



Hi-P International Limited  
赫比国际有限公司  
Annual Report 2017

A white paper airplane is shown in flight against a blue sky with white clouds. The airplane is positioned at the top center, and its path is marked by a series of vibrant, multi-colored trails (red, blue, yellow, green, orange) that curve downwards and outwards, creating a sense of dynamic movement and growth.

SOARING TO  
NEW HEIGHTS

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Hi-P International Limited (“Hi-P”) started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region’s largest and fastest-growing integrated contract manufacturers today. The Group provides a one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 13 manufacturing plants globally located across six locations in the People’s Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centers in the PRC, Singapore, Taiwan and the USA.

The Group’s customers include many of the world’s biggest names in mobile phones, tablets, household & personal care appliances, computing & peripherals, lifestyle, medical devices and industrial devices.

## BOARD OF DIRECTORS

Executive:

Yao Hsiao Tung

*(Executive Chairman and Chief Executive Officer)*

Wong Huey Fang

*(Executive Director and Chief Administrative Officer)*

Yeo Tiong Eng

*(Executive Director)*

Non-Executive:

Chester Lin Chien *(Independent Director)*

Leong Lai Peng *(Independent Director)*

Gerald Lim Thien Su *(Independent Director)*

## AUDIT COMMITTEE

Gerald Lim Thien Su *(Chairman)*

Leong Lai Peng

Chester Lin Chien

## NOMINATING COMMITTEE

Chester Lin Chien *(Chairman)*

Yeo Tiong Eng

Leong Lai Peng

## REMUNERATION COMMITTEE

Leong Lai Peng *(Chairman)*

Chester Lin Chien

Gerald Lim Thien Su

## COMPANY SECRETARIES

Chan Wan Mei

Chan Lai Yin

## REGISTERED OFFICE

11 International Business Park

Singapore 609926

Tel: (65) 6268 5459

Fax: (65) 6564 1787

Website: [www.hi-p.com](http://www.hi-p.com)

## SHARE REGISTRAR

Tricor Barbinder Share Registration Services

*(a division of Tricor Singapore Pte. Ltd.)*

80 Robinson Road, #02-00

Singapore 068898

## AUDITOR

Ernst & Young LLP

One Raffles Quay

North Tower Level 18

Singapore 048583

## AUDIT PARTNER-IN-CHARGE

Andrew Tan Chwee Peng

*(appointed since financial year ended  
31 December 2016)*

# CHAIRMAN'S STATEMENT

**“We delivered a record level of revenue amounting S\$1.43 billion and profit after tax of S\$121.5 million for FY2017.”**

Dear Shareholders,

The 2017 global economy rallied strongly on the back of improving macroeconomic fundamentals. Furthermore, strengthening global demand helped to drive a cyclical recovery which reflected a rebound in investment, manufacturing and trade.

Against this backdrop, the culmination of our efforts has come to fruition as the work put in by all of our staff has steered a strong turnaround in the last two consecutive years. We delivered a record level of revenue amounting S\$1.43 billion and profit after tax of S\$121.5 million for FY2017.

## Laying the Foundation for Sustainable Growth

Our holistic approach towards business sustainability had contributed positively to the achievements. Setting the right strategies organisation wide, we enlarged our business development force, diversified our product field, expanded our regional outreach and exercised better cost management.

In addition, we continue to strategically review our internal processes and procedures while refining strategies that would drive a significant positive impact to our overall performance. Internally, sound management philosophies are echoed throughout the Group. This drives the highest levels of standards and consistency across all levels of practice while ensuring compliance of procedures in justifying important decisions.

Our decision making framework has been further enhanced to evaluate our overall business operations and exposure to counterparty risk. This enables us to better assess our growth opportunities while ensuring all functions are aligned in maximising returns for the Group.

As we look to chart a steady growth trajectory, our emphasis is on creating higher net value add to our customers. Concurrently, we seek to improve on our overall operational efficiency led by various initiatives such as increased efforts to automate processes. We also achieved good progress in enhancing our capacity utilisation and driving manufacturing yield improvement across our manufacturing sites.

## Winning Recipe - Hi-P culture

Further to the implementation of a rigorous framework that details financial and operational code of conduct, we also have a winning recipe unique to others, the Hi-P culture. While adopting a purpose-oriented management approach, our motivation mechanisms recognise each individual for their specific contributions so that they are adequately rewarded for outstanding performance. This also fosters a principled entrepreneurial spirit among our staff, encouraging them to take ownership whilst complying with our best practices. This has translated to significant positive impact on the Group's overall performance. Simultaneously, our staff today are well trained. We also conduct regular checks and audit to ensure our strategies are executed while laws and regulations are duly complied. From a managerial standpoint, we also make sure that the right staff are placed in the most suitable role for them to succeed. Together, a fighting spirit for all staff across all our manufacturing locations is created.

## Planning for the Next Generation of Leaders

Embracing the right culture is an integral part in nurturing the next generation of leaders who similarly share our vision and mission. At Hi-P, our management structure is built so that we are not reliant on any individual to ensure sustainability.

At present, we continue to build up our core management team and the next generation of leaders that will take Hi-P forward as one of the region's largest and fastest growing integrated contract manufacturers. As we continue to identify potential successors for the Group, we have a diverse pool of talent that contributes to the strong organisation we are today. We will commit the time and resources to groom talented individuals into leadership positions for a successful transition in due course.

## Exploring New Avenues of Growth

Looking ahead, we expect our growth momentum to accelerate by a combination of organic and inorganic initiatives. Despite the uncertain market conditions and increasingly competitive landscape, we believe that we are serving product markets which present huge opportunities for growth. For example, worldwide spending on IoT devices is forecast to reach US\$772 billion in 2018, an increase of 14.5% over the US\$674 billion that was spent in 2017<sup>1</sup>. Similarly, worldwide shipments of smartphones are expected to grow at a compound annual growth rate of 3.0%, reaching 1.7 billion units by 2021<sup>2</sup> as new features and continuous upgrades fuel growth.

Leveraging on our strong foundation, we are well positioned to capture these growth opportunities. Our business development initiatives remain on track as we continue to witness increasing order allocation from existing customers and securing

new MNC customers to diversify our customer base. Over the years, the majority of our end customers are from the United States. As we enter our next phase of growth, we are keen to explore untapped markets such as Europe and new business segments which may present enormous potential. In our push towards organic growth initiatives, this will also support us in better achieving economies of scale.

With our strong ability to generate positive operating cash flow, we have also begun to explore inorganic growth opportunities that are synergistic to our existing operations. We are exploring opportunities within the automotive and medical space, which will help to further diversify our product mix and mitigate the impact of seasonality on our performance.

## Appreciation & Dividend

On behalf of the Board, I would like to thank our valued shareholders for their unwavering support over the years. As a mark of confidence in our outlook, the Board has recommended a final dividend of 4 Sing cents, bringing total dividends for FY2017 to 25 Sing cents (FY2016: 0.8 Sing cents). Your belief in the management team has provided us with the impetus to execute our growth strategies.

I would also like to take this opportunity to extend my appreciation to our customers, suppliers and business associates for their enduring support this past year. Last but not least, my gratitude goes out to all Hi-P employees across the globe. I look forward to achieving new records with you in 2018.

**Mr. Yao Hsiao Tung**

Executive Chairman and Chief Executive Officer  
Hi-P International Limited  
26 March 2018

<sup>1</sup> IDC, *IDC Forecasts Worldwide Spending on the Internet of Things to Reach US\$772 Billion in 2018*, December 2017

<sup>2</sup> IDC, *Worldwide Smartphone Forecast Update, 2017-2021*, December 2017

# OPERATIONS AND FINANCIAL REVIEW

**“Our profit after tax increased by S\$67.0 million (122.8%) yoy to a record high of S\$121.5 million as a result of higher revenue and improvements to operational efficiency.”**

Driven by higher sales volume, the Group's revenue increased by S\$121.8 million (9.3%) year-on-year (“yoy”) to an all-time high of S\$1.43 billion for FY2017.

Gross profit surged by S\$77.0 million (49.4%) yoy to S\$232.9 million as a result of higher revenue, a change in product mix, continuous improvements to operational efficiency (better capacity utilisation, manufacturing yield improvement and effective cost controls), lower inventory provision and lower depreciation. This was partially offset by higher labour costs attributed to the higher production volume, higher bonus provision, and an increase in minimum wages imposed by the applicable local governmental authorities in the PRC. Correspondingly, gross profit margin expanded 4.4 percentage points from 11.9% for FY2016 to 16.3% for FY2017.

Other income decreased by S\$8.2 million (45.4%) yoy to S\$9.9 million for FY2017. This was primarily due to the absence of a one-off pre-tax gain of S\$10.5 million on the disposal of an investment in a startup company in FY2016.

Other expenses increased by S\$7.7 million (78.5%) yoy to S\$17.5 million for FY2017 mainly due to a S\$12.0 million yoy increase in net loss arising from net foreign exchange differences and fair value loss on derivatives resulting from the depreciation of USD against RMB and SGD. The increase was partially offset by a decrease in impairment losses on property, plant and equipment by S\$4.4 million yoy.

Total selling, distribution and administrative expenses declined by S\$11.1 million (12.4%) yoy to S\$78.9 million for FY2017 mainly due to a S\$12.6 million yoy decline in bad debt written off and doubtful debt provision.

Income tax expense increased by S\$8.2 million (49.0%) yoy to S\$24.8 million for FY2017 mainly due to the increase in profit before tax. This was partially offset by the impact from a reduced effective tax rate of 17.0% for FY2017 (FY2016: 23.4%).

As a result of the above factors, the Group's net profit after tax increased by S\$67.0 million (122.8%) yoy to a record high of S\$121.5 million for FY2017.

The Group's net cash generated from operating activities for FY2017 amounted to S\$260.2 million (FY2016: S\$267.8 million).

Net cash used in investing activities was S\$29.6 million for FY2017 (FY2016: S\$35.8 million), mainly due to payments for the purchase of capital expenditure amounting S\$31.6 million.

The Group's net cash used in financing activities was S\$62.3 million for FY2017 (FY2016: S\$243.5 million), mainly due to dividend payments of S\$172.7 million, partially offset by net proceeds from loans and borrowings amounting S\$111.8 million.

The Group's cash and cash equivalents and restricted bank deposits increased by S\$162.1 million (134.4%) yoy to S\$282.8 million as at 31 December 2017. Current and non-current loans and borrowings increased by S\$109.6 million (114.7%) yoy to S\$205.2 million as at 31 December 2017. Consequently, the Group's net cash position improved to S\$77.6 million as at 31 December 2017 (31 Dec 2016: S\$25.1 million).

# BOARD OF DIRECTORS

## MR YAO HSIAO TUNG

MR YAO HSIAO TUNG is the *Executive Chairman and Chief Executive Officer* of the Group. He was appointed to the Board in May 1983. Mr Yao is responsible for formulating the strategic directions of the Group as well as the overall management of the Group's operations. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. He was a technical service manager with Du Pont Singapore Electronics Pte. Ltd. before joining the Group. Mr Yao was conferred an Honorary Doctorate by his Alma Mater, National Kaohsiung University of Applied Sciences, on 25 October 2009.

## MADAM WONG HUEY FANG

MADAM WONG HUEY FANG is an *Executive Director* and the *Chief Administrative Officer* of the Group. She was appointed to the Board in January 1988. Her key responsibilities include managing the Group's administrative and public relations functions. Prior to joining the Group in 1985, Madam Wong was a purchaser with Taiwan-based Aven Electronics Co., Ltd.

## MR YEO TIONG ENG

MR YEO TIONG ENG is an *Executive Director* of the Company. He was appointed to the Board as Non-Executive Director in April 1987, re-designated to Independent Director on 30 January 2015, and re-designated to Executive Director with effect from 14 November 2016. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Master of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo was formerly a Vice-President Finance of Molex Far East South Management Pte Ltd overseeing Molex Global Commercial Products Division and is a member of the Institute of Singapore Chartered Accountants. He also served as a board member to Nanyang Business School Undergraduate Advisory Board from 2006 to 2014, and has been appointed as a member of the board of directors of Industrial & Services Co-operative Society Ltd (a non-profit organisation) in August 2016.

## MRS JENNIFER YEO (MADAM LEONG LAI PENG)

MRS JENNIFER YEO (MADAM LEONG LAI PENG) is an *Independent Director* of the Company. She was appointed to the Board in November 2006. She graduated from the National University of Singapore in 1981 with LL.B (Honours) and from Boston University

in 1985 with LL.M in Banking Law Studies. She was admitted to the Singapore Bar in 1982 and is also a Solicitor of England and Wales since 1999. She is a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Madam Leong is the Chairman of Viva Foundation for Children with Cancer, which she founded in 2006 in Singapore and is a charity with the status of Institution of Public Character. She is also the founder Chairman of Viva China Children's Cancer Foundation Limited incorporated in Hong Kong in December 2014 as a Hong Kong charity with the mission to raise the cure rate of children with cancer in China and Hong Kong. Madam Leong is a consultant in Yeo-Leong and Peh LLC.

## MR CHESTER LIN CHIEN

MR CHESTER LIN CHIEN is an *Independent Director* of the Company. He was appointed to the Board in August 2004. Mr Lin was previously the Executive Vice President and President of Solectron's Asia Pacific region. Prior to joining Solectron, he was the Chief Executive Officer of NatSteel Electronics from 1993 to 2001. Previously, Mr Lin also worked with SCI Systems, General Electric and General Instruments (Taiwan). Mr Lin holds a Bachelor's degree in Electrical Engineering from the Taipei Institute of Technology.

## MR GERALD LIM THIEN SU

MR GERALD LIM THIEN SU, BBM, is an *Independent Director* of the Company. He was appointed to the Board in November 2010. Mr Lim is Chairman of Phillip Insurance Investments, the President of the Singapore Insurance Brokers Association, and Honorary Consul of the Republic of Slovenia. He also serves as Chairman of Tampines Central Citizens Consultative Committee, and member of the Council of Education of the Methodist Church in Singapore. Mr Lim also sits on the Boards of Ju Eng Home for Senior Citizens, Methodist Girls School, St. Andrew's School, and St. Francis Methodist School. Mr Lim did his undergraduate studies at National University of Singapore, obtained an M.A. from George Washington University, and attended executive development programmes at Insead (France) and Kellogg (Chicago).

# MANAGEMENT TEAM

## **YAO HSIAO TUNG\***

*Executive Chairman & Chief Executive Officer*

## **WONG HUEY FANG\***

*Executive Director & Chief Administrative Officer*

## **YEO TIONG ENG\***

*Executive Director*

## **SAMUEL YUEN CHUNG SANG**

*Chief Financial Officer*

SAMUEL YUEN CHUNG SANG is the *Chief Financial Officer* of the Group and is responsible for the Group overall financial operations and management. Prior to joining the Group on 26 June 2006, Mr Yuen was the Executive Director and Chief Financial Officer of SGX-listed Fu Yu Corporation Limited, a precision plastic injection molding and mold-making company. Prior to that, he had worked extensively in China and Hong Kong. His previous experience included finance and general management experience in various industries such as freight forwarding, hotel and property investment and trading. Mr Yuen holds a Bachelor of Business Administration degree (major in Accounting) from the Chinese University of Hong Kong and a Master of Business Administration degree (major in Finance) from Dalhousie University, Canada. Mr Yuen is a member of the Singapore Institute of Directors.

*\* Please refer to page 5*

# GROUP OF COMPANIES

as at 31 December 2017

## HOLDING COMPANY

**Hi-P International Limited**  
11 International Business Park,  
Singapore 609926

## SUBSIDIARIES – SINGAPORE

**Hi-P Flex Pte. Ltd.**  
11 International Business Park,  
Singapore 609926

**Hi-P Electronics Pte. Ltd.**  
11 International Business Park,  
Singapore 609926

**Hi-P (Singapore) Technology Pte. Ltd.**  
11 International Business Park,  
Singapore 609926

**Hi-P Holdings Pte. Ltd.**  
11 International Business Park,  
Singapore 609926

## SUBSIDIARIES - NORTH CHINA

**Hi-P Tianjin Electronics Co., Ltd.**  
Factory 8, Building 1 & 9,  
No.29 XinYe 3rd Street  
West Developing Zone of TEDA  
Tianjin, the PRC

**Hi-P (Tianjin) Precision Mold & Die Co., Ltd.**  
Factory 8, Building 3,  
No.29 XinYe 3rd Street  
West Developing Zone of TEDA  
Tianjin, the PRC

**Hi-P (Tianjin) Technology Co., Ltd.**  
Factory 8, Building 2,  
No.29 XinYe 3rd Street  
West Developing Zone of TEDA  
Tianjin, the PRC

**Qingdao Haier Hi-P Science Technology Co., Ltd.**  
Haier Industrial Park,  
1 Haier Road, Qingdao, the PRC

## SUBSIDIARIES - SOUTH CHINA

**Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.**  
No.5 Haijingdongsan Road,  
Exporting Processing Zone,  
Xingang Road, Haicang, Xiamen City,  
the PRC

## SUBSIDIARIES - EAST CHINA

**Hi-P (Shanghai) Automation Engineering Co., Ltd.**  
Building 4/5/6, 79 Jinwen Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P Lens Technology (Shanghai) Co., Ltd.**  
Building 3 & 4, No.38 Jinliang Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.**  
77 Block 3, 1st floor Area A Jin Wen Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P Shanghai Electronics Co., Ltd.**  
77 Block 3, 1st floor Area B Jin Wen Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P (Shanghai) Housing Appliance Co., Ltd.**  
Building 4/5/6, 79 Jinwen Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P (Shanghai) Precision Metal Co., Ltd.**  
No.38 Jinliang Road  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P (Shanghai) Precision Mold & Die Co., Ltd.**  
Building 3 and 4, 1006 Jinmin Road,  
Jinqiao Export & Processing Zone,  
Pudong New District, Shanghai, the PRC

**Hi-P (Shanghai) Metal Industries Co., Ltd.**  
No.96 Jinwen Road  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Huglomerate (Shanghai) International Trading Co., Ltd.**  
(f.k.a. **Hi-P (Shanghai) International Trading Co., Ltd.**)  
No.28 Xin Jinqiao Road,  
11F Xin Jinqiao Building, Pudong New  
District, Shanghai, the PRC

**Hi-P (Shanghai) Technology Co., Ltd.**  
Building 3 & 4, No.38 Jinliang Road,  
Zhu Qiao Airport Industrial Zone  
Pudong New District, Shanghai, the PRC

**Hi-P (Suzhou) Electronics Co., Ltd.**  
No.86 Liu Feng Road, He Dong Industry  
Park, Guo Xiang Street,  
Wu Zhong District, Suzhou, the PRC

**Hi-P (Suzhou) Electronics Technology Co., Ltd.**  
No.86 Liu Feng Road, He Dong Industry  
Park, Guo Xiang Street,  
Wu Zhong District, Suzhou, the PRC

**Hi-P (Suzhou) Precision Mold & Die Co., Ltd.**  
No.86 Liu Feng Road, He Dong Industry  
Park, Guo Xiang Street,  
Wu Zhong District, Suzhou, the PRC

**Hi-P (Nantong) Technology Co., Ltd.**  
No.1, He Xing Road, Nantong Economic  
& Technological Development Area  
Jiangsu, the PRC

## SUBSIDIARIES - WEST CHINA

**Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.**  
B4 Unit Mould Industrial Park  
Encircle Road, Hongguang Town West Park  
Chengdu High-Tech Development Zone,  
Chengdu, the PRC

**Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.**  
B4 Unit Mould Industrial Park  
Encircle Road, Hongguang Town West Park  
Chengdu High-Tech Development Zone,  
Chengdu, the PRC

## SUBSIDIARIES – AMERICA

**Hi-P North America, Inc.**  
1100 Nerge Road, Suite 208B  
Elk Grove Village, IL 60007

## SUBSIDIARIES – OTHER

**Hi-P Technology Co., Ltd.**  
9F., No.183, Gangqian Rd.,  
Neihu Dist., Taipei City 11494,  
Taiwan, Republic of China

**Hi-P (Thailand) Co., Ltd.**  
Amata City Industrial Estate, 7/132,  
Moo 4, Tambon Mabyangporn,  
Amphur Pluakdaeng, Rayong 21140,  
Thailand

**Hi-P Poland SP. ZO.O.**  
ul. Magazynowa 8, Bielany Wrocławskie  
55-040 Kobierzyce, Poland

## ASSOCIATED COMPANY

**Express Tech Mfg Pte. Ltd.**  
180 Ang Mo Kio Ave 8  
#07-07 Block N  
Singapore 569830

**CINO Technology (Shenzhen) Ltd.**  
401, G Building, Licheng Scientific &  
Technological Industrial Park,  
Xinhe Road, Shajing, Baoan, Shenzhen,  
the PRC 518804

## JOINT VENTURE COMPANY

**RH Packaging Group Limited**  
Room 415, Austin Tower,  
22-26A Austin Avenue,  
Tsimshatsui, Kowloon, Hong Kong

# CORPORATE GOVERNANCE REPORT

Hi-P International Limited (“**Company**”) is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (collectively, the “**Group**”). The Company continues to evaluate and put in place effective self-regulatory corporate practices to protect its shareholders’ interests and enhance long-term shareholders’ value. The board of directors of the Company (“**Board**”) is pleased to report on the Company’s corporate governance processes and activities as required by the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (“**Code**”). For easy reference, sections of the Code under discussion are specifically identified. However, this Corporate Governance Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

## Board Matters

### Principle 1: The Board’s Conduct of Affairs

The Board comprises of the following members:

#### Executive Directors

Mr. Yao Hsiao Tung  
Madam Wong Huey Fang  
Mr. Yeo Tiong Eng

#### Independent Directors

Mr. Gerald Lim Thien Su  
Madam Leong Lai Peng  
Mr. Chester Lin Chien

Apart from its statutory duties and responsibilities, the Board performs the following functions:-

- (a) providing entrepreneurial leadership, setting strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
- (c) reviewing management performance;
- (d) setting the Group’s values and standards, and ensuring that obligations to shareholders and other stakeholders are understood and met;
- (e) nominating directors to the Board;
- (f) appointing key personnel;
- (g) reviewing the financial performance of the Group and implementing policies relating to financial matters, which include risk management and internal control and compliance;
- (h) assuming responsibility for corporate governance; and
- (i) considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

# CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board has formed three committees, namely, Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”). These committees function within written terms of reference and operating procedures to ensure good corporate governance in the Company and within the Group. The Board has delegated the authority to make relevant decisions to these committees but without abdicating its responsibility. Each committee reports to the Board with their recommendations. The ultimate responsibility for final decision on all matters lies with the entire Board.

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a director, material acquisition and disposal of assets, corporate or financial restructuring, share issuance, dividends, financial results and corporate strategies.

The directors of the Company (“Directors”) objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Group. The Company has in place a written financial authority matrix which requires transactions exceeding certain thresholds limits to be approved by the Board.

The Board and its committees met regularly based on schedules planned one year ahead so as to ensure maximum attendance by all participants. Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when circumstances require. The Company’s Constitution allows a Board meeting to be conducted by way of tele-conference and video-conference. On occasions when Directors were unable to attend meetings in person, tele-conference and web-conference were used.

During the year under review, the Board held five meetings and the attendance of each Director at the said meetings is set out below:-

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		General Meetings <sup>(1)</sup>
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	
Mr. Yao Hsiao Tung	5	5	-	-	-	-	-	-	2
Madam Wong Huey Fang	5	5	-	-	-	-	-	-	2
Mr. Yeo Tiong Eng	5	5	-	-	3	3	-	-	2
Mr. Chester Lin Chien	5	5	4	4	3	3	3	3	2
Madam Leong Lai Peng	5	3	4	3	3	3	3	3	0
Mr. Gerald Lim Thien Su	5	5	4	4	-	-	3	3	2

Notes:

(1) Comprising the Annual General Meeting and the Extraordinary General Meeting of the Company held on 26 April 2017.

The Directors are provided with regular updates on relevant new laws, regulations and changing commercial risks from time to time, to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. During the year under review, the Directors received briefings covering, *inter alia*, accounting and regulatory updates as well as changes to listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Upon appointment of each director, a formal letter of appointment containing *inter alia*, the role and responsibilities of directors, will be provided to every new director. No new director has been appointed to the Board during the year under review.

# CORPORATE GOVERNANCE REPORT

## Principle 2: Board Composition and Guidance

Currently, the Board comprises six Directors of whom three are Independent Directors. Details of the Board composition are as follows:-

Name of Directors	Board Membership	Date of First Appointment	Date of Last Re-election/ Re-appointment	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Yao Hsiao Tung	Executive Chairman and Chief Executive Officer	21 May 1983	28 April 2016	-	-	-
Mr. Yeo Tiong Eng	Non-Executive Director	1 April 1987	26 April 2017	-	Member	-
	Independent Director	Re-designated w.e.f. 30 January 2015				
	Executive Director	Re-designated w.e.f. 14 November 2016				
Madam Wong Huey Fang	Executive Director and Chief Administrative Officer	21 January 1988	28 April 2016	-	-	-
Mr. Chester Lin Chien	Independent Director	4 August 2004	28 April 2016	Member	Chairman	Member
Madam Leong Lai Peng	Independent Director	9 November 2006	28 April 2016	Member	Member	Chairman
Mr. Gerald Lim Thien Su	Independent Director	1 November 2010	26 April 2017	Chairman	-	Member

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review.

Although the Executive Chairman and Chief Executive Officer is the same person, there is an independent element on the Board in view that half of the Board comprises of Independent Directors. The Board considers an "independent" Director as one who has no relationship with the Group, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company and the Group. Independent Non-Executive Directors form half of the Board and that promotes an appropriate balance of power and authority in keeping with the spirit of good corporate governance. The AC, NC and RC are also chaired by Independent Non-Executive Directors. This ensures adequate accountability, safeguards and internal controls are in place to facilitate independent decision-making. In view thereof, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on various issues. No individual or small group of individuals dominates the Board's decision-making process. The proportion of Independent Directors on the Board complies with the Code.

# CORPORATE GOVERNANCE REPORT

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate balance and diversity of skill, experience, gender and knowledge. The NC's policy in such review and the making of any recommendation to the Board take into account a candidate's track record, age, gender, experience, capabilities and other relevant factors. Each Director has been appointed on the strength of his/her calibre, experience and stature and is expected to bring his/her experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

The Board, taking into account the scope and nature of the Company's operations and the requirements of the business, considers its current size to be adequate for effective decision-making. The current Board has a good mix of core competencies in the areas of industry knowledge, accounting and finance, legal, business and management experience. The Executive Directors possess good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations. The Board currently has two female directors, namely Madam Wong Huey Fang and Madam Leong Lai Peng, in recognition of the importance and value of gender diversity. Female directors of the Company make up one third of the Board.

Non-Executive Directors constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Non-Executive Directors communicate with each other without the presence of Management as and when the need arises. The Non-Executive Directors met on an ad hoc basis with the Chief Executive Officer and senior management team to discuss challenges faced by the Group. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committees meetings.

The Board recognises that Independent Directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole.

Mr. Chester Lin Chien and Madam Leong Lai Peng were appointed as Directors on 4 August 2004 and 9 November 2006 respectively and have served the Board for more than nine years. The NC had reviewed the independence of both Mr. Chester Lin Chien and Madam Leong Lai Peng and was of the view that both Mr. Chester Lin Chien and Madam Leong Lai Peng had demonstrated strong independent character and judgment in discharging their duties and responsibilities as Independent Directors over the years. They had expressed their views, debated issues, constructively challenged Management and sought clarification where deemed necessary. There is also no relationship which is likely to affect or could appear to affect their judgment.

Mr. Chester Lin Chien and Madam Leong Lai Peng had each abstained from the discussion and taking a decision in respect of their own independence.

Taking into account the above, the Board concurred with the NC's view that Mr. Chester Lin Chien and Madam Leong Lai Peng continue to be considered as independent notwithstanding that they have served on the Board for more than nine years.

Key information regarding the Directors is set out on page 5 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

## Principle 6: Access to Information

Management has an obligation to supply the Board with complete and adequate information in a timely manner. To assist the Board in fulfilling its responsibilities, the Board is provided with information required to support the decision-making process, which includes board papers and related materials, background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, and management accounts of the Group's performance, position and prospects on a quarterly basis. The Management will continue to improve its process in providing complete, adequate and timely information to the Board prior to each Board meeting.

The Board has separate and independent access to senior management and the Company Secretary at all times through electronic mail, telephone and face-to-face meetings. The Company Secretary attends all meetings of the Board and Board committees, and ensures that all Board procedures are followed and that information flows well between the Board and the Board committees and between Management and Non-Executive Directors. The Company Secretary advises the Board on all governance matters, assisting with professional development as required and ensures that the Company complies with the requirements of the Companies Act and the SGX-ST. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

If any of the Directors require independent professional advice either individually or as a Board in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

## Principle 3: Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer should be separate persons for appropriate balance of power and authority. However, the Board is also of the view that adopting a single leadership structure, i.e. where the Chief Executive Officer and the Chairman of the Board are the same person, would effectively improve the efficiency in decision-making and execution process of the Group. Furthermore, half of the Board members are Independent Directors and all the Board committees are chaired by the Independent Directors. The Board believes that there is still a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In view thereof, the Board has not appointed a Lead Independent Director to date.

Mr. Yao Hsiao Tung is the Executive Chairman of the Board and Chief Executive Officer of the Company who is responsible for providing guidance on the corporate and business direction of the Group, scheduling, setting agenda and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and the Management, managing the day-to-day operations of the Group with the help of senior management and promoting high standards of corporate governance. Mr. Yao is the founder of the Group and has played a key role in developing the Group's business. Through the Group's business development in the last few years, Mr. Yao has demonstrated his vision, strong leadership and enthusiasm in the Group's business.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

## Board Committees

### Nominating Committee

#### Principle 4: Board Membership

#### Principle 5: Board Performance

The current NC comprises the following three members, the majority of whom (including its Chairman) are Independent Non-Executive Directors:

- (a) Mr. Chester Lin Chien (Chairman) – Independent Non-Executive Director
- (b) Mr. Yeo Tiong Eng – Executive Director
- (c) Madam Leong Lai Peng – Independent Non-Executive Director

The Board has approved the written terms of reference of the NC. Its functions are *inter alia*, as follows:-

- (a) reviewing and recommending candidates for appointment to the Board;
- (b) reviewing candidates nominated for appointment as senior management staff;
- (c) reviewing and recommending to the Board plans for succession, in particular, of the Chairman, Chief Executive Officer and the key executives of the Company;
- (d) evaluating the performance of the Board, the Board committees and the Directors;
- (e) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;
- (f) procuring that at least half of the Board shall comprise Independent Directors in view that the Chairman and Chief Executive Officer is the same person;
- (g) making recommendations to the Board on continuation of service of any Director who has reached the age of 70;
- (h) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting (“AGM”) of the Company, having regard to the Directors’ contribution and performance, including Independent Directors;
- (i) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors);
- (j) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board; and
- (k) reviewing the adequacy of the Board’s training and professional development programs.

# CORPORATE GOVERNANCE REPORT

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC may recourse to both internal sources as well as external sources to draw up a list of potential candidates. Shortlisted candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history. In addition, they may be required to complete certain prescribed forms to enable the NC to assess the candidate's independence, if applicable. No new director has been appointed to the Board during the year under review.

The NC has adopted a formal process for the evaluation of the performance of the Board as a whole. The Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board as a whole. The performance criteria includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code. The Board assessment also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board.

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input is reviewed by the NC. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

The evaluation of effectiveness and performance of each Board committee as a whole was carried out for the year under review on self-evaluation basis by each Board committee. Each Board committee reports the evaluation results to the Board thereafter. The assessment criteria include but are not limited to the composition of the Board committees and the procedures and accountability of each Board committee.

No external facilitator has been engaged by the Company for the purpose of evaluation of the Board and Board committees during the year under review.

The NC is of the view that the Directors will not be evaluated individually as each member of the Board contributes in different areas to the success of the Company, and accordingly, it would be more appropriate to assess the Board as a whole and each Board committee.

Mr. Chester Lin Chien is currently a director of Eurotronic Group Ltd., a public company listed on the mainboard of the SGX-ST. Mr. Gerald Lim Thien Su is currently a director of Blackgold Natural Resources Limited, a public company listed on the Catalist of the SGX-ST. Mr. Gerald Lim was a director of International Healthway Corporation Limited from 27 April 2016 until 23 January 2017. Save and except for the foregoing directorships of Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su, none of the other Directors currently holds, or had in the preceding three years from the date of this Annual Report, held any directorship in any other listed company, other than their directorships in the Company.

Taking into consideration the Directors' board representations and other principal commitments, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The Board has experienced minimal competing time commitments among its Board members as Board and Board committee meetings are planned and scheduled in advance. Pursuant to the Code, the Board is required to determine the maximum number of listed company board representations which a Director may hold. The Board has concurred with the NC's recommendation that the maximum number of listed company board representations which a Director may have should not exceed five.

The Company does not have alternate directors.

# CORPORATE GOVERNANCE REPORT

With regard to the responsibility of determining annually, and as and when circumstances require, if a Director is independent, each NC member will not take part in determining his/her own re-nomination or independence. Each Director is required to submit a return of independence to the Company Secretary as to his/her independence, who will submit the returns to the NC. The NC shall review the returns and determine the independence of each of the Directors and recommend the same to the Board. An Independent Director shall notify the NC immediately, if as a result of a change in circumstances, he/she no longer meets the criteria for independence. The NC shall review the change in circumstances and make its recommendations to the Board. During the year under review, the NC has reviewed and determined that Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su are independent.

All Directors are subject to the provisions of the Company's Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

Mr. Yao Hsiao Tung and Mr. Chester Lin Chien are over the age of 70. In the AGM held on 28 April 2016, both of them were re-appointed as Directors with effect from 28 April 2016 and to hold office subject to retirement by rotation in accordance with the Company's Constitution. Mr. Yao Hsiao Tung and Mr. Chester Lin Chien are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM. The NC recommended that Mr. Yao Hsiao Tung and Mr. Chester Lin Chien be nominated for re-election at the forthcoming AGM. Mr. Chester Lin Chien (as the Chairman of the NC) had abstained from the discussion and taking a decision in respect of his re-election at the forthcoming AGM.

Save for Mr. Yao Hsiao Tung and Madam Wong Huey Fang, who are husband and wife, none of the Directors has any family relationship with the other Directors or major shareholders of the Company.

In making the recommendation, the NC had considered the Directors' overall contribution and performance with reference to their attendance and participation at meetings of the Board and Board committees. Key information regarding the Directors' academic and professional qualifications and other information is set out on page 5 of this Annual Report.

## Remuneration Committee

### Principle 7: Procedures for Developing Remuneration Policies

### Principle 8: Level and Mix of Remuneration

### Principle 9: Disclosure on Remuneration

The current RC comprises the following three members, all of whom (including its Chairman) are Independent Non-Executive Directors:

- (a) Madam Leong Lai Peng (Chairman) – Independent Non-Executive Director
- (b) Mr. Chester Lin Chien – Independent Non-Executive Director
- (c) Mr. Gerald Lim Thien Su – Independent Non-Executive Director

The Board has approved the written terms of reference of the RC. Its functions are *inter alia*, as follows:-

- (a) recommending to the Board a framework of remuneration for the Board and key executives of the Group (as required by law and/or the Code) which shall include the disclosure of details of the Company's remuneration policy, level and mix of remuneration, procedure for setting remuneration and details of the specific remuneration packages for each Director such as Director's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind;

# CORPORATE GOVERNANCE REPORT

- (b) proposing to the Board appropriate and meaningful measures for assessing the Executive Directors' performance;
- (c) determining the specific remuneration package for each Director and the Chief Executive Officer of the Company (or other executives of similar rank) if he is not an Executive Director;
- (d) considering the appropriate compensation the Directors' contracts of service, if any, would entail in the event of early termination; and
- (e) considering the eligibility of Directors and key executives for benefits under long-term incentive schemes.

In carrying out the above, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The RC reviews the Company's obligations arising in the event of termination of executive Directors and key executives' contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

The Company sets remuneration packages which:

- (a) link rewards to corporate and individual performance and is aligned with the interests of shareholders and promote the long-term success of the Company; and
- (b) are competitive and sufficient taking into consideration the remuneration and employment conditions within the same industry and in comparable companies to attract, retain and motivate Directors and key executives with adequate experience and expertise to manage the business and the operations of the Group.

The framework for Directors' fees for the financial year ended 31 December 2017 ("FY2017") is set out below:

Role	Member	Chairman
Board	S\$40,000 per annum	S\$70,000 per annum
Audit Committee	S\$15,000 per annum	S\$25,000 per annum
Nominating Committee	S\$9,000 per annum	S\$15,000 per annum
Remuneration Committee	S\$9,000 per annum	S\$15,000 per annum

Shareholders' approval will be sought at the forthcoming AGM of the Company to be held on 20 April 2018, for the payment of Directors' fees proposed for the FY2017 amounting to S\$391,000 (FY2016: S\$358,000).

# CORPORATE GOVERNANCE REPORT

The remunerations paid and payable to the Directors during the FY2017 are as follows:-

Names of Directors	Cash-based						Share-based	
	Salary %	Bonus %	Director's fee %	Others <sup>(1)</sup> %	Total %	Total Amount (\$'000)	Number of options granted	Number of share awards granted
Mr. Yao Hsiao Tung <sup>(3)</sup>	33	64	2	1 <sup>(2)</sup>	100	3,262	-	-
Madam Wong Huey Fang	71	16	11	2	100	362	-	-
Mr. Yeo Tiong Eng	77	7	11	5	100	405	-	-
Mr. Chester Lin Chien	-	-	100	-	100	68	-	-
Madam Leong Lai Peng	-	-	100	-	100	68	-	-
Mr. Gerald Lim Thien Su	-	-	100	-	100	66	-	-

Notes:

- (1) Include contribution to central provident fund and car related benefits.
- (2) Based on his service agreement with the Company, Mr. Yao Hsiao Tung is entitled to a special retirement benefit in acknowledgement of his contribution to the Company as the Board may in its absolute and sole discretion deem appropriate. The said benefit is not ascertainable until his retirement.
- (3) Mr. Yao Hsiao Tung is also the Chief Executive Officer of the Company.

The remuneration paid to key executives who are not Directors or the Chief Executive Officer of the Company during FY2017 is as follows:

Names of Officers	Cash-based					Share-based	
	Salary %	Bonus %	Others <sup>(1)</sup> %	Total %	Total Amount (\$'000)	Number of options granted	Number of share awards granted
Mr. Samuel Yuen Chung Sang	72	24	4	100	581	-	-
Mr. Yong Inn Nam <sup>(2)</sup>	60	35	5	100	457	-	-

Notes:

- (1) Include contribution to central provident fund, transportation and other allowances.
- (2) Mr. Yong Inn Nam has resigned as Chief Operating Officer with effect from 14 February 2018. Please see the Company's SGXNet announcement dated 13 February 2018 for more details.

