

Financial Statement and Dividend Announcement for the quarter ended 31 March 2019

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

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

	Q 1-19	Q 1-18	Increase/ (decrease)
	S\$'000	S\$'000	%
Revenue	286,775	281,096	2.0
Cost of sales	<u>(250,595)</u>	<u>(243,301)</u>	3.0
Gross profit	36,180	37,795	(4.3)
Other items of income			
Interest income	1,258	1,665	(24.4)
Other income	2,235	1,606	39.2
Other items of expense			
Selling and distribution expenses	(3,194)	(2,517)	26.9
Administrative expenses	(16,436)	(14,282)	15.1
Financial costs	(1,964)	(1,317)	49.1
Reversal of impairment losses on financial assets, net	81	533	(84.8)
Other expenses	(3,290)	(11,320)	(70.9)
Share of results of associates	(909)	(69)	1,217.4
Share of results of a joint venture	<u>(5)</u>	<u>8</u>	n.m.
Profit before tax	13,956	12,102	15.3
Income tax expense	<u>(3,296)</u>	<u>(2,028)</u>	62.5
Profit for the period	<u>10,660</u>	<u>10,074</u>	5.8
Attributable to:			
Owners of the Company	10,660	10,085	5.7
Non-controlling interests	<u>-</u>	<u>(11)</u>	(100.0)
	<u>10,660</u>	<u>10,074</u>	5.8

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 31 March 2019

	Q1-19	Q1-18	Increase/ (decrease)
	S\$'000	S\$'000	%
Profit for the period	10,660	10,074	5.8
<u>Other comprehensive income</u>			
Items that may be reclassified			
subsequently to profit or loss:			
Foreign currency translation	8,437	11,138	(24.3)
Share of other comprehensive income of associates	281	24	1,070.8
Share of other comprehensive income of a joint venture	1	4	(75.0)
Other comprehensive income for the period, net of tax	<u>8,719</u>	<u>11,166</u>	(21.9)
Total comprehensive income for the period	<u><u>19,379</u></u>	<u><u>21,240</u></u>	(8.8)
Attributable to:			
Owners of the Company	19,379	21,235	(8.7)
Non-controlling interests	<u>-</u>	<u>5</u>	(100.0)
Total comprehensive income for the period	<u><u>19,379</u></u>	<u><u>21,240</u></u>	(8.8)

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:

	Q1-19	Q1-18
	S\$'000	S\$'000
1. Depreciation of property, plant and equipment	17,305	17,220
2. Amortisation of deferred capital grants	(283)	(199)
3. Depreciation of investment properties	26	-
4. Rental income from investment properties	(17)	(5)
5. Amortisation of land use rights	65	67
6. Depreciation of right-of-use assets	3,719	-
7. Operating lease expenses	919	4,627
8. Reversal of impairment loss on property, plant and equipment	-	(10)
9. Net (gain)/ loss on disposal of property, plant and equipment	(277)	147
10. Reversal of inventory provisions	(2,410)	(833)
11. Inventories written back	(75)	(153)
12. Onerous contract provisions	7	-
13. Net reversal of impairment losses on financial assets - trade receivables	(81)	(533)
14. Bad debts written off	32	-
15. Trade/ other payables waived	-	(18)
16. Directors' fees	100	90
17. Staff costs (including directors' remuneration)	74,519	77,647
18. Net foreign exchange loss	5,310	13,000
19. Net fair value gain on derivatives	(1,908)	(1,731)

