Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

Company Registration Number 198004817H

ANNUAL REPORT 2011

GROWING ON INNOVATION

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

The Group provides one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 15 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Mexico, Poland, Singapore and Thailand. Hi-P has marketing and engineering support centers in China, Singapore, Taiwan and the USA.

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

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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:
Yeo Tiong Eng (Non-Executive Director)
Chester Lin Chien (Independent Director)
Leong Lai Peng (Independent Director)
Gerald Lim Thien Su (Independent Director)

AUDIT COMMITTEE

Gerald Lim Thien Su (Chairman)
Yeo Tiong Eng
Leong Lai Peng

NOMINATING COMMITTEE

Chester Lin Chien (Chairman)
Yeo Tiong Eng
Leong Lai Peng

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Tan Ping Ping

REGISTERED OFFICE

11 International Business Park
Jurong East 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

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Adrian Koh Hian Yan
(Appointed since financial year ended
31 December 2011)

CHAIRMAN'S STATEMENT

"In appreciation of our shareholders, the Board is pleased to recommend a first and final tax exempt dividend of 2.4 Singapore cents per ordinary share, subject to shareholders' approval at the upcoming Annual General Meeting. I look forward to meeting you at our Annual General Meeting on 23 April 2012."

Dear Shareholders

In 2011, we experienced a wave of changes. Navigating through a challenging economic climate requires deft organizational, people and cost management. For that, we are thankful for our team of capable, dedicated employees who have helped us steer towards new process capabilities as we welcomed new customers and businesses and a smooth transition in the expansion and consolidation of our production facilities as we aim for greater cost efficiency and economies of scale.

For our topline, we reported a healthy 25.7% increase in revenue to S$1.2 billion. This was the result of more high level assembly projects since 2Q2011. However, for the first three quarters of 2011, Hi-P faced project delays, rising costs and depreciating USD while at the same time continuing to invest for future growth. The impact was mitigated by our effective management of operating expenses and foreign exchange exposure. As such, we recorded a lower net profit after tax of S$45.0 million in FY2011 versus S$66.9 million in FY2010.

Our marketing initiatives and improved process capabilities started to gain traction in the fourth quarter of 2011 (4Q2011), with our 4Q2011 revenue improving by 36.8% to S$422.1 million quarter-on-quarter (qoq) while net profit surged 45.9% qoq to S$9.4 million.

I believe Hi-P is well-positioned to ride on this positive momentum into 2012.

A YEAR TO BEHOLD

Hi-P is committed to meeting customers' needs and keeping abreast with current trends in the industry. We acquired additional machinery and expanded our production facilities in Shanghai, Suzhou and Tianjin. We also invested in CNC machinery, which is in line with the increasing use of metal in smart phones, tablets and other consumer electronic devices. In 2011, we commenced the consolidation of our production facilities. We have made good progress and expect the consolidation to fully complete by 2H2012. With these new initiatives, we are better positioned to capture new business opportunities while achieving greater cost efficiency and economies of scale, particularly from 2H2012.

Identified by IT research firm, Gartner, as one of the top ten strategic technologies to look out for in 2012, tablet segment is one of the areas which we are developing. At this juncture, we have already secured tablet and mobile device projects from our major clients and are positive that we will be able to pick up the pace in the year ahead. Efforts will also be placed on developing new business opportunities in other areas such as lifestyle products, household appliances, personal grooming devices and industrial products.

To strengthen our competitiveness and ability to capture this growth potential, we are intensifying the implementation of automation and lean manufacturing practices. We are focused on our execution strategies and constantly look inward to ensure that our employees and systems are aligned with what we believe is most important to our customers – our ability to value-add.

To support the initiatives outlined above, we intend to incur capital expenditure aggregating approximately S$180 million in FY2012 to acquire additional machinery and equipment and expand our production facilities. The planned capital expenditure will increase our production capacity and capability to support potential new projects.

The expenditure will take place in phases and is expected to contribute to our performance from 2H2012 onwards. Overall, we expect our performance in FY2012 to be better than FY2011.

CORPORATE RESPONSIBILITY

It was unfortunate that during the relocation of our factory from Jinqiao to Nanhui (both in the Pudong District of Shanghai), we were affected by labour unrest. While the relocation package offered by us to the affected workers, which is inclusive of two months' salary, has been endorsed by the local authority and labour union as above and beyond regulatory requirements, a minority group of 200 workers, representing less than 5% of our Chinese workforce at the factory, went on strike and demanded additional compensation.

The unrest eased off quickly as we further demonstrated our empathy for our workers by offering incentives such as one hour of paid commuting time on top of free daily transport to address their concerns. During this regrettable incident, I am heartened that the overwhelming majority of our employees stood firm in their faith in us and gave their whole-hearted support throughout the incident. We believe in a united, harmonious team, and we are gratified that our employees are largely understanding and loyal.

As a company with operations in various countries, we recognise that each country has its own unique set of labour demands. Towards this end, we have consistently offered remuneration packages that are compliant with and above regulatory requirements, as we continue to take pride in caring for our employees.

In our pursuit of growth, I give my assurance that we will be able to find the right balance between optimizing our business and doing our part as a good corporate citizen.

APPRECIATION & DIVIDEND

In closing, I would like to express my appreciation for the continuous support of our shareholders, customers, employees and business associates. In appreciation of our shareholders, the Board is pleased to recommend a first and final tax exempt dividend of 2.4 Singapore cents per ordinary share, subject to shareholders' approval at the upcoming Annual General Meeting. I look forward to meeting you at our Annual General Meeting on 23 April 2012.

Mr Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
29 March 2012

OPERATIONS AND FINANCIAL REVIEW

"The Group's financial position remains strong with cash and cash equivalents of S$339.7 million as at 31 December 2011. Debt was S$119.4 million, resulting in a net cash position of S$220.3 million."

A STRONG FINISH

2011 revenue increased by 25.7% to S$1.20 billion compared to 2010 mainly due to more high level assembly projects starting from 2Q2011.

Gross profit decreased by 28.0% to S$130.8 million mainly due to

- pricing pressure
- higher material costs due to change in product mix
- increased labor costs
- additional costs due to activities arising from sites' consolidation
- higher depreciation of S$14.4 million due to a change in accounting estimate pertaining to useful life of certain Property, Plant and Equipment.

Total selling & distribution and administrative expenses were well contained relative to the higher turnover, increasing by only 4.1% to S$79.2 million.

Net interest income went up by 106.6% to S$3.4 million due to increased amount of higher yielding RMB-denominated fixed deposits which were partially offset by increased USD bank borrowings.

Net other expenses of S$18.6 million became a net income of S$4.3 million mainly due to

- lower foreign exchange loss as USD depreciated against RMB and partially offset by the appreciation of RMB against SGD totaling S$3.5 million (2010: loss S$14.2 million)
- reduced provision for impairment loss of fixed assets totaling S$7.9 million (2010: S$20.3 million)

Income tax expense decreased by 32.4% to S$14.4 million mainly due to lower profits, representing an effective tax rate of 24.3% (2010: 24.2%).

As a result of the above factors, the Group achieved net profit after tax of S$45.0 million in 2011.

STRONG CASHFLOW GENERATED

The Group's business continues to generate strong cash flow. Net cash generated from operating activities before working capital changes was S$124.9 million in 2011 (2010: S$162.4 million). Net cash flow generated from operating activities in 2011 amounted to S$101.5 million (2010: S$66.9 million).

Net cash used in investing activities was S$56.2 million in 2011 (2010: S$35.6 million), mainly due to capital expenditure amounting to S$65.5 million.

Our total CAPEX of S$86.7 million for 2011 is lower than our planned expenditure of S$100 million as forecasted in 2Q 2011, due to the arrival of certain machinery in 2012.

Net cash generated from financing activities was approximately S$74.1 million in 2011, mainly due to proceeds from loans and borrowings amounting to S$116.1 million, offset by dividend payment of S$29.8 million and purchase of treasury shares amounting to S$11.5 million.

HEALTHY BALANCE SHEET

The Group's financial position remains strong with cash and cash equivalents of S$339.7 million as at 31 December 2011. Debt was S$119.4 million, resulting in a net cash position of S$220.3 million.

POSITIONING FOR GROWTH

To better cater to customers' needs, the Group acquired additional machinery and expanded its production facilities in Shanghai, Suzhou and Tianjin. The Group also invested in CNC machinery, which is in line with the increasing use of metal in smart phones, tablets and other consumer electronic devices.

To continuously improve production efficiency and effectiveness, Operations works closely with Finance to track and manage key performance indicators such as yields, breakeven points, working capital cycles and capital expenditure requirements with the view to enhance the Group's returns on net assets.

The dual emphasis on catering to customers' needs and operational optimization is expected to translate into the Group's targeted profitability and return on investment.

BOARD OF DIRECTORS

MR YAO HSIAO TUNG is the ***Executive Chairman*** and ***Chief Executive Officer*** of the Group. He was appointed to the Board in May 1983. He is responsible for formulating the strategic directions of the Group as well as overall management of its 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 Honorary Doctorate by his Alma Mater, National Kaohsiung University of Applied Sciences, on 25 October 2009.

MR YEO TIONG ENG is a ***Non-Executive Director*** of the Group and was appointed to the Board in April 1987. Mr Yeo is currently the Vice President of Finance of Molex Global Commercial Products Division. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Masters of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo is a member of the Institute of Certified Public Accountants of Singapore. He also serves as a member to Nanyang Business School Undergraduate Advisory Board.

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

MR CHESTER LIN CHIEN is an ***Independent Director*** of the Group and 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.

MRS JENNIFER YEO (Madam Leong Lai Peng) is an ***Independent Director*** of the Group and was appointed to the Board in November 2006. She is the founder and chair of the board of directors of Yeo-Leong & Peh LLC, the successor of the partnership which she set up in 1987. 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. Mrs Yeo is an approved mediator of the Singapore Mediation Centre. She is also a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mrs Yeo presently serves as council member of the Singapore Manufacturers' Association (SMA) and is also the director and secretary of Viva Foundation for Children with Cancer, which she founded in 2006, a Singapore charity which has been granted the status of Institution of Public Character. She used to chair the Exco of the South Asia chapter of the Urban Land Institute, a non-profit organisation based in Washington, D. C. Mrs Yeo also used to serve on the Board of Governors of Raffles Girls' Secondary School and on the Board of Assisi Hospice until end of 2011.

MR GERALD LIM THIEN SU, PBM is an ***Independent Director*** of the Group and was appointed to the Board in November 2010. Mr Lim is the Chief Executive Officer of Aon Singapore Pte. Ltd., 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, member of the Council of Education of the Methodist Church in Singapore and in the Supervisory Panel of REACH. Mr Lim also sits on the Boards of Ju Eng Home for Senior Citizens, Fairfield Methodist 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. in Education from George Washington University, and attended executive development programmes at Insead (France) and Kellogg (Chicago).

MANAGEMENT TEAM

SAMUEL YUEN CHUNG SANG is our ***Chief Financial Officer*** and is responsible for the overall financial operations and management. Prior to joining the Group on 26 June 2006, Mr Yuen was the Executive Director & CFO 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. He holds a Bachelor of Business Administration degree (major in Accounting) from the Chinese University of Hong Kong and a Masters of Business Administration degree (major in Finance) from Dalhousie University, Canada. Mr Yuen is a member of the Singapore Institute of Directors.

GARY HO HOCK YONG is our ***Chief Operating Officer (Operation and Supply Chain Management)***. He has been with the Group since April 1996 and had previously assumed the roles of Regional Sales Manager, Corporate Business Manager & Marketing Director, Managing Director for Wireless SBU and Managing Director for Corporate Business Development within the Group. Mr Ho holds a Diploma in Production Technology from the German Singapore Institute.

