



HTL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Singapore)
(Registration Number: 198904162H)

Financial Statements Announcement

For the Period Ended

30 September 2014

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1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 30 September 2014 ("9M FY 2014")

Notes	The Group		Change %	The Group		Change %
	3 months ended 30 Sep 2014	2013		9 months ended 30 Sep 2014	2013	
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	113,847	122,053	(6.7)	378,899	394,206	(3.9)
Cost of sales	(80,547)	(83,339)	(3.4)	(261,968)	(269,955)	(3.0)
Gross profit	33,300	38,714	(14.0)	116,931	124,251	(5.9)
Other operating income	1,443	1,983	(27.2)	6,832	7,858	(13.1)
Sales, marketing and distribution expenses	(28,662)	(30,974)	(7.5)	(93,218)	(98,490)	(5.4)
Administrative expenses	(8,736)	(8,101)	7.8	(25,592)	(26,380)	(3.0)
Other operating expenses	(2,674)	(1,186)	125.5	(2,997)	(1,515)	97.8
Operating (loss)/profit before finance income and expense and net foreign exchange gain/(loss)	(5,329)	436	NM	1,956	5,724	(65.8)
Finance income	58	58	-	183	170	7.6
Finance expense	(574)	(849)	(32.4)	(1,869)	(2,865)	(34.8)
Operating (loss)/profit before net foreign exchange gain/(loss)	(5,845)	(355)	1,546.5	270	3,029	(91.1)
Net foreign exchange gain/(loss)*	4,031	1,774	127.2	11,588	(447)	NM
(Loss)/profit before tax	(1,814)	1,419	NM	11,858	2,582	359.3
Income tax expense	(444)	(1,321)	(66.4)	(3,899)	(2,330)	67.3
Net (loss)/profit for the period	(2,258)	98	NM	7,959	252	3,058.3
Attributable to:						
Owners of the Company	(2,258)	82	NM	7,918	193	4,002.6
Non-controlling interest	- **	16	NM	41	59	(30.5)
	(2,258)	98		7,959	252	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Net (loss)/profit for the period	(2,258)	98	NM	7,959	252	3,058.3
Other comprehensive (loss)/income:						
Item that may be reclassified subsequently to income statement:						
Foreign currency translation arising from consolidation	(776)	923	NM	(1,735)	1,995	NM
Total comprehensive (loss)/income for the period	(3,034)	1,021		6,224	2,247	
Attributable to:						
Owners of the Company	(3,002)	1,000	NM	6,205	2,231	178.1
Non-controlling interest	(32)	21	NM	19	16	18.8
	(3,034)	1,021		6,224	2,247	
Gross profit margin (GP%)	29.2%	31.7%		30.9%	31.5%	
Net (loss)/profit margin	-2.0%	0.1%		2.1%	0.1%	
EBITDA	602	4,144		19,257	11,716	
EBITDA before net foreign exchange gain/(loss)	(3,429)	2,370		7,669	12,163	
EBITDA margin	0.5%	3.4%		5.1%	3.0%	
EBITDA margin before net foreign exchange gain/(loss)	-3.0%	1.9%		2.0%	3.1%	

NM : Not meaningful

** : Amount less than US\$1,000

	The Group		The Group	
	3 months ended 30 Sep 2014	2013	9 months ended 30 Sep 2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Net foreign exchange gain/(loss) comprises:				
Realised foreign exchange gain	4,849	1,134	7,916	763
Unrealised foreign exchange (loss)/gain	(2,437)	440	(2,061)	(1,645)
Net fair value gain on derivative financial instruments ⁽¹⁾	1,619	200	5,733	435
Total net foreign exchange gain/(loss)*	4,031	1,774	11,588	(447)

Note:

(1) These fair value adjustments are unrealised and non-cash in nature.

2. BALANCE SHEETS

Notes	The Group		The Company	
	30 Sep 2014 US\$'000	31 Dec 2013 US\$'000	30 Sep 2014 US\$'000	31 Dec 2013 US\$'000
Current assets				
	45,190	70,801	9	9
	48,626	66,009	7,555	4,700
(i)	3,694	-	-	-
5C	146,844	154,783	-	-
	-	406	-	-
	4,745	5,213	2,534	2,534
	6,027	6,053	-	-
	255,126	303,265	10,098	7,243
Non-current assets				
	-	-	114,208	107,640
	-	-	8,701	8,914
	41,284	43,698	-	-
5D	9,320	10,436	-	-
	5,195	5,287	-	-
	761	1,602	-	-
	56,560	61,023	122,909	116,554
Total assets	311,686	364,288	133,007	123,797
Current liabilities				
	72,985	83,975	4,011	3,994
	3,632	1,224	-	-
(i)	-	2,038	-	-
5E	52,153	94,655	-	-
	4,989	4,092	-	-
	133,759	185,984	4,011	3,994
Non-current liabilities				
5E	208	3,134	-	-
	947	1,370	923	1,286
	-	-	30,304	24,633
	1,155	4,504	31,227	25,919
Total liabilities	134,914	190,488	35,238	29,913
Net assets	176,772	173,800	97,769	93,884
Equity attributable to owners of the Company				
5F	67,982	67,982	67,982	67,982
5F	(3,965)	(4,078)	(3,965)	(4,078)
	29,863	31,674	(1,108)	(1,010)
	82,017	77,366	34,860	30,990
	175,897	172,944	97,769	93,884
Non-controlling interest	875	856	-	-
Total equity	176,772	173,800	97,769	93,884
Group net borrowings	7,171	26,988	NA	NA
Group net gearing (%)	4.08	15.61	NA	NA
Net tangible assets per share (cents)	41.02	40.05	24.08	23.14

NA : Not applicable

Note :

(i) This represents fair value arising from the mark to market (MTM) on all outstanding foreign exchange forward contracts/options which are entered into to hedge currency exchange exposure as at the end of each financial period.

