Innovating Through Capabilities
Breaking Through Boundaries

Hi-P International Limited
赫比国际有限公司

2014
Annual Report

CONTENTS

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 14 manufacturing plants globally located across six locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Nantong), and in 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.

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 (Independent 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 SECRETARIES

Tay Chee Wah
Chan Wan Mei

**Note: Mr Yeo Tiong Eng was re-designated from Non-Executive Director to an Independent Director with effect from 30 January 2015*

REGISTERED OFFICE

11 International Business Park
Singapore 609926
Tel: (65) 6268 5459
Fax: (65) 6564 1787
Website: www.hi-p.com

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898

AUDITOR

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

AUDIT PARTNER-IN-CHARGE

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

CHAIRMAN'S STATEMENT

"ALTHOUGH THE MARKET SITUATION REMAINS VOLATILE, I BELIEVE WE ARE SERVING THE RIGHT PRODUCT MARKET THAT STILL HAS MUCH ROOM TO GROW. IN FY2014, WE IMPLEMENTED SEVERAL KEY MEASURES THAT WILL POSITION THE GROUP FOR GROWTH IN FY2015 AND BEYOND. "

Dear Shareholders,

YEAR IN REVIEW

The global economic landscape remained subdued in 2014. United States recovered strongly as opposed to the rest of the world[1]. Despite the uncertain economic environment, the industries that we are operating in performed relatively well in 2014.

According to Consumer Electronics Association ("CEA"), the consumer electronics industry generated over US$1 trillion worldwide in 2014, up 1% from 2013, driven by smartphones and tablets. Worldwide smartphone shipments achieved a record 1.3 billion units for 2014, up 27.6% according to IDC. Similarly, tablet shipments increased 4.4% from 2013, totaling 229.6 million units in 2014.

For Hi-P International Limited and its subsidiaries (collectively, "Hi-P" or the "Group"), the financial year ended 31 December 2014 ("FY2014") was a year of investment and foundation building towards a sustainable future. With our spirit of perseverance, we overcame the situation where two of our key customers lost market share, by streamlining our cost structure and prospects for new businesses. As such, we recorded a net profit attributable to shareholders of S$10.5 million for FY2014, as compared to S$6.4 million previously.

Although the market situation remains volatile, I believe we are serving the right product market that still has much room to grow. While the market is advancing rapidly, we recognise the need to continuously monitor market conditions and adopt appropriate measures to ensure our success.

In FY2014, we implemented several key measures that will position the Group for growth in FY2015 and beyond.

FOCUSING ON METAL PROCESSING AND TECHNOLOGY ACQUISITION

With mobile technology transforming our lives through connectivity and convenience, smartphones have become an indispensible product. This is reflected in the growing smartphone penetration globally[2]. Industry players have been aesthetically enhancing their products to offer consumers a premium design that matches the innovative functionality of their phones[3]. This prompted an industry-wide transition from plastic to metal casing for smartphones in 2014 as smartphone vendors try to differentiate their products amidst stiff competition.

Riding on the shift in industry trend, Hi-P transformed itself quickly by focusing on more metal processes in its wireless business segment. We resumed the construction of our Nantong plant (phase 1A) in late June 2014 to accommodate the expected order demand from our existing and new customers. With a site area of approximately 65,000 sqm, the construction of the Nantong plant was successfully completed at the end of FY2014. Production is targeted to commence progressively from the second quarter of 2015, after we have allocated the necessary resources and completed the testing of our machines on site.

Apart from our investment in the Nantong plant, we acquired a number of Computer Numerical Control ("CNC") machines which will cater to our expected increase in demand for metal

[1] *World Bank, Global Economic Prospects to Improve in 2015, But Divergent Trends Pose Downside Risks, Says WB, 13 January 2015*
[2] *Forrester, Forrester Research World Mobile And Smartphone Adoption Forecast, 2014 To 2019 (Global), 8 August 2014*
[3] *Forbes, 2015 is the year of the mobile web – Is your website ready, 24 February 2015*

processing. Prudently, we also leased some of our CNC machines from external vendors. At the end of FY2014, our total CNC machines have more than doubled from the start of FY2014.

The number of processes involved for metal-related projects varies. Particularly for sophisticated products, it requires over 90 processes to accomplish the job. Being new to metal processing, we invested significant time and effort in acquiring the relevant skills and talent in FY2014. Despite the initial steep learning curve, our diligence in maximising efficiency and improving product quality paid off as we achieved our targeted yield at the end of FY2014.

Largely due to our investment in metal-related functions, we incurred a capex of S$113.9 million in FY2014.

RESTRUCTURING BUSINESS UNITS

We have also recognised the need to expand our customer base, and increase our order allocation with existing customers. To cope with the expected business growth from our existing revenue of almost S$1 billion, we restructured our business into four business units ("BU") by customer segments, Electronic Manufacturing Services ("EMS")/ Original Design Manufacturer ("ODM"), Greater China, International, and Consumer Electronics. This allows us to diversify our customer base, and to pursue new customers to reduce reliance on a few key customers which affected Hi-P in the past few years. We expect these four BUs to develop within their respective segments and drive multiplier growth for Hi-P.

In addition, this BU approach enables us to provide dedicated services to different customer segments as they have varying needs and growth. With this implementation, we noticed an improvement in our responsiveness towards customers' demands.