TJOA MUI LIANG is our ***Chief Operating Officer (Business Development and R&D)***. He has been with the Group since April 2008 and had previously assumed the roles of Managing Director of Consumer Electronics (CE) SBU and Senior Vice President, Business Development. Prior to joining Hi-P in April 2008, Mr Tjoa was the Executive Director of Business Development & Product Line Management at Seagate Technology International based in Singapore. Mr Tjoa has more than 20 years working experience in project management, sales & marketing, customer quality, business development, product line management and operations. Mr Tjoa holds a BSEE from The University of Texas and a MBA from the California State University.

HI-P GROUP OF COMPANIES

HOLDING COMPANY

Hi-P International Limited
11 International Business Park,
Jurong East, Singapore 609926

SUBSIDIARIES – SINGAPORE

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

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

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

SUBSIDIARIES - NORTH CHINA

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

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

Hi-P (Tianjin) Technology Co., Ltd.
Factory 7, No.29 XinYe 3rd Street
West Developing Zone of TEDA
Tianjin, the PRC

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

SUBSIDIARIES - SOUTH CHINA

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

SUBSIDIARIES - EAST CHINA

Hi-P (Shanghai) Automation Engineering Co.,Ltd.
Building 8, 1006 Jinmin Road,
Jinqiao Export & Processing Zone,
Pudong New Area, Shanghai, the PRC

Hi-P Lens Technology (Shanghai) Co., Ltd.
No.4F, 955 Jin Hai Road, Pudong New
District, Shanghai, the PRC

Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.
No. 75, Jin Wen Road, Zhu Qiao Town
Pudong New District, Shanghai, the PRC

Hi-P Shanghai Electronics Co., Ltd.
No. 75, Jin Wen Road, Zhu Qiao Town
Pudong New District, Shanghai, the PRC

Hi-P (Shanghai) Housing Appliance Co., Ltd.
No. 75, Jin Wen Road, Zhu Qiao Town
Pudong New District, Shanghai, the PRC

Hi-P (Shanghai) Industries Co., Ltd.
No.38 Jinliang Road Shanghai Zhuqiao
Airport Industrial Nanhui District
Pudong New Area, Shanghai, the PRC

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

Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd.
No.96 Jinwen Road Shanghai Zhuqiao
Airport Industries Nanhui District
Pudong New District, Shanghai, the PRC

Hi-P (Shanghai) Technology Co., Ltd.
No.4, 955 Jin Hai Road, Pudong XinQu,
Shanghai, the PRC

Hi-P (Suzhou) Electronics Co., Ltd.
No.73 Lu Shan Road, Suzhou New District,
Jiangsu, the PRC

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

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

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.
P.O. Box 59806, Schaumburg
IL 60159-0806'

High Precision Moulding and Tools, S.A. de C.V.
Circuito De La Productividad No.103
Parque Industrial Guadalajara El Salto,
Jalisco Mexico

SUBSIDIARIES – OTHER

Hi-P Technology Co., Ltd.
4F, No.5, Ln. 345, Yangguang Street, Neihu
District, Taipei City 11468, 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 CO.

Design Exchange Pte. Ltd.
67 Ayer Rajah Crescent,
#03-25/26, Singapore 139950

Express Tech Mfg Pte. Ltd.
5004 Ang Mo Kio Avenue 5,
#02-01 Tech Place II,
Singapore 569872

Hi-Tec Precision Mould Pte. Ltd.
Blk 2 Skytech #04-01,
Bukit Batok Street 24,
Singapore 659480

CORPORATE GOVERNANCE REPORT

Hi-P International Limited (the "Company") is committed to achieving a high standard of corporate governance within the Group. The Company continues to evaluate and to put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. The Board is pleased to report on the Company's corporate governance processes and activities as required by the Code of Corporate Governance 2005 (the "Code") prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST"). For easy reference, sections of the Code under discussion are specifically identified. However, this 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: Board's Conduct of its Affairs

The Board of Directors (the "Board") comprises the following members:

Executive Directors

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

Non-executive Directors

Mr Yeo Tiong Eng

Independent Directors

Mr Chester Lin Chien
Mdm Leong Lai Peng
Mr Gerald Lim Thien Su

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

(a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;

(c) review management performance;

(d) set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;

(e) nomination of Directors to the Board;

(f) appointment of key personnel;

(g) review the financial performance of the Group and implementing policies relating to financial matters, which include risk management and internal control and compliance; and

(h) assuming responsibility for corporate governance.

These functions are carried out either directly or through Board Committees such as the Nominating Committee, the Remuneration Committee and the Audit Committee.

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 acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

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 the circumstances require. The Company's Articles of Association allow a Board meeting to be conducted by way of tele-conference and video-conference.

During the financial year, the Board held five meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:-

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	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 (Executive Chairman and Chief Executive Officer)	5	5	-	-	-	-	-	-
Mdm Wong Huey Fang (Executive Director and Chief Administrative Officer)	5	5	-	-	-	-	-	-
Mr Yeo Tiong Eng (Non-executive Director)	5	5	4	4	3	3	-	-
Mr Chester Lin Chien* (Independent Director)	5	4	-	-	3	1	3	3
Mdm Leong Lai Peng (Independent Director)	5	4	4	3	3	3	3	3
Mr Gerald Lim Thien Su** (Independent Director)	5	5	4	4	-	-	3	1
Dr Tan Khee Giap*** (Independent Director)	5	2	4	1	3	2	3	2

* Mr Chester Lin was appointed as Chairman of the Nominating Committee on 21 April 2011.

** Mr Gerald Lim was appointed as Chairman of the Audit Committee and member of the Remuneration Committee on 21 April 2011.

*** Dr Tan Khee Giap stepped down as Chairman for both the Audit Committee and Nominating Committee and retired as a member of the Remuneration Committee on 21 April 2011. He retired as a Director by rotation at the Annual General Meeting held on 25 April 2011.

All Directors are provided with regular updates on changes in the relevant laws and regulations 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.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises six Directors, one of whom is a non-executive Director and three of whom are independent Directors. The independence of each Director will be reviewed annually by the Nominating Committee. The Nominating Committee adopts the Code's definition of what constitutes an independent Director in its review.

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 Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience.

The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision-making.

Non-executive and independent 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.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 6 and 7 of the Annual Report.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing relevant background or explanatory information required to support the decision-making process. 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 is also provided with management accounts of the Group's performance, position and prospects on a quarterly basis.

The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary also 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 of the Board as a whole.

If any of the Directors require independent professional advice 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 ("CEO") 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 CEO and the Chairman of the Board is the same person, would effectively improve the efficiency in decision-making and execution process of the Group. Furthermore, four out of six of the Board members are independent and/or non-executive Directors and all the Board committees are chaired by the independent Directors, and as such, 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.

Mr Yao Hsiao Tung is the Group's Chairman and CEO who is responsible for providing guidance on the corporate and business direction of the Group, scheduling and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and the management, as well as managing the day-to-day operations of the Group with the help of senior management. Mr Yao is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these 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 ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The current NC comprises the following 3 members, of whom 2 are independent Directors:

(a) Mr Chester Lin Chien (Chairman);
(b) Mr Yeo Tiong Eng; and
(c) Mdm Leong Lai Peng.

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

(a) recommending and reviewing candidates for appointment to the Board;

(b) reviewing candidates nominated for appointment as senior management staff;

(c) 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;

(d) procuring that at least one-third of the Board shall comprise independent Directors;

(e) making recommendations to the Board on continuation of service of any Director who has reached the age of 70;

(f) 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;

(g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

(h) 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.

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 has adopted a formal process for the evaluation of the performance of the Board. In 2004, the Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board. 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 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 are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. 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 NC assessed the Board's performance as a whole in FY2011 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

All Directors are subject to the provisions of the Company's Articles of Association 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 Articles of Association 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. The NC also recommended Mr Yao Hsiao Tung and Mr Chester Lin Chien, who are over the age of 70, for re-appointment at the forthcoming AGM.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure of Remuneration

The current RC comprises the following 3 members, all of whom are non-executive Directors:

(a) Mdm Leong Lai Peng (Chairman);
(b) Mr Chester Lin Chien; and
(c) Mr Gerald Lim Thien Su.

The Board has approved the written terms of reference of the RC. Its functions are 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 and procedure for setting remuneration and details of the specific remuneration packages such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board appropriate and meaningful measures for assessing the executive Directors' performance; and

(c) considering the eligibility of Directors 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 Company sets remuneration packages which:

(a) align interests of executive directors with those of shareholders;

(b) link rewards to corporate and individual performance; and

(c) are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group.

The remuneration paid to the Directors during the financial year ended 31 December 2011 are as follows:

Remuneration Bands and Names of Directors	Salary %	Performance Bonus %	Director's fee %	Others %	Total %
S$2,750,000 - S$3,000,000					
Yao Hsiao Tung	26	71	2	1	100
S$250,000 – S$500,000					
Wong Huey Fang	69	18	13	-	100
Below S$250,000					
Yeo Tiong Eng	-	-	100	-	100
Chester Lin Chien	-	-	100	-	100
Leong Lai Peng	-	-	100	-	100
Gerald Lim Thien Su	-	-	100	-	100
Dr Tan Khee Giap*	-	-	100	-	100

Note:

* Dr Tan Khee Giap was appointed to the Board as an independent director on 5 November 2003. He has retired as a Director by rotation at the Annual General Meeting held on 25 April 2011.

The remuneration paid to the executive officers (who are not directors of the Company) during the financial year ended 31 December 2011 are as follows:

Remuneration Bands and Names of Officers	Salary %	Performance Bonus %	Others %	Total %
S$500,000 – S$750,000				
Gary Ho Hock Yong	69	23	8	100
S$250,000 – S$500,000				
Samuel Yuen Chung Sang	72	25	3	100
Tjoa Mui Liang	70	21	9	100

No Director is involved in determining his own remuneration. The remuneration of the non-executive and independent Directors is in the form of a fixed fee.

The executive Directors have service agreements with the Company. Their compensation consists of salary, bonus, fixed fee and incentive bonus that is dependent on the Group's performance.

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

Other than the brother of Mr Yao Hsiao Tung, there are no employees of the Group who are immediate family members of a Director or CEO, whose remuneration exceeded S$150,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") and a share award scheme known as Hi-P Employee Share Award Scheme (the "ESAS") which were approved by shareholders of the Company on 7 October 2003 and 23 April 2009 respectively. The ESOS and the ESAS comply with the relevant rules as set out in Chapter 8 of the Listing Manual. The two schemes 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. Both schemes are administered by the RC. No awards have been issued since the adoption of the ESAS. Further information on the ESOS can be found on pages 22 to 24 of the Annual Report.

AUDIT COMMITTEE ("AC")

PRINCIPLE 11: Audit Committee

The current AC comprises the following 3 members, all non-executive, the majority of whom, including the Chairman, are independent:

(a) Mr Gerald Lim Thien Su (Chairman);
(b) Mr Yeo Tiong Eng; and
(c) Mdm Leong Lai Peng.

The Board has approved the written terms of reference of the AC. Its functions are 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 the Group's financial results and the announcements before submission to the Board for approval;

(d) reviewing the assistance given by the management to external auditors;

(e) considering the appointment/ re-appointment of external auditors;

(f) reviewing interested person transactions; and

(g) 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 executive officer 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 without the presence of management to review matters that might be raised privately. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 8 to the financial statements on page 61. The AC is satisfied that the Group has complied with Rule 712 and Rule 716 of the Listing Manual in relation to the appointment of auditing firms.

Whistle-blowing Policy

The AC has established and put in place a whistle-blowing policy and procedures to provide employees 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 circulated to all existing and newly recruited employees by the human resource department.

The AC exercises the overseeing function over 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 12: 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 of Directors and the Audit Committee has reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks and the Board, with the concurrence of the Audit Committee is of the opinion that in the absence of any evidence to the contrary and from due enquiry, a system of internal controls is in place throughout the financial year and up to the date of this report and adequate to meet its needs in addressing the financial, operational and compliance risks in the current business environment.

