Hi-P International Limited
赫 比 国 际 有 限 公 司

MANOEUVRING FOR STRATEGIC GROWTH

ANNUAL REPORT 2018

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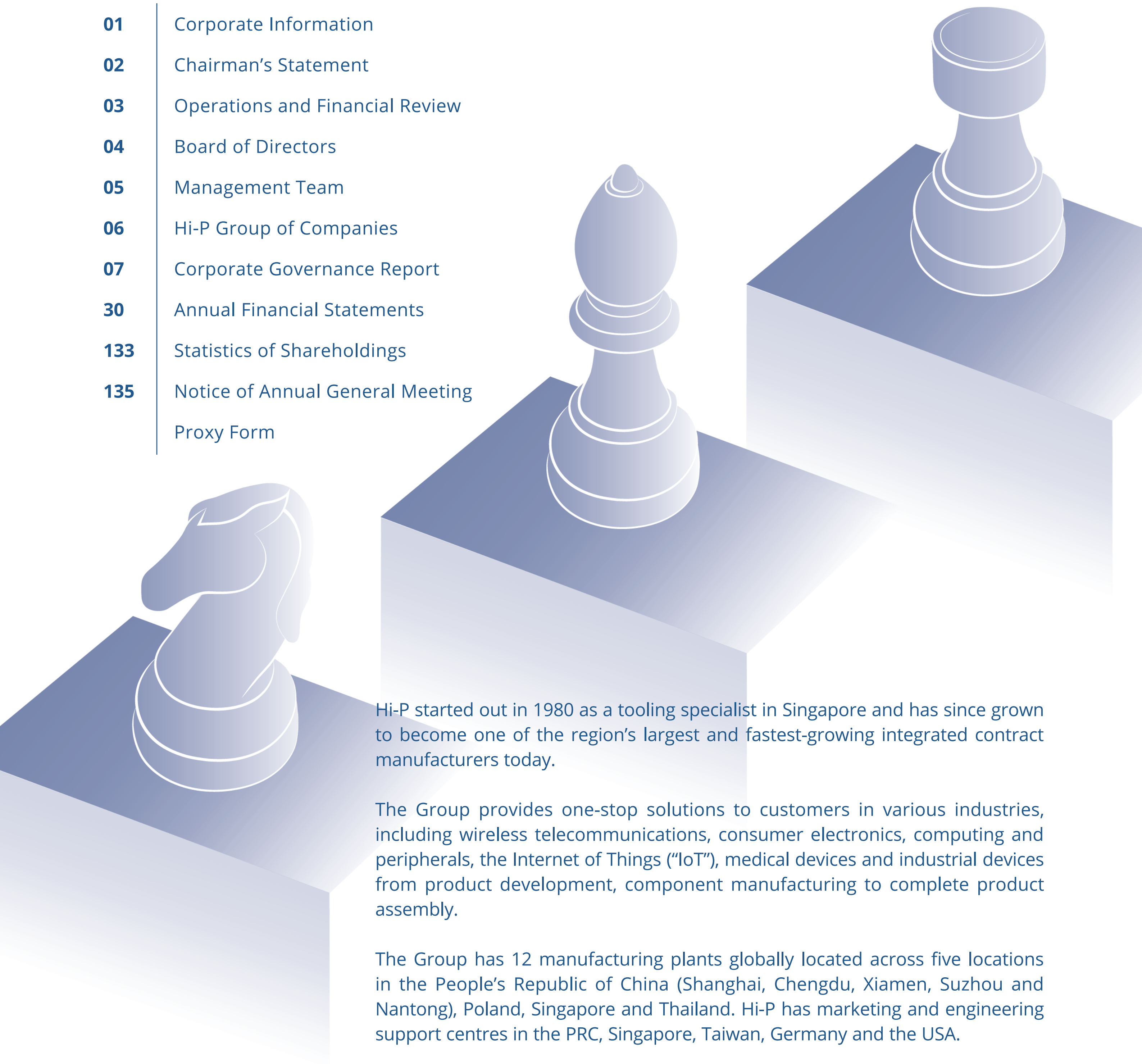


Hi-P started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region's largest and fastest-growing integrated contract manufacturers today.

The Group provides one-stop solutions to customers in various industries, including wireless telecommunications, consumer electronics, computing and peripherals, the Internet of Things ("IoT"), medical devices and industrial devices from product development, component manufacturing to complete product assembly.

The Group has 12 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in the PRC, Singapore, Taiwan, Germany and the USA.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Yao Hsiao Tung
(Executive Chairman and Chief Executive Officer)
Wong Huey Fang
(Executive Director and Chief Administrative Officer)

Non-Executive:

Chester Lin Chien *(Independent Director)*
Leong Lai Peng *(Independent Director)*
Gerald Lim Thien Su *(Lead Independent Director, appointed w.e.f. 3 May 2018)*
Yeo Tiong Eng *(Non-Executive Director, re-designated from Executive Director w.e.f. 1 June 2018)*

AUDIT COMMITTEE

Gerald Lim Thien Su *(Chairman)*
Leong Lai Peng
Chester Lin Chien

NOMINATING COMMITTEE

Chester Lin Chien *(Chairman)*
Leong Lai Peng
Gerald Lim Thien Su *(appointed w.e.f. 3 May 2018)*

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

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

DEAR SHAREHOLDERS,

Hi-P has overcome various challenges from 2014 until 2015 and its effort was paid off as it yielded good results in 2017. In 2017, we won several valuable customers and secured many projects from existing and new customers. However, the eruption of the US-China trade war in 2018 has sent much uncertainty to the global economy. Notwithstanding the weakening global market as a result of the disruptive trade war in 2018, we maintained revenue at S$1.4 billion, similar to that of 2017 revenue. Whilst it can be challenging to handle an increased inflow of projects, we have strived for excellence relentlessly and earned our customers' trust and appreciation.

Strategies to Stay Ahead of Future Challenges

In spite of an increasingly competitive and uncertain business landscape, Hi-P has formulated various business strategies to stay ahead of future challenges. We seek to expand our non-China manufacturing base with a view to serve some of our customers better by avoiding tariffs amidst US-China trade tensions. We have also focused our efforts on diversifying our customer base into various regions such as Europe, Japan, China and South Asia, as well as diversifying our product mix into new areas such as automotive, medical and IoT ecosystem.

As Hi-P continues to report positive financial results and strong operating cash flows, we will strive to undertake mergers and acquisitions in order to implement our business strategies. To ensure successful implementation of our business strategies, we shall further fortify our management tools in respect of "Execution Foundation", which focuses on four aspects, namely Organization & Staffing, Systems & Procedures, Motivation Mechanisms, and Culture. In addition, we are programming a transformational shift towards automation and computerization with the aid of artificial intelligence in order to sharpen our competitive edge and ensure sustainable growth. I believe that with the help of a solid and highly-determined management team, we shall be able to execute our business strategies successfully and turn every crisis into opportunity.

Whilst some of the business strategies aforementioned have been put into action, some of the said strategies are pending crystallization and careful planning. These strategies will continue to benefit Hi-P as a whole even if the US-China trade tension ceases. We take our business strategies very seriously and hence we plan very carefully and ensure they are executed well. We trust that our efforts will translate into fruitful outcome for the overall benefits of our company and shareholders.

Appreciation & Dividend

On behalf of the Board, I would like to thank our valued shareholders for their unwavering support and continued confidence in the management of Hi-P. I would also like to take this opportunity to extend my gratitude to all our customers, suppliers, business associates and staff for their support.

As a mark of confidence in our outlook and to reward shareholders for their loyal support, the Board has recommended a final dividend of 4.0 Singapore cents per share (subject to shareholders' approval at our upcoming Annual General Meeting), bringing total dividends for FY2018 to 5.0 Singapore cents per share.

Mr. Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
1 April 2019

"We achieved profit after tax of S$100.9 million and our net cash position increased to S$120.2 million despite challenging market condition and economic uncertainty"

Resilient Financial Performance amid Challenging Market Condition

Despite challenging market conditions and economic uncertainty, the Group maintained its revenue at S$1.4 billion for FY2018. The Group's gross profit declined 12.3% year-on-year ("yoy") to S$204.2 million while gross profit margin declined 1.7 percentage points to 14.6%. This was attributed mainly to price competition, rising labour costs and lower manufacturing yield for certain new products in the initial ramp up phase.

The Group's other income increased 76.8% yoy to S$17.5 million for FY2018. This was mainly due to a pre-tax gain of S$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in 4Q2018.

Other expenses decreased 20.8% yoy to S$13.9 million for FY2018. The improvement was mainly due to (i) a S$7.9 million yoy decrease in net loss arising from net foreign exchange differences and fair value differences on hedging contracts, (ii) a S$3.0 million yoy increase in gains on the disposal of property, plant and equipment which was mainly derived from the disposal of machines to an associate, and (iii) a S$1.5 million yoy decrease in cost relating to a rental contract. This improvement was partially offset by an S$8.4 million yoy increase in impairment loss on property, plant and equipment.

Total selling, distribution and administrative expenses increased 5.2% yoy to S$83.8 million for FY2018 due to higher staff costs stemming from annual salary increments and an increase in social security contributions imposed by local authorities.

The Group recorded an income tax expense of S$23.6 million for FY2018, representing an effective tax rate of 18.9% (FY2017: 17.0%). The higher effective tax rate for FY2018 was mainly the result of taxes imposed on profitable entities, and certain deferred tax assets not being recognized for unutilized tax losses.

As a result, the Group's net profit after tax decreased 16.9% to S$100.9 million for FY2018.

Healthy Balance Sheet

The Group further improved its net cash position to S$120.2 million as at 31 December 2018 (31 December 2017: S$77.6 million). Cash and cash equivalents and restricted bank deposits increased to S$288.4 million while current and non-current loans and borrowings decreased to S$168.2 million as at 31 December 2018.

Cash Flow Analysis

Net cash generated from operating activities was S$167.4 million for FY2018 (FY2017: S$260.2 million).

Net cash used in investing activities was S$59.7 million for FY2018 (FY2017: S$29.6 million), mainly due to payments made for the purchase of property, plant and equipment amounting to S$61.2 million.

Net cash used in financing activities was S$92.2 million for FY2018 (FY2017: S$62.3 million), mainly due to dividend paid amounting to S$40.3 million and net repayment of loans and borrowings of S$39.6 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 a *Non-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, re-designated to Executive Director on 14 November 2016, and re-designated to Non-Executive Director on 1 June 2018. 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, and appointed as *Lead Independent Director* with effect from 3 May 2018. 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).

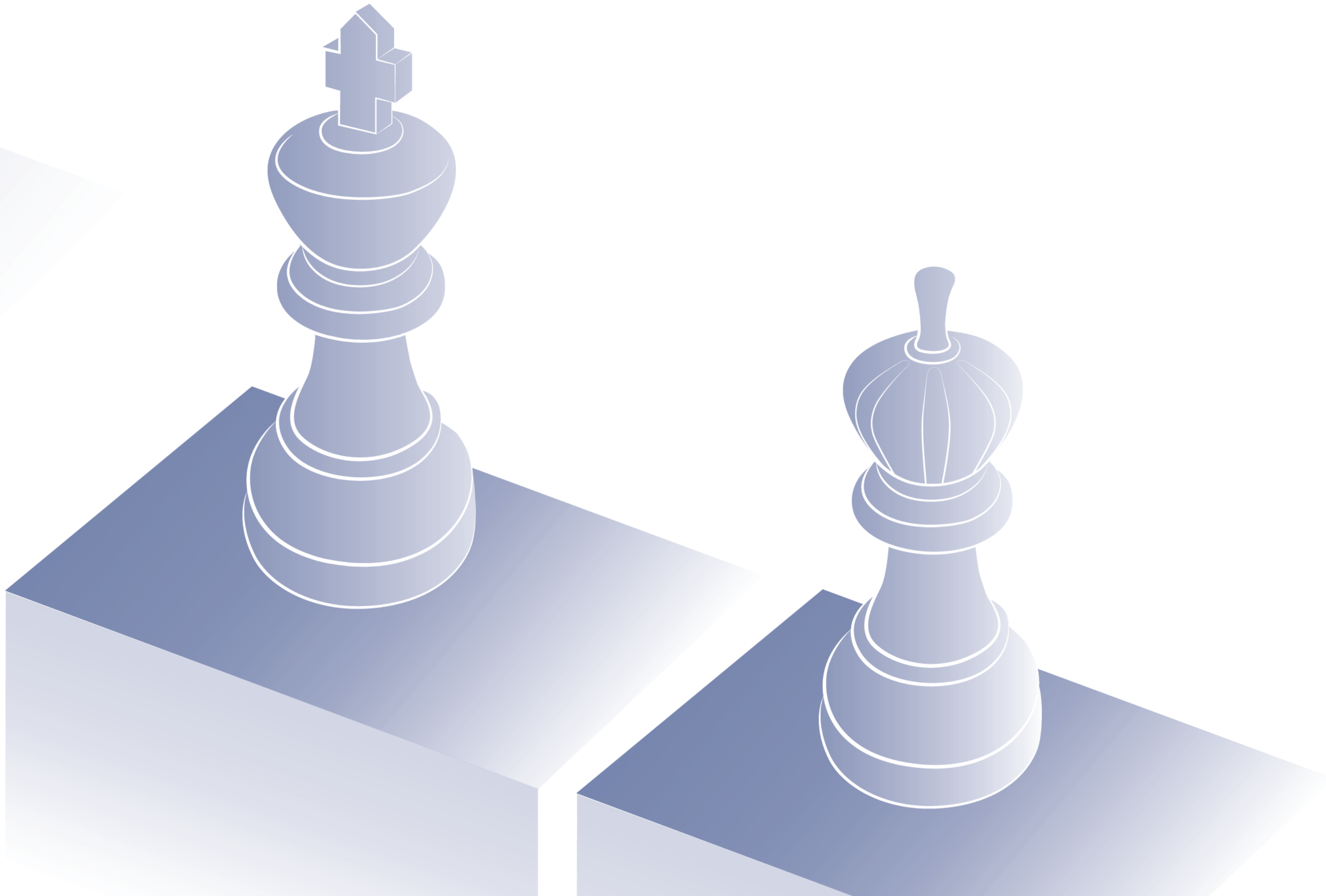
MANAGEMENT TEAM

YAO HSIAO TUNG*
Executive Chairman & Chief Executive Officer

WONG HUEY FANG*
Executive Director & Chief Administrative Officer

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 4*

Hi-P GROUP OF COMPANIES

as at 31 December 2018

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.
No. 901, 3rd Entrance, Block C,
Ai Li Jia Yuan East Zone,
3rd Street of TEDA Tianjin, the PRC

Hi-P (Tianjin) Precision Mold & Die Co., Ltd.
No. 901, 3rd Entrance, Block C,
Ai Li Jia Yuan East Zone,
3rd Street of TEDA Tianjin, the PRC

Hi-P (Tianjin) Technology Co., Ltd.
No. 901, 3rd Entrance, Block C,
Ai Li Jia Yuan East Zone,
3rd Street of TEDA Tianjin, the PRC

SUBSIDIARIES - SOUTH CHINA

Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.
No.5 Haijingdongsan Road,
Exporting Processing Zone,
Xinggang 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.
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 Lu Feng Road, He Dong Industry Park,
Guo Xiang Street, Wu Zhong District,
Suzhou, the PRC

Hi-P (Suzhou) Electronics Technology Co., Ltd.
No.86 Lu 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 Lu 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

Hi-P (Nantong) Electronics 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 COMPANIES

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

Shenzhen U Drinks Gourmet Food Co., Ltd.
Berny Building 4/F, Building 1,
Industrial Zone No. 7, Heshuikou Community,
Gongming Street, the PRC 518106

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

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 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

Non-Executive Director
Mr. Yeo Tiong Eng

Independent Directors
Mr. Gerald Lim Thien Su (*Lead Independent Director*)
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 four 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[1]
	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	4	4	–	–	–	–	–	–	2
Madam Wong Huey Fang	4	4	–	–	–	–	–	–	2
Mr. Yeo Tiong Eng	4	4	–	–	2	2	–	–	2
Mr. Chester Lin Chien	4	4	4	4	2	2	3	3	2
Madam Leong Lai Peng	4	4	4	4	2	2	3	3	–
Mr. Gerald Lim Thien Su	4	4	4	4	–	–	3	3	2

Note:

(1) Comprising the Annual General Meeting and the Extraordinary General Meeting of the Company held on 20 April 2018.

