

**Financial Statement and Dividend Announcement for the quarter ended 31 March 2016**

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

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

	<b>Q 1-16</b>	<b>Q 1-15</b>	<b>Increase/ (decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<b>Revenue</b>	275,583	279,774	(1.5)
Cost of sales	<u>(258,860)</u>	<u>(275,350)</u>	(6.0)
<b>Gross profit</b>	16,723	4,424	278.0
<b>Other items of income</b>			
Interest income	172	614	(72.0)
Other income	1,616	2,209	(26.8)
<b>Other items of expense</b>			
Selling and distribution expenses	(2,743)	(2,089)	31.3
Administrative expenses	(16,862)	(18,638)	(9.5)
Financial costs	(1,308)	(884)	48.0
Other expenses	(8,030)	2,323	n.m.
Share of results of associates	90	158	(43.0)
<b>Loss before tax</b>	(10,342)	(11,883)	(13.0)
Income tax expense	<u>(2,029)</u>	<u>(1,911)</u>	6.2
<b>Loss for the period</b>	<u>(12,371)</u>	<u>(13,794)</u>	(10.3)
<b>Attributable to:</b>			
Owners of the Company	(12,371)	(13,795)	(10.3)
Non-controlling interests	<u>-</u>	<u>1</u>	(100.0)
	<u>(12,371)</u>	<u>(13,794)</u>	(10.3)

n.m. – Not Meaningful

**Consolidated statement of comprehensive income for the quarter ended 31 March 2016**

	Group		
	Q1-16	Q1-15	Increase/ (decrease)
	S\$'000	S\$'000	
<b>Loss for the period</b>	(12,371)	(13,794)	(10.3)
<b><u>Other comprehensive income</u></b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation	(22,463)	17,023	n.m.
Share of other comprehensive income of an associated company	(21)	29	n.m.
Other comprehensive income for the period, net of tax	<u>(22,484)</u>	<u>17,052</u>	n.m.
<b>Total comprehensive income for the period</b>	<u>(34,855)</u>	<u>3,258</u>	n.m.
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	(34,810)	3,215	n.m.
Non-controlling interests	<u>(45)</u>	<u>43</u>	n.m.
	<u>(34,855)</u>	<u>3,258</u>	n.m.

n.m. – Not Meaningful

Other notes:

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

	<b>Q1-16</b>	<b>Q1-15</b>
	<b>S\$'000</b>	<b>S\$'000</b>
1. Depreciation of property, plant and equipment	22,188	21,501
2. Amortization of deferred capital grant	(187)	-
3. Amortization of intangible asset	56	361
4. Amortization of land use rights	69	70
5. Impairment loss/ (reversal of impairment loss) on property, plant and equipment	167	(116)
6. Net loss/ (gain) on disposal of property, plant and equipment	331	(156)
7. Property, plant and equipment written off	1	95
8. Inventory provisions	5,989	2,734
9. Inventories (written back)/ written off	(156)	3,076
10. (Write back of)/ impairment loss on doubtful receivables	(35)	17
11. Trade/ other payables written off	(216)	(29)
12. Directors' fees	89	89
13. Staff costs (including directors' remuneration)	75,305	72,952
14. Operating lease expense	5,283	6,250
15. Net foreign exchange loss/ (gain)	6,915	(5,266)
16. Net fair value loss on derivatives	698	1,781
17. Provision for warranty costs	9	-
18. (Reversal of allowance)/ allowance on non-cancellable purchase commitments	(136)	231
19. Net gain on sales of scrap materials	(413)	(890)

