1 January 2018</b>	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Profit for the period	-	-	-	10,085	10,085	(11)	10,074
Share of other comprehensive income of associates	-	-	24	-	24	-	24
Share of other comprehensive income of a joint venture	-	-	4	-	4	-	4
Foreign currency translation	-	-	11,122	-	11,122	16	11,138
<b>Other comprehensive income for the period, net of tax</b>	-	-	11,150	-	11,150	16	11,166
<b>Total comprehensive income for the period</b>	-	-	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
<b>Total transactions with owners in their capacity as owners</b>	-	617	369	-	986	-	986
<b>Closing balance at 31 March 2018</b>	119,725	(55,930)	55,766	431,180	550,741	970	551,711

## (i) Consolidated statement of changes in equity for the 9 months ended 30 September 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
<b>Opening balance at 31 March 2018</b>	119,725	(55,930)	55,766	431,180	550,741	970	551,711
Profit for the period	-	-	-	12,294	12,294	(15)	12,279
Share of other comprehensive income of associates	-	-	(1)	-	(1)	-	(1)
Share of other comprehensive income of a joint venture	-	-	(2)	-	(2)	-	(2)
Foreign currency translation	-	-	(7,885)	-	(7,885)	(14)	(7,899)
<b>Other comprehensive income for the period, net of tax</b>	-	-	(7,888)	-	(7,888)	(14)	(7,902)
<b>Total comprehensive income for the period</b>	-	-	(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)
<b>Total contributions by and distributions to equity holders</b>	-	(5,046)	8	(32,281)	(37,319)	-	(37,319)
<u>Changes in ownership interests in subsidiaries</u>							
Liquidation of a subsidiary	-	-	-	-	-	(941)	(941)
<b>Total changes in ownership interests in subsidiaries</b>	-	-	-	-	-	(941)	(941)
<b>Total transactions with owners in their capacity as owners</b>	-	(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)	-	-	-
<b>Total others</b>	-	-	13,557	(13,557)	-	-	-
<b>Closing balance at 30 June 2018</b>	119,725	(60,976)	61,443	397,636	517,828	-	517,828

(i) Consolidated statement of changes in equity for the 9 months ended 30 September 2018 (cont'd)

Attributable to owners of the Company

<b>Group</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Other reserves</b>	<b>Accumulated profits</b>	<b>Total equity attributable to equity holders of the Company</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Opening balance at 30 June 2018</b>	119,725	(60,976)	61,443	397,636	517,828	-	517,828
Profit for the period	-	-	-	33,795	33,795	-	33,795
Share of other comprehensive income of associates	-	-	(83)	-	(83)	-	(83)
Share of other comprehensive income of a joint venture	-	-	(11)	-	(11)	-	(11)
Foreign currency translation	-	-	(20,642)	-	(20,642)	-	(20,642)
<b>Other comprehensive income for the period, net of tax</b>	-	-	(20,736)	-	(20,736)	-	(20,736)
<b>Total comprehensive income for the period</b>	-	-	(20,736)	33,795	13,059	-	13,059
<u>Contributions by and distributions to owners</u>							
Employee share award scheme -Equity compensation benefits	-	-	1,165	-	1,165	-	1,165
Purchase of treasury shares	-	(2,718)	-	-	(2,718)	-	(2,718)
Treasury shares reissued pursuant to employee share award scheme	-	618	(618)	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	(2,100)	547	-	(1,553)	-	(1,553)
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	42	(42)	-	-	-
<b>Total others</b>	-	-	42	(42)	-	-	-
<b>Closing balance at 30 September 2018</b>	119,725	(63,076)	41,296	431,389	529,334	-	529,334

## (ii) Consolidated statement of changes in equity for the 9 months ended 30 September 2017

## Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Opening balance at 1 January 2017</b>	119,725	(55,701)	47,083	467,129	578,236	985	579,221
Profit for the period	-	-	-	8,402	8,402	(2)	8,400
Share of other comprehensive income of an associate	-	-	13	-	13	-	13
Foreign currency translation	-	-	(7,474)	-	(7,474)	(24)	(7,498)
<b>Other comprehensive income for the period, net of tax</b>	-	-	(7,461)	-	(7,461)	(24)	(7,485)
<b>Total comprehensive income for the period</b>	-	-	(7,461)	8,402	941	(26)	915
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes	-	-	20	-	20	-	20
-Equity compensation benefits							
<b>Total transactions with owners in their capacity as owners</b>	-	-	20	-	20	-	20
<u>Others</u>							
Transfer from retained earnings to statutory reserve fund	-	-	27	(27)	-	-	-
<b>Total others</b>	-	-	27	(27)	-	-	-
<b>Closing balance at 31 March 2017</b>	119,725	(55,701)	39,669	475,504	579,197	959	580,156