In addition, industry veteran Mr Tay Ewee Liang has been appointed as Deputy CEO of the Group in May 2014 to oversee the four BUs. I am confident that we will see more valuable contributions from him in driving the Group's growth.

STREAMLING COST STRUCTURE TO MITIGATE COST CHALLENGES

One of the many key challenges in managing businesses in recent years is the rising business costs. To overcome this, we streamlined our cost structure to remain lean as well as increased our operational efficiency via consolidation. During the year, we relocated our ODM business from Tianjin to Suzhou, as well as consolidated our plastic operations, and our metal operations. We expect to see the positive impact of our prudent cost management efforts in FY2015.

EXPANDING ODM BUSINESS

In FY2014, we started expanding the ODM customer base with ventures into many different product segments. In the year, we created our greatest ODM product to date - the noteworthy Yotaphone 2. Co-designed with Yota and manufactured by Hi-P, the Yotaphone 2 is the world's first dual screen smartphone that comes with an e-ink display and curve edges. Launched in the last quarter of 2014, we are excited that this smartphone has already been introduced to many geographical markets such as Moscow, London, the United Arab Emirates and various Southeast Asia countries.

Apart from smartphones, Hi-P is also expanding into other wireless products, as well as lifestyle and medical segments to ride on the growing Internet of Things[4] market.

RESULT OF OUR KEY MEASURES

We took thorough considerations and firm steps to carry out the above mentioned key measures, and have started to realise the

[4]Gartner, Inc. forecasted that 4.9 billion Internet of Things devices would be in use in 2015, up 30% from 2014, and would reach 25 billion units by 2020.

benefits on the Group. As we progressed with improvements in our metal processing and increased responsiveness towards customers' demands, we have gained confidence from our customers. Notably, one of our customers will co-invest with us for its new metal-processing project in the coming year. This showcased their confidence in us and their intention to form lasting partnerships.

OUR OUTLOOK

Looking ahead, I am positive that Hi-P is well-positioned for growth with the strong foundation built in FY2014. To achieve greater results for our metal operations, we will continue to work towards enhancing our efficiency through improvement in cycle time and reduction in resources wastage. We strive to progress rapidly to become a major player in the metal-processing industry.

As we continue to aim for sustainable growth by providing a one-stop solution to fulfill our customers' needs, we will proactively monitor market conditions and refine our business operations and processes where necessary.

Barring any other unforeseen circumstances, the Group expects to generate higher revenue and profit in FY2015 as compared to FY2014.

APPRECIATION & DIVIDEND

In closing, I would like to thank our shareholders, Board of Directors, customers, suppliers and business associates who have faithfully supported us in overcoming our challenges during the year.

I am pleased to announce that the Board has recommended a final dividend of 1.0 Singapore cents, subject to shareholders' approval at the upcoming Annual General Meeting. I look forward to meeting you at our Annual General Meeting on 28 April 2015.

Mr Yao Hsiao Tung
Executive Chairman and
Chief Executive Officer
Hi-P International Limited
2 April 2015

OPERATIONS AND FINANCIAL REVIEW

"IN ADDRESSING A DECLINE IN REVENUE, WE HAVE ADOPTED THE STRATEGY OF INCREASING ALLOCATION FROM EXISTING CUSTOMERS AND DIVERSIFYING CUSTOMER BASE. BARRING ANY OTHER UNFORESEEN CIRCUMSTANCES, WE EXPECT TO RECORD HIGHER REVENUE AND PROFITABILITY IN FY2015 AS COMPARED TO FY2014."

For FY2014, the Group's overall revenue decreased by 24.6% year-on-year ("yoy") to S$951.4 million in FY2014 mainly due to a decline in orders from two key customers as a result of the drop in their market demand and changes in business direction. The Group mitigated the decline with new orders from both existing and new customers as part of its strategy to increase allocation from existing customers and diversify customer base.

Largely attributable to the lower revenue, gross profit decreased by 28.2% yoy to S$70.0 million. Albeit a positive shift in product mix and lower inventory provisions, the decrease in labour costs and depreciation were slower as compared to the decrease in revenue[1], resulting in a slight gross profit margin drop from 7.7% in FY2013 to 7.4% in FY2014.

The Group's performance was boosted by other income, which increased by 77.4% yoy to S$19.7 million in FY2014. The increase was mainly attributable to the insurance claim of S$5.2 million received in connection with the fire that occurred at one of the manufacturing plants in Shanghai in 2013, as well as a gain of S$4.0 million recognized following the liquidation of Hi-P Mexico.

The reversal of warranty provision of S$6.9 million, in view of the expiry of warranty period, further contributed to the Group's FY2014 performance. Coupled with the Group's continual push for better cost control initiatives, total selling and distribution and administrative expenses decreased by 21.5% yoy to S$71.0 million in FY2014.

Other expenses decreased by 50.1% yoy to S$3.8 million in FY2014, which was mainly due to lower impairment loss on property, plant and equipment of S$1.6 million in FY2014 versus S$12.9 million in FY2013. The impairment loss of S$12.9 million in FY2013 mainly comprised the S$8.4 million impairment loss due to the consolidation and relocation of the Tianjin plant to Suzhou, and S$3.8 million impairment loss due to the fire that occurred at one of the manufacturing plants in Shanghai in 2013.