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	
	31/3/2019 S\$'000	31/12/2018 S\$'000	31/3/2019 S\$'000	31/12/2018 S\$'000
Non-current assets				
Property, plant and equipment	290,041	293,573	15,876	15,798
Investment properties	271	293	-	-
Intangible assets	12	12	12	12
Land use rights	10,856	10,806	-	-
Right-of-use assets	36,207	-	5,247	-
Investment in subsidiaries	-	-	442,456	392,046
Investment in associates	24,701	21,345	503	503
Investment in a joint venture	203	207	-	-
Other investment	5,035	4,968	-	-
Restricted bank deposits	-	495	-	-
Deferred tax assets	22,719	21,925	-	-
	390,045	353,624	464,094	408,359
Current assets				
Inventories	133,778	176,925	3,724	3,794
Trade and other receivables	279,748	395,953	68,546	99,405
Prepaid operating expenses	10,035	10,266	347	250
Derivatives	29	-	-	-
Restricted bank deposits	463	1,263	-	-
Cash and cash equivalents	276,151	286,653	9,493	10,325
	700,204	871,060	82,110	113,774
Total assets	1,090,249	1,224,684	546,204	522,133
Current liabilities				
Trade and other payables	249,127	356,684	4,879	5,878
Notes payable	466	879	-	-
Contract liabilities	25,553	22,413	105	126
Accrued operating expenses	57,237	80,826	14,316	34,028
Provisions	53	302	-	-
Deferred capital grants	825	758	147	89
Loans and borrowings	107,258	168,252	38,559	38,650
Lease liabilities arising from right-of-use assets	13,160	-	248	-
Income tax payable	20,656	21,686	3,528	3,098
	474,335	651,800	61,782	81,869
Net current assets	225,869	219,260	20,328	31,905
Non-current liabilities				
Other payables	-	-	66,929	103,371
Deferred capital grants	4,704	4,781	101	72
Lease liabilities arising from right-of-use assets	23,455	-	5,024	-
Deferred tax liabilities	4,590	4,092	2,448	2,452
	32,749	8,873	74,502	105,895
Total liabilities	507,084	660,673	136,284	187,764
Net assets	583,165	564,011	409,920	334,369

	Group		Company	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to owners of the				
Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(65,339)	(65,019)	(65,339)	(65,019)
Accumulated profits	478,555	467,966	349,864	274,088
Other reserves	50,224	41,339	5,670	5,575
Total equity	583,165	564,011	409,920	334,369

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

Bank loans and borrowings

Amount repayable in one year or less, or on demand

As at 31/3/2019		As at 31/12/2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
14	107,244	24	168,228

Lease obligation of S\$14,000 was secured against the leased asset.

Lease liabilities arising from right-of-use assets

Amount repayable in one year or less, or on demand

As at 31/3/2019	As at 31/12/2018
Secured S\$'000	Secured S\$'000
13,160	-

Amount repayable after one year

As at 31/3/2019	As at 31/12/2018
Secured S\$'000	Secured S\$'000
23,455	-

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.

	Q1-19	Q1-18
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax	13,956	12,102
Adjustments for:		
Depreciation of property, plant and equipment	17,305	17,220
Amortization of deferred capital grants	(283)	(199)
Depreciation of investment properties	26	-
Amortisation of land use rights	65	67
Depreciation of right-of-use assets	3,719	-
Reversal of impairment loss on property, plant and equipment	-	(10)
Net (gain)/ loss on disposal of property, plant and equipment	(277)	147
Reversal of inventory provisions	(2,410)	(833)
Inventories written back	(75)	(153)
Net reversal of impairment losses on financial assets - trade receivables	(81)	(533)
Bad debts written off	32	-
Reversal of allowance on non-cancellable purchase commitments	(418)	(21)
Trade/ other payables waived	-	(18)
Equity compensation expense	14	-
Financial costs	1,964	1,317
Interest income	(1,258)	(1,665)
Net fair value gain on derivatives - unrealised	(29)	-
Net unrealised exchange difference	1,413	4,403
Share of results of associates	909	69
Share of results of a joint venture	5	(8)
Operating cash flows before changes in working capital	34,577	31,885
Changes in working capital		
Decrease/ (increase) in inventories	47,946	(351)
Decrease in trade and other receivables	103,786	175,650
Decrease in notes receivable	-	2,807
Decrease/ (increase) in prepaid operating expenses	312	(6,068)
Decrease in trade and other payables and contract liabilities	(88,513)	(100,240)
Decrease in notes payable	(413)	(76)
Decrease in accrued operating expenses	(23,893)	(29,320)
Total changes in working capital	39,225	42,402
Cash flows generated from operations	73,802	74,287
Income taxes paid	(6,172)	(6,219)
Net cash flows generated from operating activities	67,630	68,068

