

Financial Statement and Dividend Announcement for the quarter ended 31 March 2014

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 1-14	Q 1-13	Increase/ (decrease)
	S\$'000	S\$'000	%
Revenue	178,927	267,635	(33.1)
Cost of sales	<u>(175,555)</u>	<u>(237,462)</u>	(26.1)
Gross profit	3,372	30,173	(88.8)
Other items of income			
Interest income	897	864	3.8
Other income	5,582	2,386	133.9
Other items of expense			
Selling and distribution expenses	(1,820)	(1,849)	(1.6)
Administrative expenses	(16,310)	(19,548)	(16.6)
Financial costs	(561)	(538)	4.3
Other expenses	(3,424)	(3,190)	7.3
Share of results of associates	(16)	-	n.m.
(Loss)/ profit before tax	(12,280)	8,298	n.m.
Income tax credit/ (expense)	<u>9</u>	<u>(1,411)</u>	n.m.
(Loss)/ profit for the period	<u>(12,271)</u>	<u>6,887</u>	n.m.
Attributable to:			
Owners of the Company	(12,272)	6,886	n.m.
Non-controlling interests	<u>1</u>	<u>1</u>	0.0
	<u>(12,271)</u>	<u>6,887</u>	n.m.

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 31 March 2014

	Group		Increase/ (decrease) %
	Q1-14 S\$'000	Q1-13 S\$'000	
(Loss)/ profit for the period	(12,271)	6,887	n.m.
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	(11,802)	7,595	n.m.
Share of other comprehensive income of associates	37	-	n.m.
Other comprehensive income for the period, net of tax	<u>(11,765)</u>	<u>7,595</u>	n.m.
Total comprehensive income for the period	<u><u>(24,036)</u></u>	<u><u>14,482</u></u>	n.m.
Total comprehensive income attributable to:			
Owners of the Company	(24,009)	14,466	n.m.
Non-controlling interests	<u>(27)</u>	<u>16</u>	n.m.
	<u><u>(24,036)</u></u>	<u><u>14,482</u></u>	n.m.

n.m. – Not Meaningful

Other notes:

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

	Q1-14	Q1-13
	S\$'000	S\$'000
1. Depreciation of property, plant and equipment	20,443	20,907
2. Amortization of intangible asset	340	-
3. Amortization of land use rights	66	49
4. (Reversal of impairment loss)/ impairment loss on property, plant and equipment	(47)	4,454
5. Net gain on disposal of property, plant and equipment	(36)	(101)
6. Property, plant and equipment written off	-	36
7. Inventory provisions	887	3,865
8. Inventories written back	(80)	(826)
9. Write back on doubtful receivables	(279)	(422)
10. Bad debt recovered	-	(126)
11. Trade/ other payables written off	(93)	(196)
12. Directors' fees	89	92
13. Staff costs (including directors' remuneration)	54,332	63,839
14. Operating lease expense	4,534	3,953
15. Net foreign exchange loss	840	253
16. Net fair value loss/ (gain) on derivatives	3,164	(1,442)
17. Provision for warranty costs	347	1,051
18. Reversal of allowance on non-cancellable purchase commitments	(631)	-
19. Insurance claim	(3,912)	-