## (ii) Consolidated statement of changes in equity for the 9 months ended 30 September 2017 (cont'd)

## Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Opening balance at 31 March 2017</b>	119,725	(55,701)	39,669	475,504	579,197	959	580,156
Profit for the period	-	-	-	15,099	15,099	(2)	15,097
Share of other comprehensive income of an associate	-	-	(41)	-	(41)	-	(41)
Share of other comprehensive income of a joint venture	-	-	(9)	-	(9)	-	(9)
Foreign currency translation	-	-	2,122	-	2,122	2	2,124
<b>Other comprehensive income for the period, net of tax</b>	-	-	2,072	-	2,072	2	2,074
<b>Total comprehensive income for the period</b>	-	-	2,072	15,099	17,171	-	17,171
<u>Contributions by and distributions to owners</u>							
Employee share option and award schemes	-	-	7	-	7	-	7
-Equity compensation benefits	-	(1,847)	-	-	(1,847)	-	(1,847)
Purchase of treasury shares	-	(1,847)	-	-	(1,847)	-	(1,847)
Treasury shares reissued pursuant to employee share option & award schemes	-	405	(28)	-	377	-	377
Dividends on ordinary shares	-	-	-	(3,227)	(3,227)	-	(3,227)
<b>Total transactions with owners in their capacity as owners</b>	-	(1,442)	(21)	(3,227)	(4,690)	-	(4,690)
<b>Closing balance at 30 June 2017</b>	119,725	(57,143)	41,720	487,376	591,678	959	592,637

## (ii) Consolidated statement of changes in equity for the 9 months ended 30 September 2017 (cont'd)

## Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Opening balance at 30 June 2017</b>	119,725	(57,143)	41,720	487,376	591,678	959	592,637
Profit for the period	-	-	-	38,370	38,370	(2)	38,368
Share of other comprehensive income of an associate	-	-	(16)	-	(16)	-	(16)
Share of other comprehensive income of a joint venture	-	-	2	-	2	-	2
Foreign currency translation	-	-	3,490	-	3,490	6	3,496
<b>Other comprehensive income for the period, net of tax</b>	-	-	3,476	-	3,476	6	3,482
<b>Total comprehensive income for the period</b>	-	-	3,476	38,370	41,846	4	41,850
<u>Contributions by and distributions to owners</u>							
Treasury shares reissued pursuant to employee share option scheme	-	1,211	416	-	1,627	-	1,627
Dividends on ordinary shares	-	-	-	(153,298)	(153,298)	-	(153,298)
<b>Total transactions with owners in their capacity as owners</b>	-	1,211	416	(153,298)	(151,671)	-	(151,671)
<b>Closing balance at 30 September 2017</b>	119,725	(55,932)	45,612	372,448	481,853	963	482,816

(iii) Statement of changes in equity of the Company for the 9 months ended 30 September 2018

Attributable to owners of the Company

<u>Company</u>	<u>Share capital</u> <u>S\$'000</u>	<u>Treasury shares</u> <u>S\$'000</u>	<u>Capital reserve</u> <u>S\$'000</u>	<u>Accumulated profits</u> <u>S\$'000</u>	<u>Total equity</u> <u>S\$'000</u>
<b>Opening balance at 1 January 2018</b>	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
<b>Total transactions with owners in their capacity as owners</b>	-	617	369	-	986
<b>Closing balance at 31 March 2018</b>	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)
<b>Total transactions with owners in their capacity as owners</b>	-	(5,046)	8	(32,281)	(37,319)
<b>Closing balance at 30 June 2018</b>	119,725	(60,976)	5,182	283,292	347,223
Profit for the period	-	-	-	(4,272)	(4,272)
<u>Contributions by and distributions to owners</u>					
Employee share award scheme - Equity compensation benefits	-	-	1,165	-	1,165
Treasury shares reissued pursuant to employee share award scheme	-	618	(618)	-	-
Purchase of treasury shares	-	(2,718)	-	-	(2,718)
<b>Total transactions with owners in their capacity as owners</b>	-	(2,100)	547	-	(1,553)
<b>Closing balance at 30 September 2018</b>	119,725	(63,076)	5,729	279,020	341,398