Due to competitive factors, confidentiality and/or sensitivity of remuneration matters, the names of the top five key executives (other than those disclosed above), their respective remuneration bands and aggregate remuneration paid in FY2017 are not disclosed.

No Director is involved in determining his own remuneration. The remuneration of Independent Directors is in the form of a fixed fee, and was appropriate to the level of contribution, taking into account factors such as effort and time spent, and their responsibilities. The Independent Directors were not compensated to the extent that their independence may be compromised.

# CORPORATE GOVERNANCE REPORT

The Executive Directors have service agreements with the Company. Their compensation consists of salary, fixed fee, other benefits-in-kind and bonus (which may include performance bonus that comprises cash and/or options/awards granted pursuant to the 2003 ESOS (as defined below), the ESAS (as defined below) and/or the 2014 ESOS (as defined below), that is dependent on the Group's performance).

The Directors' fees, as a lump sum, will be subject to approval by shareholders of the Company at the forthcoming AGM.

For key management personnel, in addition to their monthly salary, they also receive bonus (which may include performance bonus that comprises cash and/or options/awards granted pursuant to the 2003 ESOS, the ESAS and/or the 2014 ESOS). The performance bonus is dependent on individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole.

Save as disclosed in this Annual Report, there are no termination, retirement and post-employment benefits (other than CPF contributions) granted to Directors, the Chief Executive Officer or the key management personnel.

Separately, the Board is of the view that as the Group pays an annual incentive bonus based on the performance of the Group/Company (and not possible future results) and results that have actually been delivered by its Executive Directors and key management, "claw back" provisions in their service contracts may not be relevant or appropriate.

The brother of Mr. Yao Hsiao Tung is Mr. Yao Hsiao Kuang and his remuneration in FY2017 was in the band of between S\$300,000 to S\$350,000.

Other than the brother of Mr. Yao Hsiao Tung, there were no employees of the Group who are immediate family members of a Director or Chief Executive Officer, whose remuneration exceeded S\$50,000 during FY2017.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme ("2003 ESOS") and a share award scheme known as Hi-P Employee Share Award Scheme ("ESAS") which were approved by shareholders of the Company on 7 October 2003 and 23 April 2009 respectively. The 2003 ESOS expired on 6 October 2013, and the Company had adopted a new Hi-P Employee Share Option Scheme 2014 on 29 April 2014 ("2014 ESOS"). Notwithstanding the expiry of the 2003 ESOS, any outstanding and unexercised options held by option holders prior to such expiry will continue to remain valid. The 2003 ESOS, the ESAS and the 2014 ESOS comply with the relevant rules as set out in Chapter 8 of the Listing Manual of the SGX-ST. Further information on the 2003 ESOS, the ESAS and the 2014 ESOS can be found on pages 28 to 32 of this Annual Report.

The 2003 ESOS, the ESAS and the 2014 ESOS provide and will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The schemes are administered by the RC.

## Audit Committee

### Principle 12: Audit Committee

The current AC comprises of the following three members, all of whom (including its Chairman) are Independent Non-Executive Directors:

- (a) Mr. Gerald Lim Thien Su (Chairman) – Independent Non-Executive Director
- (b) Mr. Chester Lin Chien – Independent Non-Executive Director
- (c) Madam Leong Lai Peng – Independent Non-Executive Director

# CORPORATE GOVERNANCE REPORT

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The Board has approved the written terms of reference of the AC. Its functions are *inter alia*, as follows:-

- (a) reviewing and evaluating financial and operating results and accounting policies;
- (b) reviewing audit plan of external auditors, their evaluation of the system of internal accounting controls and their audit report;
- (c) reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance before submission to the Board for approval;
- (d) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management systems which review can be carried out internally or with the assistance of any competent third parties and ensure co-ordination between internal and external auditors and Management;
- (e) reviewing the assistance given by the Management to external auditors;
- (f) considering the appointment/re-appointment of external auditors;
- (g) reviewing interested person transactions;
- (h) reviewing the effectiveness of the Group's internal audit function; and
- (i) other functions as required by law or the Code.

The AC meets regularly and also holds informal meetings and discussions with the Management from time to time. The AC has full discretion to invite any Director or key executive to attend its meetings.

The AC has been given full access to and is provided with the cooperation of the Company's Management. In addition, the AC has independent access to the external auditors. The AC meets with the external auditors and internal auditors without the presence of Management to review matters that might be raised privately, at least annually or as and when the need arises. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is kept abreast by Management and the external auditors of changes to accounting standards, the Listing Manual of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

During the year under review, the AC reviewed the interested person transactions (if any) and on a quarterly basis, the AC reviews the financial results announcements of the Company before their submission to the Board for approval.

The AC also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with Management and the external auditors have been included as key audit matters ("KAMs") in the audit report for FY2017 (please refer to pages 34 to 35 of this Annual Report).

In assessing each KAM, the AC took into consideration the approach and methodology applied in the valuation of assets, as well as the reasonableness of the estimates and key assumptions used. The AC concluded that Management's accounting treatment and estimates in each of the KAMs were appropriate.

# CORPORATE GOVERNANCE REPORT

The AC has reviewed the non-audit services to the Group by the external auditors as part of the AC's assessment of the external auditors' independence. A breakdown of the fees paid to the external auditors for audit and non-audit services can be found in the notes to the financial statements in this Annual Report and as disclosed in the table below:

External Auditor Fees for FY2017	S\$'000	% of Total Fees
Total Audit Fees	665	68
Total Non-Audit Fees	311	32
Total Fees Paid	976	100

The AC is of the view that the nature and extent of the non-audit services will not prejudice the independence and objectivity of the external auditors, and is pleased to recommend their re-appointment. The AC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms. Accordingly, the Company has complied with the Rule 1207(6) of the Listing Manual of the SGX-ST.

## Whistle-blowing Policy

The AC has established and put in place a whistle-blowing policy and procedures to provide employees and external parties with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices or other similar matters or raise serious concerns about possible incorrect financial reporting or other matters that could have an adverse impact on the Company. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. In promoting and creating awareness, the whistle-blowing policy and procedures are posted on the Company's intranet and a summarized version thereof on the Company's website so that employees as well as external parties can have access at all times to the information in the policy.

The AC oversees the administration of the policy while the Whistle-Blowing Committee administers the policy. Quarterly reports will be submitted to the AC stating the number and nature of complaints received, the results of the investigation, follow up actions and the unresolved complaints.

## Principle 11: Risk Management and Internal Controls

### Risk Management

The AC examines the effectiveness of the Group's internal control systems. The number of assurance mechanisms currently operating is supplemented by the Company's internal auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management systems. The external auditors review the effectiveness of the Group's internal financial controls and report to the AC on matters relating to internal financial controls which came to their attention during the course of their normal audit. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

# CORPORATE GOVERNANCE REPORT

During the year under review, in addition to the work carried out by the external auditor, the Board also engaged Messrs PricewaterhouseCoopers Risk Services Pte.Ltd. to review the risk matrices documented by the Company which assists Management to address the financial, operational and compliance risks of the key operating units of the Group. The process involved the identification of the major financial, operational and compliance risks in the various business units as well as the countermeasures in place or required to mitigate such risks. These are summarized and documented using a risk management matrix of key risks, for review by the Board. The summary of risk management matrix provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanisms in place.

The Board has received assurance from Chief Executive Officer and Chief Financial Officer that (a) the financial records have been properly maintained and the financial statements of the Company give a true and fair view of the Company's and Group's operations and finances, and (b) an effective risk management and internal control systems have been put in place.

During the year under review, the AC reviewed the effectiveness of the Company's internal control procedures and was satisfied that the Company's processes and internal controls are adequate to meet the needs of the Company in its current business environment.

## **Internal Controls**

The Group's internal controls and systems are designed to provide reasonable, but not absolute assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board, assisted by the AC, has oversight of the internal controls and risk management system in the Group.

In recent years, the Company's rapid growth had added new challenges to its control systems. However, strong commitment from the Board and senior management has led to improvements in the overall internal control and thus strengthened the Group's execution foundation. The focus on embedding quality management systems, assurance processes, training and performance monitoring has seen tangible improvements in the maturity and standardization of policies, systems, processes and procedures throughout the Group.

The Board and AC have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance controls. Based on the internal controls established and maintained by the Group, the internal and external auditors' reports, reviews performed by the Management, and the assurance from the Chief Executive Officer and the Chief Financial Officer, the Board, with the concurrence of the AC, are of the opinion that a system of internal controls are in place and adequate as at 31 December 2017 and effective in addressing the financial, operational, compliance and information technology controls, and risk management systems of the Group in the current business environment.

The Board notes that while the system of internal controls and risk management provide reasonable assurance, no system of internal controls and risks management could provide absolute assurance that the Company or Group will not be affected by any event that could be reasonably foreseen in the course of its businesses and that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, fraud or irregularities.

# CORPORATE GOVERNANCE REPORT

## Principle 13: Internal Audit

The internal audit function of the Group has been outsourced to Messrs PricewaterhouseCoopers Risk Services Pte. Ltd. (“PwC”). PwC is a corporate member of the Institute of Internal Auditors of Singapore, and staffed with professionals with relevant qualifications and experience. PwC carried out their function in accordance with their Global Internal Audit Services Methodology, which is aligned to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Group’s internal audit function is further supported by its In-house Internal Control Team. Members of the In-house Internal Control Team are qualified and experienced personnel.

The internal auditors report directly to the AC on audit matters and to the Executive Chairman on administrative matters. The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC.

The objective of the internal auditors is to provide an independent review of the effectiveness of the Group’s internal controls and provide guidance to the AC and the Management with a view to ensuring that the Group’s risk management, controls and governance processes are adequate and effective.

The AC has reviewed with the internal auditors, at least annually, their audit plans, their evaluation of the system of internal controls, their audit findings and Management’s responses to those findings, as well as the effectiveness of material internal controls. The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

## Communication with Shareholders

### Principle 10: Accountability

The Board’s primary role is to protect and enhance long-term value and returns for shareholders. In discharging its duties to shareholders, the Board, when reporting the Group’s financial performance via announcements on the SGXNET and annual report, has a responsibility to present a balanced and understandable assessment of the Group’s financial performance, position and prospects, which responsibility extends to interim and other price sensitive public reports and reports to regulators (if required). Management currently provides the Board with detailed management accounts of the Group’s performance, position and prospects on a quarterly basis as the Directors have access to Management at all times.

### Principle 14: Shareholder Rights

### Principle 15: Communication with Shareholders

### Principle 16: Conduct of Shareholder Meetings

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholder’s rights.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via SGXNET announcements, news releases and the Company’s website. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure to all others as promptly as possible.

# CORPORATE GOVERNANCE REPORT

General meetings have been and are still the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the annual report and the notice of general meetings of the Company. At the general meetings, shareholders will be given opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Shareholders are encouraged to attend the general meetings of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concern at general meetings.

The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings. For the year under review, all resolutions at general meetings of the Company were voted by poll as required by Rule 730A(2) of the Listing Manual. The procedures of the voting by poll were clearly explained at such general meetings. The results showing the number of votes cast for and against each resolution tabled were announced at the meetings and in an announcement released after the meeting via SGXNet. If a shareholder of the Company is unable to attend the general meetings, he/she may appoint a proxy to attend and vote on his/her behalf by completing, signing and returning the prescribed proxy form in accordance with the instructions printed thereon.

The Company's annual report to shareholders, together with the notice of general meetings, letter to shareholders, if applicable, are disseminated through the SGXNet and are delivered to all shareholders within the mandatory period, providing shareholders with adequate time to review the documents thoroughly. The Company also publishes the notice of general meetings in a major local news publication. Full copies of the said notices are also lodged with the SGX-ST.

Every quarter, the Company holds a briefing session after the release of its quarterly financial results. Key management of the Company presides over the briefing session and offer a review of the Group's performance. The financial and investment community have access to the briefing sessions. The financial statements, press release and presentation slide which the Company has disseminated through the SGXNet will be shared with all participants.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders relating to the agenda of the meetings, and response from the Board and Management. The minutes are available to shareholders upon request.

The Company's Constitution allows a member of the Company to appoint one or two proxies to attend and vote at its general meetings.

## **Dividend**

The Company does not have any formal dividend policy. The form, frequency and amount of future dividends on shares in the capital of the Company will depend on the Group's operating results, financial condition such as cash position and retained earnings, other cash requirements including capital expenditure, the terms of borrowing arrangements (if any), and other factors deemed relevant by the Board. Past dividend payments by the Company should not be taken as an indication of dividends to be paid by the Company in the future.

The Board has recommended a final tax exempt one-tier dividend of 4.0 cents per ordinary share for the FY2017. The Company will be seeking the approval of shareholders at the AGM to be held on 20 April 2018 for the declaration of the said proposed final dividend.

# CORPORATE GOVERNANCE REPORT

## Securities Transactions (Listing Manual Rule 1207(19))

The Group has adopted the SGX-ST's best practices with respect to dealings in securities by the Directors and its executive officers. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's financial statement for the full financial year, as the case may be, and ending on the date of announcements of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group. They are also discouraged from dealing in the Company's securities for short-term consideration. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares.

## Material Contracts (Listing Manual Rule 1207(8))

Save for the service agreements of the Executive Directors with the Company and the interested person transactions disclosed in this Annual Report, there were no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer, each Director or controlling shareholder, which were either subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

## Interested Person Transactions (Listing Manual Rule 907)

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Receipt of indemnification of an obligation guaranteed by Eagle Ventures Limited	S\$9,127,641	N.A.
Transaction for sales of goods and services Molex International Inc. & its group companies # VSN Mobil, Inc.	S\$421,377 N.A.	N.A. S\$4,849,918

# Molex International Inc. has ceased to be a shareholder and interested person with effect from 12 June 2017.

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# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2017.

## 1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The directors of the Company in office at the date of this statement are:

Yao Hsiao Tung (Executive Chairman)  
Wong Huey Fang  
Yeo Tiong Eng  
Chester Lin Chien  
Leong Lai Peng  
Gerald Lim Thien Su

## 3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares, share options and share awards of the Company as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>				
Yao Hsiao Tung	492,728,124	517,556,734	6,892,382 <sup>1</sup>	160,299,792 <sup>2</sup>
Wong Huey Fang	1,382,735	1,386,982	863,063 <sup>3</sup>	858,816 <sup>4</sup>
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	2,000,000	1,800,000	–	–
Leong Lai Peng	300,000	300,000	–	–

### Notes

- 1 Mr. Yao Hsiao Tung's deemed interest arises by virtue of the options to subscribe for an aggregate of 6,892,382 shares held by him.
- 2 Mr. Yao Hsiao Tung's deemed interest arises by virtue of the options to subscribe for an aggregate of 6,892,382 shares held by him and his controlling interest in YHT Investments Pte. Ltd. (which in turns holds 153,407,410 shares in the capital of the Company).
- 3 Madam Wong Huey Fang's deemed interest arises by virtue of the options to subscribe for an aggregate of 858,816 shares and awards of 4,247 shares held by her.
- 4 Madam Wong Huey Fang's deemed interest arises by virtue of the options to subscribe for an aggregate of 858,816 shares held by her.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Yao Hsiao Tung is deemed to be interested in the shares held by the Company in its subsidiaries.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, share awards, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

# DIRECTORS' STATEMENT

## 5. Share options and share awards

### Share options

The Hi-P Employee Share Option Scheme 2003 (the “2003 ESOS”) was approved and adopted at the Company’s Extraordinary General Meeting held on 7 October 2003. The 2003 ESOS expired on 6 October 2013. Options granted under the 2003 ESOS however remain exercisable in accordance with the rules of the 2003 ESOS. At an Extraordinary General Meeting held on 29 April 2014, shareholders approved and adopted the Employee Share Option Scheme 2014 (the “2014 ESOS”). The 2003 ESOS and the 2014 ESOS are referred to collectively as the “Option Schemes”. Both Option Schemes apply to executive directors, employees of the Group, controlling shareholders and their associates while the 2014 ESOS additionally applies to non-executive directors. The Option Schemes are administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

Other information regarding the Option Schemes are set out below:

- (i) The exercise price of an option is determined at a price equal to the Market Price or a price which is set at a discount to the Market Price (subject to a maximum discount of 20%). Market Price in relation to an option is determined based on the average of the last dealt prices for the Company’s shares on the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the five consecutive trading days immediately preceding the date of grant of that option.
- (ii) For options granted with an exercise price fixed at the Market Price (“Market Price Options”), 50% of the Market Price Options may be exercised after the 1st anniversary of the date of grant of such Market Price Options and the remaining 50% may be exercised after the 2nd anniversary of the date of grant of such Market Price Options. For options granted with an exercise price which is set at a discount to the Market Price (“Incentive Options”), 50% of the Incentive Options may be exercised after the 2nd anniversary from the date of grant of such Incentive Options and the remaining 50% may be exercised after the 3rd anniversary from the date of grant of such Incentive Options. The exercise period might vary, subject to any other conditions as may be introduced by the Committee from time to time.
- (iii) Options granted will expire 10 years after the grant date except for options granted to non-executive directors under the 2014 ESOS, which will expire 5 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

## 5. Share options and share awards (cont'd)

### Share options (cont'd)

40,654,435 options were granted to directors and employees of the Company and its subsidiaries since the commencement of the Option Schemes to the end of the financial year under review.

Details of all options to acquire ordinary shares of the Company granted pursuant to the Option Schemes as at 31 December 2017 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2017	Options granted during the year	Options exercised during the year	Options cancelled/lapsed/expired during the year	Options outstanding as at 31 December 2017	Exercise period
12/01/2010	\$0.74	1,332,500	-	(1,065,500)	-	267,000	12/01/2011 to 11/01/2020
29/04/2010	\$0.67	2,965,000	-	(82,000)	-	2,883,000	29/04/2011 to 28/04/2020
11/03/2011	\$1.21	1,710,000	-	(537,300)	(77,000)	1,095,700	11/03/2012 to 10/03/2021
5/05/2011	\$1.20	2,973,000	-	(76,000)	-	2,897,000	5/05/2012 to 4/05/2021
9/04/2012	\$0.96	1,974,027	-	(1,167,337)	(227,168)	579,522	9/04/2013 to 8/04/2022
4/05/2012	\$0.90	1,360,693	-	(104,622)	-	1,256,071	4/05/2013 to 3/05/2022
12/04/2013	\$0.703	239,946	-	(140,472)	-	99,474	12/04/2014 to 11/04/2023
30/04/2013	\$0.699	243,329	-	-	-	243,329	30/04/2014 to 29/04/2023
12/05/2015	\$0.57	521,280	-	(21,258)	-	500,022	12/05/2016 to 11/05/2025
		13,319,775	-	(3,194,489)	(304,168)	9,821,118	

# DIRECTORS' STATEMENT

## 5. Share options and share awards (cont'd)

### Share options (cont'd)

During the financial year, no (2016: Nil) options were granted by the Company under the 2014 ESOS to its employees.