The decrease in other expenses was also contributed by higher net foreign exchange gain of S$4.0 million in FY2014 (FY2013: S$0.9 million) which arose mainly from appreciation of USD against RMB and SGD, offset by net fair value loss on derivatives used for currency hedging of S$5.2 million (FY2013: gain S$6.9 million) resulting from changes in fair value of derivatives.

The Group recorded an income tax expense of S$5.2 million in FY2014, representing an effective tax rate of 33.4% versus 42.8% in FY2013. The higher effective tax rate, as compared to the respective statutory tax rates of the various entities within the Group, was mainly due to deferred tax assets not being recognized in FY2014 on certain unutilized tax losses based on conservative accounting approach.

As a result of the above factors, the Group achieved net profit after tax of S$10.5 million in FY2014 versus a net profit after tax of S$6.4 million in FY2013.

Net cash generated from operating activities before working capital changes was S$98.9 million in FY2014 (FY2013: S$128.8 million). Net cash generated from operating activities in FY2014 amounted to S$79.2 million (FY2013: S$82.0 million).

Net cash used in investing activities was S$105.4 million in FY2014 (FY2013: S$67.8 million), mainly due to net cash outflow for purchase of capital expenditure amounting to S$108.6 million.

Net cash generated from financing activities was S$102.2 million in FY2014 (FY2013: net cash used in financing activities was S$58.0 million), mainly due to net proceeds from loans and borrowings amounting to S$108.1 million.

As at 31 December 2014, current and non-current loans and borrowings increased by 108.5% yoy to S$215.3 million, mainly used for general working capital and hedging purposes. Cash and cash equivalents and short term deposits pledged increased by 53.4% yoy to S$213.1 million as at 31 December 2014. As total debt was S$215.3 million, the Group was in a net debt position of S$2.2 million (31 December 2013: net cash S$35.7 million).

[1]The slower pace of decrease in labour costs was mainly due to the increase in minimum wages imposed by the applicable local governmental authorities in the PRC.

BOARD OF DIRECTORS

MR YAO HSIAO TUNG

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

MDM WONG HUEY FANG

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

MR YEO TIONG ENG

MR YEO TIONG ENG is an ***Independent Director*** of the Group. He was appointed to the Board in April 1987. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Master of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo was formerly a Vice-President Finance of Molex Global Commercial Products Division and is a member of the Institute of Singapore Chartered Accountants. He also served as a board member to Nanyang Business School Undergraduate Advisory Board from 2006 to 2014.

MRS JENNIFER YEO (Mdm Leong Lai Peng)

MRS JENNIFER YEO (Mdm Leong Lai Peng) is an ***Independent Director*** of the Group. She was appointed to the Board in November 2006. Mdm Leong chairs the board of directors of Yeo-Leong & Peh LLC, the successor of the partnership and before that the sole proprietorship 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. She is a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mdm Leong is the Chairman of Viva Foundation for Children with Cancer, which she founded in 2006 in Singapore and has the status of an Institution of Public Character. She is also the Chairman of Viva China Children's Cancer Foundation Limited incorporated in Hong Kong in December 2014 as a separate legal entity from the one in Singapore.

MR CHESTER LIN CHIEN

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

MR GERALD LIM THIEN SU

MR GERALD LIM THIEN SU, PBM, is an ***Independent Director*** of the Group. He was appointed to the Board in November 2010. Mr Lim is the Chief Executive Officer (Trade Credit, Financial & Political Risks – Asia) of Marsh, the President of the Singapore Insurance Brokers Association, and Honorary Consul of the Republic of Slovenia. He also serves as Chairman of Tampines Central Citizens Consultative Committee, and member of the Council of Education of the Methodist Church in Singapore. Mr Lim also sits on the Boards of Ju Eng Home for Senior Citizens, 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

TAY EWEE LIANG
Deputy Chief Executive Officer

TAY EWEE LIANG is the ***Deputy Chief Executive Officer*** of the Group and is responsible for setting the Group overall corporate direction, as well as assisting the Executive Chairman and Chief Executive Officer in day-to-day operations, management and oversight of the Group business and support functions. Prior to joining the Group on 2 May 2014, Mr Tay was the Corporate Vice President of Global Operations, Supply Chain, Motorola Inc., and President of Motorola Singapore. Mr Tay holds a Bachelor of Engineering degree (major in Electronics & Electrical) with First Class Honors and a Master of Science degree (major in Electronics & Electrical), both from the National University of Singapore.

SAMUEL YUEN CHUNG SANG
Chief Financial Officer

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

GARY HO HOCK YONG
Chief Operating Officer (Greater China Business Unit)

GARY HO HOCK YONG is the ***Chief Operating Officer (Greater China Business Unit)*** of the Group, and is also responsible for managing the Group's Flex Business Operations. 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, Managing Director for Corporate Business Development, Chief Operating Officer (Operation and Supply Chain Management) and Chief Operating Officer (OEM / Flex Business Unit) within the Group. Mr Ho holds a diploma in Production Technology from the German Singapore Institute.