**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	
	31/3/2016 S\$'000	31/12/2015 S\$'000	31/3/2016 S\$'000	31/12/2015 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	414,149	450,599	16,666	15,940
Intangible assets	3,106	3,161	12	12
Land use rights	11,948	12,438	-	-
Investment in subsidiaries	-	-	352,183	352,183
Investment in associates	2,545	2,476	984	984
Other receivables	-	-	85,261	76,338
Investment securities	456	477	-	-
Other long term assets	26	35	-	-
Deferred tax assets	25,539	26,325	-	-
	<b>457,769</b>	<b>495,511</b>	<b>455,106</b>	<b>445,457</b>
<b>Current assets</b>				
Inventories	209,319	242,802	5,041	6,205
Trade and other receivables	324,074	480,163	80,376	84,277
Prepaid operating expenses	11,259	9,632	663	426
Short term deposits pledged	2,658	-	-	-
Cash and cash equivalents	127,024	126,156	11,435	7,925
	<b>674,334</b>	<b>858,753</b>	<b>97,515</b>	<b>98,833</b>
<b>Total assets</b>	<b>1,132,103</b>	<b>1,354,264</b>	<b>552,621</b>	<b>544,290</b>
<b>Current liabilities</b>				
Trade and other payables	266,947	377,388	56,395	10,363
Notes payable	836	-	-	-
Accrued operating expenses	64,475	81,518	4,138	7,686
Provisions	171	179	-	-
Deferred Capital Grant - Current	732	705	-	-
Loans and borrowings	252,229	315,362	46,690	80,675
Income tax payable	13,949	12,906	3,376	2,061
Derivatives	610	860	-	-
	<b>599,949</b>	<b>788,918</b>	<b>110,599</b>	<b>100,785</b>
<b>Net current assets/ (liabilities)</b>	<b>74,385</b>	<b>69,835</b>	<b>(13,084)</b>	<b>(1,952)</b>
<b>Non-current liabilities</b>				
Deferred capital grant - Non-current	5,047	2,703	-	-
Loans and borrowings	126	911	126	140
Deferred tax liabilities	4,094	4,049	2,010	1,959
	<b>9,267</b>	<b>7,663</b>	<b>2,136</b>	<b>2,099</b>
<b>Total liabilities</b>	<b>609,216</b>	<b>796,581</b>	<b>112,735</b>	<b>102,884</b>
<b>Net assets</b>	<b>522,887</b>	<b>557,683</b>	<b>439,886</b>	<b>441,406</b>

	Group		Company	
	31/3/2016	31/12/2015	31/3/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Equity attributable to owners of the Company</b>				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(51,512)	(51,512)	(51,512)	(51,512)
Accumulated profits	405,973	418,358	361,919	363,498
Other reserves	47,709	70,075	9,754	9,695
	521,895	556,646	439,886	441,406
Non-controlling interests	992	1,037	-	-
<b>Total equity</b>	<b>522,887</b>	<b>557,683</b>	<b>439,886</b>	<b>441,406</b>

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

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

As at 31/3/2016		As at 31/12/2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
7,990	244,239	10,241	305,121

**Amount repayable after one year**

As at 31/3/2016		As at 31/12/2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
126	-	911	-

Lease obligations of S\$8,116,000 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.**

	Q1-16 S\$'000	Q1-15 S\$'000
<b>Cash flows from operating activities</b>		
Loss before tax	(10,342)	(11,883)
Adjustments for:		
Depreciation of property, plant and equipment	22,188	21,501
Amortization of deferred capital grants	(187)	-
Amortization of intangible asset	56	361
Amortization of land use rights	69	70
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	167	(116)
Net loss/ (gain) on disposal of property, plant and equipment	331	(156)
Property, plant and equipment written off	1	95
Inventory provisions	5,989	2,734
Inventories (written back)/ written off	(156)	3,076
Provision for warranty costs	9	-
(Write back of)/ impairment loss on doubtful receivables	(35)	17
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(136)	231
Trade/ other payables written off	(216)	(29)
Equity compensation expense	59	196
Financial costs	1,308	884
Interest income	(172)	(614)
Net fair value gain on derivatives - unrealised	(250)	(394)
Net unrealised exchange difference	(3,477)	(3,894)
Share of results of associates	(90)	(158)
<b>Operating cash flows before changes in working capital</b>	15,116	11,921
<b>Changes in working capital</b>		
Decrease/ (increase) in inventories	17,811	(496)
Decrease in trade and other receivables	147,468	27,506
Increase in prepaid operating expenses and other long term assets	(2,008)	(5,282)
Decrease in trade and other payables	(70,798)	(51,205)
Increase in notes payable	836	-
Decrease in accrued operating expenses	(14,651)	(30)
Total changes in working capital	78,658	(29,507)
<b>Cash flows generated from/ (used in) operations</b>	<b>93,774</b>	<b>(17,586)</b>
Income taxes paid	(902)	(746)
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>92,872</b>	<b>(18,332)</b>