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	
	31/03/2014 S\$'000	31/12/2013 S\$'000	31/03/2014 S\$'000	31/12/2013 S\$'000
Non-current assets				
Property, plant and equipment	326,142	346,382	15,492	16,028
Intangible assets	5,349	5,689	12	12
Land use rights	12,222	12,564	-	-
Investment in subsidiaries	-	-	253,155	253,155
Investment in associates	1,942	1,930	984	984
Other receivables	-	-	90,974	91,082
Other long term assets	129	151	-	-
Deferred tax assets	22,896	21,121	-	-
	368,680	387,837	360,617	361,261
Current assets				
Inventories	149,933	163,417	2,799	3,369
Trade and other receivables	189,271	322,540	10,131	9,168
Prepaid operating expenses	10,015	11,048	187	104
Derivatives	433	2,650	94	7
Short term deposits pledged	-	6,970	-	-
Cash and cash equivalents	164,254	131,621	33,154	16,344
	513,906	638,246	46,365	28,992
Assets of disposal group classified as held for sale (Note 1)	348	389	-	-
	514,254	638,635	46,365	28,992
Current liabilities				
Trade and other payables	152,841	239,349	11,015	10,421
Accrued operating expenses	51,640	59,671	1,919	4,140
Provisions	7,402	7,063	-	-
Loans and borrowings	76,294	101,632	25,218	12,624
Income tax payable	14,983	16,379	-	-
Derivatives	1,653	119	14	119
	304,813	424,213	38,166	27,304
Liabilities directly associated with disposal group classified as held for sale (Note 1)	154	156	-	-
	304,967	424,369	38,166	27,304
Net current assets	209,287	214,266	8,199	1,688
Non-current liabilities				
Loans and borrowings	1,436	1,601	-	-
Deferred tax liabilities	1,351	1,443	-	-
	2,787	3,044	-	-
Net assets	575,180	599,059	368,816	362,949

	Group		Company	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
	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	(50,361)	(50,361)	(50,361)	(50,361)
Accumulated profits	456,844	469,249	290,590	284,880
Other reserves	43,977	55,425	8,862	8,705
Reserve of disposal group classified as held for sale (Note 1)	4,038	4,037	-	-
	<u>574,223</u>	<u>598,075</u>	<u>368,816</u>	<u>362,949</u>
Non-controlling interests	957	984	-	-
Total equity	<u><u>575,180</u></u>	<u><u>599,059</u></u>	<u><u>368,816</u></u>	<u><u>362,949</u></u>

Note 1

On 16 July 2012, the Company announced the decision of its board of directors to cease business operation of one of its wholly-owned subsidiaries, High Precision Moulding and Tools, S.A.de C.V. ("Hi-P Mexico"), with effect from 30 September 2012. Hi-P Mexico remains a dormant company thereafter.

On 31 March 2014, the Company announced the appointment of a liquidator of Hi-P Mexico to commence the member's voluntary liquidation of Hi-P Mexico.

In accordance with FRS 105, the assets and liabilities related to Hi-P Mexico are presented as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale". The assets and liabilities of Hi-P Mexico classified as held for sale and the related reserve as at Balance Sheet date are as follows:

	Group	
	31/03/2014	31/12/2013
	S\$'000	S\$'000
Assets		
Trade and other receivables	72	75
Prepaid operating expenses	1	1
Cash and cash equivalents	<u>275</u>	<u>313</u>
Assets of disposal group classified as held for sale	<u>348</u>	<u>389</u>
Liabilities		
Trade and other payables	86	91
Accrued operating expenses	<u>68</u>	<u>65</u>
Liabilities directly associated with disposal group classified as held for sale	<u>154</u>	<u>156</u>
Net assets of disposal group classified as held for sale	<u><u>194</u></u>	<u><u>233</u></u>
Reserve		
Foreign currency translation reserve	<u><u>4,038</u></u>	<u><u>4,037</u></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 31/03/2014		As at 31/12/2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
640	75,654	640	100,992

Amount repayable after one year

As at 31/03/2014		As at 31/12/2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,436	-	1,601	-

Lease obligations of S\$2,076,000 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.

	Q1-14	Q1-13
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/ profit before tax	(12,280)	8,298
Adjustments for:		
Depreciation of property, plant and equipment	20,443	20,907
Amortization of intangible asset	340	-
Amortization of land use rights	66	49
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	(47)	4,454
Net gain on disposal of property, plant and equipment	(36)	(101)
Property, plant and equipment written off	-	36
Inventory provisions	887	3,865
Inventories written back	(80)	(826)
Provision for warranty costs	347	1,051
Write back on doubtful receivables	(279)	(422)
Bad debts recovered	-	(126)
Reversal of allowance on non-cancellable purchase commitments	(631)	-
Trade/ other payables written off	(93)	(196)
Equity compensation expense	157	383
Interest expense	561	538
Interest income	(897)	(864)
Net fair value loss/ (gain) on derivatives - unrealised	3,751	(676)
Net unrealised exchange difference	1,323	566
Share of results of associates	16	-
Operating cash flows before changes in working capital	13,548	36,936
Changes in working capital		
Decrease/ (increase) in inventories	7,915	(1,253)
Decrease in trade and other receivables	130,066	84,932
Decrease in prepaid operating expenses and other long term assets	801	7,384
Decrease in trade and other payables	(75,198)	(59,106)
(Decrease)/ increase in accrued operating expenses	(6,709)	7,782
Decrease/ (increase) in amounts due from related parties	73	(2)
Total changes in working capital	56,948	39,737
Cash flows generated from operations	70,496	76,673
Income taxes paid	(2,788)	(2,041)
Net cash flows generated from operating activities	67,708	74,632