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

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

SUBSIDIARIES – NORTH CHINA

Hi-P Tianjin Electronics Co., Ltd.
Factory 8, 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 8, 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,
the PRC

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.
77 Block 3, 1st floor Area A Jin Wen Road,
Zhu Qiao Kong Gang Industrial,
Pudong New District, Shanghai, the PRC

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

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

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

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

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

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

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

Hi-P (Nantong) Technology Co., Ltd.
No.3, Shanghai Road, Nantong
Economic & Technological Development
Area Jiangsu, the PRC

SUBSIDIARIES – WEST CHINA

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

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

SUBSIDIARIES – AMERICA

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

SUBSIDIARIES – OTHER

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

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

Hi-P Poland SP. ZO.O.
ul. Magazynowa 8, Bielany Wroclawskie
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

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 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 revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (the "Code"). 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: The Board's Conduct of Affairs

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

Executive Directors

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

Independent Directors

Mr Chester Lin Chien
Mdm Leong Lai Peng
Mr Gerald Lim Thien Su
Mr Yeo Tiong Eng (Re-designated from Non-Executive Director to an Independent Director with effect from 30 January 2015)

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

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

(b) establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

(c) reviewing management performance;

(d) setting the Group's values and standards, and ensuring that obligations to shareholders and other stakeholders are understood and met;

(e) nominating Directors to the Board;

(f) appointing of key personnel;

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

(h) assuming responsibility for corporate governance; and

(i) considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board has formed three committees, namely, Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). These committees function within written terms of reference and operating procedures to ensure good corporate governance in the Company and within the Group. Each committee reports to the Board with their recommendations. The ultimate responsibility for final decision on all matters lies with the entire Board.

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

The Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Group.

Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when circumstances require. The Company's 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 nine meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:-

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	**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	9	9	–	–	–	–	–	–
Mdm Wong Huey Fang	9	9	–	–	–	–	–	–
Mr Yeo Tiong Eng	9	9	4	4	2	2	–	–
Mr Chester Lin Chien	9	8	–	–	2	2	1	1
Mdm Leong Lai Peng	9	7	4	3	2	2	1	1
Mr Gerald Lim Thien Su	9	8	4	4	–	–	1	1

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

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. No new Director has been appointed during the financial year.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises six Directors, four of whom are independent Directors. Details of the Board composition are as follows:-

Name of Directors	Board Membership	Date of First Appointment	Date of Last Re-election/ Re-appointment	Audit Committee	Nominating Committee	Remuneration Committee
Mr Yao Hsiao Tung	Executive Chairman and Chief Executive Officer	21.05.83	29.04.14	–	–	–
Mr Yeo Tiong Eng	Independent Director	01.04.87	29.04.13	Member	Member	–
Mdm Wong Huey Fang	Executive Director and Chief Administrative Officer	21.01.88	29.04.14	–	–	–
Mr Chester Lin Chien	Independent Director	04.08.04	29.04.14	–	Chairman	Member
Mdm Leong Lai Peng	Independent Director	09.11.06	29.04.14	Member	Member	Chairman
Mr Gerald Lim Thien Su	Independent Director	01.11.10	29.04.13	Chairman	–	Member

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

Although the Executive Chairman and Chief Executive Officer is the same person, there is an independent element on the Board in view that more than half of the Board comprises of independent Directors. The Board considers an "independent" Director as one who has no relationship with the Group (the Company and its related companies), its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company and the Group. As four of the Directors are deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. No individual or small group of individuals dominates the Board's decision-making process. The proportion of independent Directors on the Board complies with the Code.

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 balance and diversity of skill, experience, gender and knowledge. The Nominating Committee's policy in such review and the making of any recommendation to the Board takes into account a candidate's track record, age, experience, capabilities and other relevant factors. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring their experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

CORPORATE GOVERNANCE REPORT

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

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.

Mr Chester Lin Chien was appointed as a Director on 4 August 2004 and has served the Board for more than nine years. The NC had rigorously reviewed Mr Chester Lin's independence and, together with the Board, was of the view that Mr Chester Lin had demonstrated strong independent character and judgment in discharging his duty and responsibilities as an independent Director over the years. Mr Chester Lin had expressed his view, debated issues, challenged Management and sought clarification where deemed necessary. There is also no relationship which is likely to affect or could appear to affect his judgment.

Taking into account the above, the NC had recommended that Mr Chester Lin continues to be considered as an independent Director notwithstanding that he has served on the Board for more than nine years. The Board has accepted the NC's recommendation that Mr Chester Lin be considered independent.

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

Principle 6: Access to Information

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

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

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

Principle 3: Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer ("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 the six Board members are independent Directors and all the Board committees are chaired by the independent Directors. 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.

CORPORATE GOVERNANCE REPORT

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

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

Board Committees

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The current NC comprises the following three members, all of whom 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) reviewing and recommending candidates for appointment to the Board;

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

(c) reviewing and recommending to the Board plans for succession, in particular, of the Chairman, Chief Executive Officer and the key executives of the Company;

(d) evaluating the performance of the Board, the Board Committees and the Directors;

(e) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent Directors and having regard at all times to the principles of corporate governance and the Code;

(f) procuring that at least half of the Board shall comprise of independent Directors in view that the Chairman and Chief Executive Officer is the same person;

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

(h) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including independent Directors;

CORPORATE GOVERNANCE REPORT

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

(j) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board; and

(k) reviewing the adequacy of the Board's training and professional development programs.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. No new director has been appointed during the financial year.

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 Board assessment also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board.