	Q1-19 S\$'000	Q1-18 S\$'000
Cash flows from investing activities		
Interest received	1,157	1,631
Purchase of property, plant and equipment (Note a)	(12,780)	(13,002)
Proceeds from disposal of property, plant and equipment	847	158
Investment in an associate	(4,038)	(831)
Proceeds from capital grants	200	-
Net cash flows used in investing activities	(14,614)	(12,044)
Cash flows from financing activities		
Decrease in restricted bank deposits	1,295	1,107
Purchase of treasury shares	(519)	-
Proceeds from re-issuance of treasury shares	280	986
Financial costs paid	(2,039)	(1,227)
Net (repayment of)/ proceeds from loans and borrowings	(61,209)	30,523
Repayments of obligations under lease liabilities arising from right-of-use assets	(3,311)	-
Repayments of obligations under other lease liabilities	(10)	(15)
Net cash flows (used in)/ generated from financing activities	(65,513)	31,374
Net (decrease)/ increase in cash and cash equivalents	(12,497)	87,398
Effect of exchange rate changes on cash and cash equivalents	1,995	3,096
Cash and cash equivalents at beginning of period	286,653	277,914
Cash and cash equivalents at end of period	276,151	368,408

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment

Current period additions	10,556	12,521
Less: Payable to creditors	(6,159)	(3,112)
	4,397	9,409
Payments for prior period/year purchases	8,383	3,593
Net cash outflow for purchase	12,780	13,002

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 2019

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

(ii) Consolidated statement of changes in equity for the 3 months ended 31 March 2018

Group	Attributable to owners of the Company						
	Share capital	Treasury shares	Other reserves	Accumulated profits	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2018 - FRS framework	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Effects of the adoption of SFRS(I)	-	-	-	(318)	(318)	-	(318)
Opening balance at 1 January 2018 - SFRS(I) framework	119,725	(56,547)	44,247	420,777	528,202	965	529,167
Profit for the period	-	-	-	10,085	10,085	(11)	10,074
<u>Other comprehensive income</u>							
Share of other comprehensive income of associates	-	-	24	-	24	-	24
Share of other comprehensive income of a joint venture	-	-	4	-	4	-	4
Foreign currency translation	-	-	11,122	-	11,122	16	11,138
Other comprehensive income for the period, net of tax	-	-	11,150	-	11,150	16	11,166
Total comprehensive income for the period	-	-	11,150	10,085	21,235	5	21,240
<u>Contributions by and distributions to owners</u>							
Treasury shares reissued pursuant to employee share option scheme	-	617	369	-	986	-	986
Total transactions with owners in their capacity as owners	-	617	369	-	986	-	986
Closing balance at 31 March 2018	119,725	(55,930)	55,766	430,862	550,423	970	551,393

(iii) Statement of changes in equity of the Company for the 3 months ended 31 March 2019

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>
Opening balance at 1 January 2019	119,725	(65,019)	5,575	274,088	334,369
Profit for the period	-	-	-	75,776	75,776
<u>Contributions by and distributions to owners</u>					
Employee share award scheme	-	-	14	-	14
- Equity compensation benefits	-	(519)	-	-	(519)
Purchase of treasury shares	-	-	-	-	-
Treasury shares reissued pursuant to employee share option & award schemes	-	199	81	-	280
Total transactions with owners in their capacity as owners	-	(320)	95	-	(225)
Closing balance at 31 March 2019	<u>119,725</u>	<u>(65,339)</u>	<u>5,670</u>	<u>349,864</u>	<u>409,920</u>

(iv) Statement of changes in equity of the Company for the 3 months ended 31 March 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>
Opening balance at 1 January 2018	119,725	(56,547)	4,805	209,528	277,511
Profit for the period	-	-	-	35,988	35,988
<u>Contributions by and distributions to owners</u>					
Treasury shares reissued pursuant to employee share option scheme	-	617	369	-	986
Total transactions with owners in their capacity as owners	-	617	369	-	986
Closing balance at 31 March 2018	<u>119,725</u>	<u>(55,930)</u>	<u>5,174</u>	<u>245,516</u>	<u>314,485</u>

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

During the quarter ended 31 March 2019, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

(a) Hi-P Employee Share Option Scheme 2003

During the quarter ended 31 March 2019, no options have lapsed while 244,865 options were exercised.

There were 7,683,323 options outstanding as at 31 March 2019 (31 March 2018: 7,959,897).

(b) Hi-P Employee Share Option Scheme 2014

During the quarter ended 31 March 2019, no options have lapsed while 22,784 options were exercised.

There were 471,798 options outstanding as at 31 March 2019 (31 March 2018: 494,582).

In respect of the two employee share option schemes aforementioned, there was an aggregate of 8,155,121 options outstanding as at 31 March 2019 (31 March 2018: 8,454,479).

Share Awards

On 31 March 2019, 1,860,000 share awards were granted by the Company to its employees pursuant to Hi-P Employee Share Award Scheme 2018. These share awards are vested in 2 stages, namely 50% on 5 April 2019 and the balance 50% on the day on which the relevant employees reach the age of 65.