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**") and corporate governance rules. 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.

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	20 April 2018	–	–	–
Mr. Yeo Tiong Eng	Non-Executive Director Independent Director Executive Director Non-Executive Director	1 April 1987 Re-designated w.e.f. 30 January 2015 Re-designated w.e.f. 14 November 2016 Re-designated w.e.f. 1 June 2018	26 April 2017	–	Member (ceased to be a member w.e.f. 3 May 2018)	–
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	20 April 2018	Member	Chairman	Member
Madam Leong Lai Peng	Independent Director	9 November 2006	28 April 2016	Member	Member	Chairman
Mr. Gerald Lim Thien Su	Lead Independent Director (w.e.f. 3 May 2018)	1 November 2010	26 April 2017	Chairman	Member (appointed w.e.f. 3 May 2018)	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 4 of this Annual 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. Notwithstanding the foregoing, Mr. Gerald Lim Thien Su has been appointed as the Lead Independent Director with effect from 3 May 2018. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the chairman, the chief executive officer or the chief financial officer has failed to resolve or is inappropriate. Led by the Lead Independent Director, the independent directors met periodically without the presence of other directors and senior management, and the Lead Independent Director provided feedback to the Chairman after such meetings.

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)	Madam Leong Lai Peng	– Independent Non-Executive Director
(c)	Mr. Yeo Tiong Eng	– Non-Executive Director (ceased with effect from 3 May 2018)
(d)	Mr. Gerald Lim Thien Su	– Independent Non-Executive Director (appointed with effect from 3 May 2018)

Mr. Gerald Lim Thien Su has replaced Mr. Yeo Tiong Eng to be a member of NC with effect from 3 May 2018. Following the said replacement, all of the NC members are Independent Non-Executive Directors.

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.

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 was a director of Europtronic Group Ltd., a public company listed on the mainboard of the SGX-ST from 26 April 2012 until 13 September 2018. 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 Thien Su 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.

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.

Madam Wong Huey Fang and Madam Leong Lai Peng are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM. The NC recommended that Madam Wong Huey Fang and Madam Leong Lai Peng be nominated for re-election at the forthcoming AGM. Madam Wong Huey Fang and Madam Leong Lai Peng had abstained from the discussion and taking a decision in respect of his re-election at the forthcoming AGM. Please see their relevant details as required to be disclosed pursuant to Rule 720(6) of the Listing Manual of the SGX-ST in the section "**Additional Information on Directors Seeking Re-election**" below.

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 4 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;

(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 has not engaged any remuneration consultant during the financial year ended 31 December 2018 ("**FY2018**").

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 FY2018 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
Lead Independent Director	S$10,000 per annum	

Shareholders' approval will be sought at the forthcoming AGM of the Company to be held on 29 April 2019, for the payment of Directors' fees proposed for the FY2018 amounting to S$397,667 (FY2017: S$391,000).

The remunerations paid to the Directors during the FY2018 are as follows:-

	Cash-based						Share-based	
Names of Directors	Salary %	Bonus %	Director's fee %	Others[1] %	Total %	Total Amount (S$'000)	Number of options granted	Number of share awards granted
Mr. Yao Hsiao Tung[3]	85	7	5	3[2]	100	1,409	–	–
Madam Wong Huey Fang	68	20	10	2	100	391	–	–
Mr. Yeo Tiong Eng	71	–	25	4	100	197	–	–
Mr. Chester Lin Chien	–	–	100	–	100	79	–	–
Madam Leong Lai Peng	–	–	100	–	100	79	–	–
Mr. Gerald Lim Thien Su	–	–	100	–	100	74	–	–

Notes:

(1) Include contribution to central provident fund, car-related benefits and medical insurance 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 the FY2018 is as follows:

Names of Officers	Cash-based					Share-based	
	Salary %	Bonus %	Others[1] %	Total %	Total Amount (S$'000)	Number of options granted	Number of share awards granted
Mr. Samuel Yuen Chung Sang	52	45	3	100	834	–	240,000
Mr. Yong Inn Nam[2]	30	–	70	100	284	–	–
Mr. Mark Su Lii-Yun[3]	44	48	8	100	227	–	–

Notes:

(1) Include contribution to central provident fund, transportation, other allowances and etc.

(2) Mr. Yong Inn Nam has resigned as the Chief Operating Officer with effect from 14 February 2018. Please see the Company's SGXNet announcement dated 13 February 2018 for more details.

(3) Mr. Mark Su Lii-Yun has resigned as the Deputy Chief Executive Officer with effect from 1 April 2019. Please see the Company's SGXNet announcement dated 31 March 2019 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 FY2018 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.

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 2014 ESOS (as defined below) and/or other share scheme(s), 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.

In addition to monthly salary, key management personnel also receive bonus (which may include performance bonus that comprises cash and/or options/awards granted pursuant to the 2003 ESOS, the 2014 ESOS and/or the ESAS 2018). 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.

Mr. Yao Hsiao Kuang is the brother of Mr. Yao Hsiao Tung and brother in-law of Madam Wong Huey Fang. His remuneration in FY2018 was in the band of between S$500,000 to S$550,000. Other than the brother of Mr. Yao Hsiao Tung and brother in-law of Madam Wong Huey Fang as aforementioned, 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 FY2018.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme ("**2003 ESOS**") which was approved by shareholders of the Company on 7 October 2003. 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. In addition, the Company also has a share award scheme known as Hi-P Employee Share Award Scheme 2018 ("**ESAS 2018**") which was approved by shareholders of the Company on 20 April 2018. The 2003 ESOS, the 2014 ESOS and the ESAS 2018 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 2014 ESOS and the ESAS 2018 can be found on pages 32 to 36 of this Annual Report.

The 2003 ESOS, the 2014 ESOS and the ESAS 2018 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

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 FY2018 (please refer to pages 37 to 39 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.

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 FY2018	**S$'000**
Total Audit Fees	770
Total Non-Audit Fees	503
Total Fees	**1,273**

The non-audit fees constituted approximately 65% of the audit fees. The AC noted that the fees for non-audit services provided by the auditors for FY2018 exceeded 50% of the audit fees. A significant portion of the non-audit fees was in respect of the permitted tax advisory service (which fee accounted for approximately S$198,000) on the dilution of interest of Hi-Flex (Suzhou) Electronics Co., Ltd. and is non-recurring. The external auditors have confirmed to the AC that it is independent within the meaning of Singapore Accountants (Public Accountants) Rules and the requirements of the Companies Act for the purpose of its audit for the financial statements of the Company for FY2018. Taking into account the nature and extent of the non-audit services provided and the foregoing, the AC is of the opinion that the non-audit fees paid to the auditors for FY2018 would not compromise 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.

During the year under review, the Board, with the help of the Group's In-house Internal Control Team, reviewed the risk matrices documented by the Company which assisted 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 the 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.

CORPORATE GOVERNANCE REPORT

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 2018 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.

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 fair 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.

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 Singapore cents per ordinary share for the FY2018. The Company will be seeking the approval of shareholders at the AGM to be held on 29 April 2019 for the declaration of the said proposed final dividend.

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, 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 FY2018 or if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions
(Listing Manual Rule 907)

There were no interested person transactions entered into during FY2018 which require disclosure under Rule 907 of the Listing Manual of the SGX-ST.

Sustainability Report

The Company always seeks to conduct its business in a responsible manner towards the environment (E) and society (S), while upholding high standards of corporate governance (G). The Company believes that this makes the Company a better global citizen and more sustainable company in the manufacturing industry. The Company's values and philosophies guide the Company and all employees in the Group's operations.

The Company has identified material ESG matters (i.e. anti-corruption, economic performance, energy and emissions, occupational health and safety as well as training and education) taking into account stakeholders' interests and will review them on an ongoing basis. Our Board oversees the management and monitoring of these matters.

As a commitment to its stakeholders, the Company has disclosed its practices and performance on these material ESG matters in its second Sustainability Report, which will be available on the Company's website by 31 May 2019. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option and contains the five primary components in compliance with Rule 711B of the Listing Manual of the SGX-ST.

Additional Information on Directors Seeking Re-election

Madam Wong Huey Fang and Madam Leong Lai Peng are the Directors seeking re-election at the forthcoming AGM to be held on 29 April 2019 (collectively, the "**Retiring Directors**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
Date of Appointment	21 January 1988	9 November 2006
Date of last re-appointment	28 April 2016	28 April 2016
Age	70	60
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the work experience and suitability of Madam Wong Huey Fang for re-appointment as Executive Director of the Company. The Board has concluded that Madam Wong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Madam Leong Lai Peng for re-appointment as Independent Director of the Company. The Board has concluded that Madam Leong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for the administrative and public relations functions of the Group	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Administrative Officer	Independent Director, Chairwoman of the Remuneration Committee and member of the Audit Committee and Nominating Committee

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
Professional qualifications	–	– Bachelor of Laws – Master of Laws in Banking Law Studies – Admitted to Singapore bar – Solicitor of England and Wales – Fellow of Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators
Working experience and occupation(s) during the past 10 years	Executive Director and Chief Administrative Officer of Hi-P International Limited, overseeing the administrative and public relations functions of the Group	Lawyer, Yeo-Leong & Peh LLC
Shareholding interest in the listed issuer and its subsidiaries	386,982 ordinary shares under CDP direct account 1,000,000 ordinary shares under Raffles Nominees (Pte) Limited	300,000 ordinary shares in the capital of the Company
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Mr. Yao Hsiao Tung, the Executive Chairman and Chief Executive Officer of the Company	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	N.A.	Yeo-Leong & Peh LLC YLP International Consultants Pte Ltd YLP Publishers Pte Ltd Ace Compliance Pte. Ltd.

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
Present	Chin Shun Hsing Singapore Pte Ltd YHT Holdings Pte. Limited Eagle Ventures Limited RH Packaging Group Limited Hi-Flex (Suzhou) Electronics Co., Ltd All Hi-P subsidiaries as set out in the section "***Hi-P Group of Companies***" of this Annual Report, except for Hi-P Technology Co., Ltd.	Twin Stars Pte Ltd Casper & Pollux Pte Ltd Poplars Holdings Pte Ltd Millenium Asia Pacific Holdings Pte Ltd Viva Foundation for Children with Cancer Chawanallah Pte. Ltd. Anerji Pte. Ltd. 18 Blooms Pte. Ltd. Asia Financial Services Pte. Ltd. Viva China Children's Cancer Foundation Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

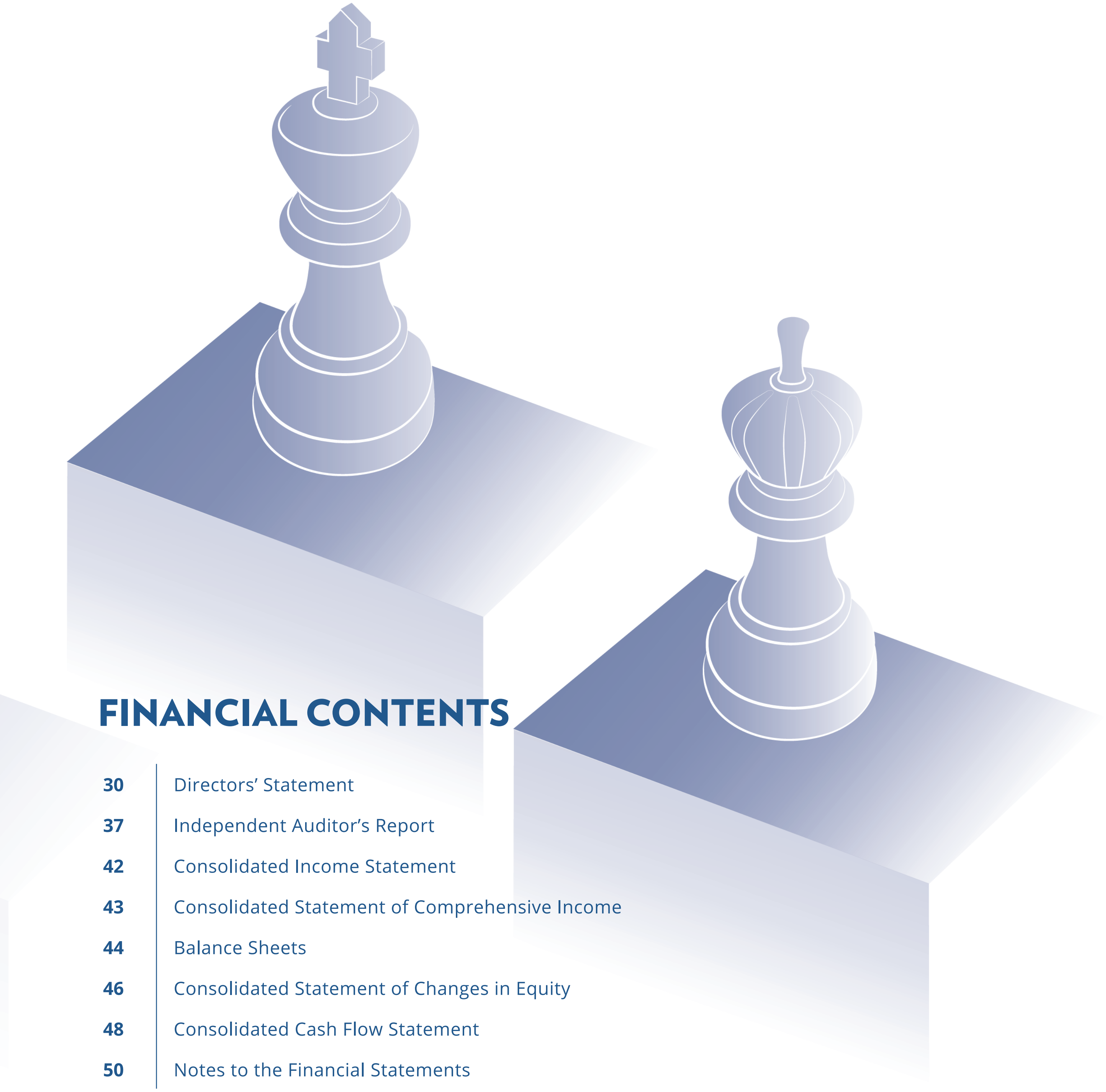
CORPORATE GOVERNANCE REPORT

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

	MADAM WONG HUEY FANG	MADAM LEONG LAI PENG
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.