(iv) Statement of changes in equity of the Company for the 9 months ended 30 September 2017

Attributable to owners of the Company

<u>Company</u>	<u>Share capital</u> <u>S\$'000</u>	<u>Treasury shares</u> <u>S\$'000</u>	<u>Capital reserve</u> <u>S\$'000</u>	<u>Accumulated profits</u> <u>S\$'000</u>	<u>Total equity</u> <u>S\$'000</u>
<b>Opening balance at 1 January 2017</b>	119,725	(55,701)	9,712	358,554	432,290
Profit for the period	-	-	-	12,238	12,238
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes - Equity compensation benefits	-	-	20	-	20
<b>Total transactions with owners in their capacity as owners</b>	-	-	20	-	20
<b>Closing balance at 31 March 2017</b>	119,725	(55,701)	9,732	370,792	444,548
Profit for the period	-	-	-	17,056	17,056
<u>Contributions by and distributions to owners</u>					
Employee share option & award schemes - Equity compensation benefits	-	-	7	-	7
Purchase of treasury shares	-	(1,847)	-	-	(1,847)
Treasury shares reissued pursuant to employee share option & award schemes	-	405	(28)	-	377
Dividends on ordinary shares	-	-	-	(3,227)	(3,227)
<b>Total transactions with owners in their capacity as owners</b>	-	(1,442)	(21)	(3,227)	(4,690)
<b>Closing balance at 30 June 2017</b>	119,725	(57,143)	9,711	384,621	456,914
Loss for the period	-	-	-	(3,074)	(3,074)
<u>Contributions by and distributions to owners</u>					
Treasury shares reissued pursuant to employee share option scheme	-	1,211	416	-	1,627
Dividends on ordinary shares	-	-	-	(153,298)	(153,298)
<b>Total transactions with owners in their capacity as owners</b>	-	1,211	416	(153,298)	(151,671)
<b>Closing balance at 30 September 2017</b>	119,725	(55,932)	10,127	228,249	302,169



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

#### Share Options

During the quarter ended 30 September 2018, 1,584 options have lapsed while nil options were exercised.

There are 8,422,823 options outstanding as at 30 September 2018 (30 September 2017: 10,773,076).

#### Share Awards

On 1 August 2018, 1,820,000 awards were granted to employees at no exercise price. These awards are vested in 2 stages in the proportion of 50% on 31 August 2018 and the balance 50% on the day on which the relevant employees reach the age of 65.

During the quarter ended 30 September 2018, 910,000 awards were vested.

There are 910,000 share awards outstanding as at 30 September 2018 (30 September 2017: nil).

#### Treasury Shares

During the quarter ended 30 September 2018, the Company has purchased 2,690,900 shares to be held as treasury shares.

The number of treasury shares held by the Company as at 30 September 2018 is 84,179,193 (30 September 2017: 79,767,579).

**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 September 2018 was 802,995,807 (31 December 2017: 807,589,266).

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

During the quarter ended 30 September 2018, 828,000 treasury shares were transferred to employees upon vesting of share awards. As at 30 September 2018, there are 82,000 treasury shares pending to be transferred to employees for the share awards vested on 31 August 2018.

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

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

**3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2017.

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

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s for the third quarter and nine-month ended 30 September 2018. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The Group has not elected any optional exemption on the first-time adoption of SFRS(I)s. There is no significant impact to the Group's opening balance sheet as at 1 January 2017 on the date of transition to SFRS(I)s.

In addition, during the current financial period, the Group and Company adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018.

The following SFRS(I)s, amendments and interpretations of SFRS(I)s are relevant to the Group:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
SFRS(I) 9 <i>Financial Instruments</i>	1 January 2018
SFRS(I) 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to SFRS(I) 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
SFRS(I) INT 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

The adoption of the above SFRS(I) did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

- (a) Based on the weighted average number of ordinary shares on issue; and  
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Q3-18	Q3-17	YTD Q3-18	YTD Q3-17
Operating profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	9.0%	9.3%	5.8%	6.6%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	6.4%	8.0%	10.6%	12.8%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	4.19	4.76	6.97	7.67
(b) On a fully diluted basis (cents)*	4.18	4.74	6.94	7.64

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

\* For 3Q2018, the financial effect of certain share options issued has been disregarded in the calculation of dilutive earnings per ordinary share as the stock option exercise prices are above the average market price.