During the quarter ended 31 March 2019, no share awards were vested.

There were 2,770,000 share awards remaining to be vested as at 31 March 2019 (31 March 2018: Nil).

Treasury Shares

During the quarter ended 31 March 2019, the Company has purchased from the market an aggregate of 589,000 shares, and held them as treasury shares.

The number of treasury shares held by the Company as at 31 March 2019 was 86,829,528 (31 March 2018: 78,717,665), representing 10.85% of the total number of issued shares (excluding treasury shares) (31 March 2018: 9.74%).

Subsidiary Holdings

There were no holdings in Hi-P International Limited by any subsidiary as at 31 March 2019 (31 March 2018: Nil).

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

The total number of issued ordinary shares excluding treasury shares as at 31 March 2019 was 800,345,472 (31 December 2018: 800,669,607).

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

During the quarter ended 31 March 2019, an aggregate of 20,000 treasury shares were transferred to employees to satisfy vesting of employee share awards. As at 31 March 2019, 16,000 treasury shares were pending transfer to an employee for share awards vested on 31 August 2018.

On the other hand, during the quarter ended 31 March 2019, an aggregate of 244,865 treasury shares were transferred to employees to satisfy exercise of employee share options. As at 31 March 2019, 22,784 treasury shares were pending transfer to an employee for share options exercised in March 2019.

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

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

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2018.

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

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

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

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

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

Adoption of SFRS(I) 16

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

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

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

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

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

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

	Q1-19	Q1-18
Operating profit after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	3.7%	3.6%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	1.8%	1.8%
Earnings per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	1.33	1.25
(b) On a fully diluted basis (cents)*	1.32	1.24

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

* For 1Q2019, 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	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	72.86	70.44	51.22	41.76

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

Revenue and Profitability Analysis

1Q2019 vs. 1Q2018

The Group's revenue increased by S\$5.7 million (2.0%) year-on-year ("yoy") to S\$286.8 million for 1Q2019. Conversely, the Group's gross profit decreased by S\$1.6 million (4.3%) yoy to S\$36.2 million for 1Q2019 with gross profit margin declined from 13.4% for 1Q2018 to 12.6% for 1Q2019. The decrease was mainly due to price pressure and a change in product mix with more lower margin high component content assembly products in 1Q2019 as compared to 1Q2018.

The Group recorded net interest expenses (financial cost net of interest income) of S\$0.7 million for 1Q2019 compared to net interest income of S\$0.3 million for 1Q2018. This was mainly due to (i) increase in borrowing rates and (ii) recognition of interest expense on lease liability pursuant to the adoption of SFRS (I) 16 *Leases*.

Other income of S\$2.2 million for 1Q2019 mainly consisted of incentives from governments, rental income from the lease of factory building and investment properties, and gain from sale of scrap materials.

Total selling, distribution and administrative expenses increased by S\$2.8 million (16.9%) yoy to S\$19.6 million for 1Q2019 mainly due to higher bonus reversals in 1Q2018.

Other expenses mainly consisted of net foreign exchange loss that is partially offset by net fair value gain on hedging contracts. Other expenses decreased by S\$8.0 million (70.9%) yoy to S\$3.3 million for 1Q2019 mainly due a S\$7.9 million yoy decrease in net losses arising from foreign exchange and fair value on hedging contracts.

The Group recorded an income tax expense of S\$3.3 million for 1Q2019, representing an effective tax rate of 23.6% (1Q2018: 16.8%). The higher effective tax rate for 1Q2019 was mainly the result of taxes imposed on profitable entities and certain deferred tax assets not being recognised for unutilised tax losses.

As a result of the above factors, the Group's profit after tax increased by S\$0.6 million (5.8%) yoy to S\$10.7 million for 1Q2019.

Balance Sheet Analysis

Pursuant to the adoption of SFRS(I) 16 *Leases*, the Group recognised right-of-use assets for its leases previously classified as operating leases (excluding short-term leases and leases for which the underlying assets are of low value) with a net carrying amount of S\$36.2 million as at 31 March 2019. Correspondingly, lease liabilities (both current and non-current) arising from the right-of-use assets with a net carrying amount of S\$36.6 million was recognized as at 31 March 2019. Please refer to paragraph 5 for further details.