	Q1-14 S\$'000	Q1-13 S\$'000
Cash flows from investing activities		
Dividends received from an associated company	-	150
Interest received	792	723
Proceeds from disposal of property, plant and equipment	96	525
Purchase of property, plant and equipment (Note a)	(14,823)	(14,505)
Net cash flows used in investing activities	(13,935)	(13,107)
Cash flows from financing activities		
Decrease/ (increase) in short term deposits pledged	6,970	(17,195)
Interest paid	(561)	(538)
Repayment of loans and borrowings	(50,424)	(18,364)
Proceeds from loans and borrowings	25,248	10,212
Repayments of obligations under finance lease	(153)	(131)
Net cash flows used in financing activities	(18,920)	(26,016)
Net increase in cash and cash equivalents	34,853	35,509
Effect of exchange rate changes on cash and cash equivalents	(2,258)	2,142
Cash and cash equivalents at beginning of period	131,934	167,071
Cash and cash equivalents at end of period	164,529	204,722

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment

Current period additions	9,081	8,943
Less: Payable to creditors	(6,468)	(6,161)
	2,613	2,782
Payments for prior period/year purchases	12,210	11,723
Net cash outflow for purchase	14,823	14,505

(b) Reconciliation of cash and cash equivalents at 31 March 2014

	S\$'000
Cash and cash equivalents at end of period per Statement of Financial Position	164,254
Cash and cash equivalents of disposal group classified as held for sale	275
Cash and cash equivalents at end of period per Cash Flow Statement above	164,529

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 3 months ended 31 March 2014

Group	Attributable to owners of the Company							
	Share capital	Treasury shares	Other reserves	Reserve of disposal group classified as held for sale	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	S\$'000
Opening balance at 1 January 2014	119,725	(50,361)	55,425	4,037	469,249	598,075	984	599,059
Loss for the period	-	-	-	-	(12,272)	(12,272)	1	(12,271)
Share of other comprehensive income of associates	-	-	52	-	(15)	37	-	37
Foreign currency translation	-	-	(11,774)	-	-	(11,774)	(28)	(11,802)
Other comprehensive income for the period, net of tax	-	-	(11,722)	-	(15)	(11,737)	(28)	(11,765)
Total comprehensive income for the period	-	-	(11,722)	-	(12,287)	(24,009)	(27)	(24,036)
<u>Contributions by and distributions to owners</u>								
Employee share option and award scheme -Equity compensation benefits	-	-	157	-	-	157	-	157
Total transactions with owners in their capacity as owners	-	-	157	-	-	157	-	157
<u>Others</u>								
Reserve attributable to disposal group classified as held for sale	-	-	(1)	1	-	-	-	-
Transfer from retained earnings to statutory reserve fund	-	-	118	-	(118)	-	-	-
Total others	-	-	117	1	(118)	-	-	-
Closing balance at 31 March 2014	119,725	(50,361)	43,977	4,038	456,844	574,223	957	575,180

(i) Consolidated statement of changes in equity for the 3 months ended 31 March 2013