3. STATEMENTS OF CHANGES IN EQUITY

Group

	ATTRIBUTABLE TO OWNERS OF THE COMPANY										
	Share capital	Treasury shares	Share option reserve	Asset revaluation reserve	Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Retained earnings	Equity attributable to owners of the company, total	Non-controlling interest	Equity, total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014	67,982	(4,078)	911	-	20,969	(1,921)	11,715	77,366	172,944	856	173,800
Net profit for the quarter	-	-	-	-	-	-	-	2,625	2,625	31	2,656
<u>Other comprehensive (loss)/income</u>											
Foreign currency translation arising from consolidation	-	-	-	-	(1,154)	-	-	-	(1,154)	4	(1,150)
Total comprehensive (loss)/income	-	-	-	-	(1,154)	-	-	2,625	1,471	35	1,506
Treasury shares reissued pursuant to employee share option plan	-	113	-	-	-	(97)	-	-	16	-	16
Balance at 31 March 2014	67,982	(3,965)	911	-	19,815	(2,018)	11,715	79,991	174,431	891	175,322
Net profit for the quarter	-	-	-	-	-	-	-	7,551	7,551	10	7,561
<u>Other comprehensive income</u>											
Foreign currency translation arising from consolidation	-	-	-	-	185	-	-	-	185	6	191
Total comprehensive income	-	-	-	-	185	-	-	7,551	7,736	16	7,752
Purchase of treasury shares	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Treasury shares reissued pursuant to employee share option plan	-	1	-	-	-	(1)	-	-	-	-	-
	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Balance at 30 June 2014	67,982	(3,965)	911	-	20,000	(2,019)	11,715	87,542	182,166	907	183,073
Net loss for the quarter	-	-	-	-	-	-	-	(2,258)	(2,258)	-	(2,258)
<u>Other comprehensive loss</u>											
Foreign currency translation arising from consolidation	-	-	-	-	(744)	-	-	-	(744)	(32)	(776)
Total comprehensive loss	-	-	-	-	(744)	-	-	(2,258)	(3,002)	(32)	(3,034)
Dividends on ordinary shares	-	-	-	-	-	-	-	(3,267)	(3,267)	-	(3,267)
Balance at 30 September 2014	67,982	(3,965)	911	-	19,256	(2,019)	11,715	82,017	175,897	875	176,772

3. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

Group (Cont'd)

	ATTRIBUTABLE TO OWNERS OF THE COMPANY										
	Share capital	Treasury shares	Share option reserve	Asset revaluation reserve	Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Retained earnings	Equity attributable to owners of the company, total	Non-controlling interest	Equity, total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2013	67,982	(4,670)	911	186	18,386	(1,417)	11,319	78,528	171,225	849	172,074
Net (loss)/profit for the quarter	-	-	-	-	-	-	-	(1,888)	(1,888)	30	(1,858)
<u>Other comprehensive loss</u>											
Foreign currency translation arising from consolidation	-	-	-	-	(835)	-	-	-	(835)	(37)	(872)
Total comprehensive loss	-	-	-	-	(835)	-	-	(1,888)	(2,723)	(7)	(2,730)
Treasury shares reissued pursuant to employee share option plan	-	160	-	-	-	(136)	-	-	24	-	24
Balance at 31 March 2013	67,982	(4,510)	911	186	17,551	(1,553)	11,319	76,640	168,526	842	169,368
Net profit for the quarter	-	-	-	-	-	-	-	1,999	1,999	13	2,012
<u>Other comprehensive income/(loss)</u>											
Foreign currency translation arising from consolidation	-	-	-	-	1,955	-	-	-	1,955	(11)	1,944
Total comprehensive income	-	-	-	-	1,955	-	-	1,999	3,954	2	3,956
Treasury shares reissued pursuant to employee share option plan	-	317	-	-	-	(270)	-	-	47	-	47
Dividends on ordinary shares	-	-	-	-	-	-	-	(1,637)	(1,637)	-	(1,637)
Fair value gain transferred to retained earnings on disposal	-	-	-	(186)	-	-	-	186	-	-	-
	-	317	-	(186)	-	(270)	-	(1,451)	(1,590)	-	(1,590)
Balance at 30 June 2013	67,982	(4,193)	911	-	19,506	(1,823)	11,319	77,188	170,890	844	171,734
Net profit for the quarter	-	-	-	-	-	-	-	82	82	16	98
<u>Other comprehensive income</u>											
Foreign currency translation arising from consolidation	-	-	-	-	918	-	-	-	918	5	923
Total comprehensive income	-	-	-	-	918	-	-	82	1,000	21	1,021
Treasury shares reissued pursuant to employee share option plan	-	73	-	-	-	(62)	-	-	11	-	11
Balance at 30 September 2013	67,982	(4,120)	911	-	20,424	(1,885)	11,319	77,270	171,901	865	172,766
Net profit for the quarter	-	-	-	-	-	-	-	492	492	14	506
<u>Other comprehensive income/(loss)</u>											
Foreign currency translation arising from consolidation	-	-	-	-	545	-	-	-	545	(23)	522
Total comprehensive income/(loss)	-	-	-	-	545	-	-	492	1,037	(9)	1,028
Treasury shares reissued pursuant to employee share option plan	-	42	-	-	-	(36)	-	-	6	-	6
Transfer from retained earnings to statutory reserve fund	-	-	-	-	-	-	396	(396)	-	-	-
	-	42	-	-	-	(36)	396	(396)	6	-	6
Balance at 31 December 2013	67,982	(4,078)	911	-	20,969	(1,921)	11,715	77,366	172,944	856	173,800

3. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

Company

	Share capital	Treasury shares	Share option reserve	Capital reserve	Retained earnings	Equity, total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014	67,982	(4,078)	911	(1,921)	30,990	93,884
Net profit for the quarter, representing total comprehensive income for the quarter	-	-	-	-	7,319	7,319
Treasury shares reissued pursuant to employee share option plan	-	113	-	(97)	-	16
Balance at 31 March 2014	67,982	(3,965)	911	(2,018)	38,309	101,219
Net profit for the quarter, representing total comprehensive income for the quarter	-	-	-	-	889	889
Purchase of treasury shares	-	(1)	-	-	-	(1)
Treasury shares reissued pursuant to employee share option plan	-	1	-	(1)	-	-
	-	-	-	(1)	-	(1)
Balance at 30 June 2014	67,982	(3,965)	911	(2,019)	39,198	102,107
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(1,071)	(1,071)
Dividends on ordinary shares	-	-	-	-	(3,267)	(3,267)
Balance at 30 September 2014	67,982	(3,965)	911	(2,019)	34,860	97,769
Balance at 1 January 2013	67,982	(4,670)	911	(1,417)	64,074	126,880
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(204)	(204)
Treasury shares reissued pursuant to employee share option plan	-	160	-	(136)	-	24
Balance at 31 March 2013	67,982	(4,510)	911	(1,553)	63,870	126,700
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(1,303)	(1,303)
Treasury shares reissued pursuant to employee share option plan	-	317	-	(270)	-	47
Dividends on ordinary shares	-	-	-	-	(1,637)	(1,637)
	-	317	-	(270)	(1,637)	(1,590)
Balance at 30 June 2013	67,982	(4,193)	911	(1,823)	60,930	123,807
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(273)	(273)
Treasury shares reissued pursuant to employee share option plan	-	73	-	(62)	-	11
Balance at 30 September 2013	67,982	(4,120)	911	(1,885)	60,657	123,545
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(29,667)	(29,667)
Treasury shares reissued pursuant to employee share option plan	-	42	-	(36)	-	6
Balance at 31 December 2013	67,982	(4,078)	911	(1,921)	30,990	93,884

4. CONSOLIDATED CASH FLOW STATEMENT

	The Group		The Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Net (loss)/profit for the period	(2,258)	98	7,959	252
Adjustments for :				
Income tax expense	444	1,321	3,899	2,330
Depreciation of property, plant and equipment	1,554	1,539	4,667	5,072
Amortisation of intangible assets	346	395	1,046	1,367
Net loss/(gain) on disposal of property, plant and equipment	68	12	111	(1,384)
Interest income	(58)	(58)	(183)	(170)
Interest expense	574	849	1,869	2,865
Property, plant and equipment written off	-	539	1	539
Warranty provision	2,494	2,865	8,159	8,010
Net fair value gain on foreign exchange derivative instruments	(1,618)	(200)	(5,732)	(435)
Unrealised foreign exchange translation differences	308	224	(464)	1,903
Operating cash flows before changes in working capital	1,854	7,584	21,332	20,349
Inventories	(500)	10,483	7,939	43,873
Trade and other receivables, deposits and prepayments	16,786	6,687	18,718	3,992
Provision for warranty	(2,598)	(2,560)	(7,260)	(7,801)
Trade and other payables	(5,138)	(4,392)	(10,991)	(15,611)
Cash flows from operations	10,404	17,802	29,738	44,802
Income taxes paid	(601)	(1,349)	(1,422)	(3,232)
Net cash flows from operating activities	9,803	16,453	28,316	41,570
Investing activities				
Proceeds from disposal of property, plant and equipment	11	-	37	1,915
Purchase of property, plant and equipment	(868)	(623)	(3,031)	(1,696)
Purchase of intangible assets	(10)	-	(18)	(1,546)
Interest received	58	58	183	170
Net cash flows used in investing activities	(809)	(565)	(2,829)	(1,157)
Financing activities				
Interest paid	(574)	(849)	(1,869)	(2,865)
Repayment of bank term loans	(2,251)	(2,285)	(6,864)	(6,867)
Repayment of short-term borrowings	(4,983)	(12,495)	(38,564)	(39,383)
Purchase of treasury shares	-	-	(1)	-
Proceeds from re-issuance of treasury shares	-	11	16	82
Dividends paid to shareholders of the Company	(3,267)	-	(3,267)	(1,637)
Net cash flows used in financing activities	(11,075)	(15,618)	(50,549)	(50,670)
Net (decrease)/increase in cash and cash equivalents	(2,081)	270	(25,062)	(10,257)
Effect of exchange rate changes on cash and cash equivalents	(422)	(395)	(549)	181
Cash and cash equivalents at the beginning of the financial period	47,693	65,938	70,801	76,679
Cash and cash equivalents at the end of the financial period ⁽¹⁾	45,190	65,813	45,190	66,603
Free Cash Flow ⁽²⁾	8,925	15,830	25,267	38,328

Notes:

(1) Cash and cash equivalents comprise cash on hand, deposits with banks, net of bank overdrafts.

(2) Free cash flow is defined as net cash from operating activities less capital expenditure.