Details of options granted by the Company under the Option Schemes to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder are as follows:

	Options granted during financial year ended 31 December 2017	Aggregate options granted since commencement of scheme to 31 December 2017	Aggregate options exercised since commencement of scheme to 31 December 2017	Aggregate options expired since commencement of scheme to 31 December 2017	Aggregate options outstanding as at 31 December 2017
Yao Hsiao Tung (Director and Controlling Shareholder)	-	8,192,382	-	(1,300,000)	6,892,382
Wong Huey Fang (Director and Associate of Mr. Yao Hsiao Tung)	-	1,509,816	(351,000)	(300,000)	858,816
Yao Hsiao Kuang (Associate of Mr. Yao Hsiao Tung)	-	262,622	(262,622)	-	-
Total	-	9,964,820	(613,622)	(1,600,000)	7,751,198

Since the commencement of the Option Schemes till the end of the financial year:

- Other than Mr. Yao Hsiao Tung, Madam Wong Huey Fang and Mr. Yao Hsiao Kuang, no other directors or controlling shareholder of the Company or their associates are participants of the Option Schemes.
- Other than Mr. Yao Hsiao Tung, no participant of the Option Schemes has received 5% or more of the total number of options available under the Option Schemes.
- No options have been granted at a discount.

## 5. Share options and share awards (cont'd)

### Share awards

The Hi-P Employee Share Award Scheme (the "Award Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 23 April 2009. The Award Scheme applies to executive directors, employees of the Group who have attained the age of 21 years and are of level 6 and above (or such other employees as the Remuneration Committee may determine) and controlling shareholders and their associates. At the Extraordinary General Meeting held on 23 April 2009, shareholders also approved the participation of Mr. Yao Hsiao Tung and Madam Wong Huey Fang in the Award Scheme. At the Extraordinary General Meeting held on 23 April 2013, shareholders approved the participation of Mr. Yao Hsiao Kuang, an associate of Mr. Yao Hsiao Tung in the Award Scheme. The Award Scheme is administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

Other information relating to the Award Scheme is set out below:

- (i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award which shall not exceed 50% of the annual bonus of the participant, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.
- (ii) No minimum vesting periods are prescribed under the Award Scheme and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.
- (iii) The Award Scheme shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Award Scheme.

627,104 share awards were granted to the directors and employees of the Company and its subsidiaries since the commencement of the Award Scheme till the end of the financial year.

Details of all share awards of the Company granted pursuant to the Award Scheme as at 31 December 2017 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2017	Share awards granted during the year	Share awards vested during the year	Share awards cancelled/lapsed during the year	Share awards outstanding as at 31 December 2017
12/05/2015	62,774	-	(61,466)	(1,308)	-
	62,774	-	(61,466)	(1,308)	-

50% of the share awards vested on the 1st anniversary of the date of grant and the balance 50% vested on the 2nd anniversary of the date of grant.

During the financial year, no (2016: Nil) share awards were granted by the Company to its employees.

# DIRECTORS' STATEMENT

## 5. Share options and share awards (cont'd)

### Share awards (cont'd)

Details of share awards granted to participants of the Award Scheme who are directors, controlling shareholder of the Company and associates of the controlling shareholder, pursuant to the Award Scheme are as follows:

	Share awards granted during financial year ended 31 December 2017	Aggregate share awards granted since commencement of scheme to 31 December 2017	Aggregate share awards vested since commencement of scheme to 31 December 2017	Aggregate share awards outstanding as at 31 December 2017
Yao Hsiao Tung (Director and Controlling Shareholder)	-	207,644	(207,644)	-
Wong Huey Fang (Director and Associate of Mr. Yao Hsiao Tung)	-	35,982	(35,982)	-
Yao Hsiao Kuang (Associate of Mr. Yao Hsiao Tung)	-	10,603	(10,603)	-
Total	-	254,229	(254,229)	-

Since the commencement of the Award Scheme till the end of the financial year:

- Other than Mr. Yao Hsiao Tung, Madam Wong Huey Fang and Mr. Yao Hsiao Kuang, no other directors or controlling shareholder of the Company or their associates are participants of the Award Scheme.
- No participant of the Award Scheme received 5% or more of the total number of awards available under the Award Scheme.
- The total number of award shares which may be issued or issuable pursuant to awards granted under the Award Scheme when added to the aggregate number of shares that are issued or issuable pursuant to the exercise of options granted under the Option Schemes, shall not exceed 15% of the total number of issued shares of the Company on the day preceding the date of grant of any award.

The total number of share options and share awards granted as at 31 December 2017 do not exceed 15% of the total number of issued shares of the Company.

## 6. **Audit committee**

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are disclosed in the Report on Corporate Governance.

## 7. **Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

**Yao Hsiao Tung**  
Executive Chairman  
Chief Executive Officer

**Yeo Tiong Eng**  
Executive Director

26 March 2018

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent Auditor's Report to the Members of Hi-P International Limited

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017 and the consolidated statement of changes in equity, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
Independent Auditor's Report to the Members of Hi-P International Limited

## Key audit matters (cont'd)

### Recoverability of deferred tax assets

As at 31 December 2017, the Group recognised deferred tax assets of \$26 million. The Group operates in various countries (mainly Singapore, People's Republic of China, Thailand and Poland) which are subject to their respective local tax regulations. The valuation of the deferred income tax is significant to our audit because the valuation process involved significant management judgement given that it is dependent on management's forecasts of future profitability, which are affected by expected future market or economic conditions. Our audit procedures included, amongst others:

- Comparing the consistency of management's profit forecasts with those included in the budget approved by the Board of Directors. We evaluated management's assumptions on the projected profit forecasts by comparing them against recent profit trends and externally available information. We also assessed the historical accuracy of management's assumptions and estimation process by comparing the forecasted results against actual results of operations.
- Testing the completeness and accuracy of the amounts recognised as deferred tax assets, including the review of correspondence with the tax authorities and other income tax positions. Our internal tax specialists supported us in the review of deferred taxation.
- Assessing the adequacy of the Group's disclosures on deferred tax positions and assumptions used in Note 29 to the consolidated financial statements.

### Assessing impairment of investment in and loans to subsidiaries in the Company's balance sheet

As disclosed in Notes 16 and 20 to the financial statements, the Company has investment in subsidiaries of \$381 million and loans to subsidiaries of \$81 million as at 31 December 2017 (the "investments"). These investments represent 89% of the Company's total assets. The impairment assessment of these investments was significant to our audit because the assessment process involved significant management judgement, and is based on assumptions that are affected by expected future market and economic conditions. Our audit procedures included, amongst others:

- Reviewing management's process in the assessment of whether there is an indication or objective evidence that an investment may be impaired or previously recorded impairment losses have decreased. If any of such indication or objective evidence exists, we assessed management's estimation of the recoverable amounts that are based on projected future cash flows.
- Comparing the consistency of management's profit forecasts with those included in the budget approved by the Board of Directors. We evaluated management's assumptions on the projected cash flows, discount and terminal yield rates by comparing them against expected revenue growth and market conditions, as well as externally available information. We also assessed the historical accuracy of management's assumptions and estimation process by comparing forecasted results against actual results of operations.
- Reviewing management's process of confirming and reconciling intercompany loan balances, and where relevant and available, obtained evidence of subsequent repayment of the loans by subsidiaries.
- Assessing the adequacy of the Company's disclosures on the assessment of impairment of investment in subsidiaries and loans and receivables in Notes 3.1(b) and 3.2(b) respectively to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

**Independent Auditor's Report to the Members of Hi-P International Limited**

## Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
Independent Auditor's Report to the Members of Hi-P International Limited

## Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Tan Chwee Peng.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

26 March 2018

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Revenue</b>	4	1,426,866	1,305,071
Cost of sales		(1,193,971)	(1,149,222)
<b>Gross profit</b>		232,895	155,849
<b>Other items of income</b>			
Interest income	5	3,851	899
Other income	6	9,919	18,158
<b>Other items of expense</b>			
Selling and distribution expenses		(12,968)	(10,369)
Administrative expenses		(65,947)	(79,678)
Financial costs	7	(3,904)	(4,142)
Other expenses	8	(17,536)	(9,822)
Share of results of an associate		100	285
Share of results of a joint venture		(98)	-
<b>Profit before tax</b>	9	146,312	71,180
Income tax expense	11	(24,829)	(16,660)
<b>Profit for the year</b>		121,483	54,520
<b>Attributable to:</b>			
Owners of the Company		121,492	54,525
Non-controlling interests		(9)	(5)
		121,483	54,520
<b>Earnings per share attributable to owners of the Company (cents per share)</b>			
Basic	12	15.05	6.69
Diluted	12	14.95	6.69

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	2017 \$'000	2016 \$'000
<b>Profit for the year</b>	121,483	54,520
<b><u>Other comprehensive income</u></b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation	1,736	(23,027)
Share of other comprehensive income of an associate	(69)	(87)
Share of other comprehensive income of a joint venture	(6)	-
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	1,661	(23,114)
<b>Total comprehensive income for the year</b>	<hr/> <b>123,144</b>	<hr/> <b>31,406</b>
<b>Attributable to:</b>		
Owners of the Company	123,164	31,458
Non-controlling interests	(20)	(52)
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<hr/> <b>123,144</b>	<hr/> <b>31,406</b>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS

as at 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	315,131	359,598	15,946	16,015
Intangible assets	14	12	89	12	12
Land use rights	15	11,352	11,721	-	-
Investment in subsidiaries	16	-	-	380,535	359,594
Investment in associates	17	6,663	2,524	503	503
Investment in a joint venture	18	348	#	-	-
Other receivables	20	-	-	26,746	67,456
Other long term asset	23	-	2	-	-
Restricted bank deposits	24	505	483	-	-
Deferred tax assets	29	25,729	21,617	-	-
		359,740	396,034	423,742	443,580
<b>Current assets</b>					
Inventories	19	178,529	142,918	3,437	4,541
Trade and other receivables	20	445,297	361,845	77,728	83,844
Notes receivable	21	7,551	-	-	-
Prepaid operating expenses		6,447	9,080	208	607
Restricted bank deposits	24	4,411	9,251	-	-
Cash and cash equivalents	24	277,914	110,927	13,748	6,458
		920,149	634,021	95,121	95,450
<b>Total assets</b>		1,279,889	1,030,055	518,863	539,030
<b>Current liabilities</b>					
Trade and other payables	25	419,860	244,755	9,405	11,162
Notes payable	26	1,577	2,909	-	-
Accrued operating expenses		89,246	85,484	38,425	19,350
Provisions	27	1,368	38	-	-
Deferred capital grants	30	784	478	93	-
Loans and borrowings	28	205,213	95,502	25,058	24,638
Income tax payable		21,557	11,872	1,473	2,374
Derivatives	22	-	254	-	-
		739,605	441,292	74,454	57,524
<b>Net current assets</b>		180,544	192,729	20,667	37,926

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BALANCE SHEETS

as at 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Non-current liabilities</b>					
Other payables	25	-	-	164,006	46,805
Deferred capital grants	30	5,720	5,032	161	-
Loans and borrowings	28	29	82	29	82
Deferred tax liabilities	29	5,050	4,428	2,702	2,329
		<u>10,799</u>	<u>9,542</u>	<u>166,898</u>	<u>49,216</u>
<b>Total liabilities</b>		<u>750,404</u>	<u>450,834</u>	<u>241,352</u>	<u>106,740</u>
<b>Net assets</b>		<u>529,485</u>	<u>579,221</u>	<u>277,511</u>	<u>432,290</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	31(a)	119,725	119,725	119,725	119,725
Treasury shares	31(b)	(56,547)	(55,701)	(56,547)	(55,701)
Accumulated profits	32	421,095	467,129	209,528	358,554
Other reserves	32	44,247	47,083	4,805	9,712
		<u>528,520</u>	<u>578,236</u>	<u>277,511</u>	<u>432,290</u>
Non-controlling interests		965	985	-	-
<b>Total equity</b>		<u>529,485</u>	<u>579,221</u>	<u>277,511</u>	<u>432,290</u>

# - Amount less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to owners of the Company					Total equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital (Note 31(a)) \$'000	Treasury shares (Note 31(b)) \$'000	Other reserves (Note 32) \$'000	Accumulated profits \$'000	Total equity attributable to owners of the Company \$'000			
<b>Group</b>								
<b>Opening balance at 1 January 2017</b>	119,725	(55,701)	47,083	467,129	578,236	985	579,221	
Profit for the year	-	-	-	121,492	121,492	(9)	121,483	
Other comprehensive income								
Foreign currency translation	-	-	1,747	-	1,747	(11)	1,736	
Share of other comprehensive income of an associate	-	-	(69)	-	(69)	-	(69)	
Share of other comprehensive income of a joint venture	-	-	(6)	-	(6)	-	(6)	
<b>Other comprehensive income for the year, net of tax</b>	-	-	1,672	-	1,672	(11)	1,661	
<b>Total comprehensive income for the year</b>	-	-	1,672	121,492	123,164	(20)	123,144	
Contributions by and distributions to owners								
Employee share option and award schemes	-	-	27	-	27	-	27	
- Equity compensation benefits (Note 32(d))	-	(3,128)	-	-	(3,128)	-	(3,128)	
Purchase of treasury shares (Note 31(b))	-	2,282	628	-	2,910	-	2,910	
Treasury shares reissued pursuant to employee share option and award schemes (Note 31(b))	-	-	-	(172,689)	(172,689)	-	(172,689)	
Dividends on ordinary shares (Note 34)	-	(846)	655	(172,689)	(172,880)	-	(172,880)	
<b>Total transactions with owners in their capacity as owners</b>	-	(846)	655	(172,689)	(172,880)	-	(172,880)	
Others								
Expiry/lapse of employee share options & awards (Note 32(d))	-	-	(5,562)	5,562	-	-	-	
Transfer from retained earnings to statutory reserve fund (Note 32(a))	-	-	399	(399)	-	-	-	
<b>Total others</b>	-	-	(5,163)	5,163	-	-	-	
<b>Closing balance at 31 December 2017</b>	119,725	(56,547)	44,247	421,095	528,520	965	529,485	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital (Note 31(a)) \$'000	Treasury shares (Note 31(b)) \$'000	Other reserves (Note 32) \$'000	Accumulated profits \$'000	Total equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Group</b>							
<b>Opening balance at 1 January 2016</b>	119,725	(51,512)	70,075	418,358	556,646	1,037	557,683
Profit for the year	-	-	-	54,525	54,525	(5)	54,520
Other comprehensive income							
Foreign currency translation	-	-	(22,980)	-	(22,980)	(47)	(23,027)
Share of other comprehensive income of an associate	-	-	(87)	-	(87)	-	(87)
<b>Other comprehensive income for the year, net of tax</b>	-	-	(23,067)	-	(23,067)	(47)	(23,114)
<b>Total comprehensive income for the year</b>	-	-	(23,067)	54,525	31,458	(52)	31,406
Contributions by and distributions to owners							
Employee share option and award schemes	-	-	136	-	136	-	136
- Equity compensation benefits (Note 32(d))	-	(4,308)	-	-	(4,308)	-	(4,308)
Purchase of treasury shares (Note 31(b))	-	-	-	-	-	-	-
Treasury shares reissued pursuant to employee share award scheme (Note 31(b))	-	119	(119)	-	-	-	-
Dividends on ordinary shares (Note 34)	-	-	-	(5,696)	(5,696)	-	(5,696)
<b>Total transactions with owners in their capacity as owners</b>	-	(4,189)	17	(5,696)	(9,868)	-	(9,868)
Others							
Transfer from retained earnings to statutory reserve fund (Note 32(a))	-	-	58	(58)	-	-	-
<b>Total others</b>	-	-	58	(58)	-	-	-
<b>Closing balance at 31 December 2016</b>	119,725	(55,701)	47,083	467,129	578,236	985	579,221

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		146,312	71,180
Adjustments for:			
Depreciation of property, plant and equipment	13	72,614	83,645
Amortisation of deferred capital grants	30	(681)	(437)
Amortisation of intangible assets	14	68	143
Adjustment to amortisation of intangible asset	14	-	(2,092)
Amortisation of land use rights	15	262	267
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	13	(484)	3,973
Impairment loss on intangible asset	14	9	-
Net (gain)/ loss on disposal of property, plant and equipment	8, a	(455)	54
Property, plant and equipment written off	8	177	20
Inventory provisions	19	7,902	23,303
Inventories written back	19	(579)	(588)
Provision/ (reversal of provision) for warranty costs	27	27	(147)
Onerous contract provisions	27	1,328	-
(Write-back of)/ impairment loss on doubtful receivables	9	(757)	6,546
Bad debts written off	9	-	5,338
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	9	(2,064)	2,972
Trade/ other payables waived	6	(1,030)	(1,514)
Equity compensation expense	9	27	136
Financial costs	7	3,904	4,142
Interest income	5	(3,851)	(899)
Net fair value gain on derivatives- unrealised		(254)	(606)
Gain on disposal of investment securities		-	(10,470)
Net unrealised exchange difference		4,798	3,683
Share of results of an associate		(100)	(285)
Share of results of a joint venture		98	-
<b>Operating cash flows before changes in working capital</b>		<b>227,271</b>	<b>188,364</b>
Changes in working capital			
(Increase)/ decrease in inventories		(45,858)	69,240
(Increase)/ decrease in trade and other receivables		(84,929)	98,345
Increase in notes receivable		(7,551)	-
Decrease in prepaid operating expenses and other long term asset		2,437	272
Increase/ (decrease) in trade and other payables		182,298	(80,188)
(Decrease)/ increase in notes payable		(1,332)	2,081
Increase in accrued operating expenses		6,636	3,229
Total changes in working capital		51,701	92,979
<b>Cash flows generated from operations</b>		<b>278,972</b>	<b>281,343</b>
Income taxes paid		(18,754)	(13,542)
<b>Net cash flows generated from operating activities</b>		<b>260,218</b>	<b>267,801</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from investing activities</b>			
Dividend received from an associate		-	150
Proceeds from capital grants		1,845	2,805
Consultancy fee paid for capital grant application		(122)	-
Interest received		3,575	894
Proceeds from disposal of property, plant and equipment		1,316	3,371
Purchase of property, plant and equipment	b	(31,600)	(53,930)
Proceeds from disposal of investment securities		-	10,925
Investment in an associate	17	(4,108)	-
Investment in a joint venture	18	(484)	-
<b>Net cash flows used in investing activities</b>		<b>(29,578)</b>	<b>(35,785)</b>
<b>Cash flows from financing activities</b>			
Decrease/ (increase) in restricted bank deposits		4,818	(9,734)
Dividends paid on ordinary shares	34	(172,689)	(5,696)
Purchase of treasury shares	31(b)	(3,128)	(4,308)
Proceeds from re-issuance of treasury shares	31(b)	2,910	-
Interest paid		(3,909)	(4,142)
Net proceeds from/ (repayment of) loans and borrowings		111,750	(211,080)
Repayments of obligations under finance lease		(2,052)	(8,515)
<b>Net cash flows used in financing activities</b>		<b>(62,300)</b>	<b>(243,475)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>168,340</b>	<b>(11,459)</b>
Effect of exchange rate changes on cash and cash equivalents		(1,353)	(3,770)
Cash and cash equivalents at beginning of year		110,927	126,156
<b>Cash and cash equivalents at end of year</b>	24	<b>277,914</b>	<b>110,927</b>

## Notes to the Consolidated Cash Flow Statement

(a) The net gain on disposal of property, plant and equipment was reduced by an elimination of unrealised profits arising from disposal of equipment by one of the Company's subsidiaries to the joint venture, amounting to \$32,000 (2016: \$Nil).