Attributable to owners of the Company

Group	Share capital	Treasury shares	Other reserves	Reserve of disposal group classified as held for sale	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	S\$'000
Opening balance at 1 January 2013	119,725	(44,285)	25,088	3,890	474,409	578,827	923	579,750
Profit for the period	-	-	-	-	6,886	6,886	1	6,887
Foreign currency translation	-	-	7,580	-	-	7,580	15	7,595
Other comprehensive income for the period, net of tax	-	-	7,580	-	-	7,580	15	7,595
Total comprehensive income for the period	-	-	7,580	-	6,886	14,466	16	14,482
Contributions by and distributions to owners								
Employee share option scheme -Equity compensation benefits	-	-	383	-	-	383	-	383
Total transactions with owners in their capacity as owners	-	-	383	-	-	383	-	383
Others								
Reserve attributable to disposal group classified as held for sale	-	-	(349)	349	-	-	-	-
Transfer from retained earnings to statutory reserve fund	-	-	42	-	(42)	-	-	-
Total others	-	-	(307)	349	(42)	-	-	-
Closing balance at 31 March 2013	119,725	(44,285)	32,744	4,239	481,253	593,676	939	594,615

(iii) Statement of changes in equity of the Company for the 3 months ended 31 March 2014

Company	Attributable to owners of the Company				Total equity
	Share capital	Treasury shares	Capital reserve	Accumulated profits	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2014	119,725	(50,361)	8,705	284,880	362,949
Profit for the period	-	-	-	5,710	5,710
Contributions by and distributions to owners					
Employee share option and award scheme - Equity compensation benefits	-	-	157	-	157
Total transactions with owners in their capacity as owners	-	-	157	-	157
Closing balance at 31 March 2014	119,725	(50,361)	8,862	290,590	368,816

(iii) Statement of changes in equity of the Company for the 3 months ended 31 March 2013

Company	Attributable to owners of the Company				Total equity
	Share capital	Treasury shares	Capital reserve	Accumulated profits	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2013	119,725	(44,285)	7,727	250,947	334,114
Profit for the period	-	-	-	2,435	2,435
Contributions by and distributions to owners					
Employee share option scheme - Equity compensation benefits	-	-	383	-	383
Total transactions with owners in their capacity as owners	-	-	383	-	383
Closing balance at 31 March 2013	119,725	(44,285)	8,110	253,382	336,932

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 financial period ended 31 March 2014, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

During the quarter ended 31 March 2014, 238,616 options have lapsed while no options were exercised.

There are 20,960,543 options outstanding as at 31 March 2014 (31 December 2013: 21,199,159).

Share Awards

During the quarter ended 31 March 2014, 2,233 awards have lapsed.

There are 209,684 share awards outstanding as at 31 March 2014 (31 December 2013: 211,917).

Treasury Shares

During the first quarter ended 31 March 2014, the Company has not purchased any shares to be held as treasury shares.

The number of treasury shares held by the Company as at 31 March 2014 is 68,953,500 (31 December 2013: 68,953,500).

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 31 March 2014 was 818,221,500 (31 December 2013: 818,221,500).

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 financial period ended 31 March 2014, there were no sales, transfers, disposal, cancellation or use of treasury shares as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2013.

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

In the current financial period, the Group adopted the new/ revised Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2014.

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>
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
Amendments to the transition guidance of FRS 110 <i>Consolidated Financial Statements</i> , FRS 111 <i>Joint Arrangements</i> and FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: <i>Investment Entities</i>	1 January 2014
Improvements to FRSs:	1 July 2014
- Amendments to FRS 103 <i>Business Combinations</i>	
- Amendments to FRS108 <i>Operating Segments</i>	
- Amendment to FRS 16 <i>Property, Plant and Equipment</i>	
- Amendment to FRS 24 <i>Related Party Disclosures</i>	
- Amendment to FRS 38 <i>Intangible Assets</i>	
- Amendment to FRS 113 <i>Fair Value Measurement</i>	

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).

	Q1-14	Q1-13
Operating (loss)/ profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	(6.9%)	2.6%
Operating (loss)/ profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	(2.1%)	1.2%
(Loss)/ earnings per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	(1.50)	0.83
(b) On a fully diluted basis (cents)*	(1.50)	0.83

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

* For 1Q2014, the financial effect of share options and share awards issued has been disregarded in the calculation of dilutive loss per ordinary share as they are anti-dilutive. For 1Q2013, 2,965,000 share options granted to employees under the existing employee share option scheme have been included in the calculation of diluted earnings per share (EPS).