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

The NC assessed the Board's performance as a whole in FY2014 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory.

Mr Chester Lin Chien is currently a director of Europtronic Group Ltd., a public company listed on the mainboard of SGX-ST. Except for Mr Chester Lin Chien as above stated, none of the other Directors currently holds, or had in the preceding three years from the date of this Report, held any directorship in any other listed company, other than their directorships in the Company.

Taking into consideration the Directors' board representations and other principal commitments, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

With regard to the responsibility of determining annually, and as and when circumstances require, if a Director is independent, each NC member will not take part in determining his own re-nomination or independence. Each Director is required to submit a return of independence to the Company Secretary as to his independence, who will submit the returns to the NC. The NC shall review the returns and determine the independence of each of the Directors and recommend to the Board. An independent Director shall notify the NC immediately, if as a result of a change in circumstances, he no longer meets the criteria for independence. The NC shall review the change in circumstances and make its recommendations to the Board. During the year, the NC has reviewed and determined that Mr Chester Lin Chien, Mdm Leong Lai Peng, Mr Gerald Lim Thien Su, and Mr Yeo Tiong Eng (who was reviewed in January 2015) are independent.

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.

CORPORATE GOVERNANCE REPORT

Mr Yeo Tiong Eng and Mr Gerald Lim Thien Su are subject to retirement pursuant to the Company's Articles of Association at the forthcoming AGM. The NC recommended that Mr Yeo Tiong Eng and Mr Gerald Lim Thien Su 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.

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

In making the recommendation, the NC had considered the Directors' overall contribution and performance. Key information regarding the Directors' academic and professional qualifications and other information is set out on page 6 of this Report.

Remuneration Committee ("RC")

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

The current RC comprises the following three members, all of whom are independent 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, procedure for setting remuneration and details of the specific remuneration packages for each Director such as Director's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind;

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

(c) determine the specific remuneration package for each Director and the Chief Executive Officer of the Company (or other executives of similar rank) if he is not an executive Director;

(d) consider the appropriate compensation the Directors' contracts of service, if any, would entail in the event of early termination; and

(e) considering the eligibility of Directors and key executives for benefits under long-term incentive schemes.

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

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

CORPORATE GOVERNANCE REPORT

The Company sets remuneration packages which:

(a) link rewards to corporate and individual performance and is aligned with the interests of shareholders and promote the long-term success of the Company; and

(b) are competitive and sufficient taking into consideration the remuneration and employment conditions within the same industry and in comparable companies to attract, retain and motivate Directors and key executives with adequate experience and expertise to manage the business and the operations of the Group.

The remuneration paid and payable to the Directors during the financial year ended 31 December 2014 are as follows:-

Remuneration Bands and Names of Directors	Salary %	Bonus %	Director's Fee %	Others %	Total %	Total Amount (S$'000)
S$1,200,000 - S$1,300,000						
Mr Yao Hsiao Tung	81	9	6	4	100	1,254
S$300,000 – S$400,000						
Mdm Wong Huey Fang	78	8	13	1	100	308
Below S$100,000						
Mr Yeo Tiong Eng	–	–	100	–	100	56
Mr Chester Lin Chien	–	–	100	–	100	58
Mdm Leong Lai Peng	–	–	100	–	100	68
Mr Gerald Lim Thien Su	–	–	100	–	100	66

The remuneration paid to key executives who are not Directors or the CEO of the Company during the financial year ended 31 December 2014 is as follows:

Remuneration Bands and Names of Officers	Salary %	Bonus %	Others %	Total %
S$500,000 – S$600,000				
Mr Gary Ho Hock Yong	80	11	9	100
S$400,000 – S$500,000				
Mr Samuel Yuen Chung Sang	87	10	3	100
Mr Tay Ewee Liang *	84	7	9	100

* The remuneration paid to Mr Tay Ewee Liang for FY2014 is pro-rated from the date of his appointment to office.

Due to competitive factors, the names of the top five key executives (other than those disclosed above), their respective remuneration bands and aggregate remuneration paid in FY2014 are not disclosed.

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

CORPORATE GOVERNANCE REPORT

The executive Directors have service agreements with the Company. Their compensation consists of salary, fixed fee, other benefits-in-kind and bonus (including performance bonus that comprises cash and/or shares under the 2003 ESOS, the ESAS and/or the 2014 ESOS (refered to below), 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.

For key management personnel, in addition to their monthly salary, they also receive bonus (including performance bonus that comprises cash and/or shares under the 2003 ESOS, the ESAS and/or the 2014 ESOS (referred to below)). The performance bonus is dependent on individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole. The performance conditions for FY2014 were not entirely met due to business and market conditions.

The brother of Mr Yao Hsiao Tung is Mr Yao Hsiao Kuang and his remuneration in FY2014 is in the band of between S$200,000 to S$300,000.

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$50,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "2003 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 2003 ESOS expired on 6 October 2013, and the Company had adopted a new Hi-P Employee Share Option Scheme 2014 on 29 April 2014 (the "2014 ESOS"). The 2003 ESOS, the ESAS and the 2014 ESOS all comply with the relevant rules as set out in Chapter 8 of the Listing Manual. Further information on the 2003 ESOS, the ESAS and the 2014 ESOS can be found on pages 25 to 29 of this Report.