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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 2018.

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 2018 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:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Yao Hsiao Tung	517,556,734	590,118,410	160,299,792[1]	87,738,116[2]
Wong Huey Fang	1,386,982	1,386,982	858,816[3]	858,816[3]
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	1,800,000	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 and his controlling interest in YHT Investments Pte. Ltd. (which in turns held 153,407,410 shares in the capital of the Company).

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 held 80,845,734 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 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 2019.

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.

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)

An aggregate of 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 outstanding as at 31 December 2018 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2018	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed/ expired during the year	Options outstanding as at 31 December 2018	Exercise period
12/01/2010	$0.74	267,000	–	–	(267,000)	–	12/01/2011 to 11/01/2020
29/04/2010	$0.67	2,883,000	–	–	–	2,883,000	29/04/2011 to 28/04/2020
11/03/2011	$1.21	1,095,700	–	(708,000)	(154,000)	233,700	11/03/2012 to 10/03/2021
5/05/2011	$1.20	2,897,000	–	–	–	2,897,000	5/05/2012 to 4/05/2021
9/04/2012	$0.96	579,522	–	(97,215)	(67,219)	415,088	9/04/2013 to 8/04/2022
4/05/2012	$0.90	1,256,071	–	–	–	1,256,071	4/05/2013 to 3/05/2022
12/04/2013	$0.703	99,474	–	(92,926)	(6,548)	–	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	500,022	–	–	(5,440)	494,582	12/05/2016 to 11/05/2025
		9,821,118	–	(898,141)	(500,207)	8,422,770	

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

Share options (cont'd)

During the financial year, no options were granted by the Company under the 2014 ESOS to its employees (2017: Nil).

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 2018	Aggregate options granted since commencement of scheme to 31 December 2018	Aggregate options exercised since commencement of scheme to 31 December 2018	Aggregate options expired since commencement of scheme to 31 December 2018	Aggregate options outstanding as at 31 December 2018
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 2009 (the "2009 Award Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 23 April 2009. The 2009 Award Scheme was due to expire on 22 April 2019. At an Extraordinary General Meeting held on 20 April 2018, shareholders have approved, *inter alia* (a) the termination of the 2009 Award Scheme, and (b) the adoption of a new share scheme known as Hi-P Employee Share Award Scheme 2018 (the "Hi-P ESAS 2018"). The Hi-P ESAS 2018 applies to executive directors and employees of the Group who have attained the age of 21 years on or before the date of grant. Non-executive directors of the Group, controlling shareholders and their associates shall not be eligible to participate in the Hi-P ESAS 2018. The Hi-P ESAS 2018 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 Hi-P ESAS 2018 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, 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 Hi-P ESAS 2018 and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Hi-P ESAS 2018 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 Hi-P ESAS 2018.

As at the date of termination of the 2009 Award Scheme, there were no outstanding and unvested share awards which were granted under the 2009 Award Scheme. In addition, no share awards have been granted pursuant to the 2009 Award Scheme during the financial year ended 31 December 2018.

An aggregate of 1,820,000 share awards were granted to the employees of the Company and its subsidiaries since the commencement of the Hi-P ESAS 2018 till the end of the financial year.

Details of all share awards of the Company granted pursuant to the Hi-P ESAS 2018 as at 31 December 2018 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2018	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 2018
1/08/2018	–	1,820,000	(910,000)	–	910,000
	–	1,820,000	(910,000)	–	910,000

During the financial year, 1,820,000 (2017: Not applicable) share awards were granted by the Company to its employees. These share awards are vested in 2 stages, namely 50% on 31 August 2018 and the balance 50% on the day on which the relevant employees reach the age of 65.

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

Share awards (cont'd)

Since the commencement of the Hi-P ESAS 2018 till the end of the financial year:

- No directors, controlling shareholder of the Company or the associates of the Company's controlling shareholder are participants of the Hi-P ESAS 2018.
- No participant of the Hi-P ESAS 2018 received 5% or more of the total number of awards available under the Hi-P ESAS 2018.
- The total number of award shares which may be issued or issuable pursuant to awards granted under the Hi-P ESAS 2018 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 2018 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
Director

1 April 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity 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 (International) ("SFRS(I)") 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 2018 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 ("SSA"s). 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.

Key audit matters (cont'd)

Recoverability of deferred tax assets

As at 31 December 2018, the Group recognised deferred tax assets of $22 million. The Group operates in various countries (Singapore, People's Republic of China, Thailand and Poland), which are subject to their respective local tax regulations. The recognition and measurement of the deferred income tax asset is significant to our audit because it involves significant management judgement relating to forecasts of future profitability that will be affected by expected future market or economic conditions. Our audit procedures included, amongst others:

- Compared the consistency of management's profit forecasts with those included in the rolling budget approved by senior management. We evaluated management's assumptions on the 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.

- Tested the completeness and reasonableness 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.

- Assessed the adequacy of the Group's disclosures on deferred tax positions and assumptions used in Note 30 to the financial statements.

Impairment of property, plant and equipment

As at 31 December 2018, the Group has identified indicators of impairment for property, plant and equipment with carrying amount of $88 million (net of impairment), relating to an operation that has been incurring operating losses. Pursuant to the assessment of the assets' recoverable amount based on value-in-use, the Group had recognised impairment loss of $7 million in the financial year ended 31 December 2018. The impairment assessment of these property, plant and equipment is significant to our audit because it involves significant management judgement relating to projected future cash flows that are affected by expected future market and economic conditions. Our audit procedures included, amongst others:

- Reviewed management's process of identifying the respective cash generating units ("CGUs") that the property, plant and equipment belong to, and assessing whether there is any indication that the CGU may be impaired or previously recorded impairment losses have decreased. If any of such indication exist, we assessed management's estimation of the recoverable amount of the CGU that is based on discounted future cash flows of the CGU.

- Compared the consistency of management's cash flow forecasts with those included in the rolling budget approved by senior management. We evaluated management's assumptions on the projected cash flows by comparing them against expectations of revenue growth and market conditions observed from external information sources. We assessed the historical accuracy of management's assumptions and estimation process by comparing forecasted results against actual results of the CGU. Our internal valuation specialists supported us in the review of the discount rate based on external comparable data.

- Evaluated management's assessment of whether fair value less costs of disposal of the CGU would materially exceed the value-in-use for the purposes of determining recoverable amount.

- Checked the mathematical accuracy and consistency of management's computations of the CGU's value-in-use, carrying amount and the amount of the impairment loss.

- Assessed the adequacy of the Group's disclosures on the impairment of property, plant and equipment in Note 13 to the financial statements.

Key audit matters (cont'd)

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

As disclosed in Notes 17 and 22 to the financial statements, the Company has investments in subsidiaries of $392 million and loans to subsidiaries of $82 million as at 31 December 2018. These investments represent 91% of the Company's total assets and are subject to impairment and expected credit loss assessments at year end. These assessments are significant to our audit because they involve significant management judgement relating to projected future cash flows that are affected by expected future market and economic conditions. Our audit procedures included, amongst others:

- In respect of investments in subsidiaries, we reviewed management's assessment of whether there are indications that the investments may be impaired or previously recorded impairment losses have decreased. Where such indicators exist, we assessed management's estimation of the recoverable amounts that are based on discounted future cash flows of the relevant subsidiaries. We compared the consistency of management's cash flows forecasts with those included in the rolling budget approved by senior management. We evaluated management's assumptions on the projected cash flows, terminal growth and discount rates by comparing them against 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.

- In respect of loans to subsidiaries, we reviewed management's process of monitoring collectability and review of credit risks of the loans and where relevant and available, obtained evidence of subsequent repayment of the loans by subsidiaries. We evaluated management's determination of whether there has been significant increase in the loan's credit risk since initial recognition and whether the expected credit loss is material to the financial statements. In particular, we considered the interest repayment trends of the subsidiaries, historical and future cash flows generating ability of the subsidiaries, market values of the assets held by the subsidiaries (where available), and industry default rate and outlook observed from external information sources.

- Assessed the adequacy of the Company's disclosures on the investments in subsidiaries and loans to subsidiaries and related credit risk information in Notes 3.1(b) and 39(a) to the financial statements.

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 SFRS(I), 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.

Responsibilities of management and directors for the financial statements (cont'd)

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.

- 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.

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

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

1 April 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018	2017
		$'000	$'000
Revenue	4	1,402,117	1,426,866
Cost of sales		(1,197,923)	(1,193,971)
Gross profit		204,194	232,895
Other items of income			
Interest income	5	5,919	3,851
Other income	6	17,535	9,919
Other items of expense			
Selling and distribution expenses		(10,538)	(12,968)
Administrative expenses		(73,284)	(66,704)
Financial costs	7	(6,655)	(3,904)
Reversal of impairment losses on financial assets, net	9	883	757
Other expenses	8	(13,888)	(17,536)
Share of results of associates		484	100
Share of results of a joint venture		(164)	(98)
Profit before tax	9	124,486	146,312
Income tax expense	11	(23,564)	(24,829)
Profit for the year		100,922	121,483
Attributable to:			
Owners of the Company		100,948	121,492
Non-controlling interests		(26)	(9)
		100,922	121,483
Earnings per share attributable to owners of the Company (cents per share)			
Basic	12	12.54	15.05
Diluted	12	12.50	14.95

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 2018

	2018	2017
	$'000	$'000
Profit for the year	100,922	121,483
<u>**Other comprehensive income**</u>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(17,170)	1,736
Share of other comprehensive income of associates	(91)	(69)
Share of other comprehensive income of a joint venture	(19)	(6)
Other comprehensive income for the year, net of tax	(17,280)	1,661
Total comprehensive income for the year	83,642	123,144
Attributable to:		
Owners of the Company	83,666	123,164
Non-controlling interests	(24)	(20)
Total comprehensive income for the year	83,642	123,144

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets							
Property, plant and equipment	13	293,573	315,131	359,598	15,798	15,946	16,015
Investment properties	14	293	–	–	–	–	–
Intangible assets	15	12	12	89	12	12	12
Land use rights	16	10,806	11,352	11,721	–	–	–
Investment in subsidiaries	17	–	–	–	392,046	372,717	350,019
Investment in associates	18	21,345	6,663	2,524	503	503	503
Investment in a joint venture	19	207	348	#	–	–	–
Other investment	20	4,968	–	–	–	–	–
Other receivables	22	–	–	–	–	26,746	67,456
Other long-term asset		–	–	2	–	–	–
Restricted bank deposits	25	495	505	483	–	–	–
Deferred tax assets	30	21,925	25,729	21,617	–	–	–
		353,624	359,740	396,034	408,359	415,924	434,005
Current assets							
Inventories	21	176,925	178,529	142,918	3,794	3,437	4,541
Trade and other receivables	22	395,953	445,297	361,845	99,405	85,546	93,419
Notes receivable	23	–	7,551	–	–	–	–
Prepaid operating expenses		10,266	6,447	9,080	250	208	607
Restricted bank deposits	25	1,263	4,411	9,251	–	–	–
Cash and cash equivalents	25	286,653	277,914	110,927	10,325	13,748	6,458
		871,060	920,149	634,021	113,774	102,939	105,025
Total assets		1,224,684	1,279,889	1,030,055	522,133	518,863	539,030
Current liabilities							
Trade and other payables	26	356,684	386,531	221,868	5,878	9,136	10,888
Notes payable	27	879	1,577	2,909	–	–	–
Contract liabilities	4(c)	22,413	33,329	22,887	126	269	274
Accrued operating expenses		80,826	89,246	85,484	34,028	38,425	19,350
Provisions	28	302	1,368	38	–	–	–
Deferred capital grants	31	758	784	478	89	93	–
Loans and borrowings	29	168,252	205,213	95,502	38,650	25,058	24,638
Income tax payable		21,686	21,557	11,872	3,098	1,473	2,374
Derivatives	24	–	–	254	–	–	–
		651,800	739,605	441,292	81,869	74,454	57,524
Net current assets		219,260	180,544	192,729	31,905	28,485	47,501

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

	Note	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Non-current liabilities							
Other payables	26	–	–	–	103,371	164,006	46,805
Deferred capital grants	31	4,781	5,720	5,032	72	161	–
Loans and borrowings	29	–	29	82	–	29	82
Deferred tax liabilities	30	4,092	5,050	4,428	2,452	2,702	2,329
		8,873	10,799	9,542	105,895	166,898	49,216
Total liabilities		660,673	750,404	450,834	187,764	241,352	106,740
Net assets		564,011	529,485	579,221	334,369	277,511	432,290
Equity attributable to owners of the Company							
Share capital	32(a)	119,725	119,725	119,725	119,725	119,725	119,725
Treasury shares	32(b)	(65,019)	(56,547)	(55,701)	(65,019)	(56,547)	(55,701)
Accumulated profits	33	467,966	421,095	467,129	274,088	209,528	358,554
Other reserves	33	41,339	44,247	47,083	5,575	4,805	9,712
		564,011	528,520	578,236	334,369	277,511	432,290
Non-controlling interests		–	965	985	–	–	–
Total equity		564,011	529,485	579,221	334,369	277,511	432,290

 # - 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 2018

Group	Share capital (Note 32(a)) $'000	Treasury shares (Note 32(b)) $'000	Other reserves (Note 33) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company						
Opening balance at 1 January 2018 – FRS framework	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Effects of the adoption of SFRS(I)	–	–	–	(318)	(318)	–	(318)
Opening balance at 1 January 2018 – SFRS(I) framework	119,725	(56,547)	44,247	420,777	528,202	965	529,167
Profit for the year	–	–	–	100,948	100,948	(26)	100,922
Other comprehensive income							
Foreign currency translation	–	–	(17,172)	–	(17,172)	2	(17,170)
Share of other comprehensive income of associates	–	–	(91)	–	(91)	–	(91)
Share of other comprehensive income of a joint venture	–	–	(19)	–	(19)	–	(19)
Other comprehensive income for the year, net of tax	–	–	(17,282)	–	(17,282)	2	(17,280)
Total comprehensive income for the year	–	–	(17,282)	100,948	83,666	(24)	83,642
Contributions by and distributions to owners							
Employee share award scheme – Equity compensation benefits (Note 33(d))	–	–	1,179	–	1,179	–	1,179
Purchase of treasury shares (Note 32(b))	–	(9,764)	–	–	(9,764)	–	(9,764)
Treasury shares reissued pursuant to employee share option and award schemes (Note 32(b))	–	1,292	(276)	–	1,016	–	1,016
Dividends on ordinary shares (Note 35)	–	–	–	(40,288)	(40,288)	–	(40,288)
Total contributions by and distributions to owners	–	(8,472)	903	(40,288)	(47,857)	–	(47,857)
Changes in ownership interests in subsidiaries							
Liquidation of a subsidiary	–	–	–	–	–	(941)	(941)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	(941)	(941)
Total transactions with owners in their capacity as owners	–	(8,472)	903	(40,288)	(47,857)	(941)	(48,798)
Others							
Expiry/ lapse of employee share options (Note 33(d))	–	–	(133)	133	–	–	–
Transfer from retained earnings to statutory reserve fund (Note 33(a))	–	–	13,604	(13,604)	–	–	–
Total others	–	–	13,471	(13,471)	–	–	–
Closing balance at 31 December 2018	119,725	(65,019)	41,339	467,966	564,011	–	564,011