5. NOTES TO THE FINANCIAL STATEMENTS

A. Operating (loss)/profit before finance income and expense and net foreign exchange gain/(loss)

This is arrived at after charging the following:

	The Group		The Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation of property, plant and equipment	1,554	1,539	4,667	5,072
Amortisation of intangible assets	346	395	1,046	1,367
Total depreciation and amortisation	1,900	1,934	5,713	6,439
(Written back)/allowance made for impairment of trade receivables	(215)	(67)	274	229
Bad trade debts written off	-	127	791	151
Allowance made for slow moving and obsolete inventories	608	113	858	692
Warranty and claim expenses	3,384	3,397	10,288	9,515
Employee benefits	21,480	21,762	66,364	65,791
Net loss/(gain) on disposal of property, plant and equipment	68	12	111	(1,384)
Property, plant and equipment written off	-	539	1	539

B. Income tax expense

	The Group		The Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Tax expense attributable to profit is made up of:				
Current income taxes:				
- Current income tax	222	610	3,720	2,294
- (Over)/under provision in respect of previous years	(8)	(3)	23	160
Deferred income taxes:				
- Current deferred tax	230	714	(250)	(24)
- Over provision in respect of previous years	-	-	(99)	(100)
Withholding taxes ⁽¹⁾	-	-	505	-
	444	1,321	3,899	2,330

Note:

(1) These represent withholding tax paid on the dividends declared by overseas subsidiaries.

The Group's income tax expense increased from US\$2.3 million in 9M FY 2013 to US\$3.9 million in 9M FY 2014 mainly due to higher profitability.

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

C. Inventories

	<u>The Group</u>	
	30 Sep 2014 US\$'000	31 Dec 2013 US\$'000
Raw materials	65,464	70,109
Work-in-progress	20,455	22,562
Finished goods	60,925	62,112
	146,844	154,783

D. Intangible assets

	Goodwill on Acquisition	IP Rights	Computer Software Licenses & Development Costs	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
<u>Cost</u>				
At 1 January 2013	675	13,140	9,511	23,326
Additions	-	-	1,546	1,546
Exchange rate adjustments	29	-	(145)	(116)
At 31 December 2013 and 1 January 2014	704	13,140	10,912	24,756
Additions	-	-	18	18
Exchange rate adjustments	(57)	-	(55)	(112)
At 30 September 2014	647	13,140	10,875	24,662
<u>Accumulated amortisation</u>				
At 1 January 2013	-	4,759	7,864	12,623
Charge for the financial year	-	653	1,068	1,721
Exchange rate adjustments	-	-	(24)	(24)
At 31 December 2013 and 1 January 2014	-	5,412	8,908	14,320
Charge for the financial year	-	490	556	1,046
Exchange rate adjustments	-	-	(24)	(24)
At 30 September 2014	-	5,902	9,440	15,342
<u>Net book value</u>				
At 31 December 2013	704	7,728	2,004	10,436
At 30 September 2014	647	7,238	1,435	9,320

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

E. Loans and borrowings

	The Group	
	30 Sep 2014	31 Dec 2013
	US\$'000	US\$'000
<u>Current</u>		
Trust receipts and bank bill payables	38,401	49,531
Bank term loans	5,037	8,991
Short-term bank loans	8,715	36,133
	52,153	94,655
<u>Non-current</u>		
Bank term loans	208	3,134
	52,361	97,789
Total loans and borrowings		

The Group's total loans and borrowings are unsecured except for the bank term loans of a subsidiary with a carrying amount of US\$0.5 million that are secured by the subsidiary's freehold land and building.

F. Share capital

	No of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	US\$'000	US\$'000
At 1 January 2014	416,563	(10,791)	67,982	(4,078)
Treasury shares purchased	-	(7)	-	(1)
Reissued pursuant to employee share option plans:				
- For cash on exercise of employee share options	-	305	-	16
- Loss transferred to capital reserve	-	-	-	98
	-	305	-	114
At 30 September 2014	416,563	(10,493)	67,982	(3,965)
At 1 January 2013	416,563	(12,358)	67,982	(4,670)
Reissued pursuant to employee share option plans:				
- For cash on exercise of employee share options	-	1,457	-	82
- Loss transferred to capital reserve	-	-	-	468
	-	1,457	-	550
At 30 September 2013	416,563	(10,901)	67,982	(4,120)

Treasury shares

The Company is authorised by the shareholders to buy up to 10% of the ordinary shares of the Company. The Company acquired 7,000 (30 September 2013: Nil) shares in the Company through purchases on the Singapore Exchange during the financial period. The total amount paid to acquire the shares was US\$1,491 (30 September 2013: Nil) and this was presented as a separate component within shareholders' equity.

The Company reissued 305,000 (30 September 2013: 1,456,300) treasury shares during the financial period pursuant to the HTL International Holdings Limited Share Option Plan 2002 at a weighted average exercise price of US\$0.05 (30 September 2013: US\$0.06) each for a cash consideration of US\$16,000 (30 September 2013: US\$82,000).

5. **NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

F. **Share capital (Cont'd)**

Share options

HTL International Holdings Limited Share Option Plan 2002

During the financial period, the Company has not issued any new share options.

Details of the share options to subscribe for ordinary shares of the Company that remains outstanding as at 30 September 2014 are as follows:

	Aggregate options granted since commencement of scheme	Aggregate options exercised since commencement of scheme	Aggregate options lapsed since commencement of scheme	Aggregate options outstanding at end of financial year	Exercise price	Exercise Period
2004 Options	4,502,250	1,538,250	2,964,000	-	\$0.82	19.6.2005 - 18.6.2014
2009 Options	7,120,000	6,112,500	777,500	230,000	\$0.07	26.2.2010 - 26.2.2019
	<u>11,622,250</u>	<u>7,650,750</u>	<u>3,741,500</u>	<u>230,000</u>		

G. **Earnings per share**

	3 months ended 30 Sep		9 months ended 30 Sep	
	2014	2013	2014	2013
Earnings per share (US cents)				
- Basic	(0.56)	0.02	1.95	0.05
- Diluted	<u>(0.56)</u>	<u>0.02</u>	<u>1.95</u>	<u>0.05</u>

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective financial period.