(b) Purchase of property, plant and equipment

	Note	2017 \$'000	2016 \$'000
Current year additions	13	29,410	23,127
Less: Payable to creditors		(5,593)	(6,327)
		23,817	16,800
Payments for prior years purchases		7,783	37,130
<b>Net cash outflow for purchase</b>		<b>31,600</b>	<b>53,930</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. Corporate information

Hi-P International Limited (the “Company”) is a limited liability company, which is incorporated and domiciled in Singapore and publicly traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 11 International Business Park, Singapore 609926.

The principal activities of the Company are investments holding, design and fabrication of mold (“MDF”), precision plastic injection molding (“PPIM”), assembly and provision of ancillary value-added services (mainly surface finishing services). The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“\$” or “SGD”) and are rounded to the nearest thousand (“\$’000”), except when otherwise indicated.

#### Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.3.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
<i>Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
<i>Amendments to FRS 40 Transfers of Investment Property</i>	1 January 2018
<i>FRS 109 Financial Instruments</i>	1 January 2018
<i>FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
<i>FRS 116 Leases</i>	1 January 2019
<i>Improvements to FRSs (December 2016)</i>	
<i>Amendments to FRS 28 Investments in Associates and Joint Ventures</i>	1 January 2018
<i>INT FRS 122 Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
<i>INT FRS 123 Uncertainty over Income Tax Treatments</i>	1 January 2019
<i>Amendments to FRS 109 Prepayment Features with Negative Compensation</i>	1 January 2019
<i>Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
<i>Improvements to FRSs (March 2018)</i>	
- <i>Amendments to FRS 103 Business Combinations</i>	1 January 2019
- <i>Amendments to FRS 111 Joint Arrangements</i>	1 January 2019
- <i>Amendments to FRS 12 Income Taxes</i>	1 January 2019
- <i>Amendments to FRS 23 Borrowing Costs</i>	1 January 2019
<i>Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 are described below.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

The Group expects that there will be no significant impact upon adoption of SFRS(I) 15.

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

#### *Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity. The Group will need to continuously perform a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

#### SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation and business combinations

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### (b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation and business combinations (cont'd)

#### (b) Business combinations (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

### 2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

### 2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.8 Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group has no interest in joint operations.

#### Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.9.

### 2.9 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Joint ventures and associates (cont'd)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

### 2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Long term factory building	57 years
Medium term factory buildings and leasehold improvements	10 - 20 years
Renovation	3 - 10 years
Plant and machinery	1 - 10 years
Motor vehicles	5 - 6 years
Office equipment, furniture and fittings	3 - 10 years

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Property, plant and equipment (cont'd)

Assets under construction-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

### 2.11 Intangible asset

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

#### (a) Club membership

Club membership was acquired separately and is carried at cost less impairment.

#### (b) Licensed rights

Licensed rights were acquired separately and are amortised on a straight line basis over their finite useful lives ranging from 3 to 5 years.

### 2.12 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 2.14 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement (cont'd)

##### (i) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### (ii) Loan and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

##### De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

##### Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Financial instruments (cont'd)

#### (b) Financial liabilities (cont'd)

##### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

##### (ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

##### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.15 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Impairment of financial assets (cont'd)

#### (a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### (b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted as follows:

- Raw materials - purchase costs on a weighted average basis;
- Work-in-progress and finished goods - costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term fixed deposits, less restricted bank deposits, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.19 Provisions

#### General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Warranty Provision

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### 2.20 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

#### Government grants related to an asset

Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Government grants (cont'd)

#### Government grants related to income

Government grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, under the header "Other income".

### 2.21 Employee benefits

#### (a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiaries incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

#### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

#### (c) *Employee share option schemes*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in equity compensation expense.

When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.21 *Employee benefits (cont'd)*

#### (d) *Employee share award schemes*

The share awards of the Group are accounted for as equity-settled share based payments. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted. Share award expense is amortised and recognised in the profit or loss on a straight-line basis over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in equity compensation expense.

The employee share award reserve is transferred to retained earnings upon lapse of the share award.

### 2.22 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### (a) *Finance lease*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

#### (b) *Operating lease*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding sales taxes or duty.

#### (a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) *Service income*

Service income from trial runs conducted for customers is recognised when the services are rendered and the right to receive payment is established.

#### (c) *Interest income*

Interest income is recognised using the effective interest method.

#### (d) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

### 2.24 Taxes

#### (a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.24 Taxes (cont'd)

#### (b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. Summary of significant accounting policies (cont'd)

### 2.24 Taxes (cont'd)

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

### 2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received if re-issued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.27 Contingencies

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

#### (a) *Income taxes and Deferred tax assets*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets as at 31 December 2017 were \$21,557,000 (2016: \$11,872,000) and \$20,679,000 (2016: \$17,189,000) respectively.

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised temporary differences at 31 December 2017 was \$98,801,000 (2016: \$94,653,000) and the unrecognised tax losses as at 31 December 2017 was \$120,517,000 (2016: \$176,064,000).

#### (b) *Impairment of investment in subsidiaries*

The Group assesses whether there are any indicators of impairment on the investment in subsidiaries on an annual basis. In making this assessment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying value of the investment in subsidiaries for the Company as at the end of reporting period was \$380,535,000 (2016: \$359,594,000) (Note 16).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Significant accounting judgements and estimates (cont'd)

### 3.1 Judgements made in applying accounting policies (cont'd)

#### (c) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at least on an annual basis. When impairment indicator exists, the computation of impairment requires an estimation of the value in use of the cash-generating units which required the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 was \$315,131,000 (2016: \$359,598,000). More details are given in Note 13.

#### (b) Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables as at 31 December 2017 was \$445,297,000 (2016: \$361,845,000). More details are given in Note 20. If the present value of estimated future cash flows varies by 1% from management's estimates, the Group's allowance for impairment will increase by \$4,453,000 (2016: \$3,618,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (c) Inventory provision

The Group reviews periodically for any excess stocks and decline in net realisable value below cost. An allowance is recorded against the stocks balance for such declines. These reviews require the Group to consider the future saleability of the stocks.

In determining the amount of allowance or write down, the Group considers factors including the aging analysis and the consumption patterns. Such an evaluation process requires judgement and affects the carrying amount of stocks at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the stocks. The carrying amount of the Group's inventories as at 31 December 2017 was \$178,529,000 (2016: \$142,918,000). More details are given in Note 19. If the net realisable value varies by 1% from management's estimates, the Group's provision will increase by \$1,785,000 (2016: \$1,429,000).

#### (d) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 10 (2016: 1 to 10) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the expected useful lives of these assets increase by 10% from management's estimates, the Group's profit before tax for the year ended 31 December 2017 will increase by 3% (2016: 8%).

The carrying amount of the Group's plant and equipment at the end of each reporting period is disclosed in Note 13 to the financial statements.

## 4. Revenue

Revenue represents sale of goods to customers net of discounts and returns. Intra-group transactions have been excluded from Group revenue.

## 5. Interest income

	Group	
	2017	2016
	\$'000	\$'000
Interest income from loans and receivables:		
- Bank balances and short term deposits	3,851	899

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 6. Other income

	Group	
	2017	2016
	\$'000	\$'000
Sale of scrap materials	5,461	2,390
Gain on disposal of investment securities	-	10,470
Incentives from government <sup>1</sup>	1,707	1,725
Trade/ other payables waived	1,030	1,514
Service income from testing/ rework conducted for customers	698	986
Compensation from customers	645	917
Insurance claim	263	156
Others	115	-
	<u>9,919</u>	<u>18,158</u>

1 Incentives from government include mainly subsidies received from the China government to ease the business costs, and subsidies received from the Singapore government for childcare leave grants, Special Employment Credit ("SEC") for older employees, Temporary Employment Credit ("TEC") and productivity promotion.

## 7. Financial costs

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on		
- Term loans and other bank facilities	2,277	3,374
- Account receivables factoring	1,619	424
- Obligations under finance leases	8	344
	<u>3,904</u>	<u>4,142</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 8. Other expenses

	Group	
	2017	2016
	\$'000	\$'000
Net foreign exchange loss/ (gain)	18,553	(1,631)
Net fair value (gain)/ loss on derivatives	(2,559)	5,630
Onerous contract provisions	1,328	-
Onerous contract charges taken directly to profits or loss	302	-
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	(484)	3,973
Impairment loss on intangible asset	9	-
Net (gain)/ loss on disposal of property, plant and equipment	(455)	54
Net loss/ (gain) on sale of raw materials	248	(1,539)
Property, plant and equipment written off	177	20
Allowance on non-cancellable purchase commitments	-	2,972
Others	417	343
	17,536	9,822
	17,536	9,822

## 9. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2017	2016
	\$'000	\$'000
Audit fees:		
- Auditor of the Company	665	724
- Other auditors <sup>2</sup>	77	109
Non-audit fees:		
- Auditor of the Company	311	259
- Other auditors <sup>2</sup>	19	15
Total audit and non-audit fees <sup>1</sup>	1,072	1,107
	1,072	1,107

1 The total audit and non-audit fees do not include internal audit fee payable to Messrs PricewaterhouseCoopers LLP.

2 Other auditors refer to local auditors in respective countries.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 9. Profit before tax (cont'd)

	Group	
	2017 \$'000	2016 \$'000
Depreciation of property, plant and equipment	72,614	83,645
Amortisation of deferred capital grants	(681)	(437)
Amortisation of intangible assets	68	143
Adjustment to amortisation of intangible asset	-	(2,092)
Amortisation of land use rights (Note 35(b))	262	267
Directors' fees	358	358
Directors' remuneration		
- Directors of the Company	3,873	1,449
Equity compensation expense		
- Directors of the Company	14	56
- Other employees	13	80
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	(484)	3,973
Impairment loss on intangible asset	9	-
Net (gain)/ loss on disposal of property, plant and equipment	(455)	54
Property, plant and equipment written off	177	20
Provision/ (reversal of provision) for warranty costs	27	(139)
(Write back of)/ impairment loss on doubtful receivables		
- Trade receivables	(871)	6,546
- Other receivables	114	-
Bad debts written off	-	5,338
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(2,064)	2,972
Trade/ other payables waived	(1,030)	(1,514)
Inventories recognised as an expense in cost of sales (Note 19)	676,804	697,917
Operating lease expenses (Note 35(b))	19,489	20,759
Onerous contract provisions (Note 27)	1,328	-
Onerous contract charges taken directly to profit or loss	302	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 10. Personnel expenses

	Group	
	2017	2016
	\$'000	\$'000
Wages, salaries and bonus	322,816	266,859
Defined contribution plans	50,632	43,716
Other short-term benefits	33,048	28,710
Equity compensation expense (Employee share option and award schemes (Notes 9 and 32(d)))	27	136
Total personnel expenses	<u>406,523</u>	<u>339,421</u>

The total personnel expenses include executive directors' remuneration, other personnel expenses and equity compensation expense.

Equity compensation benefits are disclosed in Note 33.

## 11. Income tax expense

### (a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	2016
	\$'000	\$'000
Current income tax		
- Current income taxation	28,969	12,868
- Over provision in respect of previous years	(332)	(243)
	<u>28,637</u>	<u>12,625</u>
Deferred tax		
- Origination of temporary differences	573	8,151
- Effect of changes in tax rates	(3,514)	(1,436)
- Under recognition of deferred tax assets in respect of previous years	(867)	(2,680)
	<u>(3,808)</u>	<u>4,035</u>
Income tax expense recognised in profit or loss	<u>24,829</u>	<u>16,660</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 11. Income tax expense (cont'd)

### (b) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017 \$'000	2016 \$'000
Accounting profit before tax	146,312	71,180
Income tax expense at tax rate of 17% (2016: 17%)	24,873	12,101
Tax effect of different tax rates of overseas operations	12,943	4,028
Tax effect of exempt income and rebate	(2,363)	(1,501)
Tax effect of non-deductible expenses	5,063	2,606
Tax effect of income not subject to taxation	(1,330)	(461)
Deferred tax assets not recognized	3,436	7,468
Utilisation of deferred tax assets not recognised in prior years	(16,697)	(4,787)
Under recognition of deferred tax assets/ over provision of income tax in respect of previous years	(1,199)	(2,923)
Withholding tax	3,661	1,601
Effect of changes in tax rates <sup>1</sup>	(3,514)	(1,436)
Others	(44)	(36)
Income tax expense recognised in profit or loss	<u>24,829</u>	<u>16,660</u>

1 The tax rate for two of the subsidiaries in Shanghai has resumed to 25% from the previous concessionary tax rate of 15%.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 12. Earnings per share

Basic earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December.

	Group	
	2017	2016
Profit for the year attributable to owners of the Company (\$'000)	121,492	54,525
Weighted average number of ordinary shares for basic earnings per share computation ('000)	807,023	814,616
Effects of dilution of share options and awards ('000)	5,753	63
Weighted average number of ordinary shares for the effect of dilution ('000)	812,776	814,679
Basic earnings per share (cents)	15.05	6.69
Diluted earnings per share (cents)	14.95	6.69

For 2017, all options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Schemes have been included in the calculation of diluted earnings per share. For 2016, 13,319,775 options issued had been disregarded in the calculation of diluted earnings per share as the stock option exercise prices are above the market price.

Since the end of the financial year, eligible employees have exercised the options to acquire 875,452 (2016: Nil) ordinary shares. There have been no other significant transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. Property, plant and equipment

Group	Long term factory building \$'000	Medium term factory buildings and leasehold improvements		Construction- in-progress \$'000	Renovation \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
		\$'000	\$'000						
<b>Cost</b>									
At 1 January 2016	16,886	81,933	116,137	5,225	690,142	1,608	48,776	960,707	
Additions	-	416	1,759	15,315	4,715	-	922	23,127	
Reclassification	-	21	5,830	(17,077)	10,286	-	940	-	
Disposals	-	(485)	(1,865)	(29)	(39,113)	(83)	(1,176)	(42,751)	
Written off	-	-	-	-	(786)	-	(525)	(1,311)	
Translation difference	-	(3,607)	(5,239)	(258)	(32,722)	(42)	(1,976)	(43,844)	
At 31 December 2016 and 1 January 2017	16,886	78,278	116,622	3,176	632,522	1,483	46,961	895,928	
Additions	-	-	1,400	19,238	6,583	72	2,117	29,410	
Reclassification	-	127	803	(18,056)	16,115	-	1,011	-	
Disposals	-	-	(409)	-	(11,905)	(39)	(1,474)	(13,827)	
Written off	-	-	(7,787)	-	(663)	-	(6,689)	(15,139)	
Translation difference	-	(147)	(1,344)	13	(1,979)	(9)	(434)	(3,900)	
At 31 December 2017	16,886	78,258	109,285	4,371	640,673	1,507	41,492	892,472	

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. Property, plant and equipment (cont'd)

Group	Long term factory building \$'000	Medium term factory buildings and leasehold improvements \$'000	Construction- in-progress \$'000	Renovation \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2016	5,147	24,267	-	48,275	391,258	531	40,630	510,108
Depreciation charge for the year	314	4,846	-	17,508	56,740	266	3,971	83,645
Impairment loss provided (Note 8)	-	-	-	71	3,781	-	121	3,973
Disposals	-	(497)	-	(1,524)	(36,104)	(83)	(1,118)	(39,326)
Written off	-	-	-	-	(786)	-	(505)	(1,291)
Translation difference	-	(1,063)	-	(2,205)	(15,809)	(15)	(1,687)	(20,779)
At 31 December 2016 and 1 January 2017	5,461	27,553	-	62,125	399,080	699	41,412	536,330
Depreciation charge for the year	314	4,596	-	14,137	50,044	275	3,248	72,614
Reversal of impairment loss (Note 8)	-	-	-	-	(450)	-	(34)	(484)
Disposals	-	-	-	(390)	(11,123)	(39)	(1,446)	(12,998)
Written off	-	-	-	(7,645)	(663)	-	(6,654)	(14,962)
Translation difference	-	421	-	(1,280)	(1,904)	(4)	(392)	(3,159)
At 31 December 2017	5,775	32,570	-	66,947	434,984	931	36,134	577,341
<b>Net carrying amount</b>								
At 31 December 2017	11,111	45,688	4,371	42,338	205,689	576	5,358	315,131
At 31 December 2016	11,425	50,725	3,176	54,497	233,442	784	5,549	359,598

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. Property, plant and equipment (cont'd)

Company	Long term factory building \$'000	Construction- in-progress \$'000	Renovation \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2016	16,886	275	1,053	22,223	686	3,172	44,295
Additions	-	-	34	2,077	-	62	2,173
Disposals	-	-	-	(841)	-	(34)	(875)
Written off	-	-	-	(598)	-	(50)	(648)
Reclassification	-	(275)	-	222	-	53	-
At 31 December 2016 and 1 January 2017	16,886	-	1,087	23,083	686	3,203	44,945
Additions	-	-	62	1,737	-	72	1,871
Disposals	-	-	-	(423)	-	(2)	(425)
Written off	-	-	(17)	(623)	-	(110)	(750)
At 31 December 2017	16,886	-	1,132	23,774	686	3,163	45,641
<b>Accumulated depreciation and impairment loss</b>							
At 1 January 2016	5,147	-	958	19,040	186	3,024	28,355
Depreciation charge for the year	314	-	50	1,358	137	98	1,957
Disposals	-	-	-	(700)	-	(34)	(734)
Written off	-	-	-	(598)	-	(50)	(648)
At 31 December 2016 and 1 January 2017	5,461	-	1,008	19,100	323	3,038	28,930
Depreciation charge for the year	314	-	48	1,348	137	93	1,940
Disposals	-	-	-	(423)	-	(2)	(425)
Written off	-	-	(17)	(623)	-	(110)	(750)
At 31 December 2017	5,775	-	1,039	19,402	460	3,019	29,695
<b>Net carrying amount</b>							
At 31 December 2017	11,111	-	93	4,372	226	144	15,946
At 31 December 2016	11,425	-	79	3,983	363	165	16,015

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13. Property, plant and equipment (cont'd)

### Assets held under finance leases

During the current financial year, the Group has not acquired any asset (2016: \$Nil) by means of finance lease.

The carrying amount of motor vehicle held by the Group under finance leases at the end of the reporting period was \$184,000 (2016: leasehold improvements of \$69,000, motor vehicle of \$300,000 and machineries of \$17,124,000).

Leased assets are pledged as security for the related finance lease liabilities.

### Impairment of assets

During the financial year, the Group recognised a net reversal of impairment loss of \$484,000 (2016: impairment loss of \$3,973,000) in the "Other expenses" (Note 8) line item in profit or loss.

The reversal of impairment loss recognised during the financial year was due to redeployment of previously idle asset for production use. In 2016, the impairment loss recognised was mainly in relation to the plant and machinery which were obsolete or damaged beyond repair in some subsidiaries of the Group, where their recoverable amounts were estimated to be zero, considering the condition and specialised nature of the plant and machinery.