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 2018

Group	Attributable to owners of the Company						
	Share capital (Note 32(a)) $'000	Treasury shares (Note 32(b)) $'000	Other reserves (Note 33) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Opening balance at 1 January 2017 – FRS and SFRS(I) framework	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)
Other comprehensive income for the year, net of tax	–	–	1,672	–	1,672	(11)	1,661
Total comprehensive income for the year	–	–	1,672	121,492	123,164	(20)	123,144
Contributions by and distributions to owners							
Employee share option and award schemes – Equity compensation benefits (Note 33(d))	–	–	27	–	27	–	27
Purchase of treasury shares (Note 32(b))	–	(3,128)	–	–	(3,128)	–	(3,128)
Treasury shares reissued pursuant to employee share option and award schemes (Note 32(b))	–	2,282	628	–	2,910	–	2,910
Dividends on ordinary shares (Note 35)	–	–	–	(172,689)	(172,689)	–	(172,689)
Total transactions with owners in their capacity as owners	–	(846)	655	(172,689)	(172,880)	–	(172,880)
Others							
Expiry/ lapse of employee share options & awards (Note 33(d))	–	–	(5,562)	5,562	–	–	–
Transfer from retained earnings to statutory reserve fund (Note 33(a))	–	–	399	(399)	–	–	–
Total others	–	–	(5,163)	5,163	–	–	–
Closing balance at 31 December 2017	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 CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax		124,486	146,312
Adjustments for:			
Depreciation of property, plant and equipment	13	68,545	72,614
Amortisation of deferred capital grants	31	(778)	(681)
Amortisation of intangible assets	15	–	68
Amortisation of land use rights	16	262	262
Depreciation of investment properties	14	103	–
Impairment loss/ (reversal of impairment loss) on property, plant and equipment	13	7,945	(484)
Impairment loss on intangible assets	15	–	9
Net gain on disposal of property, plant and equipment	8, (a)	(3,435)	(455)
Property, plant and equipment written off	8	791	177
Inventory provisions	21	1,059	7,902
Inventories written back	21	(617)	(579)
Provision for warranty costs	28	20	27
Onerous contract provisions	28	146	1,328
Reversal of impairment loss on financial assets	9	(883)	(757)
Bad debts written off	9	3	–
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	9	815	(2,064)
Trade/ other payables waived	6	(351)	(1,030)
Equity compensation expense	9	1,179	27
Financial costs	7	6,655	3,904
Interest income	5	(5,919)	(3,851)
Net fair value gain on derivatives - unrealised		–	(254)
Gain from dilution of interest from a subsidiary to an associate	6	(6,123)	–
Net loss on liquidation of a subsidiary	8	404	–
Net unrealised exchange difference		723	4,798
Share of results of associates		(484)	(100)
Share of results of a joint venture		164	98
Operating cash flows before changes in working capital		194,710	227,271
Changes in working capital			
Increase in inventories		(4,630)	(45,858)
Decrease/ (increase) in trade and other receivables		59,331	(84,929)
Decrease/ (increase) in notes receivable		7,551	(7,551)
(Increase)/ decrease in prepaid operating expenses		(4,074)	2,437
(Decrease)/ increase in trade and other payables and contract liabilities		(55,596)	182,298
Decrease in notes payable		(698)	(1,332)
(Decrease)/ increase in accrued operating expenses		(7,999)	6,636
Total changes in working capital		(6,115)	51,701
Cash flows generated from operations		188,595	278,972
Income taxes paid		(21,165)	(18,754)
Net cash flows generated from operating activities		167,430	260,218

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Interest received		5,733	3,575
Purchase of property, plant and equipment	(b)	(61,192)	(31,600)
Proceeds from disposal of property, plant and equipment		10,548	1,316
Net cash outflow on liquidation of a subsidiary	17	(118)	–
Investment in associates		(9,618)	(4,108)
Dividend received from an associate		150	–
Investment in a joint venture	19	–	(484)
Purchase of other investment		(5,228)	–
Proceeds from capital grants		–	1,845
Consultancy fee paid for capital grants application		–	(122)
Net cash flows used in investing activities		(59,725)	(29,578)
Cash flows from financing activities			
Decrease in restricted bank deposits		3,158	4,818
Dividends paid on ordinary shares	35	(40,288)	(172,689)
Purchase of treasury shares	32(b)	(9,764)	(3,128)
Proceeds from re-issuance of treasury shares	32(b)	1,016	2,910
Financial costs paid		(6,621)	(3,909)
Net (repayment of)/ proceeds from loans and borrowings		(39,626)	111,750
Repayments of obligations under finance lease		(64)	(2,052)
Net cash flows used in financing activities		(92,189)	(62,300)
Net increase in cash and cash equivalents		15,516	168,340
Effect of exchange rate changes on cash and cash equivalents		(6,777)	(1,353)
Cash and cash equivalents at beginning of year		277,914	110,927
Cash and cash equivalents at end of year	25	286,653	277,914

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 an associate, amounting to $1,302,000 (2017: reduced by an elimination of unrealised profits of $32,000 arising from disposal of equipment by one of the Company's subsidiaries to the joint venture), and other non-cash items of $181,000.

(b) Purchase of property, plant and equipment

	Note	2018 $'000	2017 $'000
Current year additions	13	71,921	29,410
Less: Payable to creditors		(17,530)	(5,593)
		54,391	23,817
Payments for prior years purchases		6,801	7,783
Net cash outflow for purchase		61,192	31,600

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 2018

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 17 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 as disclosed below.

SFRS(I) allows first time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption whereby the comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instrument*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $318,000 and there is a corresponding decrease in retained earnings of $318,000 as at 1 January 2018.

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including the application of the new accounting standards on 31 December 2017 to the balance sheet of the Group. The adoption of SFRS(I) does not have any impact to the balance sheet of the Group as at 1 January 2017.

	Group		
	31.12.2017 (FRS)	**SFRS(I) 9 adjustments**	**1.1.2018 (SFRS(I))**
	$'000	$'000	$'000
Non-current assets			
Property, plant and equipment	315,131	–	315,131
Intangible assets	12	–	12
Land use rights	11,352	–	11,352
Investment in associates	6,663	–	6,663
Investment in a joint venture	348	–	348
Restricted bank deposits	505	–	505
Deferred tax assets	25,729	–	25,729
	359,740	–	359,740
Current assets			
Inventories	178,529	–	178,529
Trade and other receivables	445,297	(318)	444,979
Notes receivable	7,551	–	7,551
Prepaid operating expenses	6,447	–	6,447
Restricted bank deposits	4,411	–	4,411
Cash and cash equivalents	277,914	–	277,914
	920,149	(318)	919,831
Total assets	1,279,889	(318)	1,279,571
Current liabilities			
Trade and other payables	386,531	–	386,531
Notes payable	1,577	–	1,577
Contract liabilities	33,329	–	33,329
Accrued operating expenses	89,246	–	89,246
Provisions	1,368	–	1,368
Deferred capital grants	784	–	784
Loans and borrowings	205,213	–	205,213
Income tax payable	21,557	–	21,557
	739,605	–	739,605
Net current assets	180,544	(318)	180,226

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

		Group	
	31.12.2017 (FRS)	**SFRS(I) 9 adjustments**	**1.1.2018 (SFRS(I))**
	$'000	$'000	$'000
Non-current liabilities			
Deferred capital grants	5,720	–	5,720
Loans and borrowings	29	–	29
Deferred tax liabilities	5,050	–	5,050
	10,799	–	10,799
Total liabilities	750,404	–	750,404
Net assets	529,485	(318)	529,167
Equity attributable to owners of the Company			
Share capital	119,725	–	119,725
Treasury shares	(56,547)	–	(56,547)
Accumulated profits	421,095	(318)	420,777
Other reserves	44,247	–	44,247
	528,520	(318)	528,202
Non-controlling interests	965	–	965
Total equity	529,485	(318)	529,167

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*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above 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) 16 is described below.

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

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

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

– not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

– to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

– to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subjected to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise an equal amount of right-of-use assets and lease liabilities of $38,082,000 for its leases previously classified as operating leases (excluding short-term leases and leases for which underlying assets are of low value). In addition, the Group will present land use rights of $10,806,000 as right-of-use assets as of 1 January 2019.

2.4 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.

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

2.4 Basis of consolidation (cont'd)

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.

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.

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

2.5 Foreign currency (cont'd)

(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.

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 balance sheet, investments in subsidiaries are accounted for at cost less 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. Summary of significant accounting policies (cont'd)

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.

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 represents 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.

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

2.10 Property, plant and equipment (cont'd)

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

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 Investment properties

Investment properties comprise condominium units owned by the Group that are held to earn rentals.

Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is 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 20 years.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate. The effects of any revisions are included in profit or loss when the changes arise.

2.12 Intangible assets

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.

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

2.12 Intangible assets (cont'd)

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) 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.

(b) Club membership

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

2.13 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.

2.14 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.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

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.

(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.

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Initial recognition and measurement (cont'd)

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

Subsequent measurement

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. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that results from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contract amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.17 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.

2.18 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.

2.19 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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.20 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. Summary of significant accounting policies (cont'd)

2.21 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.

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 is presented as a credit in profit or loss, under the header "Other income".

2.22 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.

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

2.22 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.

2.23 Leases

(a) As lessee

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.

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.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2.24(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

2.24 Revenue (cont'd)

(a) Sale of goods

The Group supplies tools, components and complete products for various industries, including telecommunications, consumer electronics, computing peripherals, the internet of things ("IoT"), medical devices and industrial devices. Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price and adjusted for expected returns.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

2.25 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.

(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, associates and interest in joint venture, 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.

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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, associates and interest in joint venture, 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.

(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.

2.26 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.

2.27 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. Summary of significant accounting policies (cont'd)

2.28 Contingencies

A contingent liability is:

(a) 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

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) 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.

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 judgements which have the most significant effect on the amounts recognised in the consolidated financial statements or the balance sheet of the Company:

(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 2018 were $21,686,000 (31 December 2017: $21,557,000, 1 January 2017: $11,872,000) and $17,833,000 (31 December 2017: $20,679,000, 1 January 2017: $17,189,000) respectively.

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

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

(a) Income taxes and deferred tax assets (cont'd)

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 2018 was $100,702,000 (31 December 2017: $98,801,000, 1 January 2017: $94,653,000) and the unrecognised tax losses as at 31 December 2018 was $114,822,000 (31 December 2017: $120,517,000, 1 January 2017: $176,064,000).

(b) Impairment of investments in and loans to subsidiaries

The Company assesses whether there are any indicators of impairment on the investments in subsidiaries on an annual basis. In making this assessment, the Company 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 investments in subsidiaries for the Company as at 31 December 2018 was $392,046,000 (31 December 2017: $372,717,000, 1 January 2017: $350,019,000) (Note 17).

In respect of loans to subsidiaries, the Company assessed expected credit loss using the probability of default approach. This takes into consideration the collectability and assessment of the credit risks of the loans. The carrying value of the loans to subsidiaries for the Company as at 31 December 2018 was $81,788,000 (31 December 2017: $61,768,000, 1 January 2017: $69,703,000) (Note 22).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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 2018 was $293,573,000 (31 December 2017: $315,131,000, 1 January 2017: $359,598,000). More details are given in Note 13.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 22.

The carrying amount of the Group's trade receivables as at 31 December 2018 was $335,017,000 (31 December 2017: $378,039,000, 1 January 2017: $304,102,000).

(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.

In determining the amount of allowance or write down, the Group considers factors including the aging analysis, the consumption patterns and future saleability of the stocks. 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 2018 was $176,925,000 (31 December 2017: $178,529,000, 1 January 2017: $142,918,000). More details are given in Note 21. If the net realisable value varies by 1% from management's estimates, the Group's provision will increase by $1,769,000 (31 December 2017: $1,785,000, 1 January 2017: $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 (2017: 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 2018 will increase by 4% (31 December 2017: 3%, 1 January 2017: 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**

(a) ***Disaggregation of revenue***

	Precision plastic injection molding		Mold design and fabrication		Assembly		Total revenue	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets								
People's Republic of China	626,731	669,763	6,310	2,604	78,840	166,488	711,881	838,855
Singapore	2,931	10,031	441	299	9,922	7,646	13,294	17,976
Philippines	10,849	11,948	–	–	25	2	10,874	11,950
Malaysia	6,137	9,143	35	15	2,849	1,163	9,021	10,321
Taiwan	65,614	50,221	765	718	2,403	330	68,782	51,269
Thailand	31,139	23,659	834	269	8,341	13,259	40,314	37,187
Europe	36,996	38,579	4,643	11,411	53,970	54,626	95,609	104,616
United States and the rest of Americas	153,338	114,126	82,710	56,703	192,490	171,628	428,538	342,457
Other countries	9,655	4,856	725	494	13,424	6,885	23,804	12,235
	943,390	932,326	96,463	72,513	362,264	422,027	1,402,117	1,426,866
Timing of transfer of goods								
At a point in time	943,390	932,326	96,463	72,513	362,264	422,027	1,402,117	1,426,866

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

There is no significant judgement and methods used in estimating revenue as the impact of product returns is insignificant.