For the purpose of calculating the diluted earnings per share, the net profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 30 September 2014, the Company has only one category of dilutive potential ordinary shares which is share options. In the computation of diluted net earnings per share, if the effect of outstanding share options is anti-dilutive, this is disregarded.

For the share options, the weighted average number of shares is adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price during the financial period) for the same total proceeds is added to the denominator as the number of shares issued for no consideration with no adjustment made to the net profit – numerator.

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

G. Earnings per share (Cont'd)

	3 months ended 30 Sep		9 months ended 30 Sep	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Net (loss)/profit attributable to owners of the Company used to determine basic and diluted earnings per share	(2,258)	82	7,918	193
	No. of shares	No. of shares	No. of shares	No. of shares
	'000	'000	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	406,050	405,033	406,064	405,048
Adjustment for assumed conversion of share options	189	977	181	970
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	406,239	406,010	406,245	406,018
Diluted earnings per share (US cents)	(0.56)	0.02	1.95	0.05

H. Net asset per share

	The Group		The Company	
	As at 30 Sep 2014	As at 31 Dec 2013	As at 30 Sep 2014	As at 31 Dec 2013
Net asset value per ordinary share based on issued share capital as at the end of the respective period/year (US cents) *	43.32	42.62	24.08	23.14

* Based on issued share capital of 406,070,018 ordinary shares (excluding treasury shares) as at 30 September 2014 and 405,772,018 ordinary shares (excluding treasury shares) as at 31 December 2013.

6. AUDIT

The figures have not been audited or reviewed by our auditors.

7. AUDITOR'S REPORT

Not applicable.

8. ACCOUNTING POLICIES

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of audited financial statements as at 31 December 2013.

9. CHANGES IN THE ACCOUNTING POLICIES

The Group adopted the new/revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2014.

The adoption of these new/revised FRS did not have any material impact on the financial statements of the Group.

10. REVIEW OF GROUP PERFORMANCE

Overview

	(A)	(B)	(C)	(D)= (A)+(B)+(C)		(E)	(F) = (D) - (E)	
	Q1 2014	Q2 2014	Q3 2014	YTD Sep FY 2014	Q3 2013	YTD Sep FY 2013	Change	%
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Sofa Business Unit ("Sofa BU")								
- External	115,017	139,346	109,291	363,654	117,246	378,578	(14,924)	-3.9%
- Internal	1,945	1,991	1,503	5,439	2,734	7,434	(1,995)	
	<u>116,962</u>	<u>141,337</u>	<u>110,794</u>	<u>369,093</u>	<u>119,980</u>	<u>386,012</u>	<u>(16,919)</u>	
Leather Business Unit ("Leather BU")								
- Internal	<u>33,404</u>	<u>34,726</u>	<u>31,988</u>	<u>100,118</u>	<u>39,341</u>	<u>124,227</u>	<u>(24,109)</u>	-19.4%
Home Furnishing Business Unit ("HFBU")								
- External	4,928	5,761	4,556	15,245	4,807	15,628	(383)	-2.5%
- Internal	157	38	57	252	73	304	(52)	
	<u>5,085</u>	<u>5,799</u>	<u>4,613</u>	<u>15,497</u>	<u>4,880</u>	<u>15,932</u>	<u>(435)</u>	
Less : Inter-segment sales	(35,506)	(36,755)	(33,548)	(105,809)	(42,148)	(131,965)	26,156	
Group Turnover	<u>119,945</u>	<u>145,107</u>	<u>113,847</u>	<u>378,899</u>	<u>122,053</u>	<u>394,206</u>	<u>(15,307)</u>	-3.9%

Notes:

- (i) Core Business comprises the Sofa, Leather Business Units ("BU") and Corporate Office
- (ii) Q1, Q2 and Q3 2014/2013 – three months ended 31 March, 30 June and 30 September 2014/2013, respectively
- (iii) YTD Sep 2014/2013– nine months ended 30 September 2014/2013
- (iv) SG&A – represents the aggregate of total sales, marketing, distribution and administrative expenses

Q3 2014 vs. Q3 2013

Turnover

Revenue fell by 6.7% to US\$113.8 million, mainly due to weaker sales in North America, followed by Australia and New Zealand ("ANZ"). This was partially offset by stronger sales from Europe and increase in average selling price.

Profitability

The Group's gross profit margin decreased from 31.7% in Q3 2013 to 29.2% in Q3 2014, primarily due to higher input cost particularly leather, coupled with higher factory fixed overhead costs per unit of production as a result of lower sales volume in Q3 2014. These were partially mitigated by the increase in average selling price and lower leather usage.

Other operating income fell by 27.2% to US\$1.4 million in Q3 2014, mainly due to lower leather scrap sales to external parties.

SG&A fell by 4.3% to US\$37.4 million in Q3 2014, in tandem with lower revenue.

Other operating expenses increased substantially by US\$1.5 million to US\$2.7 million. This was mainly due to a one-off expense incurred in connection with the cessation of a sales marketing agency.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Q3 2014 vs. Q3 2013 (Cont'd)

Profitability (Cont'd)

Net finance expense decreased by 34.8% to US\$0.5 million in Q3 2014, in line with lower loans and borrowings.

Lower gross profit and the one-off expense incurred in connection with the cessation of a sales marketing agency were the main causes for the higher operating loss before net foreign exchange gain and tax of US\$5.8 million for Q3 2014, compared to US\$0.4 million in Q3 2013.

In the volatile forex market, the Group managed to achieve a net foreign exchange gain of US\$4.0 million in Q3 2014 compared to US\$1.8 million in Q3 2013. This was largely attributable to higher realised gain on delivery of foreign exchange contracts and higher unrealised mark-to-market gain on foreign exchange contracts.