## 14. Intangible assets

<b>Group</b>	<b>Licensed Rights \$'000</b>	<b>Club Membership \$'000</b>	<b>Total \$'000</b>
<b>Cost:</b>			
At 1 January 2016	6,943	36	6,979
Adjustment	(5,021)	-	(5,021)
At 31 December 2016, 1 January 2017 and 31 December 2017	1,922	36	1,958
<b>Accumulated amortisation and impairment loss:</b>			
At 1 January 2016	3,794	24	3,818
Amortisation for the year	143	-	143
Adjustment	(2,092)	-	(2,092)
At 31 December 2016 and 1 January 2017	1,845	24	1,869
Amortisation for the year	68	-	68
Impairment loss provided (Note 8)	9	-	9
At 31 December 2017	1,922	24	1,946
<b>Net carrying amount:</b>			
At 31 December 2017	-	12	12
At 31 December 2016	77	12	89

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 14. Intangible assets (cont'd)

Company	Club Membership \$'000
<b>Cost:</b>	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	36
<b>Accumulated amortisation and impairment loss:</b>	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	24
<b>Net carrying amount:</b>	
At 31 December 2017	12
At 31 December 2016	12
<u>Licensed rights</u>	

Licensed rights relate to the rights acquired that are essential to telecommunication standards, such as the third generation cellular ("3G") and 4G standards. The useful lives of the licenses are 3 years (2016: range from 3 to 5 years). During the current financial year, an impairment loss of \$9,000 (2016: \$Nil) was recognised in "Other expenses" (Note 8) line item in profit or loss.

The amortisation of licensed rights is included in the "Cost of sales" line item in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 15. Land use rights

	Group	
	2017	2016
	\$'000	\$'000
<b>Cost:</b>		
At 1 January	13,212	13,701
Translation differences	(117)	(489)
At 31 December	13,095	13,212
<b>Accumulated amortisation:</b>		
At 1 January	1,491	1,263
Amortisation for the year	262	267
Translation differences	(10)	(39)
At 31 December	1,743	1,491
<b>Net carrying amount</b>	11,352	11,721
<b>Amount to be amortised:</b>		
- Not later than one year	264	267
- Later than one year but not later than five years	1,057	1,069
- Later than five years	10,031	10,385

The Group has land use rights over two plots of state-owned land in People's Republic of China ("PRC") where the Group's manufacturing and storage facilities reside. The land use rights have a useful life of 50 years and a remaining tenure of 40 years and 45 years (2016: 41 years and 46 years) respectively.

## 16. Investment in subsidiaries

	Company	
	2017	2016
	\$'000	\$'000
Shares, at cost	399,444	378,503
Amount due from a subsidiary	25,556	25,556
	425,000	404,059
Impairment losses	(44,465)	(44,465)
	380,535	359,594
<b>Movement in impairment losses:</b>		
At 1 January	44,465	51,876
Reversal	-	(7,411)
At 31 December	44,465	44,465

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16. Investment in subsidiaries (cont'd)

In 2016, the Company performed an impairment assessment for the investment in subsidiaries where there is an indication that the investment may be impaired. A reversal of impairment of \$7,411,000 was recognised following the assessment. The assessed impairment loss represented the write-down of the carrying amount of the investment to its recoverable amount.

The recoverable amounts of investments in these subsidiaries have been determined based on a value-in-use calculated using cash flow projection from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections were 6% (2016: 7%) and 0% (2016: 0%) respectively.

The amount due from a subsidiary is unsecured, non-interest bearing and not expected to be repayable within the next 12 months from balance sheet date. Accordingly, the fair value of this amount is not determinable as the timing of the future cash flow arising from this amount cannot be estimated reliably.

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<i>Held by the Company</i>						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	10,737	10,737
Hi-P (Shanghai) Automation Engineering Co., Ltd. ***	Development, design and manufacture of automated machinery and equipment	People's Republic of China	100	100	8,489	8,489
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	100	100	3,769	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. *** <sup>1</sup>	Manufacture of molds, related housing appliance plastic components and equipment, water treatment equipment	People's Republic of China	100	100	15,001	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	4,258	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. *** <sup>1,2</sup>	Manufacture and sale of plastic product modules	People's Republic of China	100	100	12,849	12,849
Hi-P Poland SP. ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<i>Held by the Company (cont'd)</i>						
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Technical development service for electronic products; wholesale and import/ export of electronic, electrical & telecommunication equipments, home appliances	People's Republic of China	100	100	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. *** <sup>4</sup>	Manufacture and sale of trays, mobile phones & telecommunication products, digital cameras & related electronic products, electric toothbrush, assembly of coffee machines & parts, SMT assembly, and provide related maintenance and after-sale services	People's Republic of China	100	100	29,252	8,311
Hi-P Lens Technology (Shanghai) Co., Ltd. ***	Manufacture and production of in-mold decoration lenses and provide related technology consultation and services	People's Republic of China	100	100	4,588	4,588

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<i>Held by the Company (cont'd)</i>						
Hi-P (Shanghai) Technology Co., Ltd. ***1	Manufacture and sale of molds, plastic components and equipment, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	42,540	42,540
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	6,506	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	7,590	7,590
Hi-P North America, Inc.^	Provision of engineering support services	United States of America	100	100	676	676
Hi-P (Singapore) Technology Pte. Ltd. *	General wholesale trade (including general importers and exporters), research and experimental development on electronics	Singapore	100	100	1,500	1,500
Hi-P (Shanghai) Metal Industries Co., Ltd. ***1	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	42,546	42,546
Qingdao Haier Hi-P Science Technology Co., Ltd. ***3	Manufacture and sale of plastic product modules	People's Republic of China	70	70	2,544	2,544
Hi-P Electronics Pte. Ltd. *	Wholesale of electronic components	Singapore	100	100	1,000	1,000
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	100	100	42,130	42,130
Hi-P (Shanghai) Precision Metal Co., Ltd. ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	100	1,840	1,840
Hi-P Technology Co., Ltd. #	International sales and marketing activities	The Republic of Taiwan	100	100	263	263

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<i>Held by the Company (cont'd)</i>						
Hi-P (Nantong) Technology Co., Ltd.***1	Manufacture, wholesale, import & export and sale of electronic telecommunication devices, housing appliances, automated equipment and related components, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	84,973	84,973
Hi-P Holdings Pte. Ltd. #	Investment holding	Singapore	100	100	700	700
<i>Held through subsidiaries</i>						
Hi-P (Suzhou) Electronics Technology Co., Ltd.***1	Manufacture, SMT, assembly and trading of flexible printed circuit boards and flexible rigid printed circuit boards. Manufacture, assembly and sales of molds and plastic components	People's Republic of China	100	100	-	-
Huglomerate (Shanghai) International Trading Co., Ltd. (f.k.a. Hi-P (Shanghai) International Trading Co., Ltd.)***	Sales and purchases of electronics, computer and communication devices, sales and purchases of housing appliances, provide investment and management consulting services	People's Republic of China	100	100	-	-
					399,444	378,503

\* Audited by Ernst & Young LLP, Singapore.

\*\* Audited by member firms of Ernst & Young Global in respective countries.

\*\*\* Audited by local auditors in respective countries.

# Not required to be audited as the entity is dormant or by the laws of its country of incorporation.

^ Reviewed by local auditors in respective countries.

1 These companies are audited by EY member firms for consolidation purpose.

2 The 100% effective equity interest held by the Group in Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. includes a 13.33% interest held through Hi-P (Shanghai) Technology Co., Ltd..

3 This company is undergoing voluntary liquidation.

4 The Company has increased its investment in Hi-P (Suzhou) Electronics Co., Ltd. by USD15,000,000 in 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 17. Investment in associates

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	4,611	503	503	503
Share of post-acquisition reserves <sup>1</sup>	2,052	2,021	-	-
	<u>6,663</u>	<u>2,524</u>	<u>503</u>	<u>503</u>

Details of associates are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<b><i>Held by the Company</i></b>						
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts and being an additive manufacturing service bureau	Singapore	30	30	503	503
<b><i>Held through an indirect wholly-owned subsidiary</i></b>						
CINO Technology (Shenzhen) Ltd. **2	Research & development, manufacture and sale of home appliances, automation equipments, toolings, plastic products, pre-packed drinks; installation and maintenance of equipments; development of technical know-how and related services; investment consultation	People's Republic of China	20	-	4,108	-
					<u>4,611</u>	<u>503</u>

\* Audited by Ascent Accounting Corporation PAC.

\*\* Not required to be audited as the entity has just been incorporated

1 Dividends received from Express Tech Mfg Pte. Ltd. since the date of acquisition of \$900,000 (2016: \$900,000) has been accounted for in share of post-acquisition reserves.

2 One of the Company's indirect wholly-owned subsidiaries - Huglomerate (Shanghai) International Trading Co., Ltd. has acquired 20% shareholding in CINO Technology (Shenzhen) Ltd. at the cost of RMB20,000,000 (equivalent to \$4,108,000) in December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 17. Investment in associates (cont'd)

The summarised financial information of the associates not adjusted for the proportion of ownership interest held by the Group is as follows:

	2017 \$'000	2016 \$'000
<b>Assets and liabilities:</b>		
Current assets	26,461	19,449
Non-current assets	1,752	1,427
Total assets	<u>28,213</u>	<u>20,876</u>
Current liabilities	13,122	12,464
Total liabilities	<u>13,122</u>	<u>12,464</u>
<b>Results:</b>		
Revenue	<u>10,854</u>	<u>13,227</u>
Profit for the year, net of tax	<u>1,143</u>	<u>893</u>

## 18. Investment in joint venture

	Group	
	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	484	#
Share of post-acquisition reserves <sup>1</sup>	(136)	-
	<u>348</u>	<u>#</u>

1 Share of post-acquisition reserves included an elimination of unrealised profits arising from disposal of equipment by one of the Company's subsidiaries to the joint venture, amounting to \$32,000 (2016: \$Nil) as at end of the financial year.

Details of joint venture is as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2017 %	2016 %	2017 \$'000	2016 \$'000
<b>Held through a subsidiary</b>						
RH Packaging Group Limited*	Provision of packaging solutions to the consumer electronics industry	People's Republic of China, Hong Kong	50	50	484	#
					<u>484</u>	<u>#</u>

\* Audited by SW CPA Limited.

# Amount less than \$1,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 18. Investment in joint venture (cont'd)

Summarised financial information in respect of RH Packaging Group Limited and its subsidiary not adjusted for the proportion of ownership interest held by the Group is as follows:

	2017 \$'000	2016 \$'000
<b>Assets and liabilities:</b>		
Current assets	3,184	4
Non-current assets	557	-
Total assets	<u>3,741</u>	<u>4</u>
Current liabilities	2,956	14
Total liabilities	<u>2,956</u>	<u>14</u>
<b>Results:</b>		
Revenue	4,222	-
Loss for the year, net of tax	<u>(162)</u>	<u>(10)</u>

## 19. Inventories

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Balance sheet:</b>				
Work-in-progress (at cost)	50,136	50,260	1,224	1,327
Raw materials (at cost)	40,727	43,051	543	649
Finished goods (at cost or net realisable value)	87,666	49,607	1,670	2,565
	<u>178,529</u>	<u>142,918</u>	<u>3,437</u>	<u>4,541</u>
			Group	
			2017 \$'000	2016 \$'000
<b>Income statement:</b>				
Inventories recognised as an expense in cost of sales			676,804	697,917
inclusive of the following charge/ (credit):				
- Inventories written back			(579)	(588)
- Inventory provisions			<u>7,902</u>	<u>23,303</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 20. Trade and other receivables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Trade and other receivables (current):</b>				
Trade receivables (net of allowance)	378,039	304,102	13,295	15,477
Other receivables	13,867	5,980	6	-
Loans to subsidiaries (net of allowance)	-	-	53,950	60,128
Amounts due from subsidiaries	-	-	10,101	7,772
Amounts due from related companies (net of allowance)	1,103	3,826	-	-
Input tax/ VAT	49,048	45,420	336	435
Refundable deposits	3,240	2,517	40	32
	<u>445,297</u>	<u>361,845</u>	<u>77,728</u>	<u>83,844</u>
<b>Other receivables (non-current):</b>				
Loans to subsidiaries	-	-	26,746	67,456
Total trade and other receivables (current and non-current)	445,297	361,845	104,474	151,300
Add: Cash and cash equivalents and restricted bank deposits (Note 24)	282,830	120,661	13,748	6,458
Notes receivable (Note 21)	7,551	-	-	-
Less: Input tax/ VAT	(49,048)	(45,420)	(336)	(435)
Total	<u>686,630</u>	<u>437,086</u>	<u>117,886</u>	<u>157,323</u>

### Trade and other receivables

Trade and other receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables not denominated in the functional currencies of the Company and the respective subsidiaries at 31 December are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollar	354,355	272,674	13,138	15,474
Euro	4,402	3,897	-	-
Sterling Pound	225	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 20. Trade and other receivables (cont'd)

### Loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest at 2% (2016: 2%) per annum. The loans are repayable within 1 year to 2 years (2016: 1 year to 4 years) and to be settled in cash.

During the financial year, the Company has reversed the impairment loss for the USD7.5 million loan to Hi-P (Suzhou) Electronics Co., Ltd. made in December 2016 as Hi-P (Suzhou) Electronics Co., Ltd. fully repaid the loan in August 2017.

### Related party balances

- Amounts due from subsidiaries are mainly non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.
- Amounts due from related companies as at 31 December 2017 are mainly non-trade in nature, unsecured and non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The balance as at 31 December 2016 was mainly trade in nature, non-interest bearing and unsecured except for an amount of \$3,009,000, which was secured by a corporate guarantee as disclosed in Note 37. This balance of \$3,009,000 has been fully settled in 2017 and the corporate guarantee has been duly discharged.

### Trade receivables that are past due but not impaired

The Group has trade receivables (including trade receivables from related companies) amounting to \$79,143,000 (2016: \$89,394,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2017	2016
	\$'000	\$'000
Trade receivables past due :		
Lesser than 30 days	72,425	60,958
30 to 60 days	6,538	3,669
61 to 90 days	180	1,004
More than 90 days	-	*23,763
	<u>79,143</u>	<u>89,394</u>

\* Includes USD15,000,000 (equivalent to \$21,689,000) due from Yota Devices Limited which was fully settled in January 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 20. Trade and other receivables (cont'd)

### Trade receivables that are impaired

The Group's trade receivables (including trade receivables from related companies) that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired 2017	2016
	\$'000	\$'000
Trade receivables – nominal amounts	6,082	7,400
Less: Allowance for impairment	(6,082)	(7,400)
	<u>–</u>	<u>–</u>
Movement in allowance accounts for trade receivables:		
At 1 January	7,400	8,985
(Write-back of)/ impairment for the year	(871)	6,546
Written off	(184)	(8,141)
Exchange differences	(263)	10
At 31 December	<u>6,082</u>	<u>7,400</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### Amounts due from related companies

The amounts due from related companies of \$1,103,000 (2016: \$3,826,000) was past due but not impaired as the Group expects it to be recoverable. Out of the total balance as at 31 December 2016, \$3,009,000 was secured by a corporate guarantee as disclosed in Note 37 and this balance has been fully settled in 2017.

## 21. Notes receivable

Notes receivable of \$7,551,000 (2016: \$Nil) are trade related, non-interest bearing and are generally on 90 and 120 days' term. These notes can either be discounted before its due date or be endorsed to suppliers.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 22. Derivatives

Group	Contract/ Notional Amount USD'000	2017		Contract/ Notional Amount USD'000	2016	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Forward currency contracts	-	-	-	15,000	-	(254)
Total financial liabilities at fair value through profit or loss classified as held for trading		-	-		-	(254)

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period (Note 38(b)).

## 23. Other long term asset

In 2016, other long term asset related to prepayment by subsidiaries of the Group for upgrading the electric capacity of factories in Shanghai.

## 24. Cash and cash equivalents and restricted bank deposits

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at banks and on hand	163,241	102,968	13,748	6,458
Short term fixed deposits	119,589	17,693	-	-
Cash and short term deposits	282,830	120,661	13,748	6,458
Less: Restricted bank deposits (current)	(4,411)	(9,251)	-	-
Less: Restricted bank deposits (non-current)	(505)	(483)	-	-
Cash and cash equivalents	277,914	110,927	13,748	6,458

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 1 day and 1 year depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The average effective interest rates for the year ended 31 December 2017 for the Group and the Company were 1.91% (2016: 0.49%) and 0.27% (2016: 0.13%) respectively.

Restricted bank deposits were mainly held for the purposes of custom clearance and issuance of bank guarantees.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24. Cash and cash equivalents and restricted bank deposits (cont'd)

Cash and cash equivalents and restricted bank deposits not denominated in the functional currencies of the Company and the respective subsidiaries at 31 December are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollar	100,423	48,365	11,299	1,982
Renminbi	1	1	-	-
Euro	2,755	1,749	-	-
Singapore Dollar	9,010	1,049	-	-

## 25. Trade and other payables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Trade and other payables (current):</b>				
Trade payables	356,460	184,932	5,252	6,353
Other payables	60,129	58,275	362	1,132
Output tax	3,271	1,548	118	84
Amounts due to subsidiaries	-	-	3,673	3,593
Total trade and other payables	419,860	244,755	9,405	11,162
<b>Other payable (non-current):</b>				
Amount due to a subsidiary	-	-	164,006	46,805
Total trade and other payable (current and non-current)	419,860	244,755	173,411	57,967
Add: Accrued operating expenses	89,246	85,484	38,425	19,350
Notes payable (Note 26)	1,577	2,909	-	-
Loans and borrowings (Note 28)	205,242	95,584	25,087	24,720
Less: Output tax	(3,271)	(1,548)	(118)	(84)
Total financial liabilities carried at amortised cost	712,654	427,184	236,805	101,953

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 25. Trade and other payables (cont'd)

### Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 120 days' terms.

Trade payables not denominated in functional currencies at 31 December are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States Dollar	73,532	65,499	3,593	4,477
Singapore Dollar	-	15	-	-
Euro	5,407	2,601	1	2
Thai Baht	4	2	4	2
New Taiwan Dollar	15	6	15	6
Japanese Yen	56	8	-	-
Hongkong Dollar	133	3	-	-
Swiss Franc	246	15	-	-

### Other payables

Other payables mainly include advances from customers and amounts due to creditors in relation to the purchase of property, plant and equipment. These balances are non-interest bearing. Other payables in relation to purchase of property, plant and equipment have an average term of 30 to 120 days.

### Amounts due to subsidiaries

These amounts are mainly non-trade, unsecured, non-interest bearing and repayable on demand in cash, except for the amount classified under non-current, which is not expected to be repayable within the next 12 months from balance sheet date. The fair value of this amount is not determinable as the timing of the future cash flow arising from this amount cannot be estimated reliably.

## 26. Notes payable

The notes payable of \$1,577,000 (2016: \$2,909,000) are payable within six months from the balance sheet date and are non-interest bearing, out of which, \$1,402,000 (2016: \$2,909,000) are secured by corporate guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 27. Provisions

	Warranties \$'000	Onerous contract provision \$'000	Total \$'000
At 1 January 2016	179	-	179
Reversal during the year	(147)	-	(147)
Translation differences	6	-	6
At 31 December 2016 and 1 January 2017	38	-	38
Arose during the financial year	27	1,328	1,355
Utilised	(23)	-	(23)
Translation differences	(2)	-	(2)
At 31 December 2017	40	1,328	1,368

### Warranties

A provision is recognised for expected warranty claims based on current sales levels and estimated level of repairs and returns and terms of warranty programs. A provision is reversed upon expiry of the related warranty given or upon utilisation.

### Onerous contract provision

In 2016, the Group entered into a non-cancellable lease for office space. Due to changes in its activities, the Group stopped using the premises for operation in 2017, resulting in surplus lease space. The lease will expire in January 2019. Part of the facilities has been sub-let for the remaining lease term, but the rental income is lower than the total rental expense. The obligation for the discounted future payments taking into consideration the office space reinstatement cost, net of expected rental income, has been provided for.