Principle 13: Internal Audit

The internal audit function has been outsourced to Messrs PricewaterhouseCoopers LLP ("internal auditors"). The internal auditors report directly to the AC on audit matters and to the Executive Chairman on administrative matters.

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 ensure that the Group's risk management, controls and governance processes are adequate and effective.

The AC has reviewed with the internal auditors their audit plans, their evaluation of the system of internal controls, their audit findings and management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group. The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability and Audit
Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

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 a fair access to the information.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the 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.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

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

RISK MANAGEMENT
(Listing Manual Rule 1207(4)(b)(iv))

The AC examines the effectiveness of the Group's internal control systems. The number of assurance mechanisms currently operating are supplemented by the Company's internal and external auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC in a timely fashion. The AC also 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, 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.

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. 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 between Mr Yao Hsiao Tung and Madam Wong Huey Fang with the Company, there were no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2011.

INTERESTED PERSON TRANSACTIONS
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Molex International Inc & its group of companies		
– Purchases of Goods and Services	$8,698,355	N.A.
– Sales of Goods and Services	$264,834	N.A.
Yeo-Leong & Peh LLC* – Provision of Legal Services	$133,800	N.A.

* Yeo-Leong & Peh LLC is an associate of our Independent Director, Madam Leong Lai Peng.

Financial Contents

DIRECTORS' REPORT

The directors are pleased to present their report 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 2011.

1. DIRECTORS

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

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

2. 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.

3. DIRECTORS' INTEREST 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 and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Name of director				
Ordinary shares of the Company				
Yao Hsiao Tung	488,385,480	488,385,480	–	–
Wong Huey Fang	1,000,000	1,351,000	–	–
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	2,000,000	2,000,000	–	–
Leong Lai Peng	200,000	200,000	–	–
Options to subscribe for ordinary shares				
Yao Hsiao Tung	3,832,000	6,403,000	–	–
Wong Huey Fang	1,002,000	977,000	–	–

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Yao Hsiao Tung is deemed to have an interest in shares of the subsidiaries of the Company.

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

4. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. SHARE OPTIONS

The Hi-P Employee Share Option Scheme (the "Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 7 October 2003. The Option Scheme applies to executive directors, employees of the Group, controlling shareholders and their associates. The Option Scheme is administered by the Remuneration Committee, comprising Messrs Leong Lai Peng (Chairman), Chester Lin Chien and Gerald Lim Thien Su.

Other information regarding the Option Scheme is set out below:

(i) The exercise price of the options 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 is equal to 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 business days immediately preceding the date of grant of such options.

(ii) 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 that Incentive Option and the remaining 50% may be exercised after the 3rd anniversary from the date of grant of that Incentive Option. For options granted with an exercise price fixed at the Market Price ("Market Price Option"), 50% of the Market Price Options may be exercised after the 1st anniversary of the date of grant of that Market Price Option and the remaining 50% may be exercised after the 2nd anniversary of the date of grant of that Market Price Option.

(iii) The options expire 10 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

5. **SHARE OPTIONS (CONT'D)**

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Option Scheme as at 31 December 2011 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2011	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed	Options outstanding as at 31 December 2011	Exercise period
19/07/2004	$1.39	2,002,000	–	–	–	2,002,000	19/07/2005 to 18/07/2014
24/02/2005	$1.54	5,000	–	–	–	5,000	24/02/2006 to 23/02/2015
12/05/2005	$1.47	20,000	–	–	–	20,000	12/05/2006 to 11/05/2015
12/08/2005	$1.48	20,000	–	–	–	20,000	12/08/2006 to 11/08/2015
25/04/2006	$1.11	429,000	–	–	–	429,000	25/04/2007 to 24/04/2016
12/01/2010	$0.74	7,328,000	–	(1,424,000)	(783,000)	5,121,000	12/01/2011 to 11/01/2020
29/04/2010	$0.67	3,316,000	–	(351,000)	–	2,965,000	29/04/2011 to 28/04/2020
11/03/2011	$1.21	–	5,790,000	–	(571,000)	5,219,000	11/03/2012 to 10/03/2021
5/05/2011	$1.20	–	2,973,000	–	–	2,973,000	5/05/2012 to 4/05/2021

Details of the options to subscribe for ordinary shares of the Company granted to directors and a controlling shareholder of the Company and his associate pursuant to the Option Scheme are as follows:

	Options granted during financial year ended 31 December 2011	Aggregate options granted since commencement of scheme to 31 December 2011	Aggregate options exercised since commencement of scheme to 31 December 2011	Aggregate options outstanding as at 31 December 2011
Name of Director and Associate				
Yao Hsiao Tung	2,571,000	6,403,000	–	6,403,000
Wong Huey Fang	326,000	1,328,000	(351,000)	977,000
Yao Hsiao Kuang	76,000	158,000	–	158,000

5. SHARE OPTIONS (CONT'D)

There were 27,976,000 options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Scheme to the end of the financial year under review.

During the financial year:

(a) 5,790,000 options have been granted by the Company to its employees.

(b) 2,973,000 options have been granted by the Company to directors, controlling shareholders and their associate.

(c) Other than a director and controlling shareholder of the Company, no employee received 5% or more of the total number of options (being 15% of the total number of issued shares from time to time) available to all directors and employees of the Company and its subsidiaries under the scheme.

(d) No options have been granted at a discount.

6. AUDIT COMMITTEE

The Audit Committee performed the 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. AUDITORS

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

29 March 2012

STATEMENT BY DIRECTORS

We, Yao Hsiao Tung and Yeo Tiong Eng, being two of the directors of Hi-P International Limited, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, 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.

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

29 March 2012

INDEPENDENT AUDITORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

To the members of Hi-P International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 28 to 108 which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2011, and the consolidated statement of changes in equity, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Certified Public Accountants
Singapore

29 March 2012

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Revenue	4	1,203,909	957,702
Cost of sales		(1,073,145)	(776,153)
Gross profit		130,764	181,549
Other items of income			
Interest income	5	4,889	2,056
Other income	6	28,065	20,361
Other items of expense			
Selling and distribution expenses		(7,286)	(9,208)
Administrative expenses		(71,891)	(66,862)
Financial costs	7	(1,465)	(399)
Other expenses	8	(23,719)	(39,010)
Share of results of associates		31	(220)
Profit before tax	9	59,388	88,267
Income tax expense	11	(14,428)	(21,332)
Profit for the year		44,960	66,935
Attributable to :			
Owners of the Company		44,989	67,269
Non-controlling interests		(29)	(334)
		44,960	66,935
Earnings per share attributable to owners of the Company (cents per share)			
Basic	12	5.28	7.79
Diluted	12	5.28	7.76

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 2011

	Note	2011 $'000	2010 $'000
Profit for the year		44,960	66,935
Other comprehensive income:			
Foreign currency translation		18,002	(20,339)
Share of other comprehensive income of associates		92	(24)
Other comprehensive income for the year, net of tax		18,094	(20,363)
Total comprehensive income for the year		63,054	46,572
Attributable to:			
Owners of the Company		63,034	46,967
Non-controlling interests		20	(395)
Total comprehensive income for the year		63,054	46,572

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

BALANCE SHEETS

AS AT 31 DECEMBER 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	13	284,392	255,549	18,069	19,194
Investment in subsidiaries	14	–	–	207,821	200,765
Investment in associates	15	2,328	2,355	1,478	1,478
Other investment	16	12	12	12	12
Other receivables	18	–	–	60,649	–
Other long term asset	20	87	–	–	–
Deferred tax assets	24	13,974	11,537	–	–
Current assets					
Inventories	17	124,832	100,472	3,889	5,419
Trade and other receivables	18	293,318	265,507	140,283	77,601
Prepaid operating expenses		16,453	1,894	510	242
Derivatives	19	984	1,481	692	550
Short term investments		–	3,906	–	–
Cash and cash equivalents	21	339,713	214,978	48,297	60,950
		775,300	588,238	193,671	144,762
Current liabilities					
Trade and other payables	22	311,355	224,504	15,870	32,270
Accrued operating expenses		33,467	35,965	10,586	10,010
Loans and borrowings	23	116,692	572	116,176	90
Income tax payable		10,742	19,858	357	357
Derivatives	19	2,835	296	2,237	–
		475,091	281,195	145,226	42,727
Net current assets		300,209	307,043	48,445	102,035
Non-current liabilities					
Loans and borrowings	23	2,725	3,377	–	68
Deferred tax liabilities	24	1,582	1,528	–	–
		4,307	4,905	–	68
Net assets		596,695	571,591	336,474	323,416
Equity attributable to owners of the Company					
Share capital	25(a)	119,725	119,725	119,725	119,725
Treasury shares	25(b)	(44,235)	(34,040)	(44,235)	(34,040)
Accumulated profits	26	477,068	463,701	255,091	233,894
Other reserves	26	43,175	21,263	5,893	3,837
		595,733	570,649	336,474	323,416
Non-controlling interests		962	942	–	–
Total equity		596,695	571,591	336,474	323,416

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 2011

Group	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Other reserves (Note 26) $'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 2010	119,725	(7,844)	30,906	432,016	574,803	6,636	581,439
Profit for the year	–	–	–	67,269	67,269	(334)	66,935
Foreign currency translation	–	–	(20,278)	–	(20,278)	(61)	(20,339)
Share of other comprehensive income of associates	–	–	(24)	–	(24)	–	(24)
Total comprehensive income for the year	–	–	(20,302)	67,269	46,967	(395)	46,572
Contributions by and distributions to owners							
Employee share option scheme – Equity compensation benefits	–	–	968	–	968	–	968
Purchase of treasury shares (Note 25(b))	–	(26,196)	–	–	(26,196)	–	(26,196)
Transfer from retained earnings to statutory reserve fund (Note 26(a))	–	–	9,522	(9,522)	–	–	–
Dividends on ordinary shares (Note 28)	–	–	–	(26,062)	(26,062)	–	(26,062)
Total contributions by and distributions to owners	–	(26,196)	10,490	(35,584)	(51,290)	–	(51,290)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Acquisition of non-controlling interests	–	–	169	–	169	(5,299)	(5,130)
Total changes in ownership interests in subsidiaries	–	–	169	–	169	(5,299)	(5,130)
Total transactions with owners in their capacity as owners	–	(26,196)	10,659	(35,584)	(51,121)	(5,299)	(56,420)
Closing balance at 31 December 2010	119,725	(34,040)	21,263	463,701	570,649	942	571,591

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 2011

Group	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Other reserves (Note 26) $'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 2011	119,725	(34,040)	21,263	463,701	570,649	942	571,591
Profit for the year	–	–	–	44,989	44,989	(29)	44,960
Foreign currency translation	–	–	17,955	(2)	17,953	49	18,002
Share of other comprehensive income of associates	–	–	92	–	92	–	92
Total comprehensive income for the year	–	–	18,047	44,987	63,034	20	63,054
Contributions by and distributions to owners							
Employee share option scheme – Equity compensation benefits	–	–	2,042	–	2,042	–	2,042
Purchase of treasury shares (Note 25(b))	–	(11,470)	–	–	(11,470)	–	(11,470)
Treasury shares reissued pursuant to employee share option plans	–	1,275	14	–	1,289	–	1,289
Transfer from retained earnings to statutory reserve fund (Note 26(a))	–	–	1,809	(1,809)	–	–	–
Dividends on ordinary shares (Note 28)	–	–	–	(29,811)	(29,811)	–	(29,811)
Total transactions with owners in their capacity as owners	–	(10,195)	3,865	(31,620)	(37,950)	–	(37,950)
Closing balance at 31 December 2011	119,725	(44,235)	43,175	477,068	595,733	962	596,695