Income tax expense reduced from US\$1.3 million in Q3 2013 to US\$0.4 million in Q3 2014. Although the Group posted loss before tax of US\$1.8 million, the income tax expense recorded in Q3 2014 was mainly due to losses from certain subsidiaries which could not be utilised to offset the profits generated by other subsidiaries.

Consequently, the Group's bottom line swung from a net profit of US\$0.1 million in Q3 2013 to a net loss of US\$2.3 million in Q3 2014.

9M FY 2014 vs 9M FY 2013

Turnover

Turnover fell by 3.9% to US\$378.9 million in 9M FY 2014, primarily due to the weaker sales in North America coupled with the weaker Japanese Yen and Australian Dollar against the United States Dollar ("USD"). This was partially offset by higher sales in Europe and Asia, stronger Euro against the USD and increase in average selling price.

Profitability

The Group's gross profit margin decreased from 31.5% in 9M FY 2013 to 30.9% mainly as a result of higher input costs, partially mitigated by an increase in average selling price and lower leather usage.

Other operating income for 9M FY 2014 was 13.1% lower at US\$6.8 million. The US\$7.9 million other operating income for 9M FY 2013 included a one-off gain from disposal of land in Malaysia.

Lower turnover and cost savings from lower freight rates, cost-cutting initiatives and organisational restructuring at overseas sales and marketing offices have reduced SG&A by 4.9% to US\$118.8 million in 9M FY 2014.

Other operating expenses doubled to US\$3.0 million in 9M FY 2014 from US\$1.5 million in 9M FY 2013, mainly due to the one-off expense incurred in connection with the cessation of a sales marketing agency.

Net finance expense dropped 37.4% to US\$1.7 million in 9M FY 2014, in line with lower loans and borrowings.

The lower gross profit, coupled with higher other operating expenses resulted in reducing operating profit before net foreign exchange gain and tax by US\$2.7 million from US\$3.0 million in 9M FY 2013 to US\$0.3 million in 9M FY 2014.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

9M FY 2014 vs. 9M FY 2013 (Cont'd)

Profitability (Cont'd)

The Group recorded a net foreign exchange gain of US\$11.6 million in 9M FY 2014 compared to a loss of US\$0.4 million in 9M FY 2013. The 9M FY 2014 gain was largely attributable to the realised gain on delivery of foreign exchange contracts and the unrealised mark-to-market gain on foreign exchange contracts whilst the 9M FY 2013 loss was mainly the result of unrealised foreign exchange loss on translation of bank balances.

With higher profitability, income tax expense rose by US\$1.6 million to US\$3.9 million in 9M FY 2014.

Overall, the Group's net profit improved from US\$0.3 million in 9M FY 2013 to US\$8.0 million in 9M FY 2014.

Analysis by Major Business Units ("BU")

	Core Business ⁽¹⁾			Home Furnishing		
	9 months ended 30 Sep 2014	2013	Change %	9 months ended 30 Sep 2014	2013	Change %
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue (exclude inter-segment sales)	363,654	378,578	(3.9)	15,245	15,628	(2.5)
Operating profit/(loss) before net foreign exchange gain/(loss)	4,480	5,396	(17.0)	(4,210)	(2,367)	77.9
EBITDA before net foreign exchange gain/(loss)	11,211	13,913	(19.4)	(3,542)	(1,750)	102.4
Net profit/(loss) for the period	12,309	2,624	369.1	(4,350)	(2,372)	83.4
Net margin	3.4%	0.7%		-28.5%	-15.2%	
Total net foreign exchange gain/(loss)	11,768	(506)		(180)	59	

Note:

(1) Core Business comprises the Sofa, Leather BU and Corporate Office.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Analysis by Major Business Units ("BU") (Cont'd)

Core Business

Sofa BU - Revenue by Regions

	9 months ended 30 Sep		Change	
	2014	2013	US\$'000	%
	US\$'000	US\$'000		
Asia (excluding Greater China)	53,120	51,423	1,697	3.3
Greater China	4,859	2,983	1,876	62.9
Europe	168,096	162,711	5,385	3.3
North America	77,754	97,386	(19,632)	(20.2)
ANZ	58,909	62,853	(3,944)	(6.3)
Others	916	1,222	(306)	(25.0)
Total *	363,654	378,578	(14,924)	(3.9)

* Exclude inter-segment sales

Sofa BU posted lower revenue of US\$363.7 million compared to US\$378.6 million in the same period last year, mainly due to lower sales in North America coupled with the weaker Japanese and Australian currencies against the USD. The lower sales in North America was predominantly the consequence of continuing effort to focus on margin management. The impact of these were partially offset by higher sales in Europe and Asia, which increased by 3.3% to US\$168.1 million and 6.6% to US\$58.0 million, respectively.

Europe continued to be our largest market which accounted for 46.2% (9M FY 2013: 43.0%) of the Core Business's turnover, followed by North America (21.4%), ANZ (16.2%) and Asia (15.9%).

Our Core Business' operating profit before net foreign exchange gain and tax decreased by 17.0% to US\$4.5 million, mainly due to the one-off expense incurred in connection with the cessation of a sales marketing agency.

Home Furnishing BU ("HFBU")

The performance of HFBU remained weak in 9M FY 2014. Revenue fell by 2.5% to US\$15.2 million. The new international concept and product range launched by Domicil Home in Germany in early 2014 has yet to gather pace. This, coupled with higher marketing and advertising costs for the launch were mainly the causes of HFBU's higher operating loss before net foreign exchange loss and tax of US\$4.2 million in 9M FY 2014 compared to US\$2.4 million in 9M FY 2013.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Liquidity, financial and working capital resources

The Group continued to maintain a healthy balance sheet amidst the challenging business environment.