(c) Contract liabilities

The following table provides information about contract liabilities from contracts with customers:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Contract liabilities	22,413	33,329	22,887	126	269	274

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2018	**2017**
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	33,329	22,887

5. Interest income

	Group	
	2018	**2017**
	$'000	$'000
Interest income from debt instruments at amortised cost:		
- Bank balances and short-term deposits	5,919	3,851

6. Other income

	Group	
	2018	**2017**
	$'000	$'000
Gain from dilution of interest from a subsidiary to an associate (Note 18)	6,123	–
Sale of scrap materials	5,091	5,461
Incentives from government[1]	4,109	1,707
Compensation from customers	1,140	645
Rental income from lease of factory building	382	–
Trade/ other payables waived	351	1,030
Service income from testing/ rework conducted for customers	171	698
Insurance claim	113	263
Rental income from investment properties (Note 14)	55	–
Others	–	115
	17,535	9,919

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 & paternity leave grants, Special Employment Credit ("SEC") for older employees and Temporary Employment Credit ("TEC").*

7. Financial costs

	Group	
	2018	**2017**
	$'000	$'000
Bank charges	290	145
Interest expense on:		
- Term loans and other bank facilities carried at amortised cost	4,316	2,132
- Account receivables factoring	2,042	1,619
- Obligations under finance leases	7	8
	6,655	3,904

8. Other expenses

	Group	
	2018	**2017**
	$'000	$'000
Impairment loss/ (reversal of impairment loss) on property, plant and equipment (Note 13)	7,945	(484)
Net foreign exchange loss	5,750	18,553
Net fair value loss/ (gain) on derivatives	2,394	(2,559)
Property, plant and equipment written off	791	177
Net loss on liquidation of a subsidiary (Note 17)	404	–
Net gain on disposal of property, plant and equipment	(3,435)	(455)
Net (gain)/ loss on sale of raw materials	(202)	248
Onerous contract provisions (Note 28)	146	1,328
Onerous contract charges taken directly to profit or loss	–	302
Impairment loss on intangible asset (Note 15)	–	9
Others	95	417
	13,888	17,536

9. Profit before tax

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

	Group	
	2018	**2017**
	$'000	$'000
Audit fees:		
- Auditor of the Company	313	290
- Affiliates of auditor of the Company	457	437
- Other auditors[2]	77	77
Non-audit fees:		
- Auditor of the Company	216	198
- Affiliates of auditor of the Company	287	113
- Other auditors[2]	128	19
Total audit and non-audit fees[1]	1,478	1,134

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.*

9. Profit before tax (cont'd)

	Group	
	2018	**2017**
	$'000	$'000
Depreciation of property, plant and equipment	68,545	72,614
Amortisation of deferred capital grants	(778)	(681)
Amortisation of intangible assets	–	68
Amortisation of land use rights (Note 16)	262	262
Depreciation of investment properties	103	–
Directors' fees (Note 38(c))	398	391
Directors' remuneration	1,838	3,873
Equity compensation expense		
- Directors of the Company	–	14
- Other employees	1,179	13
Provision for warranty costs	20	27
(Reversal of impairment loss)/ impairment loss on financial assets		
- Trade receivables (Note 22)	(883)	(871)
- Other receivables	–	114
Bad debts written off	3	–
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	815	(2,064)
Inventories recognised as an expense in cost of sales (Note 21)	677,772	676,804
Operating lease expenses (Note 36(b))	19,433	19,489

10. Personnel expenses

	Group	
	2018	**2017**
	$'000	$'000
Wages, salaries and bonus	322,913	322,816
Defined contribution plans	53,159	50,632
Other short-term benefits	34,939	33,048
Equity compensation expense (Employee share option and award schemes (Notes 9 and 33(d)))	1,179	27
Total personnel expenses	412,190	406,523

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

Equity compensation benefits are disclosed in Note 34.

11. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	$'000	$'000
Current income tax		
- Current income taxation	27,146	28,969
- Effect of changes in tax rates	(5,613)	–
- Over provision in respect of previous years	(473)	(332)
	21,060	28,637
Deferred tax		
- Origination and reversal of temporary differences	(4,811)	573
- Effect of changes in tax rates	7,393	(3,514)
- Under recognition of deferred tax assets in respect of previous years	(78)	(867)
	2,504	(3,808)
Income tax expense recognised in profit or loss	23,564	24,829

(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 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	$'000	$'000
Accounting profit before tax	124,486	146,312
Income tax expense at tax rate of 17% (2017: 17%)	21,163	24,873
Tax effect of different tax rates of overseas operations	1,401	12,943
Tax effect of exempt income, enhanced tax deduction and rebate	(2,455)	(2,407)
Tax effect of non-deductible expenses	2,099	5,063
Tax effect of income not subject to taxation	(2,349)	(1,330)
Deferred tax assets not recognized	3,706	3,436
Utilisation of deferred tax assets not recognised in prior years	(5,911)	(16,697)
Under recognition of deferred tax assets/over provision of income tax in respect of previous years	(551)	(1,199)
Withholding tax	4,681	3,661
Effect of changes in tax rates[1]	1,780	(3,514)
Income tax expense recognised in profit or loss	23,564	24,829

1 *Two of the subsidiaries in Shanghai have obtained concessionary tax rate approval from China Tax Authority, with tax rate decreased from 25% to 15%.*

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	
	2018	**2017**
Profit for the year attributable to owners of the Company ($'000)	100,948	121,492
Weighted average number of ordinary shares for basic earnings per share computation ('000)*	804,893	807,023
Effects of dilution of share options and awards ('000)	2,391	5,753
Weighted average number of ordinary shares for the effect of dilution ('000)*	807,284	812,776
Basic earnings per share (cents)	12.54	15.05
Diluted earnings per share (cents)	12.50	14.95

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.*

3,130,700 (2017: Nil) share options granted under the existing Option Schemes have not been included in the calculation of diluted earnings per share because they are anti-dilutive as their exercise prices are above the market price.

Since the end of the financial year, certain eligible employees have exercised the options to acquire 267,649 (2017: 875,452) 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.

13. Property, plant and equipment

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:								
At 1 January 2017	16,886	78,278	3,176	116,622	632,522	1,483	46,961	895,928
Additions	–	–	19,238	1,400	6,583	72	2,117	29,410
Reclassification	–	127	(18,056)	803	16,115	–	1,011	–
Disposals	–	–	–	(409)	(11,905)	(39)	(1,474)	(13,827)
Written off	–	–	–	(7,787)	(663)	–	(6,689)	(15,139)
Translation differences	–	(147)	13	(1,344)	(1,979)	(9)	(434)	(3,900)
At 31 December 2017 and 1 January 2018	16,886	78,258	4,371	109,285	640,673	1,507	41,492	892,472
Additions	–	–	46,607	4,314	18,352	–	2,648	71,921
Reclassification	–	–	(29,194)	10,990	17,265	–	939	–
Transfer to investment properties (Note 14)	–	(422)	–	–	–	–	–	(422)
Disposals	–	–	–	(211)	(72,829)	(2)	(2,078)	(75,120)
Written off	–	–	–	(3,562)	(2,150)	–	(953)	(6,665)
Translation differences	–	(2,599)	(771)	(3,751)	(19,276)	(26)	(1,254)	(27,677)
At 31 December 2018	16,886	75,237	21,013	117,065	582,035	1,479	40,794	854,509

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

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment loss:								
At 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 differences	-	421	-	(1,280)	(1,904)	(4)	(392)	(3,159)
At 31 December 2017 and 1 January 2018	5,775	32,570	-	66,947	434,984	931	36,134	577,341
Depreciation charge for the year	314	4,287	-	11,559	49,155	257	2,973	68,545
Impairment loss (Note 8)	-	-	-	396	7,549	-	-	7,945
Transfer to investment properties (Note 14)	-	(23)	-	-	-	-	-	(23)
Disposals	-	-	-	(211)	(67,307)	(2)	(1,970)	(69,490)
Written off	-	-	-	(3,130)	(1,797)	-	(947)	(5,874)
Translation differences	-	(1,271)	-	(2,360)	(12,792)	(17)	(1,068)	(17,508)
At 31 December 2018	6,089	35,563	-	73,201	409,792	1,169	35,122	560,936
Net carrying amount:								
At 31 December 2018	10,797	39,674	21,013	43,864	172,243	310	5,672	293,573
At 31 December 2017	11,111	45,688	4,371	42,338	205,689	576	5,358	315,131
At 1 January 2017	11,425	50,725	3,176	54,497	233,442	784	5,549	359,598

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

Company	Long term factory building	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
At 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 and 1 January 2018	16,886	–	1,132	23,774	686	3,163	45,641
Additions	–	94	300	1,302	–	230	1,926
Disposals	–	–	–	(681)	–	(7)	(688)
Written off	–	–	–	(1,171)	–	(145)	(1,316)
At 31 December 2018	16,886	94	1,432	23,224	686	3,241	45,563
Accumulated depreciation and impairment loss:							
At 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 and 1 January 2018	5,775	–	1,039	19,402	460	3,019	29,695
Depreciation charge for the year	314	–	45	1,474	137	104	2,074
Disposals	–	–	–	(681)	–	(7)	(688)
Written off	–	–	–	(1,171)	–	(145)	(1,316)
At 31 December 2018	6,089	–	1,084	19,024	597	2,971	29,765
Net carrying amount:							
At 31 December 2018	10,797	94	348	4,200	89	270	15,798
At 31 December 2017	11,111	–	93	4,372	226	144	15,946
At 1 January 2017	11,425	–	79	3,983	363	165	16,015

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

Assets held under finance leases

The carrying amount of motor vehicle held by the Group under finance leases at the end of the reporting period was $68,000 (31 December 2017: $184,000, 1 January 2017: 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

An impairment loss of $7,945,000, representing the write-down of assets to the recoverable amount was recognised in "Other expenses" (Note 8) line item in profit or loss for the financial year ended 31 December 2018. Included in the impairment loss is an amount of $7,000,000 which relates to plant and machinery of an operation that has been incurring losses. The recoverable amount of the plant and machinery was based on its value in use and the pre-tax discount rate used was 14%.

In 2017, the reversal of impairment loss recognised during the financial year was due to redeployment of previously idle asset for production use.

14. Investment properties

	Group	
	2018	**2017**
	$'000	$'000
Balance sheet		
Cost:		
At 1 January	–	–
Transfer from property, plant and equipment (Note 13)	422	–
At 31 December	422	–
Accumulated depreciation:		
At 1 January	–	–
Transfer from property, plant and equipment (Note 13)	23	–
Depreciation charge for the year	103	–
Translation differences	3	–
At 31 December	129	–
Net carrying amount	293	–
Income statement		
Rental income from investment properties	55	–

14. Investment properties (cont'd)

Transfer from property, plant and equipment

During the financial year, the Group transferred 24 condominium units that was held as owner-occupied properties to investment properties as the Group has commenced leasing of the condominium units to external party.

The investment properties held by the Group as at 31 December 2018 is as follow:

Description and location	Existing use	Tenure	Unexpired lease term
24 condominium units at No. 3 & 4, Lane 1616, Zhang Jiang Road, Pudong New District, Shanghai, the PRC	Residential	Leasehold	52 years

The Group has no restrictions on the realisability of its investment properties except for giving a 3-month written notice to lessee and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

Investment properties are measured using cost model, at cost less accumulated depreciation. The fair value of the investment property as at 31 December 2018 was determined to be $20,565,000. The valuation of residential investment properties are based on comparable market transactions that consider similar properties that have been transacted in the open market.

15. Intangible assets

Group	Licensed Rights $'000	Club Membership $'000	Total $'000
Cost:			
At 1 January 2017 and 31 December 2017	1,922	36	1,958
Written off	(1,255)	–	(1,255)
At 31 December 2018	667	36	703
Accumulated amortisation and impairment loss:			
At 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 and 1 January 2018	1,922	24	1,946
Written off	(1,255)	–	(1,255)
At 31 December 2018	667	24	691
Net carrying amount:			
At 31 December 2017 and 31 December 2018	–	12	12
At 1 January 2017	77	12	89

15. Intangible assets (cont'd)

Company	Club Membership $'000
Cost:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	36
Accumulated amortisation and impairment loss:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	24
Net carrying amount:	
At 1 January 2017, 31 December 2017 and 31 December 2018	12

Licensed rights

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 (31 December 2017: 3 years, 1 January 2017: range from 3 to 5 years). In 2017, an impairment loss of $9,000 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.

16. Land use rights

	Group	
	2018	**2017**
	$'000	$'000
Cost:		
At 1 January	13,095	13,212
Translation differences	(328)	(117)
At 31 December	12,767	13,095
Accumulated amortisation:		
At 1 January	1,743	1,491
Amortisation for the year	262	262
Translation differences	(44)	(10)
At 31 December	1,961	1,743

16. Land use rights (cont'd)

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Net carrying amount	10,806	11,352	11,721
Amount to be amortised:			
- Not later than one year	262	262	262
- Later than one year but not later than five years	1,048	1,048	1,048
- Later than five years	9,496	10,042	10,411

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 39 years and 44 years (31 December 2017: 40 years and 45 years, 1 January 2017: 41 years and 46 years) respectively.

17. Investment in subsidiaries

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Shares, at cost	410,607	399,444	378,503
Amount due from a subsidiary	16,749	17,738	15,981
	427,356	417,182	394,484
Impairment losses	(35,310)	(44,465)	(44,465)
	392,046	372,717	350,019

Movement in impairment losses:

	2018	**2017**
	$'000	$'000
At 1 January	44,465	44,465
Reversal	(9,155)	–
At 31 December	35,310	44,465

In 2018, the Company performed an impairment assessment for the investment in subsidiaries. A reversal of impairment of $9,155,000 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 12% (2017: 6%) and 0% (2017: 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.

17. Investment in subsidiaries (cont'd)

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 $'000	31.12. 2017 $'000	1.1. 2017 $'000
Held by the Company								
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	100	10,737	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	100	8,489	8,489	8,489
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	100	100	100	3,769	3,769	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. ***[1]	Manufacture of molds, related housing appliance plastic components and equipment, water treatment equipment	People's Republic of China	100	100	100	15,001	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	100	4,258	4,258	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***[1, 2]	Manufacture and sale of plastic product modules, electrical appliances, automotive parts, and tools; design, research & development, manufacture and sale of robots and smart devices	People's Republic of China	100	100	100	12,849	12,849	12,849
Hi-P Poland SP. ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	100	3,342	3,342	3,342
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	100	8,568	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	100	5,070	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	100	2,992	2,992	2,992

17. 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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 $'000	31.12. 2017 $'000	1.1. 2017 $'000
Held by the Company (cont'd)								
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	100	30,957	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	100	24,764	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***	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	100	29,252	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	100	4,588	4,588	4,588
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	100	42,540	42,540	42,540
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***[1]	Manufacture of molds	People's Republic of China	100	100	100	6,506	6,506	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	100	7,590	7,590	7,590
Hi-P North America, Inc. ^	Provision of engineering support services	United States of America	100	100	100	676	676	676

17. 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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 $'000	31.12. 2017 $'000	1.1. 2017 $'000
Held by the Company (cont'd)								
Hi-P (Singapore) Technology Pte. Ltd. *	General wholesale trade (including general importers and exporters)	Singapore	100	100	100	1,500	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	100	42,546	42,546	42,546
Qingdao Haier Hi-P Science Technology Co., Ltd. ***[4]	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	100	1,000	1,000	1,000
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	100	100	100	42,130	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	100	1,840	1,840	1,840
Hi-P Technology Co., Ltd. #	International sales and marketing activities	The Republic of Taiwan	100	100	100	263	263	263
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	100	84,973	84,973	84,973
Hi-P Holdings Pte. Ltd. #	Investment holding	Singapore	100	100	100	700	700	700

17. 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		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Held by the Company (cont'd)								
Hi-P (Nantong) Electronics Technology Co., Ltd.***3	Research & development, design, assembly, manufacture, wholesale, import & export and sale of electronic telecommunication devices, electronics, electrical & automotive parts, house appliances, automated equipments, tools and other auxiliary equipments, provide maintenance services, technology consultation and transfer of technical know-how in own possession	People's Republic of China	100	–	–	13,707	–	–
Held through subsidiaries								
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	100	–	–	–
Huglomerate (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	100	–	–	–
						410,607	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 *Hi-P (Nantong) Electronics Technology Co., Ltd. is a wholly owned subsidiary newly set up in October 2018 with a paid-up capital of USD10,000,000.*