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 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before tax		59,388	88,267
Adjustments for:			
Depreciation of property, plant and equipment	13	59,487	45,777
Impairment loss on property, plant and equipment	13	7,909	20,294
Net loss on disposal of property, plant and equipment		119	33
Property, plant and equipment written off	8	200	538
Allowance for inventory obsolescence	17	2,943	3,329
Inventories written back	17	(2,158)	(1,178)
(Write-back)/ impairment loss on doubtful receivables		(636)	960
Bad debts written off	9	179	134
Equity compensation expense	9	2,042	968
Interest expense	7	1,465	399
Interest income	5	(4,889)	(2,056)
Net fair value loss/ (gain) on derivatives- unrealised		3,071	(1,107)
Net (gain)/ loss on disposal of investment in subsidiaries		(379)	26
Translation difference		(3,800)	5,822
Share of results of associates		(31)	220
Operating cash flows before changes in working capital		124,910	162,426
Changes in working capital			
Increase in inventories		(20,461)	(44,465)
Increase in trade and other receivables		(14,705)	(139,605)
(Increase)/ decrease in prepaid operating expenses and other long term asset		(14,646)	917
Increase in trade and other payables		51,838	95,065
(Decrease)/ increase in accrued operating expenses		(2,498)	2,917
(Increase)/ decrease in amounts due from related parties		(77)	64
Total changes in working capital		(549)	(85,107)
Cash flows from operations		124,361	77,319
Income taxes paid		(22,826)	(10,411)
Net cash flows generated from operating activities		101,535	66,908
Cash flows from investing activities			
Dividends received from an associated company		150	–
Interest received		4,137	2,056
Proceeds from disposal of property, plant and equipment		1,180	2,676
Purchase of property, plant and equipment	a	(65,538)	(31,303)
Proceeds from maturity of short term investments		3,906	–
Purchase of short term investments		–	(3,906)
Cash outflow on acquisition of remaining non-controlling interests		–	(5,130)
Net cash flows used in investing activities		(56,165)	(35,607)

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 2011

	Note	2011 $'000	2010 $'000
Cash flows from financing activities			
Dividends paid on ordinary shares	28	(29,811)	(26,062)
Purchase of treasury shares	25(b)	(11,470)	(26,196)
Proceeds from re-issuance of treasury shares	25(b)	1,289	–
Interest paid	7	(1,465)	(399)
Proceeds from loan and borrowings		116,108	–
Repayments of obligations under finance lease		(577)	(551)
Net cash flows generated from/ (used in) financing activities		74,074	(53,208)
Net increase / (decrease) in cash and cash equivalents		119,444	(21,907)
Effect of exchange rate changes on cash and cash equivalents		5,291	(9,805)
Cash and cash equivalents at beginning of year		214,978	246,690
Cash and cash equivalents at end of year	21	339,713	214,978

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of property, plant and equipment

	Note	2011 $'000	2010 $'000
Current year additions	13	86,736	41,028
Less: Payable to creditors		(26,685)	(13,992)
		60,051	27,036
Payments for prior year purchases		5,487	4,267
Net cash outflow for purchase		65,538	31,303

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

1. CORPORATE INFORMATION

Hi-P International Limited (the "Company") is a limited liability company, which is incorporated 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, Jurong East, Singapore 609926.

The principal activities of the Company are design and fabrication of mold ("MDF"), precision plastic injection molding ("PPIM"), assembly, provision of ancillary value-added services (mainly surface finishing services) and precision metal stamping. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars ("$" or "SGD") and all values in the table are rounded to the nearest thousand ("$'000") as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 112 are described below.

<u>Amendments to FRS 1 Presentation of Items of Other Comprehensive Income</u>

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

<u>FRS 112 Disclosure of Interests in Other Entities</u>

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

b) Business combinations

Business combinations from 1 January 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Foreign currency

The Group's consolidated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency (cont'd)

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 determined.

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

b) *Consolidated financial statements*

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, 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 are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Associates (cont'd)

The financial statements of the associates 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 over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.9 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Factory buildings and leasehold improvements	10 - 57 years
Renovation	3 - 5 years
Plant and machinery	3 - 10 years
Motor vehicles	5 - 6 years
Office equipment, furniture and fittings	3 - 10 years

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 derecognised 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 derecognised.

2.11 Intangible asset

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible asset (cont'd)

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. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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 derecognised.

Club membership

Club membership is measured at cost less accumulated amortisation and impairment loss, if any.

2.12 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 such indication exists, or when 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 to sell 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

2.13 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

a) Financial assets at fair value through profit or loss

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

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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

b) Loan and receivables

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

c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

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

2.14 Impairment of financial assets

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

a) Financial assets carried at amortised cost

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Impairment of financial assets (cont'd)

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

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

b) *Financial assets carried at cost*

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

c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Inventories

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

- Raw materials - purchase cost on a weighted average basis;

- Work-in-progress and finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities, directly attributable transaction costs.

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

a) Financial liabilities at fair value through profit or loss (cont'd)

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

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.18 Financial guarantee

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

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

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Provisions

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 each balance sheet date 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.

2.21 Employee benefits

a) *Defined contribution plan*

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. The subsidiary in Mexico maintains and administers a savings plan for its employees whereby the subsidiary and its permanent employees jointly contribute monthly to the savings plan. The funds collected under this savings plan are allocated to the relevant employees every year. In the event of a termination of employment, the relevant employee may withdraw his entitlement to the funds.

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 accrue to the employees. The estimated liability for annual leave is recognised for services rendered by employees up to the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

c) *Employee share option plans*

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.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. 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.

2.22 Leases

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

a) *Finance lease*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases (cont'd)

a) *Finance lease (cont'd)*

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

b) *Operating lease*

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

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

a) *Sales of goods*

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

b) *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.

2.24 Taxes

a) *Current income tax*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

a) Current income tax (cont'd)

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 balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable 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 temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, 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 accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales tax

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

- where the sales tax incurred in 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 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.

2.29 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgement made in applying accounting policies

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

a) *Income taxes*

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 2011 were $10,742,000 (2010: $19,858,000) and $12,392,000 (2010: $10,009,000) respectively.

b) *Deferred tax assets*

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 2011 was $49,251,000 (2010: $43,446,000) and the unrecognised tax losses as at 31 December 2011 was $127,589,000 (2010: $137,920,000).

c) *Determination of functional currency*

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

a) *Useful lives of plant and machinery*

The cost of plant and machinery for the manufacture of electronic components is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 10 years. These are common life expectancies applied in the industry. 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. The carrying amount of the Group's plant and machinery at the balance sheet date is disclosed in Note 13 to the financial statements.

b) *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 18 to the financial statements. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by $94,000 (2010: $160,000).

c) *Impairment of property, plant and equipment*

The Group determines whether property, plant and equipment are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generated units which required the Group to make an estimate of the expected cash flows from the cash-generated 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 property, plant and equipment as at 31 December 2011 was $284,392,000 (2010: $255,549,000). More details are given in Notes 2.10 and 13.

4. REVENUE

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

5. INTEREST INCOME

	Group	
	2011	2010
	$'000	$'000
Interest income from loans and receivables:		
bank balances and short-term fixed deposits	4,889	2,056

6. OTHER INCOME

	Group	
	2011	2010
	$'000	$'000
Sale of scrap materials	3,786	4,365
Sale of molding samples	239	809
Compensation from customers	4,373	1,211
Incentives from government[1]	1,956	2,664
Grant income from Jobs Credit Scheme	–	98
Service income from trial runs conducted for customers	1,512	458
Fair value gain on derivatives	8,819	3,843
Trade payables written off	1,538	3,227
Gain on sales of raw materials	82	–
Reversal of impairment loss on property, plant and equipment	581	–
Gain on disposal of property, plant and equipment	498	411
Gain on disposal of investment in a subsidiary	789	–
Foreign exchange gain	2,830	261
Others	1,062	3,014
	28,065	20,361

[1] *Incentives from government include mainly subsidies received from government in China to ease the business costs, childcare leave and maternity leave grants from Singapore government and one off SME cash grant from Inland Revenue Authority of Singapore ("IRAS").*

7. FINANCIAL COSTS

	Group	
	2011	2010
	$'000	$'000
Commission/ interest expense on		
- Bankers' guarantees, term loans and other bank facilities	1,134	12
- Obligations under finance leases	331	387
	1,465	399

8. OTHER EXPENSES

	Group	
	2011	2010
	$'000	$'000
Loss on disposal of property, plant and equipment	617	444
Property, plant and equipment written off	200	538
Impairment loss on property, plant and equipment	8,490	20,294
Fair value loss on derivatives	5,285	475
Foreign exchange loss	6,305	14,487
Loss on sale of raw materials	1,022	782
Compensation paid to supplier	–	177
Loss on disposal of investment in a subsidiary	410	26
Others	1,390	1,787
	23,719	39,010

9. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	$'000	$'000
Audit fees:		
- Auditors of the Company	679	867
- Other auditors	124	109
Non-audit fees paid to:		
- Auditors of the Company	70	207
- Other auditors	59	62
Total audit and non-audit fees	932	1,245
Depreciation of property, plant and equipment	59,487	45,777
Directors' fees	418	358
Directors' remuneration (Note 10)		
- Directors of the Company [1]	2,819	3,618
Bad debts written off	179	134
(Write back)/ impairment loss on doubtful receivables		
- Trade receivables	(645)	957
- Other receivables	9	3
Inventories recognised as an expense in cost of sales (Note 17)	751,675	508,934
Equity compensation expense (Note 10)	2,042	968
Operating lease expenses (Note 29(b))	17,217	16,844
Other personnel expenses (Note 10)	232,288	196,504

[1] *Amount includes performance bonus amounting to approximately $1,740,000 (2010: $2,516,000) pursuant to the Service Agreement entered into with a director.*

10. PERSONNEL EXPENSES

	Group	
	2011	2010
	$'000	$'000
Wages, salaries and bonus	187,635	161,873
Defined contribution plans	19,833	18,248
Other short-term benefits	27,639	20,001
Equity compensation expense (Employee share option plans (Notes 9 and 26(d))	2,042	968
	237,149	201,090

The personnel expenses are inclusive of executive directors' remuneration.

Equity compensation benefits are disclosed in Note 27.

11. INCOME TAX EXPENSE

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group	
	2011	2010
	$'000	$'000
Current income tax		
- Current income taxation	17,027	27,238
- Provision for Flat Rate Business Tax ("IETU")	67	656
- (Over)/ under provision in respect of previous years	(725)	532
	16,369	28,426
Deferred tax		
- Origination and reversal of temporary differences	1,251	(3,130)
- Provision for IETU (Note 24)	(123)	(34)
- Effect of changes in tax rates	(618)	(3,963)
	510	(7,127)
- (Over)/ under provision in respect of previous years	(2,451)	33
	(1,941)	(7,094)
Income tax expense recognised in profit or loss	14,428	21,332

11. INCOME TAX EXPENSE (CONT'D)

b) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group	
	2011	2010
	$'000	$'000
Accounting profit before tax	59,388	88,267
Income tax expense at statutory rate of 17%	10,096	15,005
Tax effect of different tax rates of overseas operations	3,324	(41)
Tax effect of exempt income and rebate	(764)	(1,200)
Tax effect of non deductible expenses	3,527	4,499
Tax effect of income not subject to taxation	(1,976)	(2,451)
Deferred tax assets not recognized	1,199	1,368
(Over)/ under provision of current income tax in respect of previous years	(725)	532
(Over)/ under provision of deferred tax liabilities in respect of previous years	(2,451)	33
(Excess)/ provision for IETU	(56)	622
Withholding tax	3,023	6,954
Effect of changes in tax rates	(618)	(3,963)
Others	(151)	(26)
Income tax expense recognised in profit or loss	14,428	21,332

11. INCOME TAX EXPENSE (CONT'D)

b) Relationship between tax expense and accounting profit (cont'd)

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Accordingly, the results of these subsidiaries are taxed at the following tax rates:

	2011	2010
	%	%
Hi-P Shanghai Electronics Co., Ltd.	24.0	22.0
Hi-P (Shanghai) Automation Engineering Co.,Ltd.	24.0	22.0
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	24.0	22.0
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. (f.k.a. Hi-P (Suzhou) Technology Co., Ltd.)	25.0	25.0
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	24.0	22.0
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	25.0	15.0
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	25.0	25.0
Qingdao Haier Hi-P Science Technology Co., Ltd.	25.0	25.0
Hi-P Tianjin Electronics Co., Ltd.	24.0	22.0
Hi-P (Shanghai) Industries Co., Ltd.	24.0	22.0
Hi-P (Shanghai) Housing Appliance Co., Ltd.	24.0	22.0
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	24.0	22.0
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	24.0	22.0
Hi-P (Suzhou) Electronics Co., Ltd.	12.5	12.5
Hi-P (Tianjin) Technology Co., Ltd.	12.0	11.0
Hi-P (Shanghai) Technology Co., Ltd.	24.0	11.0
Hi-P Lens Technology (Shanghai) Co., Ltd.	12.0	11.0
Hi-P (Dongguan) Technology Co., Ltd.[1]	–	12.5
Hi-P (Dongguan) Precision Mold & Die Co., Ltd.[2]	–	12.5
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd.	24.0	11.0
Hi-P (Suzhou) Electronics Technology Co., Ltd.	12.5	12.5

11. INCOME TAX EXPENSE (CONT'D)

b) Relationship between tax expense and accounting profit (cont'd)

High Precision Moulding and Tools, S.A. de C.V. is subject to the following types of income taxes:

(i) Flat Rate Business Tax ("IETU") has been introduced in 2010 as a minimum tax. The rate of IETU is 17.5% for 2011 (2010: 17.5%). The new tax is levied on broader taxable income and on a cash basis rather than on an accrual basis. The tax applies only to Mexican residents and to non-residents that have a permanent establishment in Mexico. IETU is levied on the difference between cash collections from the sales of goods, rendering of services and rental of property and cash payments for the acquisition of goods, services and rentals. Income tax paid can be credited against the IETU. IETU paid in excess of income tax for any tax year cannot be carried over.

(ii) Income tax: the applicable corporate income tax rate is 30.0% (2010: 30.0%).

Hi-P Poland SP ZO.O is subject to corporate income tax rate of 19.0% (2010: 19.0%).

[1] Hi-P (Dong Guan) Technology Co., Ltd. has filed for voluntary liquidation successfully in November 2011.

[2] Hi-P (Dong Guan) Precision Mold & Die Co., Ltd. has filed for voluntary liquidation successfully in August 2011.

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation.

Diluted earnings per share amounts 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 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.

12. EARNINGS PER SHARE (CONT'D)

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

	Group	
	2011	**2010**
Profit for the year attributable to owners of the Company ($'000)	44,989	67,269
Weighted average number of ordinary shares for basic earnings per share computation ('000)	852,236	863,815
Dilution effects of share options ('000)	–	3,440
Weighted average number of ordinary shares for the effect of dilution ('000)	852,236	867,255
Basic earnings per share (cents)	5.28	7.79
Diluted earnings per share (cents)	5.28	7.76

Nil (2010: 11,719,000) share options granted to employees under the existing employee share option plan have been included in the calculation of diluted earnings per share ("EPS").

There were 18,754,000 (2010: 2,537,000) options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Scheme which have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the financial periods presented.

Since the end of the financial year, senior executives have exercised options to acquire nil (2010: 616,000) 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	Factory buildings and leasehold improvements $'000	Construction–in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
At 1 January 2010	30,498	43,520	61,793	331,789	1,599	30,906	500,105
Additions	1,253	7,028	2,586	27,977	10	2,174	41,028
Reclassification	31,896	(44,141)	95	12,054	–	96	–
Disposals	–	–	(2,017)	(7,881)	(280)	(703)	(10,881)
Written off	–	–	(6,960)	(6,151)	(11)	(680)	(13,802)
Translation difference	(2,660)	(230)	(3,853)	(35,474)	(61)	(2,116)	(44,394)
At 31 December 2010 and 1 January 2011	60,987	6,177	51,644	322,314	1,257	29,677	472,056
Additions	481	15,999	10,643	53,637	–	5,976	86,736
Reclassification	1,130	3,365	3,908	(8,651)	(32)	280	–
Disposals	–	–	(5,928)	(11,426)	(140)	(845)	(18,339)
Written off	–	–	(1,567)	(1,950)	–	(445)	(3,962)
Translation difference	968	17	1,961	15,484	16	1,157	19,603
At 31 December 2011	63,566	25,558	60,661	369,408	1,101	35,800	556,094

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Factory buildings and leasehold improvements $'000	Construction -in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Accumulated depreciation and impairment loss							
At 1 January 2010	5,778	–	36,724	136,245	981	21,814	201,542
Charge for the year	2,811	–	6,937	31,732	144	4,153	45,777
Impairment loss	–	–	3,105	17,158	–	31	20,294
Reclassification	–	–	(8)	4	–	4	–
Disposals	–	–	(2,017)	(5,234)	(280)	(641)	(8,172)
Written off	–	–	(6,959)	(5,669)	(10)	(626)	(13,264)
Translation difference	(310)	–	(1,854)	(25,287)	(51)	(2,168)	(29,670)
At 31 December 2010 and 1 January 2011	8,279	–	35,928	148,949	784	22,567	216,507
Charge for the year	3,733	–	7,919	42,287	165	5,383	59,487
Net impairment loss	–	–	333	7,516	–	60	7,909
Reclassification	–	–	771	(758)	(11)	(2)	–
Disposals	–	–	(5,870)	(10,237)	(118)	(815)	(17,040)
Written off	–	–	(1,483)	(1,858)	–	(421)	(3,762)
Translation difference	(128)	–	1,620	6,698	17	394	8,601
At 31 December 2011	11,884	–	39,218	192,597	837	27,166	271,702
Net carrying amount							
At 31 December 2011	51,682	25,558	21,443	176,811	264	8,634	284,392
At 31 December 2010	52,708	6,177	15,716	173,365	473	7,110	255,549

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Factory buildings and leasehold improvements	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2010	16,565	651	21,462	785	3,295	42,758
Additions	52	190	1,670	10	98	2,020
Disposals	–	–	(720)	(280)	(10)	(1,010)
Written off	–	–	(783)	–	(137)	(920)
At 31 December 2010 and 1 January 2011	16,617	841	21,629	515	3,246	42,848
Additions	319	103	820	–	162	1,404
Disposals	–	–	(1,124)	(35)	(3)	(1,162)
Written off	–	–	(275)	–	(139)	(414)
At 31 December 2011	16,936	944	21,050	480	3,266	42,676
Accumulated depreciation						
At 1 January 2010	3,304	433	15,902	365	3,054	23,058
Charge for the year	293	97	1,836	91	108	2,425
Disposals	–	–	(686)	(280)	(7)	(973)
Impairment loss	–	–	63	–	–	63
Written off	–	–	(782)	–	(137)	(919)
At 31 December 2010 and 1 January 2011	3,597	530	16,333	176	3,018	23,654
Charge for the year	306	111	1,702	90	112	2,321
Disposals	–	–	(921)	(30)	(3)	(954)
Written off	–	–	(275)	–	(139)	(414)
At 31 December 2011	3,903	641	16,839	236	2,988	24,607
Net carrying amount						
At 31 December 2011	13,033	303	4,211	244	278	18,069
At 31 December 2010	13,020	311	5,296	339	228	19,194

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets held under finance leases

During the current and prior financial year, the Group has not acquired any property, plant and equipment by means of finance leases. The cash outflow on purchase of property, plant and equipment amounted to $65,538,000 (2010: $31,303,000).

The carrying amount of renovation and motor vehicle held by the Group under finance leases at the end of reporting period were $2,362,000 (2010: $3,212,000) and $237,000 (2010: $321,000) respectively.

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

Assets mortgaged under entrusted loans arrangement

The Group's plant and machinery with a carrying amount of $13,935,000 (2010: Nil) is mortgaged to Agricultural Bank of China for the entrusted loans arranged.

Impairment of assets

During the financial year, some subsidiaries of the Group carried out a review of the recoverable amount of its property, plant and equipment because some plant and machinery had been persistently idle. Subsequently, the Group determined the value in use to be nil and has written off an amount of $8,490,000 (2010: $20,294,000), representing mainly plant and machinery, which was recognised in the "Other expenses" (Note 8) line item in profit or loss for the financial year ended 31 December 2011.

During the financial year, the Group has also written back an amount of $581,000 (2010: Nil) which was recognised in the "Other income" (Note 6) line item in profit or loss for the financial year ended 31 December 2011.

Change in accounting estimates

During the financial year, the Group conducted a review on the estimated useful lives of its renovation and revised the estimated useful lives of renovation from 10 years to 5 years. In addition, the Group also revised the residual value of property, plant and equipment to nil.

The revision in estimate has been applied on a prospective basis from 1 January 2011. The effects of the above revision on depreciation charge in current and future periods are as follows:

	2011	**2012**	**2013**
	$'000	**$'000**	**$'000**
Increase in depreciation expense due to change in estimated useful lives	5,011	367	278
Increase in depreciation expense due to change in residual value	9,356	5,263	4,507
	14,367	5,630	4,785

14. INVESTMENT IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Shares, at cost	266,675	264,695
Amount due from a subsidiary	25,556	25,556
	292,231	290,251
Impairment losses	(84,410)	(89,486)
	207,821	200,765

<u>Movement in impairment losses:</u>

	2011 $'000	2010 $'000
At 1 January	89,486	124,937
Reversal of over provision during the year	–	(35,451)
Disposal	(5,076)	–
At 31 December	84,410	89,486

The amount due from a subsidiary has no repayment terms, is non-interest bearing and repayable only when the cash flow of the subsidiary permits. Accordingly, the fair value of this amount is not determinable as the timing of the future cash flow arising from this amount cannot be estimated reliably.

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2011 %	Equity interest held by the Group 2010 %	Cost of investment 2011 $'000	Cost of investment 2010 $'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	10,737	10,737
Hi-P (Shanghai) Automation Engineering Co.,Ltd. ***	Development, design and manufacture of automated machinery and equipments	People's Republic of China	100	100	8,489	8,489

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	100	100	3,769	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. ***	Manufacture of molds and related housing appliance plastic components	People's Republic of China	100	100	15,001	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. (f.k.a. Hi-P (Suzhou) Technology Co., Ltd.) ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	4,258	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	100	100	8,438	8,438
High Precision Moulding and Tools, S.A. de C.V. **	Manufacture of plastic injection parts	Mexico	100	100	38,379	38,379
Hi-P Poland SP.ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of molds, plastic and electric components	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***@	Manufacture and sale of molds, plastic and electric components	People's Republic of China	100	100	24,764	15,118
Hi-P (Suzhou) Electronics Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	8,311	8,311
Hi-P Lens Technology (Shanghai) Co., Ltd. ***	Manufacture and production of in-mold decoration lenses and provide related technology consultation and services	People's Republic of China	100	100	4,588	4,588
Hi-P (Shanghai) Technology Co., Ltd. ***	Manufacture and sale of molds and plastic 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	14,367	14,367

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2011 %	Equity interest held by the Group 2010 %	Cost of investment 2011 $'000	Cost of investment 2010 $'000
Held by the Company						
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	6,506	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	7,590	7,590
Hi-P (Dong Guan) Technology Co., Ltd.[3]***	Design and fabrication of precision plastic injection molding parts, assembly and provision of advisory services	People's Republic of China	–	100	–	3,843
Hi-P (Dong Guan) Precision Mold & Die Co., Ltd.[2]***	Design and fabrication of precision plastic injection molding parts, assembly and provision of advisory services	People's Republic of China	–	100	–	3,823
Hi-P North America, Inc. ***	Provision of engineering support services	United States of America	100	100	676	676
Hi-P GmbH[1] #	Development, design and sales of electro-mechanical components	Germany	100	100	51	51
Hi-P (Singapore) Technology Pte. Ltd. *	Manufacture of metal precision components	Singapore	100	100	1,500	1,500