Trade and other receivables decreased by US\$17.4 million to US\$48.6 million, mainly due to lower sales in Q3 2014 coupled with the higher factoring without recourse. Consequently, the average day sales outstanding ("DSO") as at 30 September 2014 improved to 1.2 months (31 December 2013: 1.5 months).

Inventory reduced by US\$7.9 million to US\$146.8 million, in line with lower revenue. The outstanding days in inventory ("DIO") remained fairly constant at 5.0 months as at 30 September 2014 (31 December 2013: 5.1 months).

Trade and other payables decreased by US\$11.0 million to US\$73.0 million. This was mainly attributable to the higher payment made to suppliers. Accordingly, the average day payables outstanding ("DPO") as at 30 September 2014 reduced marginally to 2.5 months (31 December 2013: 2.8 months).

The Group's net borrowings (loans and borrowings less cash and short term deposits) decreased further by US\$19.8 million from US\$27.0 million as at 31 December 2013 to US\$7.2 million as at 30 September 2014. This was mainly due to higher profitability coupled with improvement in working capital management. Net gearing improved further to 4.1% (31 December 2013: 15.6%). The Group reported a lower positive free cash flow of US\$25.3 million in 9M FY 2014 (9M FY 2013: US\$38.3 million) mainly as a result of higher leather procurement activities in 9M FY 2014 compared to 9M FY 2013.

11. VARIANCE FROM PROSPECT STATEMENT

No prospect statement was previously provided.

12. OUTLOOK

Consumer confidence is expected to remain weak. Input costs especially raw leather hide prices will continue to be at near all-time high and wages at our production plants in China will probably rise further. These factors, together with the volatility of our major trading currencies will put additional pressure on profit margins. Against this backdrop, HTL will continue to improve its operational efficiency and cost effectiveness.

At the same time, to better meet consumers' changing needs and buying preferences, HTL has embarked on broadening its portfolio by offering innovative and complementary products and establishing new distribution channels, particularly in Asia. These new investments which are all at the infancy stage will take time to bear fruit and are expected to increase the Group's operating costs and would affect profitability in the coming months.

13. KEY BUSINESS RISKS

Macro Risks

Commodity risks

Raw leather hide is the principal raw material in the Group's upholstered furniture accounting for almost half of the sofa upholstery cost. As such, the cost of upholstered furniture is exposed to fluctuations in the price of cattle raw hide. The supply of cattle raw hide is principally dependent on the consumption of beef. The cattle industry is also exposed to veterinary health issues like foot-and-mouth and mad cow disease, which will have an impact on the slaughter rate of cattle. Fluctuations in the price of raw leather hides will significantly affect operating margins.

Cyclical demand for furniture

Historically, the furniture industry has been cyclical, fluctuating with economic cycles, and is sensitive to general economic conditions, housing starts, interest rate levels, credit availability and other factors that affect consumer spending habits. As most furniture purchases are discretionary in nature and may represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty. Any prolonged global economic slowdown may have an adverse effect on the Group's operating results.

Seasonal operations

The Group's sale of leather upholstered furniture is subject to seasonal variations given that the increased contribution from the Europe and US markets now accounts for almost 70% of the Group's turnover. In general, shipments of goods from July to August (i.e. the summer months) are lower than in the other months of a calendar year. These seasonality variations may cause short term fluctuations in the Group's turnover and performance.

Changes in the regulations of The People's Republic of China ("PRC") relating to export Value Added Tax ("VAT") rebates and import duties

In order to reduce its massive trade surplus, the PRC government has gradually reduced its export VAT rebates for many business sectors. With effect from 1 July 2007, export VAT rebates for the Group's product segments had been reduced from 8% to nil for finished leather, and from 13% to 11% for sofa upholstery. With effect from 1 June 2009, the export VAT rebate for the sofa upholstery was temporarily reinstated to 15%. Should the PRC government revises the effective export VAT rebates downwards, this would adversely impact the Group's operating margins.

Changes in the PRC processing trade policy

Since 2006, the PRC government has been introducing changes to the processing trade policy, such as moving certain widely used materials to the prohibited category, these changes being aimed at restricting the production and export of high pollution, high energy consumption and resource consuming products. In its latest policy switch in July 2007, the government requested that enterprises engaged in the processing trade industry in the prohibited category pay a mandatory duty deposit for imported raw materials. At this juncture, the Group's products have been exempted from this prohibited category. However, any expansion of the prohibited category to include the Group's products may impact the Group's cash flow and incur increased financial costs.

Environmental risk

The production of leather is generally pollutive. As the PRC government is tightening its environmental protection policy, the Group's production activities may be put under close scrutiny. The Group has always observed a high standard of social and environmental responsibility, and welcomes the PRC government's new initiatives. However, it is possible that further investments may be needed to upgrade the Group's waste treatment facilities and this will in turn increase production costs.

13. KEY BUSINESS RISKS (Cont'd)

Macro Risks (Cont'd)

Company Risks

Foreign exchange risks

The global financial markets remain volatile. The Group transacts primarily in USD which is also its primary functional currency. The Group also transacts in other major foreign currencies like Japanese Yen, Sterling Pound, Euro and Australian Dollar. Majority of the Group's operations are also situated outside of Singapore, most notably in China. Consequently, any movement between Renminbi and USD will also affect the Group's currency exposure risks. Any significant adverse movements in the other major trading currencies against USD will also have an impact on the Group's performance. The Group actively monitors and hedges its foreign currency exchange exposure by using relevant foreign exchange forward contracts and options to hedge its cash flow and margins. Where appropriate, the Group will borrow in the same currency to provide a natural hedge for balance sheet items.