## 28. Loans and borrowings

	Maturity	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current:</b>					
Short term loans	2018	205,155	93,405	25,000	24,580
Obligations under finance lease	2018	58	2,097	58	58
		205,213	95,502	25,058	24,638
<b>Non-current:</b>					
Obligations under finance lease	2019	29	82	29	82
Total loans and borrowings		205,242	95,584	25,087	24,720

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 28. Loans and borrowings (cont'd)

### Short term loans

The Group and the Company have drawn down short term loans at fixed rates of interest for general working capital and capital expenditure purposes. The weighted average interest rate for the loans outstanding as at 31 December 2017 for the Group and the Company were 1.56% (2016: 1.51%) and 1.61% (2016: 1.55%) per annum respectively. The loans are repayable in 2018. Short term loan amounting to \$30,089,000, which was drawn down by one of the subsidiaries, is secured by a corporate guarantee issued by the Company.

### Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 13). The effective interest rate on the finance lease is 4.48% (2016: ranges from 4.48% to 9.00%) per annum. These obligations are mainly denominated in the functional currency of the relevant entity in the Group.

The Group has finance lease for a motor vehicle (2016: certain items of machineries, leasehold improvements and a motor vehicle) (Note 13). The ownership of the motor vehicle will be transferred to the specific entity that holds the lease by the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	Total minimum lease payments \$'000	Present value of payments \$'000	Total minimum lease payments \$'000	Present value of payments \$'000
<b>2017</b>				
Within one year	65	58	65	58
After one year but not more than five years	32	29	32	29
Total minimum lease payments	97	87	97	87
Less: Amounts representing finance charges	(10)	-	(10)	-
Present value of minimum lease payments	87	87	87	87
<b>2016</b>				
Within one year	2,111	2,097	65	58
After one year but not more than five years	91	82	92	82
Total minimum lease payments	2,202	2,179	157	140
Less: Amounts representing finance charges	(23)	-	(17)	-
Present value of minimum lease payments	2,179	2,179	140	140

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 28. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2016 \$'000	Cash flows \$'000	Non-cash changes		2017 \$'000
			Foreign exchange movement \$'000	Reclassification due to passage of time \$'000	
Short term loans	93,405	111,750	*	-	205,155
Obligations under finance lease					
- current	2,097	(2,052)	(40)	53	58
- non-current	82	-	-	(53)	29
<b>Total</b>	<b>95,584</b>	<b>109,698</b>	<b>(40)</b>	<b>-</b>	<b>205,242</b>

\* The exchange difference is insignificant as the loans are of revolving nature.

## 29. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Deferred tax assets</b>				
Provisions and allowances	18,321	15,381	(3,236)	(2,168)
Unutilised tax losses	6,840	5,508	(1,343)	5,888
Differences in depreciation for tax purposes	(358)	13	374	(97)
Differences in timing for pre-operating expenses deduction	-	837	827	-
Deferred capital grant	926	(122)	(1,048)	(6)
	<u>25,729</u>	<u>21,617</u>		
<b>Deferred tax liabilities</b>				
Differences in depreciation for tax purposes	(2,227)	(1,864)	363	251
Provisions and allowances	(362)	122	578	(122)
Fair value adjustments on acquisition of subsidiary	(1,001)	(1,024)	(23)	(20)
WIP capitalisation	(440)	(929)	(587)	(73)
Interest income accrued from fixed deposits and shareholder's loans	(1,020)	(733)	287	382
	<u>(5,050)</u>	<u>(4,428)</u>		
<b>Deferred tax (income)/ expense</b>			<u>(3,808)</u>	<u>4,035</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 29. Deferred tax (cont'd)

	Company			
	Balance sheet		Income statement	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax liabilities</b>				
Differences in depreciation for tax purposes	(2,226)	(1,863)	363	255
Interest income accrued from fixed deposits and shareholder's loans	(476)	(466)	10	115
	<u>(2,702)</u>	<u>(2,329)</u>		
<b>Deferred tax expense</b>			<u>373</u>	<u>370</u>

### Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately \$120,517,000 (2016: \$176,064,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The table below shows the maximum number of years that the unutilised tax losses could be carried forward in respective countries:

<u>Countries</u>	<u>Number of years</u>
People's Republic of China	5
Thailand	5
Poland	5

The unabsorbed tax losses with expiry date, for which no deferred tax asset is recognised due to uncertainty of its recoverability, are as follows:

<u>Year incurred</u>	<u>Expiry date</u>	<u>Unabsorbed tax losses</u>
		<u>\$'000</u>
2013	31 December 2018	5,971
2014	31 December 2019	9,649
2015	31 December 2020	46,930
2016	31 December 2021	37,668
2017	31 December 2022	20,299

The unabsorbed tax losses which expired in current year were \$6,230,000 (2016: \$9,841,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 29. Deferred tax (cont'd)

### Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the Group has recognised withholding tax liabilities of \$9,140,000 (2016: \$6,540,000) that would be payable on the undistributed earnings of certain of the Group's subsidiaries, on the following basis:

- The Group has determined that 50% (2016: 50%) of the earnings of its subsidiaries will be distributed in the foreseeable future based on historical trend.

Temporary differences on the remaining earnings for which no withholding tax liability has been recognised, aggregate to \$182,802,000 (2016: \$130,795,000). Such withholding tax liability is estimated to be \$9,140,000 (2016: \$6,540,000).

### Tax consequences of proposed dividends

There are no income tax consequences (2016: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34).

## 30. Deferred capital grants

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Cost:</b>				
At 1 January	6,058	3,526	-	-
Received during the year	1,723	2,805	320	-
Translation differences	(50)	(273)	-	-
At 31 December	7,731	6,058	320	-
<b>Accumulated amortisation:</b>				
At 1 January	548	118	-	-
Amortisation for the year	681	437	66	-
Translation differences	(2)	(7)	-	-
At 31 December	1,227	548	66	-
<b>Net carrying amount:</b>				
Current	784	478	93	-
Non-current	5,720	5,032	161	-
	6,504	5,510	254	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30. Deferred capital grants (cont'd)

Deferred capital grants relate to:

- government grants received by two (2016: two) of its subsidiaries in People's Republic of China for: (a) the acquisition of equipment to promote technology advancement and transfer; and (b) the capital investment to promote economic development in Nantong. There are no unfulfilled conditions or contingencies attached to these grants. The capital grants are amortised over a period of 8 years for acquisition of equipment and 47 years for the capital investment till October 2023 and November 2062 respectively;
- government grants received by the Company from Economic Development Board Singapore for the acquisition of equipments to promote technology advancement. The capital grants are amortised over the useful lives of the qualifying equipments purchased, ranging from 3 years to 10 years, latest till February 2027.

## 31. Share capital and treasury shares

### (a) Share capital

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Issued and fully paid ordinary shares:</b>				
At 1 January and 31 December	887,175	119,725	887,175	119,725

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company has employee share option schemes (Note 33) and employee share award scheme (Note 33) pursuant to which options to acquire the Company's ordinary shares have been granted to the participants of share option schemes and ordinary shares of the Company will be allocated to the participants of share award scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 31. Share capital and treasury shares (cont'd)

### (b) Treasury shares

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January	(79,768)	(55,701)	(70,872)	(51,512)
Acquired during the financial year	(3,073)	(3,128)	(9,060)	(4,308)
Reissued pursuant to employee share option and award schemes:				
- For cash on exercise of employee share options (Note 33)	3,194	2,910	-	-
- Transferred from employee share option reserve	-	876	-	-
- Transferred from employee share award reserve	62	34	164	91
- (Gain)/ loss transferred to gain or loss on reissuance of treasury shares	-	(1,538)	-	28
	3,256	2,282	164	119
At 31 December	(79,585)	(56,547)	(79,768)	(55,701)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 3,073,200 (2016: 9,059,900) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$3,128,000 (2016: \$4,308,000) and this is presented as a component within shareholders' equity.

## 32. Accumulated profits and other reserves

### Accumulated profits

	Company	
	2017 \$'000	2016 \$'000
At 1 January	358,554	363,498
Profit net of tax and total comprehensive income for the year	18,101	752
Dividends on ordinary shares (Note 34)	(172,689)	(5,696)
Expiry/ lapse of employee share options & awards	5,562	-
At 31 December	209,528	358,554

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32. Accumulated profits and other reserves (cont'd)

### Other reserves

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Statutory reserve fund (a)	51,465	51,066	-	-
Foreign currency translation reserve (b)	(12,192)	(13,864)	-	-
Capital reserve (c)	169	169	-	-
Employee share option and award reserve (d)	4,805	9,712	4,805	9,712
	<u>44,247</u>	<u>47,083</u>	<u>4,805</u>	<u>9,712</u>

#### (a) *Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

	Group	
	2017	2016
	\$'000	\$'000
At 1 January	51,066	51,008
Transfer from retained earnings	399	58
At 31 December	<u>51,465</u>	<u>51,066</u>

#### (b) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2017	2016
	\$'000	\$'000
At 1 January	(13,864)	9,203
Net effect of exchange differences arising from translation of financial statements of foreign operations	1,672	(23,067)
At 31 December	<u>(12,192)</u>	<u>(13,864)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32. Accumulated profits and other reserves (cont'd)

### Other reserves (cont'd)

#### (c) *Capital reserve*

Capital reserve arose from acquisition of the remaining non-controlling interests in a subsidiary – Hi-P Flex Pte. Ltd. on 13 May 2010.

	Group	
	2017	2016
	\$'000	\$'000
At 1 January and 31 December	169	169

#### (d) *Employee share option and award reserve*

Employee share option and award reserve represents the equity-settled share options/ awards granted to employees (Note 33). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options/ awards and is reduced by the exercise of the share options or vesting of the share awards.

	Group and Company	
	2017	2016
	\$'000	\$'000
At 1 January	9,712	9,695
Equity compensation expense	27	160
Expiry/ lapse of employee share options and awards	(5,562)	-
Cancelled/ lapsed during the year	-	(24)
Vested during the year	628	(119)
At 31 December	4,805	9,712

## 33. Equity compensation benefits

### Share options

The Hi-P Employee Share Option Scheme 2003 (the “2003 ESOS”) was approved and adopted at the Company’s Extraordinary General Meeting held on 7 October 2003. The 2003 ESOS expired on 6 October 2013. Options granted under the 2003 ESOS however remain exercisable in accordance with the rules of the 2003 ESOS. At an Extraordinary General Meeting held on 29 April 2014, shareholders approved and adopted the Employee Share Option Scheme 2014 (the “2014 ESOS”). The 2003 ESOS and the 2014 ESOS are referred to collectively as the “Option Schemes”. Both Option Schemes apply to executive directors, employees of the Group, controlling shareholders and their associates while the 2014 ESOS additionally applies to non-executive directors. The Option Schemes are administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 33. Equity compensation benefits (cont'd)

### Share options (cont'd)

Other information regarding the Option Schemes are set out below:

- (i) The exercise price of an option is determined at a price equal to the Market Price or a price which is set at a discount to the Market Price (subject to a maximum discount of 20%). Market price in relation to an option is determined based on the average of the last dealt prices for the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive trading days immediately preceding the date of grant of such option.
- (ii) 50% of the options granted in each year vest one year after the grant date, and the remaining 50% vest two years after the grant date, with the exception of the options granted in 2012 and 2014 respectively. For options granted in 2012, 33% of which vest one year after the grant date, 33% of which vest two years after the grant date, and the remaining 34% of which vest three years after the grant date, pursuant to the Resolutions in Writing of the Remuneration Committee passed on 11 April 2012. Options granted in 2014, for which 25% of the options granted vest each year over 4 years starting from one year after the grant date, pursuant to the Resolutions in Writing of the Remuneration Committee passed on 5 May 2014, has lapsed in 2016.
- (iii) The options expire 10 years after the grant date except for options granted to non-executive directors under the 2014 ESOS, which will expire 5 years after the grant date, unless they have been cancelled or have lapsed prior to that date.
- (iv) The options are only settled by equity.

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, equity share options during the financial year.

	No. 2017	WAEP 2017	No. 2016	WAEP 2016
	'000	\$	'000	\$
Outstanding at 1 January	13,320	0.93	19,063	0.88
- Exercised	(3,194)	0.91	-	-
- Cancelled or lapsed or expired	(305)	1.02	(5,743)	0.78
Outstanding at 31 December	<u>9,821</u>	0.93	<u>13,320</u>	0.93
Exercisable at 31 December	<u>9,821</u>	0.93	<u>13,059</u>	0.94

The exercise prices for options outstanding at the end of the year range from \$0.57 to \$1.21 (2016: \$0.57 to \$1.21). The weighted average remaining contractual life for these options is 3.44 years (2016: 4.43 years).

There were no (2016: Nil) options granted during the financial year ended 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 33. Equity compensation benefits (cont'd)

### Share awards

The Hi-P Employee Share Award Scheme (the "Award Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 23 April 2009. The Award Scheme applies to executive directors, employees of the Group who have attained the age of 21 years and are of level 6 and above (or such other employees as the Remuneration Committee may determine) and controlling shareholders and their associates. At the Extraordinary General Meeting held on 23 April 2009, shareholders also approved the participation of Mr. Yao Hsiao Tung and Madam Wong Huey Fang in the Award Scheme. At the Extraordinary General Meeting held on 23 April 2013, shareholders approved the participation of Mr. Yao Hsiao Kuang, an associate of Mr. Yao Hsiao Tung in the Award Scheme. The Award Scheme is administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

Other information regarding the Award Scheme is set out below:

- (i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award which shall not exceed 50% of the annual bonus of the participant, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.
- (ii) No minimum vesting periods are prescribed under the Award Scheme and the length of vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.
- (iii) The Award Scheme shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Award Scheme.

The following table illustrates the number ("No.") of, and movements in, equity share awards during the financial year.

	No. 2017 '000	No. 2016 '000
Outstanding at 1 January	63	269
- Cancelled or lapsed	(1)	(42)
- Vested	(62)	(164)
Outstanding at 31 December	<u>-</u>	<u>63</u>

There were no (2016: Nil) share awards granted during the financial year ended 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 34. Dividends

	Group and Company	
	2017	2016
	\$'000	\$'000
<b>Declared and paid during the financial year</b>		
<i>Dividend on ordinary shares:</i>		
• Final exempt one-tier dividend for 2016: 0.4 cents (2015: 0.3 cents) per share	3,227	2,449
• Interim exempt one-tier dividend for 2017: 21.0 cents (2016: 0.4 cents) per share	169,462	3,247
	<u>172,689</u>	<u>5,696</u>
<b>Proposed but not recognised as a liability as at 31 December</b>		
<i>Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting:</i>		
• Final exempt one-tier dividend for 2017: 4.0 cents (2016: 0.4 cents) per share	<u>32,304</u>	<u>3,227</u>

## 35. Commitments

### (a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Capital commitments in respect of property, plant and equipment	29,380	7,953	164	681
Capital commitment in respect of investment in an associate	831	-	-	-
	<u>30,211</u>	<u>7,953</u>	<u>164</u>	<u>681</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 35. Commitments (cont'd)

### (b) Operating lease commitments

The Group and the Company have entered into commercial leases on factory sites, offices, staff accommodation, land use rights, motor vehicles, office equipment and plant and machinery. The lease terms range from 1 year to 30 years with options to purchase or renew at the end of the lease terms. Operating lease payments, including amortisation of land use rights, recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to \$19,751,000 (2016: \$21,026,000) (Note 9).

Future minimum rental payables under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Within one year	17,281	19,017	386	361
Later than one year but not later than five years	27,502	34,124	1,207	1,149
Later than five years	1,138	1,198	789	1,030
	<u>45,921</u>	<u>54,339</u>	<u>2,382</u>	<u>2,540</u>

## 36. Contingencies

### Guarantees

The Company granted corporate guarantees of \$Nil (2016: \$119,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2017.

The Company granted corporate guarantees of \$33,133,000 (2016: \$32,369,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 37. Related party transactions

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2017	2016
	\$'000	\$'000
<b>Income</b>		
Receipt of indemnification of an obligation guaranteed for from a company related to the controlling shareholder	9,128	-
Sales to a corporate shareholder and a company related to the controlling shareholder	5,294	-
Sales of property, plant and equipment to a company related to the controlling shareholder	-	823
Sales of property, plant and equipment and tools to a joint venture	245	-
<b>Expenses</b>		
Purchase of materials from a joint venture	3,946	-
Purchase of materials from a corporate shareholder and companies related to the shareholder	42	210
Service rendered from a company related to a director	1	3

### (b) Provision of corporate guarantee

During the financial year ended 31 December 2016, Eagle Ventures Limited, a firm which a controlling shareholder of the Company is the director, had given a corporate guarantee originally denominated in USD5 million in favour of the Group, in respect of outstanding obligation from a related company, which is also a subsidiary of Eagle Ventures Limited. The afore-mentioned outstanding obligation has been fully settled by Eagle Ventures Limited during the financial year ended 31 December 2017. The related corporate guarantee has also been duly discharged during the year.

	Group	
	2017	2016
	\$'000	\$'000
Corporate guarantee received from a company related to the controlling shareholder	-	7,230

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 37. Related party transactions (cont'd)

### (c) Compensation expenses of key management personnel

	Group	
	2017	2016
	\$'000	\$'000
Directors' fees	157	166
Defined contribution plans	145	177
Wages, salaries, bonus and other short-term employee benefits	8,424	6,119
Equity compensation expense	23	121
Total compensation expenses of key management personnel	<u>8,749</u>	<u>6,583</u>
Comprise amounts for:		
Directors of the Company	4,044	1,671
Other key management personnel	<u>4,705</u>	<u>4,912</u>
	<u>8,749</u>	<u>6,583</u>

The key management personnel mainly include executive directors, chief officers, operation heads and function heads. The remuneration of key management personnel are determined by the Remuneration Committee taking into consideration the performance of individuals and market trends.

#### Directors' interests in the Hi-P Employee Share Option and Share Award Schemes

During the years ended 31 December 2017 and 2016, no options nor awards were granted to the aforementioned executive directors. No (2016: Nil) options were exercised by the executive directors during the year while 4,247 (2016: 58,398) share awards were vested to the executive directors during the year.

## 38. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents, restricted bank deposits and derivatives), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. All credit terms and credit limits are subject to approval in accordance with the Group's policy. Measures such as letters of credit and collateral arrangements are used to mitigate credit risk.

In addition, the credit-worthiness of customers, receivables that are past due and aggregate risks to individual customers are regularly reviewed and monitored by the credit department and key management team (which comprises the CFO, the respective operation and function heads).

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group does not apply hedge accounting.

#### Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (a) Credit risk (cont'd)

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables due from billing customers on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2017		Group		2016	
	\$'000	% of total	\$'000	% of total	\$'000	% of total
<b>By country:</b>						
People's Republic of China	246,691	65%	179,790	59%		
Singapore	2,003	1%	2,907	1%		
Malaysia	2,231	1%	1,762	1%		
Taiwan	16,842	4%	18,384	6%		
Thailand	7,971	2%	8,388	3%		
Europe	16,208	4%	36,947	12%		
USA and other parts of American Continent	80,321	21%	50,090	16%		
Other countries	5,772	2%	5,834	2%		
	<u>378,039</u>	<u>100%</u>	<u>304,102</u>	<u>100%</u>		

At the end of the reporting period, approximately 79% (2016: 68%) of the Group's trade receivables were due from 5 (2016: 5) major end customers who are mainly multinational conglomerates. The credit risk concentration is considered low in view of the diversified concentration profile by country and by major customer presented above.