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd.***	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	11,260	11,260
Hi-P Global Trading Ltd.[1] #	International sales and marketing activities	Mauritius	100	100	85	85
Qingdao Haier Hi-P Science Technology Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	70	70	2,544	2,544
Hi-P Electronics Pte. Ltd. *	Sales and purchases of tools, moulds, plastic and metal components, equipment, commodities, and scrap material	Singapore	100	100	200	200
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	100	100	42,130	42,130
Hi-P (Shanghai) Industries Co., Ltd. ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	100	1,840	1,840
Hi-P Technology Co. Ltd. #	International sales and marketing activities	The Republic of Taiwan	100	100	263	263

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held through a subsidiary						
Hi-P (Suzhou) Electronics Technology Co., Ltd. ***	Manufacture, assembly and trading of flexible printed circuit boards and flexible rigid printed circuit boards	People's Republic of China	100	100	–	–
					266,675	264,695

* *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 by the laws of its country of incorporation.*

@ *During the financial year, the Company increased its investment in Hi-P (Tianjin) Technology Co., Ltd. by $9,645,600 through re-investment of dividend income declared by Hi-P Lens Technology (Shanghai) Co., Ltd. in 2010.*

[1] *These companies are undergoing liquidation as at year end.*

[2] *Hi-P (Dong Guan) Precision Mold & Die Co., Ltd. has filed for voluntary liquidation successfully in August 2011.*

[3] *Hi-P (Dong Guan) Technology Co., Ltd. has filed for voluntary liquidation successfully in November 2011.*

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	1,478	1,478	1,478	1,478
Share of post-acquisition reserves	726	753	–	–
Amortisation of goodwill acquired	124	124	–	–
	2,328	2,355	1,478	1,478

15. 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 by the Company	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts	Singapore	30	30	503	503
Hi-Tec Precision Mould Pte. Ltd. **	Manufacture and repair of machinery, machine tools and machine tool accessories and die-casting	Singapore	40	40	494	494
Design Exchange Pte. Ltd. ***	Provision of product design and development services from concept ideation to mass production support	Singapore	40	40	481	481
					1,478	1,478

* *Audited by Ascent CPA.*

** *Audited by NSC & Associates PAC.*

*** *Audited by Wong, Lee Associate.*

15. INVESTMENT IN ASSOCIATES (CONT'D)

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

	2011 $'000	2010 $'000
Assets and liabilities:		
Current assets	11,480	9,431
Non-current assets	1,415	1,585
Total assets	12,895	11,016
Current liabilities	4,990	3,399
Non-current liabilities	338	253
Total liabilities	5,328	3,652
Results:		
Revenue	12,056	10,060
Profit/ (loss) for the year	398	(53)

16. OTHER INVESTMENT

	Group and Company	
	2011 $'000	2010 $'000
Club membership:		
At cost	36	36
Impairment loss	(24)	(24)
	12	12

There is no amortisation expense for club membership as the amount is assessed to be insignificant.

17. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance sheet:				
Work-in-progress	41,818	34,552	1,975	2,022
Raw materials	45,332	32,740	312	250
Finished goods	37,682	33,180	1,602	3,147
	124,832	100,472	3,889	5,419

	Group	
	2011	2010
	$'000	$'000
Income statement:		
Inventories recognised as an expense in cost of sales	751,675	508,934
Inclusive of the following charge:		
- Inventories written back	(2,158)	(1,178)
- Allowance for inventory obsolescence	2,943	3,329

The inventories written back were made when discrepancies were found during the physical stock count carried out during the year.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	257,913	229,267	8,466	9,773
Other receivables	11,082	6,902	6	464
Amounts due from subsidiaries	–	–	95,323	66,880
USD loans to subsidiaries	–	–	36,130	–
Amounts due from non-controlling interests of a subsidiary	806	764	–	–
Input tax/VAT	20,195	24,758	278	366
Refundable deposits	3,322	3,816	80	118
	293,318	265,507	140,283	77,601

18. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Other receivables (non-current):				
USD loans to subsidiaries	–	–	60,649	–
	–	–	60,649	–
Total trade and other receivables (current and non-current)	293,318	265,507	200,932	77,601
Add: Cash and cash equivalents (Note 21)	339,713	214,978	48,297	60,950
Total loans and receivables	633,031	480,485	249,229	138,551

Trade and other receivables

Trade and other receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

USD loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest between 2% to 6% per annum. The loans are repayable ranging from 1 year to 5 years.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	236,572	204,705	8,466	9,773
Renminbi	16,561	18,427	–	–
Euro	4,502	5,548	–	–
Thai Baht	257	587	–	–
Japanese Yen	21	–	–	–

Related party balances

– Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand in cash.

– Amounts due from non-controlling interests of a subsidiary are unsecured, non-interest bearing and repayable on demand in cash. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $45,322,000 (2010: $44,722,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2011	2010
	$'000	$'000
Trade receivables past due :		
Lesser than 30 days	40,122	39,796
30 to 60 days	4,205	3,160
61 to 90 days	824	1,766
More than 90 days	171	–
	45,322	44,722

Receivables that are impaired

The Group has trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2011	2010
	$'000	$'000
Trade receivables – nominal amounts	942	1,600
Less: Allowance for impairment	(942)	(1,600)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	1,600	969
(Write-back)/ charge for the year	(645)	957
Reversal	–	(280)
Exchange differences	(13)	(46)
At 31 December	942	1,600

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables that are individually determined to be impaired at the balance sheet date 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.

At the balance sheet date, the Group has provided an allowance of $13,000 (2010: $13,000) for impairment of the unsecured amounts due from non-controlling interests of a subsidiary with a net amount of $806,000 (2010: $764,000).

19. DERIVATIVES

	2011			2010		
	Contract/ Notional Amount USD'000	Assets $'000	Liabilities $'000	Contract/ Notional Amount USD'000	Assets $'000	Liabilities $'000
Group						
Forward currency contracts	264,837	984	(2,835)	236,932	1,481	(296)
Total financial assets/(liabilities) at fair value through profit or loss classified as held for trading		984	(2,835)		1,481	(296)
Company						
Forward currency contracts	212,250	692	(2,237)	58,000	550	–
Total financial assets/(liabilities) at fair value through profit or loss classified as held for trading		692	(2,237)		550	–

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD, JPY and EUR for which firm commitments existed at the balance sheet date, extending to November 2013 (2010: November 2013) (Note 32(b)).

20. OTHER LONG TERM ASSET

Other long term asset relates to prepayment by a subsidiary of the Group to China Electricity Council (CEC) for upgrading the electric capacity of a new factory in Tianjin. The prepayments made will be amortised over a period of 3 years until February 2014.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at banks and in hand	132,455	179,801	48,297	28,859
Short term fixed deposits	207,258	35,177	–	32,091
	339,713	214,978	48,297	60,950

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term fixed deposits are made for varying periods of between 1 day and 6 months depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The weighted average effective interest rates as at 31 December 2011 for the Group and the Company were 1.76% (2010: 0.89%) and 0.28% (2010: 0.54%) respectively.

Cash and short term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	139,939	53,698	2,062	11,155
Renminbi	136,385	95,409	–	–
Euro	1,808	2,036	30	103
Mexican Peso	922	219	–	–
Poland Zloty	10,312	10,980	–	–
Thai Baht	2,541	1,959	–	–
New Taiwan Dollar	180	103	–	–
Japanese Yen	–	115	–	–

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	207,307	185,650	4,384	5,427
Other payables	104,048	38,818	370	125
Amounts due to subsidiaries	–	–	11,116	26,718
Amounts due to non-controlling interests of a subsidiary	–	36	–	–
Total trade and other payables	311,355	224,504	15,870	32,270
Add:				
- Accrued operating expenses	33,467	35,965	10,586	10,010
- Loans and borrowings (Note 23)	119,417	3,949	116,176	158
Total financial liabilities carried at amortised cost	464,239	264,418	142,632	42,438

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	91,690	47,510	2,712	3,679
Renminbi	108,576	128,994	–	–
Euro	3,400	4,013	5	1
Mexican Peso	49	139	–	–
Poland Zloty	731	531	–	–
Thai Baht	672	1,078	–	–
New Taiwan Dollar	19	62	19	62
Japanese Yen	48	1,500	–	–
Hongkong Dollar	10	7	–	–
Sterling Pound	256	61	–	–
Swiss Franc	6	–	–	–

22. TRADE AND OTHER PAYABLES (CONT'D)

Other payables

Other payables 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 90 days.

Other payables in 2011 also include an amount pertaining to 2 China subsidiaries of the Group which have arrangements with a China bank that appoints its overseas agent bank to settle trade payable owing by them. These other payables bear interest ranging from 2.86% to 3.56% per annum (2010: Nil) with repayment period of 3 months. Fixed deposit of $75,651,000 (2010: Nil) which earns interest ranging from 4.26% to 4.56% per annum has been held as collateral against these payables.

Amounts due to subsidiaries and non-controlling interests of a subsidiary

These amounts are mainly non-trade, unsecured, non-interest bearing and repayable on demand.

23. LOANS AND BORROWINGS

		Group		Company	
	Maturity	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Current:					
Short term loans	2012	116,109	–	116,109	–
Obligations under finance lease	2012	583	572	67	90
		116,692	572	116,176	90
Non-current:					
Obligations under finance lease	2013-2017	2,725	3,377	–	68
Total loans and borrowings		119,417	3,949	116,176	158

Short term loans (unsecured)

The Company has drawn down short term loans at fixed rates of interest in 2011 for hedging and general working capital purposes for China subsidiaries. The weighted average interest rate as at 31 December 2011 for the Company was 1.22% per annum (2010: Nil). The loans are repayable in 2012.

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 13). The effective interest rate on the finance leases are 2.2% to 9.0% (2010: 2.2% to 9.0%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

The Group has finance leases for certain items of leasehold improvements and motor vehicles (Note 13). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

23. LOANS AND BORROWINGS (CONT'D)

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

2011	Group: Total minimum lease payments $'000	Group: Present value of payments $'000	Company: Total minimum lease payments $'000	Company: Present value of payments $'000
Within one year	858	583	72	67
After one year but not more than five years	3,147	2,595	–	–
More than five years	131	130	–	–
Total minimum lease payments	4,136	3,308	72	67
Less amounts representing finance charges	(828)	–	(5)	–
Present value of minimum lease payments	3,308	3,308	67	67

2010	Group: Total minimum lease payments $'000	Group: Present value of payments $'000	Company: Total minimum lease payments $'000	Company: Present value of payments $'000
Within one year	900	572	96	90
After one year but not more than five years	3,298	2,490	72	68
More than five years	924	887	–	–
Total minimum lease payments	5,122	3,949	168	158
Less amounts representing finance charges	(1,173)	–	(10)	–
Present value of minimum lease payments	3,949	3,949	158	158

24. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax liability				
Differences in depreciation for tax purposes	(170)	(137)	31	(126)
Fair value adjustments on acquisition of subsidiary	(1,182)	(1,182)	–	–
Provision for Flat Rate Business Tax ("IETU")	(64)	(209)	(123)	(34)
Interest income accrued from fixed deposits placed in China	(166)	–	166	–
	(1,582)	(1,528)		
Deferred tax asset				
Provisions	11,402	10,706	(282)	(7,954)
Unutilised tax losses	2,324	–	(2,324)	–
Differences in depreciation for tax purposes	187	387	208	576
Other items	61	444	383	444
	13,974	11,537		
Deferred tax (credit)/expense (Note 11)			(1,941)	(7,094)

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $127,589,000 (2010: $137,920,000) 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	5
Singapore	5
Thailand	5
Mexico	10

24. DEFERRED TAX (CONT'D)

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, the Group has recognised withholding tax liabilities of $5,954,000 (2010: $5,844,000) 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% 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 $119,082,000 (2010: $116,870,000). Such withholding tax liability is estimated to be $5,954,000 (2010: $5,844,000).