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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	70.18	73.09	45.08	44.36

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

1Q2014 vs. 1Q2013

Revenue decreased by S\$88.7 million (33.1%) yoy to S\$178.9 million in 1Q2014 mainly due to lower sales volumes from key customers. The decrease was partially offset by the orders from new customers, which was in line with our strategy to diversify our customer base.

Gross profit decreased by S\$26.8 million (88.8%) yoy to S\$3.4 million in 1Q2014 mainly due to the lower sales, slower pace of decrease in labour costs as compared to the decrease in sales, as well as low manufacturing yield and efficiency during the initial stages of new projects. The decrease was partially offset by lower inventory provision.

Slower pace of decrease in labour costs was mainly due to the increase in minimum wages imposed by the applicable local governmental authorities in the PRC, volatility in customers' demand forecast which causing difficulties in labour arrangement, change in product mix, and maintaining indirect labour for projects which will be ramped up in 2H2014. As such, our gross profit margin decreased from 11.3% in 1Q2013 to 1.9% in 1Q2014.

Other income increased by S\$3.2 million (133.9%) yoy to S\$5.6 million in 1Q2014 mainly due to the insurance claim of S\$3.9 million in 1Q2014 for renovation, machineries and inventories that were damaged by the fire which broke out on 19 February 2013.

Total selling & distribution and administrative expenses decreased by S\$3.3 million (15.3%) yoy to S\$18.1 million in 1Q2014 mainly due to the decrease in staff costs and provision for warranty.

Other expense increased by S\$0.2 million (7.3%) yoy to S\$3.4 million in 1Q2014 mainly due to net fair value loss on derivatives used for currency hedging of S\$3.2 million in 1Q2014 (1Q2013: gain S\$1.4 million), partially offset by the decrease in impairment loss on property, plant and equipment by S\$4.5 million.

The Group recorded an income tax credit of S\$0.009 million in 1Q2014, representing an effective tax rate of 0.1% (1Q2013:17.0%). The lower effective tax rate was mainly due to deferred tax assets were not recognized on certain unutilized tax losses in view of the uncertainty of their recoverability, partially offset with the tax effect of other income (insurance claim) which was not subjected to taxation.

As a result of the above factors, the Group recorded a net loss after tax of S\$12.3 million in 1Q2014.

Balance Sheet Analysis

The net book value of property, plant and equipment decreased by S\$20.3 million (5.8%) from S\$346.4 million as at 31 December 2013 to S\$326.1 million as at 31 March 2014. The decrease was mainly due to total depreciation of S\$20.4 million and translation difference of S\$8.9 million, partially offset by total additions of S\$9.1 million.

Deferred tax assets increased by S\$1.8 million (8.4%) from S\$21.1 million as at 31 December 2013 to S\$22.9 million as at 31 March 2014 mainly due to recognition of deferred tax assets on certain unutilized tax losses.

Inventories decreased by S\$13.5 million (8.3%) from S\$163.4 million as at 31 December 2013 to S\$149.9 million as at 31 March 2014 mainly due to better inventory control.

Trade and other receivables decreased by S\$133.2 million (41.3%) from S\$322.5 million as at 31 December 2013 to S\$189.3 million as at 31 March 2014 mainly due to the decrease in sales by S\$165.6 million (48.1%) from S\$344.5 million in 4Q2013 to S\$178.9 million in 1Q2014.

Prepaid operating expenses decreased by S\$1.0 million (9.4%) from S\$11.0 million as at 31 December 2013 to S\$10.0 million as at 31 March 2014 mainly due to the decrease in prepayment for property, plant and equipment.

Derivative assets decreased by S\$2.3 million (83.7%) from S\$2.7 million as at 31 December 2013 to S\$0.4 million as at 31 March 2014 and derivative liabilities increased by S\$1.6 million (1,289.1%) from S\$0.1 million as at 31 December 2013 to S\$1.7 million as at 31 March 2014 due to changes in fair value of the derivatives.