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

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

	Group		Company	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	65.92	65.44	42.52	34.36

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Revenue and Profitability Analysis**

3Q2018 vs. 3Q2017

The Group's revenue decreased by S\$34.2 million (8.3%) year-on-year ("yoy") to S\$377.1 million for 3Q2018 mainly due to less high component content projects, a decline in market demand resulting from economic uncertainty and a slower ramp up for certain new products in 3Q2018 as compared to 3Q2017.

Gross profit decreased by S\$9.8 million (14.4%) yoy to S\$58.3 million for 3Q2018 mainly due to lower revenue, more competitive pricing and lower manufacturing yield for certain new products during the initial ramp up stage. Correspondingly, gross profit margin decreased marginally from 16.5% for 3Q2017 to 15.5% for 3Q2018.

Net interest expense (interest income net off with financial costs) increased by S\$0.4 million yoy to S\$0.6 million for 3Q2018, mainly due to an increase in borrowing interest rates.

Other income decreased by S\$0.9 million (29.2%) yoy to S\$2.2 million for 3Q2018 mainly due to lower liability claims on raw materials from customers in 3Q2018 as compared to 3Q2017.

Total selling, distribution and administrative expenses increased by S\$2.8 million (14.4%) yoy to S\$22.0 million for 3Q2018 mainly due to higher staff costs resulting from employee share award expenses and annual salary increments.

Other expenses generated an income of S\$2.8 million for 3Q2018, as compared to an expense of S\$5.0 million for 3Q2017. The improvement was mainly due to a net gain of S\$2.7 million derived from foreign exchange gains partially offset by fair value loss on hedging contracts resulting mainly from the appreciation of USD against the RMB, as compared to a net loss of S\$4.5 million for 3Q2017.

The Group generated net profit of S\$0.7 million from its associated companies for 3Q2018.

The Group recorded an income tax expense of S\$7.4 million for 3Q2018, representing an effective tax rate of 17.9% (3Q2017: 17.6%).

As a result of the factors mentioned, the Group's net profit after tax decreased by S\$4.6 million (11.9%) yoy to S\$33.8 million for 3Q2018.

## **Balance Sheet Analysis**

Investment in associates increased by S\$1.3 million (20.4%) from S\$6.7 million as at 31 December 2017 to S\$8.0 million as at 30 September 2018. The increase was mainly due to an investment of a 40% shareholding in Shenzhen U Drinks Gourmet Food Co., Ltd. at a cost of RMB4.0 million (equivalent to S\$0.8 million) in January 2018. This new associate is principally engaged in the business of research and development, manufacturing and sales of capsule drinks. Please refer to the Company's announcement released via SGXNET on 20 December 2017 for further details.

Investment in securities of S\$5.0 million as at 30 September 2018 (31 December 2017: nil) represents an investment of a 5% shareholding in a private company which is registered in the PRC principally engaged in artificial intelligence and automation technologies.

Deferred tax assets increased by S\$2.9 million (11.0%) from S\$25.7 million as at 31 December 2017 to S\$28.6 million as at 30 September 2018 mainly due to recognition of deferred tax assets on unutilized tax losses.

The Group's inventories increased by S\$32.0 million (17.9%) from S\$178.5 million as at 31 December 2017 to S\$210.5 million as at 30 September 2018. The increase was mainly due to a buildup of inventory for 4Q2018, where sales for 4Q2018 are expected to be higher than 1Q2018, and postponement in billing of certain production tools.

Notes receivable, trade and other receivables decreased by S\$114.4 million (25.3%) from S\$452.8 million as at 31 December 2017 to S\$338.4 million as at 30 September 2018 mainly due to a decrease in trade and notes receivable resulting from lower sales for 3Q2018 as compared to 4Q2017.

Prepaid operating expenses increased by S\$5.0 million (76.8%) from S\$6.4 million as at 31 December 2017 to S\$11.4 million as at 30 September 2018 mainly due to an increase in prepayments for the purchase of machineries.

Current and non-current bank deposits totaling S\$2.2 million were restricted in its use as at 30 September 2018. These were mainly held for customs clearance purposes.

Notes payable, trade and other payables decreased by S\$65.8 million (15.6%) from S\$421.4 million as at 31 December 2017 to S\$355.6 million as at 30 September 2018. This was mainly due to a decrease in purchases resulting from lower sales for 3Q2018 as compared to 4Q2017.

Accrued operating expenses decreased by S\$18.6 million (20.9%) from S\$89.2 million as at 31 December 2017 to S\$70.6 million as at 30 September 2018 mainly due to a decrease in bonus accruals upon payouts.