	Q1-16 S\$'000	Q1-15 S\$'000
<b>Cash flows from investing activities</b>		
Proceeds from capital grants	2,805	3,903
Interest received	181	533
Proceeds from disposal of property, plant and equipment	924	178
Purchase of property, plant and equipment (Note a)	(34,476)	(30,792)
Purchase of investment securities	-	(486)
<b>Net cash flows used in investing activities</b>	<b>(30,566)</b>	<b>(26,664)</b>
<b>Cash flows from financing activities</b>		
(Increase)/ decrease in short term deposits pledged	(2,658)	351
Interest paid	(1,308)	(715)
Net repayment of loans and borrowings	(51,195)	(23,580)
Repayments of obligations under finance lease	(2,652)	(292)
<b>Net cash flows used in financing activities</b>	<b>(57,813)</b>	<b>(24,236)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>4,493</b>	<b>(69,232)</b>
Effect of exchange rate changes on cash and cash equivalents	(3,625)	4,398
Cash and cash equivalents at beginning of period	126,156	208,146
<b>Cash and cash equivalents at end of period</b>	<b>127,024</b>	<b>143,312</b>

#### **Note to the Consolidated Cash Flow Statement**

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

Current period additions	8,975	50,305
Less: Payable to creditors	(4,346)	(18,961)
Acquired by means of finance leases	-	(12,902)
	4,629	18,442
Payments for prior period/year purchases	29,847	12,350
<b>Net cash outflow for purchase</b>	<b>34,476</b>	<b>30,792</b>



1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated statement of changes in equity for the 3 months ended 31 March 2016

Attributable to owners of the Company

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

(ii) Consolidated statement of changes in equity for the 3 months ended 31 March 2015

Attributable to owners of the Company

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

(iii) Statement of changes in equity of the Company for the 3 months ended 31 March 2016

<u>Company</u>	<u>Attributable to owners of the Company</u>				<u>Total equity</u>
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Accumulated profits</u>	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Opening balance at 1 January 2016</b>	119,725	(51,512)	9,695	363,498	441,406
Loss for the period	-	-	-	(1,579)	(1,579)
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes	-	-	59	-	59
- Equity compensation benefits	-	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	-	59	-	59
<b>Closing balance at 31 March 2016</b>	<u>119,725</u>	<u>(51,512)</u>	<u>9,754</u>	<u>361,919</u>	<u>439,886</u>

(iv) Statement of changes in equity of the Company for the 3 months ended 31 March 2015

<u>Company</u>	<u>Attributable to owners of the Company</u>				<u>Total equity</u>
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Accumulated profits</u>	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Opening balance at 1 January 2015</b>	119,725	(51,035)	9,422	309,387	387,499
Profit for the period	-	-	-	14,462	14,462
<u>Contributions by and distributions to owners</u>					
Employee share option and award schemes	-	-	196	-	196
- Equity compensation benefits	-	-	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	-	-	196	-	196
<b>Closing balance at 31 March 2015</b>	<u>119,725</u>	<u>(51,035)</u>	<u>9,618</u>	<u>323,849</u>	<u>402,157</u>

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

During the quarter ended 31 March 2016, there has been no increase in the issued and paid-up share capital of the Company.

#### Share Options

During the quarter ended 31 March 2016, 2,156,989 options have lapsed while no option was exercised.

There are 16,906,327 options outstanding as at 31 March 2016 (31 December 2015: 19,063,316).

#### Share Awards

During the quarter ended 31 March 2016, 30,264 awards have lapsed while no award was vested.

587 share awards that were vested on 7 May 2015 have been cancelled.

There are 238,323 share awards outstanding as at 31 March 2016 (31 December 2015: 268,587).

#### Treasury Shares

During the quarter ended 31 March 2016, the Company has not purchased any shares to be held as treasury shares.

The number of treasury shares held by the Company as at 31 March 2016 is 70,872,237 (31 March 2015: 69,955,661).