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

Audit Committee ("AC")

Principle 12: Audit Committee

The current AC comprises of the following three members, all of whom are independent and non-executive Directors:

(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 significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance before submission to the Board for approval;

CORPORATE GOVERNANCE REPORT

(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;

(g) reviewing the effectiveness of the Group's internal audit function; and

(h) other functions as required by law or the Code.

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

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

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

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 9 to the financial statements on page 63. The AC is satisfied that the Group has complied with Rule 712 and Rule 715 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 and external parties with well defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices or other similar matters or raise serious concerns about possible incorrect financial reporting or other matters that could have an adverse impact on the Company. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. In promoting and creating awareness, the whistle-blowing policy and procedures are posted on the Company's intranet and a summarized version thereof on the Company's website so that employees as well as external parties can have access at all times to the information in the policy.

The AC 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.

CORPORATE GOVERNANCE REPORT

Principle 11: Risk Management and Internal Controls

Risk Management

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

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

The Board received assurance from CEO and CFO that the financial records have been properly maintained and the financial statements of the Company give a true and fair view of the Company's and Group's operations and finance, and an effective risk management and internal control systems have been put in place.

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.

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.

CORPORATE GOVERNANCE REPORT

The Board of Directors and the Audit Committee have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance controls. Based on the internal controls established and maintained by the Group, the internal and external auditors' reports, the summary of comfort matrix of the Group's key risks referred to above under "Risk Management" and reviews performed by the Management, the Board, with the concurrence of the Audit Committee, are of the opinion that a system of internal controls are in place and adequate as at 31 December 2014 and effective in addressing the financial, operational, compliance and information technology controls, and risk management systems of the Group in the current business environment.

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

Principle 13: Internal Audit

The internal audit function 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 ensuring 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. The AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group.

Communication with Shareholders

Principle 10: Accountability

The Board's primary role is to protect and enhance long-term value and returns for shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. In discharging its duties to shareholders, the Board, when reporting the Group's financial performance via announcements on the SGXNET and the Annual Report, has a responsibility to present a fair assessment of the Group's financial performance, position and prospects, which responsibility extends to interim and other price sensitive public reports and reports to regulators (if required). Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The Directors have access to Management at all times.

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

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

CORPORATE GOVERNANCE REPORT

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via SGXNET announcements, news releases and the Company's website. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information. All media and analyst briefings (which are normally conducted on a quarterly basis) would be attended by key Management.

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. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings.

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.

Securities Transactions
(Listing Manual Rule 1207(19))

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

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements between Mr Yao Hsiao Tung and Mdm Wong Huey Fang with the Company and the interested person transactions disclosed in this Annual Report, there were no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions (Listing Manual Rule 907)

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Molex International Inc & its group of companies		
- Transaction for Purchases of Goods and Services	$1,495,647	N.A.
- Transaction for Sales of Goods and Services	$373,341	N.A.

Corporate Social Responsibility – Environmental Management Systems

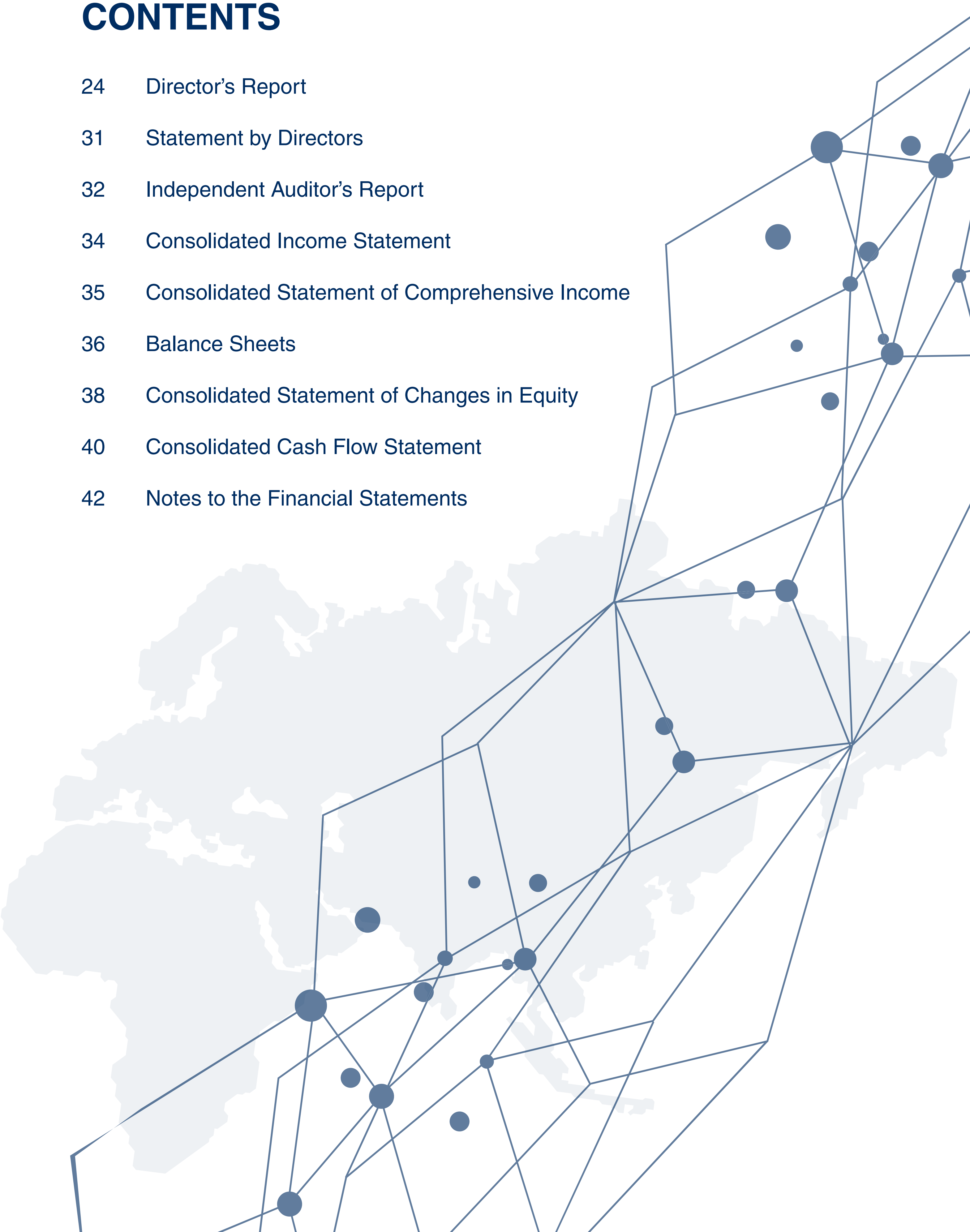
We believe in conducting our business in an environmentally friendly manner.