Current and non-current loans and borrowings decreased by S\$32.0 million (15.6%) from S\$205.2 million as at 31 December 2017 to S\$173.2 million as at 30 September 2018. Cash and cash equivalents and restricted bank deposits decreased by S\$46.1 million (16.3%) from S\$282.8 million as at 31 December 2017 to S\$236.7 million as at 30 September 2018. This resulted in a net cash position of S\$63.5 million (31 December 2017: S\$77.6 million).

## **Cash Flows Analysis**

Net cash generated from operating activities before working capital changes was S\$57.0 million for 3Q2018. Net cash generated from operating activities for 3Q2018 amounted to S\$36.8 million.

Net cash used in investing activities was S\$20.7 million for 3Q2018, mainly due to payments made for the purchase of capital expenditure amounting to S\$22.3 million.

Net cash used in financing activities was S\$27.2 million for 3Q2018, mainly due to net repayment of loans and borrowings amounting to S\$22.5 million, purchase of treasury shares amounting to S\$2.7 million and financial costs paid of S\$2.2 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 2Q2018 results announcement made on 1 August 2018, the Group guided as follows:

- The Group expects higher revenue but similar profit for 3Q2018 as compared to 3Q2017.

Subsequently in our business update on 14 October 2018, the Group informed that that it expects lower revenue and profit in 3Q2018 instead of higher revenue but similar profit as previously guided. In line with our business update, the results achieved are summarised below:

(S\$'000)	<b>3Q2018</b>	<b>3Q2017</b>
Revenue	377,118	411,336
Net profit after tax	33,795	38,368

**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") the worldwide smartphone market will reach a total of 1.45 billion units shipped in 2018, down 0.7% from the 1.47 billion units shipped in 2017. From there, shipments will reach 1.65 billion units in 2022, resulting in a compound annual growth rate ("CAGR") of 2.4%<sup>1</sup>.

Within the IoT segment which the Group has identified as a key avenue for growth, the IDC expects spending on IoT related products to experience a CAGR of 13.6% over the 2017-2022 forecast periods and reach \$1.2 trillion in 2022<sup>2</sup>. Within the wearables market, double-digit growth will return in 2019 as smartwatches and new form factors gain acceptance. In 2022, IDC expects total shipment volumes will reach 190.4 million units, resulting in a CAGR of 11.6% over the five-year forecast<sup>3</sup>.

Considering the industry outlook for the smartphone, IoT and consumer electronics markets and to overcome industry challenges, the Group will focus its efforts on:

- Developing new customers and products through targeted business development initiatives
- Increasing allocation from existing customers
- Enhancing capacity utilization, increasing automation and manufacturing yield improvements
- Tightening cost controls
- Exploring opportunities for mergers & acquisitions that are synergistic to the Group's operations
- Exploring opportunities to expand the Group's manufacturing footprint to other geographical regions

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

<sup>1</sup> IDC, Worldwide Smartphone Forecast Update, 2018–2022, September 2018

<sup>2</sup> IDC Forecasts Worldwide Technology Spending on the Internet of Things to Reach \$1.2 Trillion in 2022, June 2018

<sup>3</sup> IDC, IDC Forecasts Slower Growth for Wearables in 2018 Before Ramping Up Again Through 2022, September 2018

**11. Dividend****(a) Current Financial Period Reported on**

Any dividend recommended for the current financial period reported on?

Name of Dividend : Interim Dividend  
 Dividend Type : Cash  
 Dividend Rate : 1.0 cent per ordinary share  
 Tax rate : Exempt from tax (One-tier corporate tax system)  
 Total amount payable : S\$8.0 million

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

Name of Dividend : Interim Dividend  
 Dividend Type : Cash  
 Dividend Rate : 2.0 cents per ordinary share  
 Tax rate : Exempt from tax (One-tier corporate tax system)  
 Total amount paid : S\$16.2 million

**(c) Date payable**

26 November 2018.

**(d) Books closure date**

15 November 2018, 5:00 p.m. (For more details on Book Closure Date, please refer to accompanying SGX-net announcement on Cash Dividend/Distribution dated 7 November 2018).

**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 September 2018**

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

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

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

**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 30<sup>th</sup> September 2018 to be false or misleading in any material aspect.

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Yao Hsiao Tung  
Executive Chairman  
Chief Executive Officer

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Gerald Lim Thien Su  
Director