Investment in associates increased by S\$3.4 million (15.7%) from S\$21.3 million as at 31 December 2018 to S\$24.7 million as at 31 March 2019. The increase was mainly due to an investment of RMB20.0 million (equivalent to S\$4.0 million) in the Group's existing associate, Cino Technology (Shenzhen) Ltd., which resulted in an increase in the Group's shareholding from 20% to 40%.

The Group's inventories decreased by S\$43.1 million (24.4%) from S\$176.9 million as at 31 December 2018 to S\$133.8 million as at 31 March 2019. The decrease was mainly due to an improvement in inventory management.

Trade and other receivables decreased by S\$116.3 million (29.3%) from S\$396.0 million as at 31 December 2018 to S\$279.7 million as at 31 March 2019. This was mainly due to a decrease in trade receivables resulting from lower sales for 1Q2019 as compared to 4Q2018.

Trade and other payables, notes payable and contract liabilities decreased by S\$104.9 million (27.6%) from S\$380.0 million as at 31 December 2018 to S\$275.1 million as at 31 March 2019. The decrease was mainly due to lower purchases in 1Q2019 resulting from lower sales for 1Q2019 as compared to 4Q2018 and lower inventory balance.

Accrued operating expenses decreased by S\$23.6 million (29.2%) from S\$80.8 million as at 31 December 2018 to S\$57.2 million as at 31 March 2019 mainly due to a lower bonus accruals.

Current bank loans and borrowings (excluding lease liabilities arising from right-of-use assets) decreased by S\$61.0 million (36.3%) from S\$168.2 million as at 31 December 2018 to S\$107.2 million as at 31 March 2019. Cash and cash equivalents and restricted bank deposits decreased by S\$11.8 million (4.1%) from S\$288.4 million as at 31 December 2018 to S\$276.6 million as at 31 March 2019. This resulted in a net cash position of S\$169.4 million (31 December 2018: S\$120.2 million).

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S\$34.6 million for 1Q2019. Net cash generated from operating activities for 1Q2019 amounted to S\$67.6 million.

Net cash used in investing activities was S\$14.6 million for 1Q2019, mainly due to payments made for the purchase of capital expenditure amounting to S\$12.8 million and an investment in an associate amounting to S\$4.0 million, partially offset by interest received of S\$1.2 million and proceeds from disposal of property plant and equipment amounting to S\$0.8 million.

Net cash used in financing activities was S\$65.5 million for 1Q2019, mainly due to net repayments of loans and borrowings amounting to S\$61.2 million, repayment of obligations under lease liabilities arising from right-of-use assets amounting to S\$3.3 million and financial costs paid amounting to S\$2.0 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 4Q2018 results announcement made on 21 February 2019, the Group guided as follows:

- The Group expects similar revenue and lower profit for 1Q2019 as compared to 1Q2018

Subsequently in our business update on 16 April 2019, the Group informed that it expects similar revenue and profit for 1Q2019 as compared to 1Q2018 instead.

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

(S\$'000)	1Q2019	1Q2018
Revenue	286,775	281,096
Net profit after tax	10,660	10,074

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to the International Data Corporation ("IDC"), worldwide smartphone volumes are forecast to fall by 0.8% in 2019 with volumes dipping to 1.39 billion. However, the smartphone market will begin to pick up momentum with yoy growth of 2.3% expected in the second half of the year. Over the long term, smartphone shipments are forecast to reach 1.54 billion units in 2023¹.

Within the smart home devices segment, the IDC expects the market to grow 26.9% yoy in 2019 to 832.7 million shipments². Similarly, the worldwide market for wearable devices is forecast to grow 15.3% over the previous year to 198.5 million units by the end of 2019³.

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

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

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

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

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

¹ IDC, Smartphone Shipments Expected to Drop for the Third Consecutive Year in 2019, 6 March 2019

² IDC, Double-Digit Growth Expected in the Smart Home Market, 29 March 2019

³ IDC, IDC Forecasts Steady Double-Digit Growth for Wearables as New Capabilities and Use Cases Expand the Market Opportunities, 18 March 2019

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) The date the dividend is payable

Not applicable.

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

Not applicable.

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

No dividend has been declared/recommendeded for 1Q2019 as the Group wishes to conserve cash for business growth.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions entered into during the quarter ended 31 March 2019 as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

No IPT mandate has been obtained from shareholders.

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

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

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

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 31st March 2019 to be false or misleading in any material aspect.

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Gerald Lim Thien Su
Director