4 *Qingdao Haier Hi-P Science Technology Co., Ltd. has completed its voluntary liquidation in June 2018.*

17. Investment in subsidiaries (cont'd)

The value of assets and liabilities of Qingdao Haier Hi-P Science Technology Co., Ltd. recorded in the consolidated financial statements as at 31 May 2018, and the effects of the voluntary liquidation were:

	2018
	$'000
Amounts due from non-controlling interest	823
Amounts due from related companies	2,197
Cash and bank balances	118
Carrying value of net assets	3,138
Cash consideration	2,197
Amounts due from related companies	(2,197)
Cash and cash equivalents of the subsidiary	(118)
Net cash outflow on liquidation of a subsidiary	(118)
Loss on liquidation:	
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(404)
Loss on liquidation	(404)

18. Investment in associates

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	20,352	4,611	503	503	503	503
Share of post-acquisition reserves[1, 2]	993	2,052	2,021	–	–	–
	21,345	6,663	2,524	503	503	503

18. Investment in associates (cont'd)

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		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Held by the Company								
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts and being an additive manufacturing service bureau	Singapore	30	30	30	503	503	503
Held through a direct wholly-owned subsidiary								
Hi-Flex (Suzhou) Electronics Co., Ltd. #4	Research & development, manufacture, assembly and sale of handset, digital camera, SMT assembly components, flexible printed circuits boards, high density circuit boards and provide related technical and after sales service	People's Republic of China	40	–	–	14,910	–	–
Held through an indirect wholly-owned subsidiary								
CINO Technology (Shenzhen) Ltd. ^	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	20	–	4,108	4,108	–
Shenzhen U Drinks Gourmet Food Co., Ltd. ^3	Research and development, manufacturing and sales of capsule drinks	People's Republic of China	40	–	–	831	–	–
						20,352	4,611	503

* *Audited by Ascent Accounting Corporation PAC.*

^ *Audited by 深圳星源会计师事务所（特殊普通合伙）*

\# *Audited by 苏州东信会计师事务所有限公司*

1 *Dividends received from Express Tech Mfg Pte. Ltd. since the date of acquisition of $1,050,000 has been accounted for in share of post-acquisition reserves as at 31 December 2018 (31 December 2017 and 1 January 2017: $900,000).*

2 *Share of post-acquisition reserves included an elimination of unrealised profits arising from disposal of property, plant and machinery by one of the Company's subsidiaries to an associate, amounting to $1,302,000 as at 31 December 2018 (31 December 2017 and 1 January 2017: $Nil).*

3 *One of the Company's indirect wholly-owned subsidiaries - Huglomerate (Shanghai) International Trading Co., Ltd. has on 20 December 2017* entered into a subscription agreement to subscribe for 40% shareholding in Shenzhen U Drinks Gourmet Food Co., Ltd., with capital injected at a cost of RMB4,000,000 (equivalent to $831,000) in January 2018.

4 *In October 2018, the Group entered into an investment agreement with a third party to divest its 60% interest in Hi-Flex (Suzhou) Electronics Co., Ltd. ("Hi-Flex SZ") by way of third party subscribing for new shares in Hi-Flex SZ for a sum of RMB112.5 million (equivalent to $22,365,000).*

18. Investment in associates (cont'd)

The value of assets of Hi-Flex SZ recorded in the consolidated financial statements prior to dilution of interest, and the effects of the dilution of interest were:

	2018
	$'000
Cash and bank balances	8,787
Carrying value of net assets	8,787
Gain from dilution of interest:	
Net assets derecognised	(8,787)
Fair value of retained interest	14,910
Gain from dilution of interest from a subsidiary to an associate (Note 6)	6,123

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

	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Assets and liabilities:			
Current assets	72,880	26,461	19,449
Non-current assets	11,978	1,752	1,427
Total assets	84,858	28,213	20,876
Current liabilities	36,528	13,122	12,464
Total liabilities	36,528	13,122	12,464

	2018	2017
	$'000	$'000
Results:		
Revenue	44,518	10,854
Profit for the year, net of tax	1,852	1,143

19. Investment in joint venture

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Unquoted equity shares, at cost	484	484	#
Share of post-acquisition reserves	(277)	(136)[1]	–
	207	348	#

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 as at 31 December 2017.

19. Investment in joint venture (cont'd)

Details of joint venture 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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 $'000	31.12. 2017 $'000	1.1. 2017 $'000
Held through a subsidiary								
RH Packaging Group Limited*	Provision of packaging solutions to the consumer electronics industry	People's Republic of China, Hong Kong	50	50	50	484	484	#
						484	484	#

* *Audited by SW CPA Limited.*

\# *Amount less than $1,000*

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:

	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Assets and liabilities:			
Current assets	413	3,184	4
Non-current assets	–	557	–
Total assets	413	3,741	4
Current liabilities	–	2,956	14
Total liabilities	–	2,956	14

	2018 $'000	2017 $'000
Results:		
Revenue	8	4,222
Loss for the year, net of tax	(396)	(162)

20. Other investment

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
At fair value through other comprehensive income:			
Unquoted equity security	4,968	–	–

During the financial year, the Group has acquired a 5% shareholding in a private company that is registered in the People's Republic of China and principally engaged in the business of artificial intelligence and automation technologies.

21. Inventories

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Balance sheet						
Raw materials (at cost)	43,707	40,727	43,051	483	543	649
Work-in-progress (at cost)	39,828	50,136	50,260	1,544	1,224	1,327
Finished goods (at cost or net realisable value)	93,390	87,666	49,607	1,767	1,670	2,565
	176,925	178,529	142,918	3,794	3,437	4,541

	Group	
	2018	2017
	$'000	$'000
Income statement		
Inventories recognised as an expense in cost of sales	677,772	676,804
inclusive of the following charge/ (credit):		
- Inventories written back	(617)	(579)
- Inventory provisions	1,059	7,902

22. Trade and other receivables

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables (current):						
Trade receivables (net of allowance)	335,017	378,039	304,102	11,276	13,295	15,477
Other receivables	9,244	13,867	5,980	3	6	–
Loans to subsidiaries (net of allowance)	–	–	–	81,788	61,768	69,703
Amounts due from subsidiaries	–	–	–	6,037	10,101	7,772
Amount due from an associate	9,735	–	–	–	–	–
Amounts due from related companies (net of allowance)	–	1,103	3,826	–	–	–
Input tax/ VAT	39,415	49,048	45,420	280	336	435
Refundable deposits	2,542	3,240	2,517	21	40	32
	395,953	445,297	361,845	99,405	85,546	93,419
Other receivables (non-current):						
Loans to subsidiaries	–	–	–	–	26,746	67,456
Total trade and other receivables (current and non-current)	395,953	445,297	361,845	99,405	112,292	160,875
Add: Cash and cash equivalents and restricted bank deposits (Note 25)	288,411	282,830	120,661	10,325	13,748	6,458
Notes receivable (Note 23)	–	7,551	–	–	–	–
Less: Input tax/ VAT	(39,415)	(49,048)	(45,420)	(280)	(336)	(435)
Total financial assets carried at amortised cost	644,949	686,630	437,086	109,450	125,704	166,898

22. Trade and other receivables (cont'd)

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.

At the end of the reporting period, trade receivables from certain customer amounting to $5,339,000 (31 December 2017 and 1 January 2017: $Nil) are insured by trade credit insurance underwritten by a reputable insurer in China. Bank guarantees and stand-by letters of credit have been obtained from certain customers for trade receivables amounting to $1,658,000 and $9,000 respectively (31 December 2017 and 1 January 2017: $Nil) at the end of the reporting period.

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	313,866	354,355	272,674	11,267	13,138	15,474
Euro	4,024	4,402	3,897	–	–	–
Sterling Pound	383	225	–	–	–	–

Loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest at 3% for USD loan and 4% for RMB loan (31 December 2017 and 1 January 2017: 2% for both USD and RMB loans) per annum. The loans are repayable within 1 year (31 December 2017: 1 year to 2 years, 1 January 2017: 1 year to 4 years) and to be settled in cash.

During the previous financial year, the Company 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 non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.
- Amounts due from an associate are mainly trade in nature, unsecured, non-interest bearing and are generally on 60 days' term.
- Amounts due from related companies as at 31 December 2017 were mainly non-trade in nature, unsecured and non-interest bearing. They were recognised at their original invoice amounts which represent their fair values on initial recognition. The balance as at 1 January 2017 were 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 38(b). This balance of $3,009,000 was fully settled in 2017 and the corporate guarantee had been duly discharged.

22. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables (including trade receivables due from related companies) amounting to $79,143,000 as at 31 December 2017 and $89,394,000 as at 1 January 2017 that are past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

	Group	
	31.12.2017	**1.1.2017**
	$'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
	79,143	89,394

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

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	
	31.12.2017	**1.1.2017**
	$'000	$'000
Trade receivables – nominal amounts	6,082	7,400
Less: Allowance for impairment	(6,082)	(7,400)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	7,400	
(Write-back of)/ impairment for the year	(871)	
Written off	(184)	
Exchange differences	(263)	
At 31 December	6,082	

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.

22. Trade and other receivables (cont'd)

Amounts due from related companies

The amounts due from related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash, except for a balance of $3,009,000 as at 1 January 2017. This amount was secured by a corporate guarantee. All amounts due from related companies have been repaid during the financial year.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group
	2018
	$'000
Movement in allowance accounts for trade receivables:	
At 1 January	6,082
Effects of adoption of SFRS(I) 9	318
Adjusted loss allowance	6,400
Write-back for the year	(883)
Written off	(96)
Exchange differences	(98)
At 31 December	5,323

23. Notes receivable

The notes receivable of $7,551,000 as at 31 December 2017 (1 January 2017: $Nil) was trade related, non-interest bearing and are generally on 90 and 120 days' term. These notes could either be discounted before its expiry or be endorsed to suppliers. The notes receivable had been fully settled in 2018.

24. Derivatives

	31.12.2018			31.12.2017			1.1.2017		
	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
	USD'000	$'000	$'000	USD'000	$'000	$'000	USD'000	$'000	$'000
Group									
Forward currency contracts	–	–	–	–	–	–	15,000	–	(254)
Total financial liabilities at fair value through profit or loss	–	–	–		–	–		–	(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 39(b)).

25. Cash and cash equivalents and restricted bank deposits

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at banks and on hand	184,196	163,241	102,968	10,325	13,748	6,458
Short term fixed deposits	104,215	119,589	17,693	–	–	–
Cash and short term deposits	288,411	282,830	120,661	10,325	13,748	6,458
Less: Restricted bank deposits (current)	(1,263)	(4,411)	(9,251)	–	–	–
Restricted bank deposits (non-current)	(495)	(505)	(483)	–	–	–
Cash and cash equivalents	286,653	277,914	110,927	10,325	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 2018 for the Group and the Company were 2.07% (31 December 2017: 1.91%, 1 January 2017: 0.49%) and 0.31% (31 December 2017: 0.27%, 1 January 2017: 0.13%) respectively.

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

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

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	109,902	100,423	48,365	7,532	11,299	1,982
Renminbi	–	1	1	–	–	–
Euro	377	2,755	1,749	–	–	–
Singapore Dollar	998	9,010	1,049	–	–	–

26. Trade and other payables

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables (current):						
Trade payables	311,181	356,460	184,932	4,366	5,252	6,353
Other payables	36,626	26,800	35,388	244	93	858
Output tax	2,254	3,271	1,548	69	118	84
Amounts due to subsidiaries	–	–	–	1,199	3,673	3,593
Amounts due to an associate	6,623	–	–	–	–	–
Total trade and other payables	356,684	386,531	221,868	5,878	9,136	10,888
Other payable (non-current):						
Amount due to a subsidiary	–	–	–	103,371	164,006	46,805
Total trade and other payable (current and non-current)	356,684	386,531	221,868	109,249	173,142	57,693
Add: Accrued operating expenses	80,826	89,246	85,484	34,028	38,425	19,350
Notes payable (Note 27)	879	1,577	2,909	–	–	–
Loans and borrowings (Note 29)	168,252	205,242	95,584	38,650	25,087	24,720
Less: Output tax	(2,254)	(3,271)	(1,548)	(69)	(118)	(84)
Total financial liabilities carried at amortised cost	604,387	679,325	404,297	181,858	236,536	101,679

26. 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		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollar	77,235	73,532	65,499	2,792	3,593	4,477
Singapore Dollar	–	–	15	–	–	–
Euro	3,077	5,407	2,601	3	1	2
Thai Baht	4	4	2	4	4	2
New Taiwan Dollar	23	15	6	23	15	6
Japanese Yen	195	56	8	–	–	–
Hong Kong Dollar	14	133	3	–	–	–
Sterling Pound	79	–	–	–	–	–
Swiss Franc	36	246	15	–	–	–

Other payables

Other payables mainly include amounts due to creditors in relation to the purchase of property, plant and equipment. These balances are non-interest bearing and 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.

Amounts due to an associate

These amounts are mainly trade related, unsecured, non-interest bearing, generally on 60 days' term and are to be settled in cash.

27. Notes payable

The notes payable of $879,000 (31 December 2017: $1,577,000, 1 January 2017: $2,909,00) are payable within six months from the balance sheet date and are non-interest bearing, out of which, $879,000 (31 December 2017: $1,402,000, 1 January 2017: $2,909,000) are secured by corporate guarantee.

28. Provisions

	Group		
	Warranties	Onerous contract provision	Total
	$'000	$'000	$'000
At 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 and 1 January 2018	40	1,328	1,368
Arose during the financial year	20	146	166
Utilised	(6)	(1,225)	(1,231)
Translation differences	(1)	–	(1)
At 31 December 2018	53	249	302

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 expired 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. Additional provision has been provided for in 2018 for restoration of office space.

During the financial year, the onerous contract provision was reduced by the amount paid (net of rental income received).