Tax consequences of proposed dividends

There are no income tax consequences (2010: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

25. SHARE CAPITAL AND TREASURY SHARES

a) Share capital

	Group and Company			
	2011		2010	
	No. of shares '000	$'000	No. of shares '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 an employee share option scheme (Note 27) pursuant to which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

25. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

b) Treasury shares

	Group and Company			
	2011		2010	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(51,969)	(34,040)	(18,429)	(7,844)
Acquired during the financial year	(11,094)	(11,470)	(33,540)	(26,196)
Reissued pursuant to employee share option plans:				
- For cash on exercise of employee share options (Note 27)	1,775	1,289	–	–
- Transferred from employee share option reserve	–	362	–	–
- Gain transferred to gain or loss on reissuance of treasury shares	–	(376)	–	–
	1,775	1,275	–	–
At 31 December	(61,288)	(44,235)	(51,969)	(34,040)

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

The Company acquired 11,094,000 (2010: 33,540,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $11,470,000 (2010: $26,196,000) and this is presented as a component within shareholders' equity.

26. OTHER RESERVES AND ACCUMULATED PROFITS

Other reserves

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Statutory reserve fund (a)	48,202	46,370	–	–
Foreign currency translation reserve (b)	(11,089)	(29,113)	–	–
Capital reserve (c)	169	169	–	–
Employee share option reserve (d)	5,893	3,837	5,893	3,837
	43,175	21,263	5,893	3,837

26. OTHER RESERVES AND ACCUMULATED PROFITS (CONT'D)

Other reserves (cont'd)

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	
	2011	**2010**
	$'000	**$'000**
At 1 January	46,370	36,848
Transfer from retained earnings	1,809	9,522
Share of other comprehensive income of associates	23	–
At 31 December	48,202	46,370

b) *Foreign currency translation reserve*

The foreign currency translation reserve records 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	
	2011	**2010**
	$'000	**$'000**
At 1 January	(29,113)	(8,811)
Net effect of exchange differences arising from translation of financial statements of foreign operations	18,024	(20,302)
At 31 December	(11,089)	(29,113)

26. OTHER RESERVES AND ACCUMULATED PROFITS (CONT'D)

Other reserves (cont'd)

c) *Capital reserve*

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

	Group	
	2011	2010
	$'000	$'000
At 1 January	169	–
Acquisition of non-controlling interests in a subsidiary	–	169
At 31 December	169	169

d) *Employee share option reserve*

Employee share option reserve represents the equity-settled share options granted to employees (Note 27). 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 and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2011	2010
	$'000	$'000
At 1 January	3,837	2,869
Equity compensation expense	2,155	1,042
Forfeited during the year	(113)	(74)
Exercised during the year	14	–
At 31 December	5,893	3,837

Accumulated profits

	Company	
	2011	2010
	$'000	$'000
At 1 January	233,894	136,639
Profit net of tax and total comprehensive income for the year	51,008	123,317
Dividends on ordinary shares (Note 28)	(29,811)	(26,062)
At 31 December	255,091	233,894

27. EQUITY COMPENSATION BENEFITS

The Hi-P Employee Share Option Scheme (the "Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 7 October 2003. The Option Scheme applies to executive directors, employees of the Group, controlling shareholders and their associates. The Option Scheme is administered by the Remuneration Committee, comprising Messrs Leong Lai Peng (Chairman), Chester Lin Chien and Gerald Lim Thien Su.

Other information regarding the Option Scheme is set out below:

(i) The exercise price of the options 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 is equal to 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 business days immediately preceding the date of grant of such options.

(ii) 50% of the options vest one year after the grant date, and the remaining 50% vest two years after the grant date.

(iii) The options expire 10 years after the grant date.

(iv) The options are only settled by equity.

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

	No. 2011 '000	WAEP 2011 $	No. 2010 '000	WAEP 2010 $
Outstanding at 1 January	13,120	0.84	2,537	1.34
- Granted	8,763	1.21	11,719	0.72
- Forfeited	(1,354)	0.94	(1,136)	0.76
- Exercised	(1,775)	0.73	–	–
Outstanding at 31 December	18,754	1.01	13,120	0.84
Exercisable at 31 December	6,023	0.97	2,476	1.34

The range of exercise prices for options outstanding at the end of the year was $0.67 to $1.54 (2010: $0.67 to $1.54). The weighted average remaining contractual life for these options is 8.04 years (2010: 8.13 years).

There were 8,763,000 (2010: 11,719,000) options granted during the financial year ended 31 December 2011.

27. EQUITY COMPENSATION BENEFITS (CONT'D)

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2010 and 2011 are shown below:

	2011	2010
Expected volatility (%)	42.73	42.00
Risk-free interest rate (%)	1.49	2.65
Expected dividend yield (%)	3.16	5.00
Expected life of options (years)	5.75	10
Weighted average share price ($)	1.21	0.73

28. DIVIDENDS

	Group and Company	
	2011	2010
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
• Final exempt one-tier dividend for 2010: 3.6 cents (2009: 3.0 cents) per share	29,811	26,062
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 2011: 2.4 cents (2010: 3.6 cents) per share	19,800	30,067

29. COMMITMENTS

a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	26,039	13,628	470	1,197

b) Operating lease commitments

The Group and Company have entered into commercial leases on plant and machinery, motor vehicles, office equipment, factory sites, offices and staff accommodation. The lease terms range from 1 year to 30 years with options to purchase or renew at the end of the lease terms. Operating lease payments recognised as an expense in profit or loss for the financial year ended 2011 amounted to $17,217,000 (2010: $16,844,000) (Note 9).

Future minimum rental payables under non-cancellable leases at the balance sheet date are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within one year	15,390	10,967	251	376
Later than one year but not later than five years	22,418	13,815	917	890
Later than five years	2,093	3,648	1,872	1,974
	39,901	28,430	3,040	3,240

30. CONTINGENCIES

Guarantees

The Company granted corporate guarantees of $32,310,000 (2010: $12,576,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2011.

31. 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		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Income				
Sales to a corporate shareholder and companies related to the shareholder	265	245	–	–
Sales of materials to subsidiaries	–	–	982	689
Sales of property, plant and equipment to a subsidiary	–	–	203	37
Dividend income from subsidiaries	–	–	61,061	85,420
Expenses				
Purchase of materials from a corporate shareholder and companies related to the shareholder	8,698	16,239	–	–
Services rendered from an associate	74	109	–	–

b) Compensation of key management personnel

	Group	
	2011	2010
	$'000	$'000
Directors' fees	110	110
Defined contribution plans	114	131
Other short-term employee benefits	7,905	7,742
Equity compensation expense	1,475	671
Total compensation paid to key management personnel	9,604	8,654
Comprise amounts paid to :		
Directors of the Company	3,862	3,348
Other key management personnel	5,742	5,306
	9,604	8,654

31. RELATED PARTY TRANSACTIONS (CONT'D)

b) Compensation of key management personnel (cont'd)

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Directors' and key management personnel's interests in the Hi-P Employee Share Option Scheme

During the year ended 31 December 2011, 2,897,000 (2010: 3,234,000) options were granted to the aforementioned executive directors. 351,000 (2010: Nil) options were exercised by the executive directors during the year.

No share options have been granted to the Company's non-executive directors.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, foreign currency risk and credit 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 Group and the Company do not apply hedge accounting.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, except as disclosed in the Credit risk section.

a) 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 objective is to maintain a balance between continuity of funding and flexibility through the use of standby-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 balance sheet date, the Group has sufficient standby credit facilities with several banks. At 31 December 2011, there were USD90 million short term loans outstanding (2010: Nil).

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) *Liquidity risk (cont'd)*

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 balance sheet date based on contractual undiscounted repayment obligations.

	2011				2010			
Group	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial assets								
Trade and other receivables	293,318	–	–	293,318	265,507	–	–	265,507
Derivatives	984	–	–	984	1,481	–	–	1,481
Short term investments	–	–	–	–	3,906	–	–	3,906
Cash and cash equivalents	339,713	–	–	339,713	214,978	–	–	214,978
Total undiscounted financial assets	634,015	–	–	634,015	485,872	–	–	485,872
Financial liabilities								
Trade and other payables	311,355	–	–	311,355	224,504	–	–	224,504
Accrued operating expenses	33,467	–	–	33,467	35,965	–	–	35,965
Derivatives	2,835	–	–	2,835	296	–	–	296
Loans and borrowings	116,967	3,147	131	120,245	900	3,298	924	5,122
Total undiscounted financial liabilities	464,624	3,147	131	467,902	261,665	3,298	924	265,887
Total net undiscounted financial assets/ (liabilities)	169,391	(3,147)	(131)	166,113	224,207	(3,298)	(924)	219,985

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) *Liquidity risk (cont'd)*

Company	2011 1 year or less $'000	2011 1 to 5 years $'000	2011 Over 5 years $'000	2011 Total $'000	2010 1 year or less $'000	2010 1 to 5 years $'000	2010 Over 5 years $'000	2010 Total $'000
Financial assets								
Trade and other receivables	140,283	–	–	140,283	77,601	–	–	77,601
Derivatives	692	–	–	692	550	–	–	550
Cash and cash equivalents	48,297	–	–	48,297	60,950	–	–	60,950
Total undiscounted financial assets	189,272	–	–	189,272	139,101	–	–	139,101
Financial liabilities								
Trade and other payables	15,870	–	–	15,870	32,270	–	–	32,270
Accrued operating expenses	10,586	–	–	10,586	10,010	–	–	10,010
Derivatives	2,237	–	–	2,237	–	–	–	–
Loans and borrowings	116,181	–	–	116,181	96	72	–	168
Total undiscounted financial liabilities	144,874	–	–	144,874	42,376	72	–	42,448
Total net undiscounted financial assets/ (liabilities)	44,398	–	–	44,398	96,725	(72)	–	96,653

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) *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.

	2011				2010			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial guarantees	32,310	–	–	32,310	12,576	–	–	12,576

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, Renminbi (RMB), Mexico Pesos (PSO), Polish Zloty (PLN) and Thai Baht (THB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 93% (2010: 81%) of the Group's sales and 57% (2010: 47%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2011 is approximately USD575 million (2010: USD522 million). As at balance sheet date, the Group's net USD receivables and payables are approximately USD68 million (2010: USD127 million). The USD weakened against RMB in 2011 and strengthened against SGD in later part of 2011.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD and RMB.

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 measurement 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. The Group had approximately 49% of hedging in 2011 (2010: 56%) for its transactional currency arising from USD sales and purchases.

The Company has drawn-down USD90 million short term loans in 2011 partly for hedging purpose.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) *Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

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

	Group	
	Profit net of tax	
	2011	2010
	$'000	$'000
USD/ RMB – strengthened 5% (2010: 3%)	4,443	8,252
– weakened 5% (2010: 3%)	(4,443)	(8,252)

c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents 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 minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognized and creditworthy third parties with credit verification procedures. 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 (approximately 0.01% of sales for 2011).

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and

At the balance sheet date, the Company's maximum exposure to credit risk is also represented by:

– a nominal amount of $32,310,000 (2010: $12,576,000) relating to corporate guarantees by the Company in favour to third party suppliers for purchases made by the subsidiaries.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

c) *Credit risk (cont'd)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2011		2010	
	$'000	% of total	$'000	% of total
By country:				
Europe	95,678	37%	57,705	25%
USA and other parts of American Continent	76,068	30%	90,528	39%
People's Republic of China	67,485	26%	50,100	22%
Singapore	155	0%	373	0%
Malaysia	3,077	1%	3,824	2%
Other countries	15,450	6%	26,737	12%
	257,913	100%	229,267	100%

At the balance sheet date, approximately 81% (2010: 86%) of the Group's trade receivables were due from 3 (2010: 4) major customers who are multinational conglomerates.