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and restricted bank deposits and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 89% (2016: 94%) of the Group's sales and 35% (2016: 59%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2017 is approximately USD748 million (2016: USD585 million).

The Group and the Company also hold cash, short-term deposits and short term loans denominated in a currency other than the respective functional currencies of Group entities for working capital and capital expenditure purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant functional currency as and when management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any exposure where appropriate.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and RMB exchange rates, with all other variables held constant.

		Group	
		Profit net of tax	
		2017	2016
		\$'000	\$'000
USD/RMB	- strengthened 1% (2016: 1%)	+2,996	+767
	- weakened 1% (2016: 1%)	-2,996	-767
USD/SGD	- strengthened 1% (2016: 1%)	+367	+1,209
	- weakened 1% (2016: 1%)	-367	-1,209
RMB/SGD	- strengthened 1% (2016: 1%)	-33	-41
	- weakened 1% (2016: 1%)	+33	+41

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on a group basis, to maintain sufficient liquid financial assets and stand-by credit facilities with several banks and take up short-term loans for short-term working capital requirements. At the end of the reporting period, the Group has sufficient stand-by credit facilities with several banks. At 31 December 2017, the Group was at net cash position of \$78 million (2016: \$25 million).

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. By continuing to adhere to the conditions set out in the bank facilities letters, access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group 2017	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Financial assets</b>				
Trade and other receivables	396,249	-	-	396,249
Notes Receivable	7,551	-	-	7,551
Restricted bank deposits	4,411	-	505	4,916
Cash and cash equivalents	277,914	-	-	277,914
Total undiscounted financial assets	686,125	-	505	686,630
<b>Financial liabilities</b>				
Trade and other payables	416,589	-	-	416,589
Notes payable	1,577	-	-	1,577
Accrued operating expenses	89,246	-	-	89,246
Loans and borrowings	205,342	32	-	205,374
Total undiscounted financial liabilities	712,754	32	-	712,786
Total net undiscounted financial (liabilities)/ assets	(26,629)	(32)	505	(26,156)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group 2016	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Financial assets</b>				
Trade and other receivables	316,425	-	-	316,425
Restricted bank deposits	9,251	-	483	9,734
Cash and cash equivalents	110,927	-	-	110,927
Total undiscounted financial assets	436,603	-	483	437,086
<b>Financial liabilities</b>				
Trade and other payables	243,207	-	-	243,207
Notes payable	2,909	-	-	2,909
Accrued operating expenses	85,484	-	-	85,484
Derivatives	254	-	-	254
Loans and borrowings	95,554	91	-	95,645
Total undiscounted financial liabilities	427,408	91	-	427,499
Total net undiscounted financial assets/ (liabilities)	9,195	(91)	483	9,587
<b>Company 2017</b>				
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Financial assets</b>				
Trade and other receivables	79,612	27,194	-	106,806
Cash and cash equivalents	13,748	-	-	13,748
Total undiscounted financial assets	93,360	27,194	-	120,554
<b>Financial liabilities</b>				
Trade and other payables	9,287	-	164,006	173,293
Accrued operating expenses	38,425	-	-	38,425
Loans and borrowings	25,074	32	-	25,106
Total undiscounted financial liabilities	72,786	32	164,006	236,824
Total net undiscounted financial assets/ (liabilities)	20,574	27,162	(164,006)	(116,270)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 38. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company 2016	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Financial assets</b>				
Trade and other receivables	85,897	69,875	-	155,772
Cash and cash equivalents	6,458	-	-	6,458
Total undiscounted financial assets	92,355	69,875	-	162,230
<b>Financial liabilities</b>				
Trade and other payables	11,078	-	46,805	57,883
Accrued operating expenses	19,350	-	-	19,350
Loans and borrowings	24,658	92	-	24,750
Total undiscounted financial liabilities	55,086	92	46,805	101,983
Total net undiscounted financial assets/ (liabilities)	37,269	69,783	(46,805)	60,247

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>2017</b>				
Financial guarantees	33,133	-	-	33,133
<b>2016</b>				
Financial guarantees	32,488	-	-	32,488

The financial guarantees are provided by the Company in favour of banks for credit facilities provided to subsidiaries, which do not result in contingent liabilities to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 39. Fair value of financial assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

The Group does not have financial instruments carried at Level 1 and 3 of the fair value hierarchy.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	2017 \$'000			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<b>Recurring fair value measurements</b>				
<b>Financial liabilities:</b>				
Derivatives (Note 22)				
- Forward currency contracts	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 39. Fair value of financial assets and liabilities (cont'd)

### (b) Assets and liabilities measured at fair value (cont'd)

Group	2016 \$'000			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<b>Recurring fair value measurements</b>				
<b>Financial liabilities:</b>				
Derivatives (Note 22)				
- Forward currency contracts	-	(254)	-	(254)

### (c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

#### Determination of fair value

Derivatives (Note 22): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties as well as foreign exchange spot and forward rates.

### (d) Financial assets and liabilities not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, notes receivable, current trade and other payables, notes payable, accrued operating expenses and short term loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 39. Fair value of financial assets and liabilities (cont'd)

- (e) *Fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	Group			
	Carrying amount		Fair value	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities:</b>				
Obligations of finance lease (non-current) (Note 28)	29	82	28	79
<hr/>				
	Company			
	Carrying amount		Fair value	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>				
Amount due from a subsidiary (Note 16)	25,556	25,556	*	*
Loans to subsidiaries (non-current) (Note 20)	26,746	67,456	26,663	67,175
<b>Financial liabilities:</b>				
Obligations of finance lease (non-current) (Note 28)	29	82	28	79
<hr/>				

\* Amount due from a subsidiary (Note 16)

Fair value information has not been disclosed for amount due from a subsidiary that are carried at cost because fair value of this amount is not determinable as the timing of the future cash flow arising from this amount cannot be measured reliably. The Company does not foresee this amount being repaid in the foreseeable future.

### Determination of fair value

Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 40. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2017, the Group has declared an interim dividend payment of \$169.5 million (2016: \$3.2 million) and proposed a final dividend payment of \$32.3 million (2016: \$3.2 million) respectively to shareholders (as disclosed in Note 34).

No changes were made in the objectives, policies and processes during the years ended 31 December 2017 and 2016.

As disclosed in Note 32(a), some subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2017 and 2016.

To maintain a positive cash position, the Group ensures that it has sufficient cash balances and enters into loans when necessary. In order to achieve positive cash position, the Group focuses on deriving positive cash profits as well as through better working capital management.

As the Group is at net cash position at the end of the year, disclosure of gearing ratio is hence not meaningful.

	Group	
	2017	2016
	\$'000	\$'000
Cash and short term deposits (Note 24)	282,830	120,661
Loans and borrowings (Note 28)	(205,242)	(95,584)
Net cash	<u>77,588</u>	<u>25,077</u>
Equity attributable to owners of Company	<u>528,520</u>	<u>578,236</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 41. Segment information

For management purposes, the Group is organised into manufacturing plants based on their products and services, and has 3 reportable operating segments as follows:

- i. Precision plastic injection molding (“PPIM”)
- ii. Mold design and fabrication (“MDF”)
- iii. Provision of sub-product assembly and full-product assembly services (“Assembly”)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its manufacturing plants separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 41. Segment information (cont'd)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2017	PPIM \$'000	MDF \$'000	Assembly \$'000	Eliminations \$'000	Notes	Consolidated \$'000
<b>Revenue:</b>						
Sales to external customers	932,325	72,514	422,027	-		1,426,866
Inter-segment sales	43,248	59,290	-	(102,538)	A	-
	<u>975,573</u>	<u>131,804</u>	<u>422,027</u>	<u>(102,538)</u>		<u>1,426,866</u>
<b>Results:</b>						
Profit from operations	137,111	3,434	13,435	-		153,980
Interest income						3,851
Other income						9,919
Financial costs						(3,904)
Other expenses						(17,536)
Share of results of an associate						100
Share of results of a joint venture						(98)
Profit before tax						<u>146,312</u>
Income tax expense						(24,829)
Profit, net of tax						<u>121,483</u>
<b>Other information</b>						
Depreciation of property, plant and equipment	66,930	3,844	1,840			72,614
Amortisation of deferred capital grants	(676)	(5)	-			(681)
Amortisation of intangible assets	-	-	68			68
Amortisation of land use rights	262	-	-			262
Provision for warranty costs	-	-	27			27
Inventory provisions/ (reversal of inventory provisions)	8,167	402	(667)			7,902
Inventories written back	(559)	-	(20)			(579)
Property, plant and equipment written off	159	-	18			177
(Reversal of impairment loss)/ impairment loss on property, plant and equipment	(687)	(8)	211			(484)
Impairment loss on intangible asset	-	-	9			9
Write back on doubtful receivables	(752)	(5)	-			(757)
Reversal of allowance on non-cancellable purchase commitments	(877)	-	(1,187)			(2,064)
Trade/ other payables waived	(1,014)	-	(16)			(1,030)
Onerous contract provisions	-	-	1,328			1,328
Onerous contract charges taken directly to profit or loss	302	-	-			302
Other non-cash expenses	(279)	(22)	(127)		B	(428)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 41. Segment information (cont'd)

2016	PPIM \$'000	MDF \$'000	Assembly \$'000	Eliminations \$'000	Notes	Consolidated \$'000
<b>Revenue:</b>						
Sales to external customers	788,710	89,529	426,832	-		1,305,071
Inter-segment sales	53,299	69,926	-	(123,225)	A	-
	<u>842,009</u>	<u>159,455</u>	<u>426,832</u>	<u>(123,225)</u>		<u>1,305,071</u>
<b>Results:</b>						
Profit/ (loss) from operations	72,062	4,064	(10,324)	-		65,802
Interest income						899
Other income						18,158
Financial costs						(4,142)
Other expenses						(9,822)
Share of results of an associate						285
Profit before tax						<u>71,180</u>
Income tax expense						<u>(16,660)</u>
Profit, net of tax						<u>54,520</u>
<b>Other information</b>						
Depreciation of property, plant and equipment	74,030	4,230	5,385			83,645
Amortisation of deferred capital grants	(437)	-	-			(437)
Amortisation of intangible assets	-	-	143			143
Adjustment to amortisation of intangible assets	-	-	(2,092)			(2,092)
Amortisation of land use rights	267	-	-			267
Reversal of provision for warranty costs	-	-	(139)			(139)
Inventory provisions	7,457	847	14,999			23,303
Inventories (written back)/ written off	(586)	(9)	7			(588)
Property, plant and equipment written off	20	-	-			20
Impairment loss on property, plant and equipment	3,908	20	45			3,973
Impairment loss on doubtful receivables	3,763	-	2,783			6,546
Bad debts written off	-	-	5,338			5,338
Net gain on disposal of investment securities	(10,470)	-	-			(10,470)
Allowance on non-cancellable purchase commitments	1,453	-	1,519			2,972
Trade/ other payables waived	(1,494)	-	(20)			(1,514)
Other non-cash expenses	<u>115</u>	<u>13</u>	<u>62</u>		B	<u>190</u>

### Notes

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of equity compensation expenses and net (gain)/ loss on disposal of property, plant and equipment as presented in the respective notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 41. Segment information (cont'd)

### Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
People's Republic of China	838,855	715,905	307,968	351,256
Singapore	17,976	14,480	16,184	17,886
Malaysia	10,321	7,370	-	-
Taiwan	51,269	43,804	-	-
Thailand	37,187	33,487	1,028	759
Europe	104,616	146,150	1,304	1,474
United States and the rest of Americas	347,114	327,656	11	33
Other countries	19,528	16,219	-	-
	<u>1,426,866</u>	<u>1,305,071</u>	<u>326,495</u>	<u>371,408</u>

Non-current assets information presented above consist of property, plant and equipment, intangible assets and land use rights.

### Information about major customers

The Group has 4 (2016: 4) major end customers for PPIM segment with revenue amounting to \$759,912,000 (2016: \$608,299,000) and 7 (2016: 5) major end customers for Assembly segment with revenue amounting to \$313,314,000 (2016: \$280,163,000).

## 42. Events occurring after the reporting period

The Company's indirect wholly-owned subsidiary, Huglomerate (Shanghai) International Trading Co., Ltd., has on 17 January 2018 acquired 40% stake in Shenzhen U Drinks Gourmet Food Co., Ltd. at a cost of RMB4,000,000 (equivalent to \$830,800). This new associate is engaged principally in the business of research and development, manufacturing and sales of capsule drinks.

## 43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 26 March 2018.

# STATISTICS OF SHAREHOLDINGS

as at 12 March 2018

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	18	1.04	654	0.00
100 - 1,000	165	9.58	139,375	0.02
1,001 - 10,000	1,095	63.55	6,050,133	0.75
10,001 - 1,000,000	427	24.78	22,660,812	2.80
1,000,001 and above	18	1.05	779,589,288	96.43
<b>Grand Total</b>	<b>1,723</b>	<b>100.00</b>	<b>808,440,262</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS <sup>1</sup>
1	YAO HSIAO TUNG	517,556,734	64.02
2	YHT INVESTMENTS PTE LTD	153,407,410	18.98
3	DBS NOMINEES PTE LTD	36,667,761	4.54
4	CITIBANK NOMINEES SINGAPORE PTE LTD	25,390,552	3.14
5	RAFFLES NOMINEES (PTE) LTD	18,837,234	2.33
6	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	7,953,580	0.98
7	DB NOMINEES (S) PTE LTD	2,929,108	0.36
8	HSBC (SINGAPORE) NOMINEES PTE LTD	2,151,000	0.27
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,901,229	0.24
10	CHESTER LIN CHIEN	1,800,000 #	0.22
11	PHILLIP SECURITIES PTE LTD	1,724,300	0.21
12	WEE BEE HOON	1,587,000	0.20
13	ONG ENG LOKE	1,397,000	0.17
14	WONG HUEY FANG	1,386,982 ^	0.17
15	MERRILL LYNCH (SINGAPORE) PTE LTD	1,323,270	0.16
16	SZETO TZEN	1,282,000	0.16
17	MAYBANK KIM ENG SECURITIES PTE LTD	1,246,228	0.15
18	ESTATE OF KUEK SER BENG, DECEASED	1,047,900	0.13
19	TENG TECK SENG	1,000,000	0.12
20	OH CHEE LAM	661,000	0.09
	<b>TOTAL</b>	<b>781,250,288</b>	<b>96.64</b>

Note:

<sup>1</sup> Based on 808,440,262 shares (excluding shares held as treasury shares)

# Mr. Chester Lin Chien held 1,800,000 shares under Raffles Nominees (Pte) Ltd.

^ Madam Wong Huey Fang held (a) 386,982 shares under CDP direct account, and (b) 1,000,000 shares under Raffles Nominees (Pte) Ltd.

# STATISTICS OF SHAREHOLDINGS

as at 12 March 2018

## Shareholders' Information

No. of issued shares (including treasury shares)	:	887,175,000
No. of issued shares (excluding treasury shares)	:	808,440,262
No. of treasury shares held	:	78,734,738
No. of subsidiary holdings held	:	Nil
Percentage of aggregate number of treasury shares and subsidiary holdings held against total number of issued shares (excluding treasury shares)	:	9.74%
Class of shares	:	Ordinary share fully paid
Voting rights (excluding treasury shares)	:	One vote per ordinary share

## Substantial Shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 12 March 2018.

Name	Direct interest	% <sup>2</sup>	Deemed interest	% <sup>2</sup>
Yao Hsiao Tung	517,556,734	64.02	160,299,792 <sup>1</sup>	19.83
YHT Investments Pte. Ltd.	153,407,410	18.98	-	-

Notes:

1. Mr. Yao Hsiao Tung's deemed interest arises by virtue of (a) the options to subscribe for an aggregate of 6,892,382 shares held by him as at 12 March 2018, and (b) his controlling interest in YHT Investments Pte. Ltd..
2. Shareholding percentage is calculated based on the Company's total issued shares of 808,440,262 shares as at 12 March 2018 (excluding treasury shares).

## Free Float

As at 12 March 2018, approximately 16.47% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the the public (based on information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual.

## Treasury Shares

As at 12 March 2018, the Company held 78,734,738 treasury shares, representing 9.74% of the total issued shares excluding treasury shares.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Hi-P International Limited (the “Company”) will be held at Genting Hotel Jurong, 2 Town Hall Link, Singapore 608516, Level 1, Genting 1 Room on Friday, 20 April 2018 at 2.30 p.m. for the following purposes:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final tax exempt one-tier dividend of 4.0 cents per ordinary share for the financial year ended 31 December 2017. [2016: 0.4 cents per ordinary share] **(Resolution 2)**
3. To re-elect Mr. Yao Hsiao Tung retiring pursuant to Article 91 of the Company’s Constitution. [See Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr. Chester Lin Chien retiring pursuant to Article 91 of the Company’s Constitution. [See Explanatory Note (ii)] **(Resolution 4)**
5. To approve the payment of Directors’ fees of S\$391,000.00 for the financial year ended 31 December 2017. (2016: S\$358,000.00) **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares excluding treasury shares**

“That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”), authority be and is hereby given to the Directors to:-

- (a) allot and issue shares in the Company; and
- (b) issue convertible securities and any shares in the Company pursuant to convertible securities

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force

# NOTICE OF ANNUAL GENERAL MEETING

until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed after adjusting for:-

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares."

[See Explanatory Note (iii)]

**(Resolution 7)**

By Order of the Board

Yao Hsiao Tung  
Executive Chairman and Chief Executive Officer

Singapore, 4 April 2018

## Explanatory Notes:

- (i) If re-elected under Resolution 3, Mr. Yao Hsiao Tung, retiring pursuant to Article 91 of the Company's Constitution, will continue in office as Executive Chairman of the board of directors of the Company, subject to retirement by rotation in accordance with the Company's Constitution.
- (ii) If re-elected under Resolution 4, Mr. Chester Lin Chien, retiring pursuant to Article 91 of the Company's Constitution, will continue in office as Independent Director, Chairman of the Nominating Committee, a member of Audit Committee and a member of Remuneration Committee of the Company, and be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. Detailed information of Mr. Yao Hsiao Tung and Mr. Chester Lin Chien can be found under the section "Board of Directors" in the Company's Annual Report 2017.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time for holding the Meeting.

## PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# HI-P INTERNATIONAL LIMITED

Company Registration Number 198004817H  
(Incorporated in the Republic of Singapore)

## IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

### Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2018.

## PROXY FORM

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC / Passport Number)

of \_\_\_\_\_ (Address)

being a member/members of HI-P INTERNATIONAL LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at Genting Hotel Jurong, 2 Town Hall Link, Singapore 608516, Level 1, Genting 1 Room on Friday, 20 April 2018 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

All resolutions put to the vote at the Meeting shall be decided by way of poll.

No.	Resolutions Relating to:	Number of votes for**	Number of votes against**
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2.	Declaration of final dividend		
3.	Re-election of Mr. Yao Hsiao Tung		
4.	Re-election of Mr. Chester Lin Chien		
5.	Approval of Directors' fees for the financial year ended 31 December 2017		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
7.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual		

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)  
or, Common Seal of Corporate Member

[IMPORTANT: PLEASE READ NOTES OVERLEAF]



## NOTES

1. A member (other than a Relevant Intermediary\*) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company having a share capital who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in this form of proxy including the number and class of shares in relation to which each proxy has been appointed, to the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at its office at 80 Robinson Road, #11-02 Singapore 068898.

"**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898, not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

## GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



**Hi-P International Limited**  
**赫比国际有限公司**

Company Registration Number 198004817H

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