29. Loans and borrowings

	Maturity	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Current:							
Short term loans	2019	168,228	205,155	93,405	38,626	25,000	24,580
Obligations under finance lease	2019	24	58	2,097	24	58	58
		168,252	205,213	95,502	38,650	25,058	24,638
Non-current:							
Obligations under finance lease		–	29	82	–	29	82
Total loans and borrowings		168,252	205,242	95,584	38,650	25,087	24,720

29. 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 2018 for the Group and the Company were 2.65% (31 December 2017: 1.56%, 1 January 2017: 1.51%) and 2.34% (31 December 2017: 1.61%, 1 January 2017: 1.55%) per annum respectively. The loans are repayable in 2019. Short term loan amounting to $22,892,000 (31 December 2017: $30,089,000, 1 January 2017: $31,231,000), 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% (31 December 2017: 4.48%, 1 January 2017: ranged 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 (31 December 2017: a motor vehicle, 1 January 2017: 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	Present value of payments	Total minimum lease payments	Present value of payments
	$'000	$'000	$'000	$'000
31 December 2018				
Within one year	27	24	27	24
After one year but not more than five years	–	–	–	–
Total minimum lease payments	27	24	27	24
Less: Amounts representing finance charges	(3)	–	(3)	–
Present value of minimum lease payments	24	24	24	24
31 December 2017				
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
1 January 2017				
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

29. Loans and borrowings (cont'd)

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

	2017	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Reclassification due to passage of time	2018
	$'000	$'000	$'000	$'000	$'000
Short term loans	205,155	(39,626)	2,699	–	168,228
Obligations under finance lease					
- current	58	(64)	1	29	24
- non-current	29	–	–	(29)	–
Total	205,242	(39,690)	2,700	–	168,252

	1 January 2017	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Reclassification due to passage of time	2017
	$'000	$'000	$'000	$'000	$'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
Total	95,584	109,698	(40)	–	205,242

30. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				
	Consolidated balance sheet			Consolidated income statement	
	31.12.2018	31.12.2017	1.1.2017	2018	2017
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
Provisions and allowances	16,133	18,321	15,381	2,356	(3,236)
Unutilised tax losses	7,195	6,840	5,508	(912)	(1,343)
Differences in depreciation for tax purposes	(1,849)	(358)	13	1,794	374
Differences in timing for pre-operating expenses deduction	–	–	837	–	827
Deferred capital grant	445	926	(122)	159	(1,048)
Other items	1	–	–	(1)	–
	21,925	25,729	21,617		
Deferred tax liabilities					
Differences in depreciation for tax purposes	(3,375)	(2,227)	(1,864)	1,201	363
Provisions and allowances	720	(362)	122	(1,081)	578
Fair value adjustments on acquisition of subsidiary	(1,009)	(1,001)	(1,024)	8	(23)
WIP capitalisation	(230)	(440)	(929)	(202)	(587)
Interest income accrued from shareholder's loans and entrusted loans	(198)	(1,020)	(733)	(818)	287
	(4,092)	(5,050)	(4,428)		
Deferred tax expense/ (income)				2,504	(3,808)

	Company				
	Balance sheet			Income statement	
	31.12.2018	31.12.2017	1.1.2017	2018	2017
	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities					
Differences in depreciation for tax purposes	(2,254)	(2,226)	(1,863)	28	363
Interest income accrued from shareholder's loans	(198)	(476)	(466)	(278)	10
	(2,452)	(2,702)	(2,329)		
Deferred tax (income)/ expense				(250)	373

30. Deferred tax (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $114,822,000 (31 December 2017: $120,517,000, 1 January 2017: $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:

Countries	Number of years
People's Republic of China	
- High-tech enterprises	10
- Other non high-tech enterprises	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:

Year incurred	Expiry date	Unabsorbed tax losses $'000
2014	31 December 2019	3,002
2015	31 December 2020	25,252
2016	31 December 2021	28,159
2017	31 December 2022	21,076
2018	31 December 2023	37,333

The unabsorbed tax losses which expired in current year were $3,272,000 (31 December 2017: $6,230,000, 1 January 2017: $9,841,000).

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the Group has recognised withholding tax liabilities of $9,132,000 (31 December 2017: $9,140,000, 1 January 2017: $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% (2017: 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 $182,641,000 (31 December 2017: $182,802,000, 1 January 2017: $130,795,000). Such withholding tax liability is estimated to be $9,132,000 (31 December 2017: $9,140,000, 1 January 2017: $6,540,000).

Tax consequences of proposed dividends

There are no income tax consequences (2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 35).

31. Deferred capital grants

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Cost:				
At 1 January	7,731	6,058	320	–
Received during the year	–	1,723	–	320
Translation differences	(241)	(50)	–	–
At 31 December	7,490	7,731	320	320
Accumulated amortisation:				
At 1 January	1,227	548	66	–
Amortisation for the year	778	681	93	66
Translation differences	(54)	(2)	–	–
At 31 December	1,951	1,227	159	66

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Net carrying amount:						
Current	758	784	478	89	93	–
Non-current	4,781	5,720	5,032	72	161	–
	5,539	6,504	5,510	161	254	–

Deferred capital grants relate to:

– government grants received by 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 March 2027.

32. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
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 34) and employee share award schemes (Note 34) 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 schemes.

(b) Treasury shares

	Group and Company			
	2018		2017	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
At 1 January	(79,585)	(56,547)	(79,768)	(55,701)
Acquired during the financial year	(8,692)	(9,764)	(3,073)	(3,128)
Reissued pursuant to employee share option and award schemes:				
- For cash on exercise of employee share options (Note 34)	898	1,016	3,194	2,910
- Transferred from employee share option reserve	–	294	–	876
- Transferred from employee share award reserve	874	1,110	62	34
- Gain transferred to gain or loss on reissuance of treasury shares	–	(1,128)	–	(1,538)
	1,772	1,292	3,256	2,282
At 31 December	(86,505)	(65,019)	(79,585)	(56,547)

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

The Company acquired 8,691,800 (2017: 3,073,200) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $9,764,000 (2017: $3,128,000) and this is presented as a component within shareholders' equity.

33. Accumulated profits and other reserves

Accumulated profits

	Company	
	2018	**2017**
	$'000	$'000
At 1 January	209,528	358,554
Profit net of tax and total comprehensive income for the year	104,715	18,101
Dividends on ordinary shares (Note 35)	(40,288)	(172,689)
Expiry/ lapse of employee share options & awards	133	5,562
At 31 December	274,088	209,528

Other reserves

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory reserve fund (a)	65,069	51,465	51,066	–	–	–
Foreign currency translation reserve (b)	(29,474)	(12,192)	(13,864)	–	–	–
Capital reserve (c)	169	169	169	–	–	–
Employee share option and award reserve (d)	5,575	4,805	9,712	5,575	4,805	9,712
	41,339	44,247	47,083	5,575	4,805	9,712

(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	
	2018	**2017**
	$'000	$'000
At 1 January	51,465	51,066
Transfer from retained earnings	13,604	399
At 31 December	65,069	51,465

33. Accumulated profits and other reserves (cont'd)

Other reserves (cont'd)

(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	
	2018	**2017**
	$'000	$'000
At 1 January	(12,192)	(13,864)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(17,282)	1,672
At 31 December	(29,474)	(12,192)

(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	
	2018	**2017**
	$'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 34). 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	
	2018	**2017**
	$'000	$'000
At 1 January	4,805	9,712
Equity compensation expense	1,179	27
Expiry/ lapse of employee share options and awards	(133)	(5,562)
Vested during the year	(276)	628
At 31 December	5,575	4,805

34. 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.

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:

	2018		2017	
	No.	**WAEP**	**No.**	**WAEP**
	’000	$	’000	$
Outstanding at 1 January	9,821	0.93	13,320	0.93
- Exercised	(898)	1.13	(3,194)	0.91
- Cancelled or lapsed or expired	(500)	0.91	(305)	1.02
Outstanding at 31 December	8,423	0.91	9,821	0.93
Exercisable at 31 December	8,423	0.91	9,821	0.93

34. Equity compensation benefits (cont'd)

Share options (cont'd)

The exercise prices for options outstanding at the end of the year range from $0.57 to $1.21 (2017: $0.57 to $1.21). The weighted average remaining contractual life for these options is 2.47 years (2017: 3.44 years).

There were no (2017: Nil) options granted during the financial year ended 31 December 2018.

Share awards

The Hi-P Employee Share Award Scheme 2009 (the "2009 Award Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 23 April 2009. The 2009 Award Scheme was due to expire on 22 April 2019. At an Extraordinary General Meeting held on 20 April 2018, shareholders have approved, *inter alia* (a) the termination of the 2009 Award Scheme, and (b) the adoption of a new share scheme known as Hi-P Employee Share Award Scheme 2018 (the "Hi-P ESAS 2018"). The Hi-P ESAS 2018 applies to executive directors and employees of the Group who have attained the age of 21 years on or before the date of grant. Non-executive directors of the Group, controlling shareholders and their associates shall not be eligible to participate in the Hi-P ESAS 2018. The Hi-P ESAS 2018 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 Hi-P ESAS 2018 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, 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 Hi-P ESAS 2018 and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Hi-P ESAS 2018 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 Hi-P ESAS 2018.

As at the date of termination of the 2009 Award Scheme, there were no outstanding and unvested share awards which were granted under the 2009 Award Scheme. In addition, no share awards have been granted pursuant to the 2009 Award Scheme during the financial year ended 31 December 2018.

There were 1,820,000 (2017: Not applicable) share awards granted pursuant to the Hi-P ESAS 2018 during the financial year ended 31 December 2018. These share awards are vested in 2 stages, namely 50% on 31 August 2018 and the balance 50% on the day on which the relevant employees reach the age of 65.

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

	2018 **No.** '000	**2017** **No.** '000
Outstanding at 1 January	–	63
- Granted	1,820	–
- Cancelled or lapsed	–	(1)
- Vested	(910)	(62)
Outstanding at 31 December	910	–

34. Equity compensation benefits (cont'd)

Share awards (cont'd)

The fair value of the share awards granted was estimated at the grant date, taking into account the terms and conditions upon which the awards were granted. The inputs to the estimation for the year ended 31 December 2018 is shown below:

	2018
Expected volatility (%)	Not relevant as it is time-based vesting without performance conditions
Risk-free interest rate (%)	Not relevant as it is time-based vesting without performance conditions
Expected dividend yield (%)	3.00
Weighted average share price ($)	1.27

35. Dividends

	Group and Company	
	2018	**2017**
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
• Final exempt one-tier dividend for 2017: 4.0 cents (2016: 0.4 cents) per share	32,281	3,227
• Interim exempt one-tier dividend for 2018: 1.0 cents (2017: 21.0 cents) per share	8,007	169,462
	40,288	172,689
Proposed but not recognised as a liability as at 31 December		
Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
• Final exempt one-tier dividend for 2018: 4.0 cents (2017: 4.0 cents) per share	32,027	32,281

36. 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		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	31,125	29,380	7,953	650	164	681
Capital commitment in respect of investment in an associate	4,038	831	–	–	–	–
	35,163	30,211	7,953	650	164	681

(b) Operating lease commitments – as lessee

The Group and the Company have entered into commercial leases on factory sites, offices, land use rights, motor vehicles, office equipment and plant and machinery. The lease terms range from 7 months to 30 years (31 December 2017 and 1 January 2017: 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 2018 amounted to $19,695,000 (31 December 2017: $19,751,000, 1 January 2017: $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		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Within one year	17,265	17,281	19,017	399	386	361
Later than one year but not later than five years	23,910	27,502	34,124	1,259	1,207	1,149
Later than five years	520	1,138	1,198	520	789	1,030
	41,695	45,921	54,339	2,178	2,382	2,540

36. Commitments (cont'd)

(c) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties and factory space. These leases are non-cancellable and have remaining lease terms of between 2 and 5 years.

Future minimum rental payables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Within one year	2,353	–	–
Later than one year but not later than five years	4,416	–	–
	6,769	–	–

37. Contingencies

Guarantees

The Company granted corporate guarantees of $26,703,000 (31 December 2017: $33,133,000, 1 January 2017: $32,369,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2018.

38. 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	
	2018	**2017**
	$'000	$'000
Income		
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 an associate	8,787	–
Sales of materials to an associate	6,873	–
Rental income from an associate	382	–
(Reversal of sales)/ sales of property, plant and equipment and tools to a joint venture	(245)	245

38. Related party transactions (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

	Group	
	2018	**2017**
	$'000	$'000
Expenses		
Purchase of materials from an associate	5,933	–
Purchase of materials from a joint venture	86	3,946
Purchase of materials from a corporate shareholder and companies related to the shareholder	–	42
Service rendered from a company related to a director	1	1

(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 and the related corporate guarantee has also been duly discharged during the financial year ended 31 December 2017.

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	$'000	$'000
Corporate guarantee received from a company related to the controlling shareholder	–	–	7,230

(c) *Compensation expenses of key management personnel*

	Group	
	2018	**2017**
	$'000	$'000
Directors' fees	398	391
Defined contribution plans	136	164
Wages, salaries, bonus and other short-term employee benefits	8,241	8,424
Equity compensation expense	646	23
Total compensation expenses of key management personnel	9,421	9,002
Comprise amounts for:		
Directors of the Company	2,236	4,278
Other key management personnel	7,185	4,724
	9,421	9,002

The key management personnel mainly include 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.

38. Related party transactions (cont'd)

(c) Compensation expenses of key management personnel (cont'd)

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

During the years ended 31 December 2018 and 2017, neither options nor awards were granted to directors. No (2017: Nil) options were exercised by directors and no (2017: 4,247) share awards were vested to directors during the year.

39. Financial risk management objectives and policies

The Group and the Company are 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.

(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 other investment, 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. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. All credit terms and credit limits are subject to approval in accordance with the Group's policy. Measures such as letters of credit, banker's guarantee, trade credit insurance coverage and collateral arrangements are used to mitigate credit risk.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. 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).

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived base on the Group's historical information.

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

(a) Credit risk (cont'd)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtors

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the debtors including changes in the payment status of debtors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or debtor

– A breach of contract, such as a default or past due event

– It is becoming probable that the debtors will enter bankruptcy or other financial re-organisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables:

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 was determined as follows, the expected credit losses below also incorporate forward-looking information such as industry-wide default rate forecasted by external credit rating company.

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

(a) Credit risk (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due
Loss rate	0.09%	0.30%	0.85%	0.96%	0.81%	100%

Information regarding loss allowance movement of trade receivables is disclosed in Note 22.

During the financial year, the Group wrote-off $3,000 of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

<u>Excessive risk concentration</u>

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.

<u>Exposure to credit risk</u>

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

– A nominal amount of $26,703,000 (31 December 2017: $33,133,000, 1 January 2017: $32,369,000) relating to a corporate guarantee provided by the Company in favour of banks for credit facilities provided to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

39. 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 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 was as follows:

	Group					
	31.12.2018		**31.12.2017**		**1.1.2017**	
	$'000	% of total	$'000	% of total	$'000	% of total
By country:						
People's Republic of China	203,227	60%	246,691	65%	179,790	59%
Singapore	2,602	1%	2,003	1%	2,907	1%
Malaysia	2,664	1%	2,231	1%	1,762	1%
Taiwan	16,108	5%	16,842	4%	18,384	6%
Thailand	7,339	2%	7,971	2%	8,388	3%
Europe	16,660	5%	16,208	4%	36,947	12%
USA and other parts of American Continent	80,089	24%	80,321	21%	50,090	16%
Other countries	6,328	2%	5,772	2%	5,834	2%
	335,017	100%	378,039	100%	304,102	100%

At the end of the reporting period, approximately:

- 78% (31 December 2017: 79%, 1 January 2017: 68%) of the Group's trade receivables were due from 6 (31 December 2017 and 1 January 2017: 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.

- 2% (31 December 2017: less than 1%, 1 January 2017: 1%) of the Group's trade and other receivables were due from related parties while 88% (31 December 2017: 88%, 1 January 2017: 90%) of the Company's receivables were balances with related parties.