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

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

During the quarter ended 31 March 2016, there were no sales, transfer, disposal, cancellation or use of treasury shares.

Previously in the quarter ended 30 June 2015, there were 587 treasury shares pending to be transferred to an employee for share awards vested on 7 May 2015. The said transfer is no longer required as the applicable share awards have been cancelled.

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

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

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2015.

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

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

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

The following are the new or amended FRS that are relevant to the Group:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Improvements to FRSs	
(a) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(b) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure initiative</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016

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

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

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

	Q1-16	Q1-15
Operating loss after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	(4.5%)	(4.9%)
Operating loss after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period	(2.4%)	(2.3%)
Loss per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	(1.52)	(1.69)
(b) On a fully diluted basis (cents)*	(1.52)	(1.69)

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

\* For 1Q2016 & 1Q2015, 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.

**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	
	31/3/2016	31/12/2015	31/3/2016	31/12/2015
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	63.93	68.19	53.89	54.07

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

### **Revenue and Profitability Analysis**

1Q2016 vs.1Q2015

The Group recorded revenue of S\$275.6 million in 1Q2016, which is comparable to 1Q2015. Despite the comparable revenue, gross profit increased by S\$12.3 million (278.0%) yoy to S\$16.7 million in 1Q2016. Gross profit margin increased from 1.6% in 1Q2015 to 6.1% in 1Q2016 mainly due to favourable product mix coupled with the Group's committed efforts in enhancing cost controls. Notwithstanding the positive impact of S\$4.2 million arose from change in estimated useful lives of certain machinery and equipment, the total depreciation expenses remain constant due to higher depreciation expenses incurred for newly acquired property, plant and equipment.

Net interest expense increased by S\$0.9 million (320.7%) yoy to S\$1.1 million in 1Q2016 mainly due to higher net debt balances and interest rates in 1Q2016 as compared to 1Q2015.

Total selling & distribution and administrative expenses decreased by S\$1.1 million (5.4%) yoy to S\$19.6 million in 1Q2016 mainly contributed by the Group's committed efforts in enhancing cost controls.

Other expenses of S\$8.0 million in 1Q2016 mainly consisted of net foreign exchange loss of S\$6.9 million (1Q2015: gain S\$5.3 million) arose mainly from depreciation of USD against SGD.

In spite of a pre-tax loss, the Group recorded an income tax expense of S\$2.0 million in 1Q2016 due to tax imposed on profitable entities and certain deferred tax assets not being recognized.

As a result of the above factors, and seasonality of the Group's business, the Group recorded a net loss of S\$12.4 million in 1Q2016 (1Q2015: net loss of S\$13.8 million).

## **Balance Sheet Analysis**

The net book value of property, plant and equipment decreased by S\$36.5 million (8.1%) from S\$450.6 million as at 31 December 2015 to S\$414.1 million as at 31 March 2016 mainly due to depreciation and translation loss of S\$22.2 million and S\$21.8 million respectively. The decrease was partially offset by additions of S\$9.0 million.

Inventories decreased by S\$33.5 million (13.8%) from S\$242.8 million as at 31 December 2015 to S\$209.3 million as at 31 March 2016 mainly due to better inventory control.

Trade and other receivables decreased by S\$156.1 million (32.5%) from S\$480.2 million as at 31 December 2015 to S\$324.1 million as at 31 March 2016. The decrease was mainly due to decrease in trade receivables resulting from lower sales in 1Q2016 as compared to 4Q2015, and better control on trade receivables.

Short term deposits of S\$2.7 million were pledged to banks in the PRC as at 31 March 2016, mainly for custom clearance purpose.

Trade and other payables decreased by S\$110.5 million (29.3%) from S\$377.4 million as at 31 December 2015 to S\$266.9 million as at 31 March 2016 mainly due to less purchases coupled with more payments made to trade and fixed asset creditors in 1Q2016 as compared to 4Q2015.

Accrued operating expenses decreased by S\$17.0 million (20.9%) from S\$81.5 million as at 31 December 2015 to S\$64.5 million as at 31 March 2016. The decrease was mainly due to lower accruals for employment related costs resulting from less headcounts in March 2016 as compared to December 2015 and decrease in accrual for bonus upon payout.