Short term deposits of S\$7.0 million were pledged to a bank in the PRC as at 31 December 2013, for settlement of trade payables by the bank on behalf of the Group. The pledged deposits were released by the bank upon repayment of the payables by the Group as at 31 March 2014.

Trade and other payables decreased by S\$86.5 million (36.1%) from S\$239.3 million as at 31 December 2013 to S\$152.8 million as at 31 March 2014 mainly due to the decrease in trade payables resulting from lower sales and hence lower material costs in 1Q2014 as compared with 4Q2013. The decrease was also due to payments of fixed assets creditors.

Accrued operating expenses decreased by S\$8.1 million (13.5%) from S\$59.7 million as at 31 December 2013 to S\$51.6 million as at 31 March 2014. The decrease was mainly due to decrease in accrual for bonus upon payout and lower advance billings to customers on uncompleted tools.

Current and non-current loans and borrowings decreased by S\$25.5 million (24.7%) from S\$103.2 million as at 31 December 2013 to S\$77.7 million as at 31 March 2014 mainly due to repayment of loans and borrowings.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged increased by S\$25.6 million (18.4%) from S\$138.9 million as at 31 December 2013 to S\$164.5 million as at 31 March 2014. Debt was S\$77.7 million, resulting in a net cash position of S\$86.8 million (31 December 2013: S\$35.7 million).

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$13.5 million in 1Q2014. Net cash generated from operating activities in 1Q2014 amounted to S\$67.7 million.

Net cash used in investing activities was S\$13.9 million in 1Q2014, mainly due to net cash outflow for purchase of capital expenditure amounting to S\$14.8 million.

Net cash used in financing activities was S\$18.9 million in 1Q2014, mainly due to net repayment of loans and borrowings amounting to S\$25.2 million, partially offset by decrease in short term deposits pledged amounting to S\$7.0 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 4Q2013 results announcement made on 20 February 2014, the Group guided as follows:

For 1Q2014, the Group expects lower revenue as compared to 1Q2013, and expects to record a loss.

In line with our guidance, we recorded lower revenue in 1Q2014 as compared to 1Q2013 and we recorded a loss in 1Q2014.

(S\$'000)	1Q2014	1Q2013
Revenue	178,927	267,635
Net (loss)/ profit after tax	(12,271)	6,887

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 renowned technology research firm, IDC, sales of tablets and smartphones will grow at 18.0% and 19.3% respectively in 2014. Growth in the tablets and smartphone space will be mainly driven by emerging markets and lower-end smartphones. This represents a shift in product mix to lower-end devices.

Separately, according to U.S. Consumer Electronics Sales and Forecasts, the semi-annual industry report released by the US-based Consumer Electronics Association, revenues for the consumer electronics industry are projected to grow 2.4% in 2014, marking a new high of US\$208.0 billion.

Taking into account the industry outlook and challenges for the smartphone and consumer electronics markets, the Group will maintain its focus on:

- Ongoing diversification of its customer base.
- Better utilization of production capacity and capabilities.
- Continuous improvement of its cost structure via automation, lean organization & manufacturing consolidation.

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

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

The Group expects lower revenue in 2Q2014 as compared to 2Q2013, and expects to record a loss in 2Q2014.

The Group expects higher revenue and lower loss in 2Q2014 as compared to 1Q2014.

The Group expects lower revenue but higher profit in FY2014 as compared to FY2013.

Update on the proposed investment in Nantong Economic & Technological Development Area, PRC ("NETDA")

The Directors wish to inform that there is no further progress in the construction of the Nantong plant in NETDA since the last update made on 20 February 2014.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

13. Aggregate value of interested persons transactions entered into during the quarter ended 31 March 2014

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted under the shareholders mandate pursuant to rule 920 (excluding transactions less than \$100,000)
Transaction for Purchases of Goods and Services Mox International Inc & its group of companies	\$254,308	-
Transaction for Sales of Goods and Services Mox International Inc & its group of companies	\$203,307	-

No general mandate has been obtained from shareholders for interested persons transactions.

Confirmation by the Board

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 31st March 2014 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director