Our manufacturing sites operate within the internationally recognized ISO 14001 standards which require the maintenance of a comprehensive environmental management system that clearly defines and tracks our global performance to environmental goals and initiatives.

Under the ISO14001 system, we succeeded in achieving the goal set for FY2014. All off-gas and discharged waste water met with the local legal standards. Environment Impact Assessment was registered for all new projects to ensure our operations comply with legal requirement and minimize the impact on our environment.

We are also committed to expanding our environment management concept and standards to our whole supply chain. Our suppliers undergo our strict audit on a yearly basis and any supplier with poor environment performance and/or a potential risk of violation of legislation will be eliminated from our preferred supplier list.

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 2014.

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' interests in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Yao Hsiao Tung	492,520,480	492,576,144	–	–
Wong Huey Fang	1,351,000	1,358,751	–	–
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	2,000,000	2,000,000	–	–
Leong Lai Peng	300,000	300,000	–	–
Share options of the Company				
Yao Hsiao Tung	7,745,309	6,445,309	–	–
Wong Huey Fang	1,134,091	834,091	–	–
Share awards of the Company				
Yao Hsiao Tung	111,329	151,980	–	–
Wong Huey Fang	15,502	19,737	–	–

DIRECTORS' REPORT

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 2015.

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

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

4. Directors' contractual benefits

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and 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 and share awards

Share options

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

Other information regarding the Option Schemes are set out below:

(i) The exercise price of an option is determined at a price equal to the Market Price or a price which is set at a discount to the Market Price (subject to a maximum discount of 20%). Market Price in relation to an option is determined based on the average of the last dealt prices for the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) for the five consecutive trading days immediately preceding the date of grant of that option.

(ii) For options granted with an exercise price fixed at the Market Price ("Market Price Options"), 50% of the Market Price Options may be exercised after the 1st anniversary of the date of grant of such Market Price Options and the remaining 50% may be exercised after the 2nd anniversary of the date of grant of such Market Price Options. For options granted with an exercise price which is set at a discount to the Market Price ("Incentive Options"), 50% of the Incentive Options may be exercised after the 2nd anniversary from the date of grant of such Incentive Options and the remaining 50% may be exercised after the 3rd anniversary from the date of grant of such Incentive Options. The exercise period might vary, subject to any other conditions as may be introduced by the Committee from time to time.

DIRECTORS' REPORT

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

Share options (cont'd)

Other information regarding the Option Schemes are set out below (cont'd):

(iii) Options granted will expire 10 years after the grant date except for options granted to non-executive directors under the 2014 ESOS, which will expire 5 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

40,085,900 options were granted to directors and employees of the Company and its subsidiaries since the commencement of the Option Schemes to the end of the financial year under review.

Details of all options to acquire ordinary shares of the Company granted pursuant to the Option Schemes as at 31 December 2014 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2014	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed/ expired during the year	Options outstanding as at 31 December 2014	Exercise period
19/07/2004	$1.39	2,002,000	–	–	(2,002,000)	–	19/07/2005 to 18/07/2014
12/08/2005	$1.48	20,000	–	–	–	20,000	12/08/2006 to 11/08/2015
25/04/2006	$1.11	380,000	–	–	–	380,000	25/04/2007 to 24/04/2016
12/01/2010	$0.74	2,753,500	–	–	(499,000)	2,254,500	12/01/2011 to 11/01/2020
29/04/2010	$0.67	2,965,000	–	–	–	2,965,000	29/04/2011 to 28/04/2020
11/03/2011	$1.21	3,482,000	–	–	(586,000)	2,896,000	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
9/04/2012	$0.96	4,569,278	–	–	(796,409)	3,772,869	9/04/2013 to 8/04/2022
4/05/2012	$0.90	1,360,693	–	–	–	1,360,693	4/05/2013 to 3/05/2022
12/04/2013	$0.703	450,359	–	–	(47,862)	402,497	12/04/2014 to 11/04/2023
30/04/2013	$0.699	243,329	–	–	–	243,329	30/04/2014 to 29/04/2023
7/05/2014	$0.57	–	3,000,000	–	–	3,000,000	7/05/2015 to 6/05/2024
		21,199,159	3,000,000	–	(3,931,271)	20,267,888	