Vulnerable to freight rate increases

The Group exports its upholstery products to more than 40 countries across 6 continents and relies on shipping companies for the shipment of its products to these countries. As such, the Group bears freight costs when it sells on Cost, Insurance and Freight (CIF), Delivered Duty Unpaid (DDU) or Cost and Freight (CFR) terms, and when it purchases on Free on Board (FOB) term. The freight market can be volatile, and freight rates are affected by fluctuations in oil prices. If freight rates are high, the Group's distribution costs will increase and operating margins can be affected. The Group has no control over the supply and demand of freight services and it is therefore difficult for the Group to manage its freight costs. The Group does factor in an appropriate amount of the expected freight rate increases in the quotation of sales price to customers.

14. DIVIDEND

- (i) Current financial period reported on - None
- (ii) Corresponding period of the immediately preceding financial period – None
- (iii) Date payable – Not applicable
- (iv) Books closure date – Not applicable

15. SEGMENTAL INFORMATION

	Sofa US\$'000	Leather US\$'000	Home Furnishing US\$'000	Corporate US\$'000	Elimination US\$'000	Group US\$'000
Financial period ended 30 September 2014						
Revenue						
External sales	363,654	-	15,245	-	-	378,899
Inter-segment sales	5,439	100,118	252	-	(105,809)	-
Total revenue	<u>369,093</u>	<u>100,118</u>	<u>15,497</u>	<u>-</u>	<u>(105,809)</u>	<u>378,899</u>
Segment results	<u>8,027</u>	<u>(933)</u>	<u>(4,240)</u>	<u>(898)</u>	<u>-</u>	<u>1,956</u>
Finance income						183
Finance expense						(1,869)
Net foreign exchange gain						11,588
Income tax expense						<u>(3,899)</u>
Net profit for the period						<u>7,959</u>
Segment assets	176,476	104,364	22,266	3,385	-	306,491
Tax assets						<u>5,195</u>
Consolidated total assets						<u>311,686</u>
Segment liabilities	(63,799)	(8,973)	(3,636)	(1,566)	-	(77,974)
Loans and borrowings						(52,361)
Tax liabilities						<u>(4,579)</u>
Consolidated total liabilities						<u>(134,914)</u>
Other segment items						
Addition to non-current assets						
- property, plant and equipment	2,386	103	542	-	-	3,031
Depreciation	3,196	1,267	204	-	-	4,667
Amortisation	379	173	494	-	-	1,046

15. SEGMENTAL INFORMATION (Cont'd)

	Sofa US\$'000	Leather US\$'000	Home Furnishing US\$'000	Corporate US\$'000	Elimination US\$'000	Group US\$'000
Financial period ended 30 September 2013						
Revenue						
External sales	378,578	-	15,628	-	-	394,206
Inter-segment sales	7,434	124,227	304	-	(131,965)	-
Total revenue	<u>386,012</u>	<u>124,227</u>	<u>15,932</u>	<u>-</u>	<u>(131,965)</u>	<u>394,206</u>
Segment results	<u>3,689</u>	<u>5,194</u>	<u>(2,380)</u>	<u>(779)</u>	<u>-</u>	<u>5,724</u>
Finance income						170
Finance expense						(2,865)
Net foreign exchange loss						(447)
Income tax expense						(2,330)
Net period for the period						<u>252</u>
Segment assets	209,866	118,389	26,079	3,195	-	357,529
Tax assets						6,077
Consolidated total assets						<u>363,606</u>
Segment liabilities	(60,757)	(8,678)	(5,773)	(1,315)	-	(76,523)
Loans and borrowings						(112,411)
Tax liabilities						(1,906)
Consolidated total liabilities						<u>(190,840)</u>
Other segment items						
Addition to non-current assets						
- property, plant and equipment	820	512	364	-	-	1,696
- intangible assets	1,546	-	-	-	-	1,546
Depreciation	3,287	1,650	135	-	-	5,072
Amortisation	546	326	495	-	-	1,367

Secondary reporting format – geographical segments

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of where the products were manufactured:

	9 months ended 30 Sep		Change	
	2014 US\$'000	2013 US\$'000	US\$'000	%
Asia (excluding Greater China)	57,726	54,057	3,669	6.8
Greater China	5,135	3,469	1,666	48.0
Europe	175,569	171,759	3,810	2.2
North America	79,947	99,935	(19,988)	(20.0)
ANZ	59,269	63,406	(4,137)	(6.5)
Others	1,253	1,580	(327)	(20.7)
Total	<u>378,899</u>	<u>394,206</u>	<u>(15,307)</u>	<u>(3.9)</u>

15. SEGMENTAL INFORMATION (Cont'd)

The following table shows the distribution of the Group's non-current assets (excluding deferred tax assets) based on the geographical location of where the Company and its subsidiaries are located:

	Non-current assets (excluding deferred tax assets)	
	30 Sep 2014 US\$'000	31 Dec 2013 US\$'000
Asia (excluding Greater China)	16,900	18,641
Europe	2,334	3,372
Greater China	31,689	33,338
Others	442	385
Total	51,365	55,736

16. CONFIRMATION PURSUANT TO RULE 705 (5) OF THE LISTING MANUAL

We, the undersigned, being two directors of HTL International Holdings Limited (the "Company") do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of the Group comprising the balance sheets (Group and Company), consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity (Group and Company) and consolidated cash flow statement, (together with the accompanying notes) for the period ended 30 September 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Phua Yong Tat
Director

Phua Yong Sin
Director

BY ORDER OF THE BOARD

Jacqueline Loke
Company Secretary
13 November 2014