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 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 18.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of the financial instruments carried at fair value by the level of fair value hierarchy:

	As at 31 December 2011 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Group				
Financial assets:				
Derivatives (Note 19)				
- Forward currency contracts	–	984	–	984
Financial liabilities:				
Derivatives (Note 19)				
- Forward currency contracts	–	(2,835)	–	(2,835)
Company				
Financial assets:				
Derivatives (Note 19)				
- Forward currency contracts	–	692	–	692
Financial liabilities:				
Derivatives (Note 19)				
- Forward currency contracts	–	(2,237)	–	(2,237)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

a) *Fair value of financial instruments that are carried at fair value (cont'd)*

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Determination of fair value

Derivatives (Note 19): 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.

b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value*

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value as at 31 December are as follows:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assets:								
Amount due from a subsidiary (Note 14)	–	–	–	–	25,556	25,556	*	*
Financial liabilities:								
Obligations of finance lease (non-current) (Note 23)	2,725	3,377	2,454	2,999	–	68	–	67

* *Amount due from a subsidiary (Note 14)*

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

Determination of fair value

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

34. CAPITAL MANAGEMENT

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 2011, the Group has declared a final dividend payment of $19.8 million to shareholders (as disclosed in Note 28).

As disclosed in Note 26(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 2011 and 2010.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. Total debt pertains to finance lease obligations and short term loans. Total capital includes equity attributable to owners of the Company less the above-mentioned restricted statutory reserve fund.

	Group	
	2011	**2010**
	$'000	**$'000**
Loans and borrowings (Note 23)	119,417	3,949
Total debt	119,417	3,949
Equity attributable to owners of Company	595,733	570,649
Less: Statutory reserve fund (Note 26(a))	(48,202)	(46,370)
Total capital	547,531	524,279
Gearing ratio	21.8%	0.8%

35. 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.

35. SEGMENT INFORMATION (CONT'D)

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

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

2011	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	439,003	39,002	725,904	–		1,203,909
Inter-segment sales	56,742	–	–	(56,742)	A	–
	495,745	39,002	725,904	(56,742)		1,203,909
Results:						
Profit from operations	34,468	9	17,110	–		51,587
Interest income						4,889
Other income						28,065
Financial costs						(1,465)
Other expenses						(23,719)
Share of results of associates						31
Profit before tax						59,388
Income tax expense						(14,428)
Profit, net of tax						44,960
Other information						
Depreciation of property, plant and equipment	32,891	6,866	19,730	–		59,487
Other non-cash expenses	6,828	2	3,389	–	B	10,219

35. SEGMENT INFORMATION (CONT'D)

2010	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Notes	Consolidated $'000
Revenue:						
Sales to external customers	475,268	38,159	444,275	–		957,702
Inter-segment sales	73,981	–	–	(73,981)	A	–
	549,249	38,159	444,275	(73,981)		957,702
Results:						
Profit from operations	70,617	2,544	32,318	–		105,479
Interest income						2,056
Other income						20,361
Financial costs						(399)
Other expenses						(39,010)
Share of results of associates						(220)
Profit before tax						88,267
Income tax expense						(21,332)
Profit, net of tax						66,935
Other information						
Depreciation of property, plant and equipment	26,501	5,250	14,026	–		45,777
Other non-cash expenses	16,808	606	7,692	–	B	25,106

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 impairment of property, plant and equipment, doubtful receivables, inventory obsolescence and net loss on disposal of property, plant and equipment as presented in the respective notes to the financial statements.*

35. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Revenue		Non-current assets	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Asia				
People's Republic of China	200,168	156,842	251,115	220,789
Singapore	3,026	6,754	20,650	19,201
Malaysia	12,602	14,743	–	–
Others	106,981	115,421	2,159	1,967
	322,777	293,760	273,924	241,957
Europe	445,622	242,017	8,519	10,465
United States and the rest of Americas	435,510	421,925	1,949	3,127
	1,203,909	957,702	284,392	255,549

Non-current assets information presented above consist of property, plant and equipment.

Information about major customers

The Group has 2 major customers for PPIM segment with revenue amounting to $216,819,000 (2010: $238,031,000) and 2 major customers for Assembly segment with revenue amounting to $603,028,000 (2010: $295,622,000).

36. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Liquidation of a subsidiary – Hi-P Global Trading Ltd.

Hi-P Global Trading Ltd. has filed for voluntary liquidation successfully in February 2012. The company has been de-registered from Registrar of Companies in Mauritius on 9 February 2012. This has resulted in a net loss on disposal of investment amounting to $1,516,000 at Group level.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 29 March 2012.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2012

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 999	10	0.50	1,691	0.00
1,000 - 10,000	1,297	65.37	7,631,006	0.92
10,001 - 1,000,000	661	33.32	34,059,991	4.13
1,000,001 - and above	16	0.81	783,308,312	94.95
Grand Total	1,984	100.00	825,001,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2012

No.	Name of Shareholder	No. of Shares	% of Shareholdings[1]
1	YAO HSIAO TUNG	488,385,480 *	59.20
2	MOLEX INTERNATIONAL INC	178,236,020	21.60
3	DBS NOMINEES PTE LTD	30,865,200	3.74
4	RAFFLES NOMINEES (PTE) LTD	22,576,000 *# ^	3.46
5	CITIBANK NOMINEES SINGAPORE PTE LTD	21,225,400	2.57
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,792,700	1.07
7	DBSN SERVICES PTE LTD	8,627,143	1.05
8	HSBC (SINGAPORE) NOMINEES PTE LTD	5,571,860	0.68
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,942,526	0.60
10	RODERICK SER PHUAY KEE	2,538,000	0.31
11	DB NOMINEES (SINGAPORE) PTE LTD	2,075,983	0.25
12	CHESTER LIN CHIEN	2,000,000 #	0.24
13	UOB KAY HIAN PTE LTD	1,551,000	0.19
14	ONG ENG LOKE	1,445,000	0.18
15	WONG HUEY FANG	1,351,000 ^	0.16
16	SZETO TZEN	1,282,000	0.16
17	PHILLIP SECURITIES PTE LTD	1,134,000	0.14
18	KUEK SER BENG	1,060,000	0.13
19	MAYBANK KIM ENG SECURITIES PTE LTD	715,457	0.09
20	OCBC SECURITIES PRIVATE LTD	669,009	0.08
	TOTAL	785,043,778	95.90

Note:

1 Based on 825,001,000 shares (excluding shares held as treasury shares) as at 15 March 2012.

* Mr Yao Hsiao Tung's shares are held (1) 485,385,480 under CDP direct account (2) 3,000,000 under Raffles Nominees (Pte) Ltd.

\# Mr Chester Lin Chien held 2,000,000 shares under Raffles Nominees (Pte) Ltd.

^ Mdm Wong Huey Fang's shares are held (1) held 351,000 under CDP direct account (2) 1,000,000 under Raffles Nominees (Pte) Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2012

SHAREHOLDERS' INFORMATION

No. of issued shares (excluding treasury shares)	:	825,001,000
No. and percentage of treasury shares	:	62,174,000 (7.54%)
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 15 March 2012.

	Direct Interest	%[4]	Deemed Interest	%[4]
Yao Hsiao Tung (Note 1)	488,385,480	59.20	–	–
Wong Huey Fang (Note 2)	1,351,000	0.16	–	–
Molex International Inc	178,236,020	21.60	–	–
Molex Incorporated (Note 3)	–	–	178,236,020	21.60

Notes:

1. Mr Yao Hsiao Tung's shares are held:
   (1) 485,385,480 under CDP direct account (2) 3,000,000 under Raffles Nominees (Pte) Ltd.
   Mr Yao Hsiao Tung is the husband of Madam Wong Huey Fang. As both Mr Yao Hsiao Tung and Madam Wong Huey Fang are Directors, by virtue of Section 164(15)(a) of the Companies Act, they are not deemed to be interested in the Shares held by the other.
2. Mdm Wong Huey Fang's shares are held:
   (1) 351,000 under CDP direct account (2) 1,000,000 under Raffles Nominees (Pte) Ltd.
3. Molex International Inc is a subsidiary of Molex Incorporated. As such, Molex Incorporated is deemed to have an interest in the 178,236,020 shares held by Molex International Inc.
4. Percentage shareholding is based on the Company's total issued shares of 825,001,000 shares as at 15 March 2012 (excluding treasury shares).

FREE FLOAT

As at 15 March 2012, approximately 18.70% of the total issued shares (excluding treasury shares) of the Company was held in the hands of 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 15 March 2012, the Company held 62,174,000 treasury shares, representing 7.54% of the total issued shares excluding treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hi-P International Limited (the "Company") will be held at Albizia Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Monday, 23 April 2012 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 2.4 cents per ordinary share for the year ended 31 December 2011 [2010: 3.6 cents per ordinary share]. **(Resolution 2)**

3. To re-elect Madam Wong Huey Fang who is retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Madam Leong Lai Peng who is retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 4)**

   Madam Leong Lai Peng will, upon re-election as a director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To pass the following Ordinary Resolutions pursuant to Section 153(6) of the Companies Act, Cap. 50:-

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Yao Hsiao Tung be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
   [See Explanatory Note (i)] **(Resolution 5)**

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chester Lin Chien be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
   [See Explanatory Note (ii)] **(Resolution 6)**

6. To approve the payment of Directors' fees of S$373,616.43 for the year ended 31 December 2011. (2010: S$398,959.00) **(Resolution 7)**

7. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

9. 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 exercising 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 9)**

10. Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Hi-P Employee Share Option Scheme (the "Option Scheme") and to allot and issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Option Scheme provided always that the aggregate number of shares to be issued pursuant to the Option Scheme, together with the aggregate number of shares to be issued pursuant to the Hi-P Employee Share Award Scheme, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."
[See Explanatory Note (iv)] **(Resolution 10)**

11. Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the Hi-P Employee Share Award Scheme (the "Award Scheme") and to allot and issue such number of fully paid shares as may be required to be issued pursuant to the vesting of the awards under the Award Scheme provided always that the aggregate number of shares to be issued pursuant to the Award Scheme, together with the aggregate number of shares to be issued pursuant to the Hi-P Employee Share Option Scheme, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."
[See Explanatory Note (v)] **(Resolution 11)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 5 April 2012

EXPLANATORY NOTES:

(i) If re-appointed under Resolution 5, Mr Yao Hsiao Tung who is over the age of 70, will continue in office as Executive Chairman of the Board of Directors of the Company until the next Annual General Meeting.

(ii) If re-appointed under Resolution 6, Mr Chester Lin Chien who is over the age of 70, will continue in office as Independent Director of the Board of Directors of the Company until the next Annual General Meeting.

(iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors from the date of the above 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 9) 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 9) 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.

(iv) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares pursuant to the exercise of the options under the Hi-P Employee Share Option Scheme, together with the allotment and issue of shares pursuant to the Hi-P Employee Share Award Scheme, of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

(v) The Ordinary Resolution 11 proposed in item 11 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares pursuant to the vesting of awards under the Hi-P Employee Share Award Scheme, together with the allotment and issue of shares pursuant to the Hi-P Employee Share Option Scheme, of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

Notes:

1 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.

2 If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3 The instrument appointing a proxy must be deposited at the registered office of the Company at 11 International Business Park, Singapore 609926 not less than forty-eight (48) hours before the time for holding the Meeting.

HI-P INTERNATIONAL LIMITED
Company Registration Number 198004817H
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy Hi-P International Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
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.

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 (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Albizia Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Monday, 23 April 2012 at 2.00 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.

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2011		
2.	Payment of first and final dividend		
3.	Re-election of Madam Wong Huey Fang		
4.	Re-election of Madam Leong Lai Peng		
5.	Re-appointment of Mr Yao Hsiao Tung		
6.	Re-appointment of Mr Chester Lin Chien		
7.	Approval of Directors' fees for the year ended 31 December 2011		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
9.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
10.	Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme		
11.	Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme		

Dated this __________ day of __________ 2012

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 entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

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 proxy need not be a member of the Company.

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 130A of the Companies Act, Cap. 50 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 Company's registered office at **11 International Business Park, Singapore 609926**, 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.

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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

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