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, other investment 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 22.

39. 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 93% (2017: 89%) of the Group's sales and 39% (2017: 35%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2018 was approximately USD727 million (2017: USD748 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.

<u>Sensitivity analysis for foreign currency risk</u>

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

		Group Profit before tax	
		2018	**2017**
		$'000	$'000
USD/ RMB	– strengthened 1% (2017: 1%)	+1,909	+2,996
	– weakened 1% (2017: 1%)	-1,909	-2,996
USD/ SGD	– strengthened 1% (2017: 1%)	+989	+367
	– weakened 1% (2017: 1%)	-989	-367

(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 2018, the Group was at net cash position of $120 million (31 December 2017: $78 million, 1 January 2017: $25 million).

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

(c) Liquidity risk (cont'd)

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.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2018				
Financial assets				
Trade and other receivables	356,538	–	–	356,538
Restricted bank deposits	1,263	–	495	1,758
Cash and cash equivalents	286,653	–	–	286,653
Total undiscounted financial assets	644,454	–	495	644,949
Financial liabilities				
Trade and other payables	354,430	–	–	354,430
Notes payable	879	–	–	879
Accrued operating expenses	80,826	–	–	80,826
Loans and borrowings	168,409	–	–	168,409
Total undiscounted financial liabilities	604,544	–	–	604,544
Total net undiscounted financial assets	39,910	–	495	40,405
Group				
31 December 2017				
Financial assets				
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
Financial liabilities				
Trade and other payables	383,260	–	–	383,260
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	679,425	32	–	679,457
Total net undiscounted financial assets/ (liabilities)	6,700	(32)	505	7,173

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

(c) Liquidity risk (cont'd)

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

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
1 January 2017				
Financial assets				
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
Financial liabilities				
Trade and other payables	220,320	–	–	220,320
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	404,521	91	–	404,612
Total net undiscounted financial assets/ (liabilities)	32,082	(91)	483	32,474

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2018				
Financial assets				
Trade and other receivables	100,557	–	–	100,557
Cash and cash equivalents	10,325	–	–	10,325
Total undiscounted financial assets	110,882	–	–	110,882
Financial liabilities				
Trade and other payables	5,809	–	103,371	109,180
Accrued operating expenses	34,028	–	–	34,028
Loans and borrowings	38,671	–	–	38,671
Total undiscounted financial liabilities	78,508	–	103,371	181,879
Total net undiscounted financial assets/ (liabilities)	32,374	–	(103,371)	(70,997)

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

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

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

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
31 December 2017				
Financial assets				
Trade and other receivables	87,430	27,194	–	114,624
Cash and cash equivalents	13,748	–	–	13,748
Total undiscounted financial assets	101,178	27,194	–	128,372
Financial liabilities				
Trade and other payables	9,018	–	164,006	173,024
Accrued operating expenses	38,425	–	–	38,425
Loans and borrowings	25,074	32	–	25,106
Total undiscounted financial liabilities	72,517	32	164,006	236,555
Total net undiscounted financial assets/ (liabilities)	28,661	27,162	(164,006)	(108,183)
Company				
1 January 2017				
Financial assets				
Trade and other receivables	95,472	69,875	–	165,347
Cash and cash equivalents	6,458	–	–	6,458
Total undiscounted financial assets	101,930	69,875	–	171,805
Financial liabilities				
Trade and other payables	10,804	–	46,805	57,609
Accrued operating expenses	19,350	–	–	19,350
Loans and borrowings	24,658	92	–	24,750
Total undiscounted financial liabilities	54,812	92	46,805	101,709
Total net undiscounted financial assets/ (liabilities)	47,118	69,783	(46,805)	70,096

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

(c) Liquidity risk (cont'd)

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.

	1 year or less	**1 to 5 years**	**Over 5 years**	**Total**
	$'000	$'000	$'000	$'000
Company				
2018				
Financial guarantees	26,703	–	–	26,703
31 December 2017				
Financial guarantees	33,133	–	–	33,133
1 January 2017				
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.

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 2018, the Group has declared an interim dividend payment of $8.0 million (2017: $169.5 million) and proposed a final dividend payment of $32.0 million (2017: $32.3 million) respectively to shareholders (as disclosed in Note 35).

No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 2017.

As disclosed in Note 33(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 2018 and 2017.

40. Capital management (cont'd)

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	
	2018	**2017**
	$'000	$'000
Cash and short term deposits (Note 25)	288,411	282,830
Loans and borrowings (Note 29)	(168,252)	(205,242)
Net cash	120,159	77,588
Equity attributable to owners of Company	564,011	528,520

41. 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 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.

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

(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	2018 $'000 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)	Total
Recurring fair value measurements				
Financial asset:				
Other investment (Note 20)*	–	–	4,968	4,968
Financial liabilities:				
Derivatives (Note 24)				
- Forward currency contracts	–	–	–	–

* Other investment (Note 20) relates to unquoted equity security acquired in May 2018.

Group	31 December 2017 $'000 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)	Total
Recurring fair value measurements				
Financial liabilities:				
Derivatives (Note 24)				
- Forward currency contracts	–	–	–	–

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

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

	1 January 2017 $'000			
	Fair value measurements at the end of the reporting period using			
Group	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurements				
Financial liabilities:				
Derivatives (Note 24)				
- 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 24): 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.

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

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed:

	Group					
	Carrying amount			Fair value		
	31.12. 2018	**31.12. 2017**	**1.1. 2017**	**31.12. 2018**	**31.12. 2017**	**1.1. 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Financial asset:						
Investment properties (Note 14)	293	–	–	20,565	–	–
Financial liabilities:						
Obligations under finance lease (non-current) (Note 29)	–	29	82	–	28	79

	Company					
	Carrying amount			Fair value		
	31.12. 2018	**31.12. 2017**	**1.1. 2017**	**31.12. 2018**	**31.12. 2017**	**1.1. 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Amount due from a subsidiary (Note 17)	16,749	17,738	15,981	*	*	*
Loans to subsidiaries (non-current) (Note 22)	–	26,746	67,456	–	26,663	67,175
Financial liabilities:						
Obligations under finance lease (non-current) (Note 29)	–	29	82	–	28	79

* *Amount due from a subsidiary (Note 17)*

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.

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

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed (cont'd)

Determination of fair value

Loans to subsidiaries (Note 22): Fair value for loans to subsidiaries 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.

Investment properties (Note 14): Fair value for investment properties has been determined based on comparable market transactions that consider similar properties that have been transacted in the open market.

42. 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 financial costs) and income taxes are managed on a group basis and are not allocated to operating segments.

42. 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.

2018	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	943,390	96,463	362,264	–		1,402,117
Inter-segment sales	2,368	83,834	–	(86,202)	A	–
	945,758	180,297	362,264	(86,202)		1,402,117
Results:						
Profit from operations	111,736	4,146	5,373	–		121,255
Interest income						5,919
Other income						17,535
Financial costs						(6,655)
Other expenses						(13,888)
Share of results of associates						484
Share of results of a joint venture						(164)
Profit before tax						124,486
Income tax expense						(23,564)
Profit, net of tax						100,922
Other information:						
Depreciation of property, plant and equipment	63,404	4,458	683			68,545
Amortisation of deferred capital grants	(772)	(6)	–			(778)
Amortisation of land use rights	262	–	–			262
Depreciation of investment properties	103	–	–			103
Provision for warranty costs	–	–	20			20
(Reversal of inventory provisions)/ inventory provisions	(568)	334	1,293			1,059
Inventories written back	(532)	–	(85)			(617)
Property, plant and equipment written off	769	–	22			791
Impairment loss on property, plant and equipment	7,910	18	17			7,945
Reversal of impairment losses on financial assets	(217)	–	(666)			(883)
Bad debts written off	3	–	–			3
Gain from dilution of interest from a subsidiary to an associate	(6,123)	–	–			(6,123)
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	1,332	–	(517)			815
Trade/ other payables waived	(264)	–	(87)			(351)
Onerous contract provisions	–	–	146			146
Other non-cash expenses	(1,247)	(127)	(478)		B	(1,852)

42. Segment information (cont'd)

2017	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Notes	Consolidated $'000
Revenue:						
Sales to external customers	932,325	72,514	422,027	–		1,426,866
Inter-segment sales	3,625	59,290	–	(62,915)	A	–
	935,950	131,804	422,027	(62,915)		1,426,866
Results:						
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						146,312
Income tax expense						(24,829)
Profit, net of tax						121,483
Other information:						
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
Reversal of impairment losses on financial assets	(78)	(5)	(674)			(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)

42. Segment information (cont'd)

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, net gain on disposal of property, plant and equipment and net loss on liquidation of a subsidiary as presented in the respective notes to the financial statements.

Geographical information

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

	Revenue		Non-current assets		
	2018	2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000
People's Republic of China	711,881	838,855	285,298	307,968	351,256
Singapore	13,294	17,976	15,837	16,184	17,886
Philippines	10,874	11,950	–	–	–
Malaysia	9,021	10,321	–	–	–
Taiwan	68,782	51,269	–	–	–
Thailand	40,314	37,187	1,865	1,028	759
Europe	95,609	104,616	1,680	1,304	1,474
United States and the rest of Americas*	428,538	342,457	4	11	33
Other countries	23,804	12,235	–	–	–
	1,402,117	1,426,866	304,684	326,495	371,408

* *For the year ended 31 December 2018, approximately $181,217,000 (2017: $135,599,000) of the total revenue billed to customers located in United States were shipped to United States.*

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

Information about major customers

The Group has 4 (2017: 4) major end customers for PPIM segment with revenue amounting to $770,935,000 (2017: $759,912,000) and 7 (2017: 7) major end customers for Assembly segment with revenue amounting to $248,946,000 (2017: $313,314,000).

43. Events occurring after the reporting period

The Company's indirect wholly-owned subsidiary, Huglomerate (Shanghai) International Trading Co., Ltd., has acquired an additional 20% stake in the existing associate, Cino Technology (Shenzhen) Ltd. in the first quarter of 2019, at a cost of RMB20,000,000 (equivalent to $4,038,000). Subsequently, the total shareholding increased from 20% to 40%. This associate is engaged principally in the business of research and development, manufacture and sale of home appliances, automation equipments, toolings, plastic products, pre-packed drinks.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 1 April 2019.

STATISTICS OF SHAREHOLDINGS

as at 13 March 2019

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	15	0.61	510	0.00
100 - 1,000	241	9.84	188,183	0.02
1,001 - 10,000	1,509	61.59	8,540,177	1.07
10,001 - 1,000,000	664	27.10	28,334,516	3.54
1,000,001 and above	21	0.86	763,037,221	95.37
Grand Total	**2,450**	**100.00**	**800,100,607**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 13 MARCH 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS[1]
1	YAO HSIAO TUNG	590,118,410	73.76
2	YHT INVESTMENTS PTE LTD	80,845,734	10.10
3	DBS NOMINEES PTE LTD	27,479,732	3.43
4	RAFFLES NOMINEES (PTE) LIMITED	15,727,488	1.97
5	CITIBANK NOMINEES SINGAPORE PTE LTD	13,432,990	1.68
6	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,038,917	0.75
7	DBSN SERVICES PTE LTD	4,638,859	0.58
8	MAYBANK KIM ENG SECURITIES PTE LTD	3,058,300	0.38
9	UOB KAY HIAN PTE LTD	2,688,780	0.34
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,262,500	0.28
11	PHILLIP SECURITIES PTE LTD	2,245,000	0.28
12	MERRILL LYNCH (SINGAPORE) PTE LTD	2,099,200	0.26
13	CHESTER LIN CHIEN	1,800,000[#]	0.22
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,554,420	0.19
15	OCBC SECURITIES PRIVATE LTD	1,428,009	0.18
16	ONG ENG LOKE	1,397,000	0.18
17	WONG HUEY FANG	1,386,982[^]	0.18
18	IFAST FINANCIAL PTE LTD	1,340,600	0.17
19	SZETO TZEN	1,282,000	0.16
20	LIM AND TAN SECURITIES PTE LTD	1,152,300	0.15
	TOTAL	**761,977,221**	**95.24**

Note:

[1] Based on 800,100,607 shares (excluding shares held as treasury shares).
[#] Mr. Chester Lin Chien held 1,800,000 shares under Raffles Nominees (Pte) Limited.
[^] Madam Wong Huey Fang held (a) 386,982 shares under CDP direct account, and (b) 1,000,000 shares under Raffles Nominees (Pte) Limited.

STATISTICS OF SHAREHOLDINGS

as at 13 March 2019

Shareholders' Information

No. of issued shares (including treasury shares)	:	887,175,000
No. of issued shares (excluding treasury shares)	:	800,100,607
No. of treasury shares held	:	87,074,393
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)	:	10.88%
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 13 March 2019.

Name	Direct interest	%[2]	Deemed interest	%[2]
Yao Hsiao Tung	590,118,410	73.76	87,738,116[1]	10.97
YHT Investments Pte. Ltd.	80,845,734	10.10	–	–

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 13 March 2019, and (b) his controlling interest in YHT Investments Pte. Ltd..

2. Shareholding percentage is calculated based on the Company's total issued shares of 800,100,607 shares as at 13 March 2019 (excluding treasury shares).

Free Float

As at 13 March 2019, approximately 15.65% 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 13 March 2019, the Company held 87,074,393 treasury shares, representing 10.88% of the total issued shares excluding treasury shares.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hi-P International Limited (the "**Company**") will be held at Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 29 April 2019 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 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt one-tier dividend of 4.0 Singapore cents per ordinary share for the financial year ended 31 December 2018. [2017: 4.0 Singapore cents per ordinary share] **(Resolution 2)**

3. To re-elect Madam Wong Huey Fang retiring pursuant to Article 91 of the Company's Constitution. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Madam Leong Lai Peng 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$397,667 for the financial year ended 31 December 2018. [2017: S$391,000] **(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 Resolution, 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 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, 9 April 2019

Explanatory Notes:

(i) If re-elected under Resolution 3, Madam Wong Huey Fang, retiring pursuant to Article 91 of the Company's Constitution, will continue in office as Executive Director. Madam Wong Huey Fang is the spouse of Mr. Yao Hsiao Tung.

(ii) If re-elected under Resolution 4, Madam Leong Lai Peng, retiring pursuant to Article 91 of the Company's Constitution, will continue in office as Independent Director, Chairman of the Remuneration Committee, a member of Audit Committee and a member of Nominating 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.

Notes:

1. Detailed information of Madam Wong Huey Fang and Madam Leong Lai Peng can be found under the sections "Board of Directors" and "Corporate Governance Report – Additional Information on Directors Seeking Re-election" in the Company's Annual Report 2018.

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.
2. 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 9 April 2019.

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 Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 29 April 2019 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 2018		
2.	Declaration of final dividend		
3.	Re-election of Madam Wong Huey Fang		
4.	Re-election of Madam Leong Lai Peng		
5.	Approval of Directors' fees for the financial year ended 31 December 2018		
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 ____________ 2019

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
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Company Registration Number 198004817H

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