Current and non-current deferred capital grant increased by S\$2.4 million (69.6%) from S\$3.4 million as at 31 December 2015 to S\$5.8 million as at 31 March 2016 mainly due to a government grant received by a subsidiary in the PRC, partially offset by amortization of grants.

Current and non-current loans and borrowings decreased by S\$63.9 million (20.2%) from S\$316.3 million as at 31 December 2015 to S\$252.4 million as at 31 March 2016. The decrease was mainly due to net repayment of loans and borrowings contributed by positive cash flows generated from operating activities.

Cash and cash equivalents and short term deposits pledged increased by S\$3.5 million (2.8%) from S\$126.2 million as at 31 December 2015 to S\$129.7 million as at 31 March 2016. Debt was S\$252.4 million, resulting in a net debt position of S\$122.7 million (31 December 2015: net debt S\$190.1 million). Net gearing ratio hence reduced from 34.2% as at 31 December 2015 to 23.5% as at 31 March 2016.

## **Cash Flows Analysis**

Net cash generated from operating activities before working capital changes was S\$15.1 million in 1Q2016. Net cash generated from operating activities in 1Q2016 amounted to S\$92.9 million.

Net cash used in investing activities was S\$30.6 million in 1Q2016, mainly due to net cash outflow for purchase of capital expenditure amounting to S\$34.5 million, offset by proceeds from government of S\$2.8 million.

Net cash used in financing activities was S\$57.8 million in 1Q2016, mainly due to net repayment of loans and borrowings amounting to S\$51.2 million, repayment of obligations under finance lease of S\$2.7 million and increase in short term deposits pledged of S\$2.7 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 4Q2015 results announcement made on 29 February 2016, the Group guided as follows:

- The Group expects its 1Q2016 revenue to be similar to 1Q2015. The Group expects to record a loss in 1Q2016.

In line with our guidance, the results recorded are summarized below:

(S\$'000)	1Q2016	1Q2015
Revenue	275,583	279,774
Net loss after tax	(12,371)	(13,794)

**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 independent research conducted by Gartner, global smartphone sales are estimated to reach 1.5 billion units in 2016, representing a seven percent increase in growth from 2015<sup>1</sup>.

In a separate study conducted by the International Data Corporation (IDC), smartphone penetration rates will continue to escalate in many regions across the globe with several promising high-growth markets for vendors to attack over the coming years<sup>2</sup>. The firm highlights markets such as Indonesia, India, Africa, and the Middle East as representing great opportunity for vendors.

IDC also forecasts the worldwide shipments of wearable devices to reach 110 million by the end of 2016 with 38.2% growth over the previous year<sup>3</sup>.

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

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

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

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

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

<sup>1</sup> Gartner, Gartner Says Global Smartphone Sales to Only Grow 7 Per Cent in 2016, 31 March 2016

<sup>2</sup> IDC, Worldwide Smartphone Forecast, 2016–2020, March 2016

<sup>3</sup> IDC, IDC Forecasts Worldwide Shipments of Wearables to Surpass 200 Million in 2019, Driven by Strong Smartwatch Growth and the Emergence of Smarter Watches, 17 March 2016

**11. Dividend**

**(a) Current Financial Period Reported on**

Any dividend recommended for the current financial period reported on?

No.

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

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

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

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

**13. Aggregate value of interested persons transactions entered into during the quarter ended 31 March 2016**

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted under the shareholders mandate pursuant to rule 920 (excluding transactions less than \$100,000)
<b>Transaction for Sale of Fixed Asset</b> VSN Mobil, Inc.	770,473 <sup>#</sup>	-

<sup>#</sup> Selling price was based on the net book value of fixed asset which was denominated originally in USD547,444. No general mandate has been obtained from shareholders for sale of fixed asset to this entity.

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

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

**Confirmation by the Board**

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 31<sup>st</sup> March 2016 to be false or misleading in any material aspect.

---

Yao Hsiao Tung  
Executive Chairman  
Chief Executive Officer

---

Gerald Lim Thien Su  
Director