DIRECTORS' REPORT

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

Share options (cont'd)

During the financial year, 3,000,000 options were granted by the Company under the 2014 ESOS to its employee (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

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

	Options granted during financial year ended 31 December 2014	Aggregate options granted since commencement of scheme to 31 December 2014	Aggregate options exercised since commencement of scheme to 31 December 2014	Aggregate options expired since commencement of scheme to 31 December 2014	Aggregate options outstanding as at 31 December 2014
Yao Hsiao Tung (Director and Controlling Shareholder)	–	7,745,309	–	(1,300,000)	6,445,309
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	–	1,485,091	(351,000)	(300,000)	834,091
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	–	262,622	–	–	262,622
Total	–	9,493,022	(351,000)	(1,600,000)	7,542,022

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

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

DIRECTORS' REPORT

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

Share awards

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

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

(i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award which shall not exceed 50% of the annual bonus of the participant, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.

(ii) No minimum vesting periods are prescribed under the Award Scheme and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Award Scheme shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Award Scheme.

452,949 share awards were granted to the directors and employees of the Company and its subsidiaries since the commencement of the Award Scheme till the end of the financial year.

Details of all share awards of the Company granted pursuant to the Award Scheme as at 31 December 2014 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2014	Share awards granted during the year	Share awards vested during the year	Share awards cancelled/ lapsed during the year	Share awards outstanding as at 31 December 2014
12/04/2013	81,217	–	(39,490)	(10,790)	30,937
30/04/2013	130,700	–	(65,349)	–	65,351
7/05/2014	–	233,675	–	(21,193)	212,482
	211,917	233,675	(104,839)	(31,983)	308,770

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

DIRECTORS' REPORT

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

Share awards (cont'd)

During the financial year, 122,898 share awards were granted by the Company to its employees (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

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

	Share awards granted during financial year ended 31 December 2014	Aggregate share awards granted since commencement of scheme to 31 December 2014	Aggregate share awards vested since commencement of scheme to 31 December 2014	Aggregate share awards outstanding as at 31 December 2014
Yao Hsiao Tung (Director and Controlling Shareholder)	96,315	207,644	(55,664)	151,980
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	11,986	27,488	(7,751)	19,737
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	2,476	6,345	(1,934)	4,411
Total	110,777[1]	241,477	(65,349)	176,128

1 These share awards were granted on 7 May 2014. 50% of such share awards granted will vest on the 1st anniversary of the date of grant and the balance 50% will vest on the 2nd anniversary of the date of grant.

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

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

The total number of share options and share awards granted as at 31 December 2014 do not exceed 15% of the total number of issued shares of the Company.

DIRECTORS' REPORT

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. Auditor

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

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

2 April 2015

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 2014 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

2 April 2015

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Independent Auditor's Report 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 34 to 115 which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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.

Auditor's 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 auditor's 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 auditor considers 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014 and 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
Chartered Accountants
Singapore

2 April 2015

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		$'000	$'000
Revenue	4	951,396	1,262,467
Cost of sales		(881,387)	(1,164,916)
Gross profit		70,009	97,551
Other items of income			
Interest income	5	2,373	2,685
Other income	6	19,677	11,091
Other items of expense			
Selling and distribution expenses		(7,560)	(9,720)
Administrative expenses		(63,453)	(80,699)
Financial costs	7	(1,688)	(2,076)
Other expenses	8	(3,802)	(7,615)
Share of results of associates		157	(30)
Profit before tax	9	15,713	11,187
Income tax expense	11	(5,244)	(4,785)
Profit for the year		10,469	6,402
Attributable to:			
Owners of the Company		10,464	6,398
Non-controlling interests		5	4
		10,469	6,402
Earnings per share attributable to owners of the Company (cents per share)			
Basic	13	1.28	0.78
Diluted	13	1.28	0.78

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 2014

	2014	2013
	$'000	$'000
Profit for the year	10,469	6,402
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	6,264	27,770
Share of other comprehensive income of associates	41	143
Other comprehensive income for the year, net of tax	6,305	27,913
Total comprehensive income for the year	16,774	34,315
Attributable to:		
Owners of the Company	16,748	34,254
Non-controlling interests	26	61
Total comprehensive income for the year	16,774	34,315

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	14	384,130	346,382	15,090	16,028
Intangible assets	15	4,531	5,689	12	12
Land use rights	16	12,498	12,564	–	–
Investment in subsidiaries	17	–	–	247,882	253,155
Investment in associates	18	2,089	1,930	984	984
Other receivables	20	–	–	117,115	91,082
Other long term asset	22	67	151	–	–
Deferred tax assets	27	26,566	21,121	–	–
		429,881	387,837	381,083	361,261
Current assets					
Inventories	19	223,082	163,417	4,168	3,369
Trade and other receivables	20	372,857	322,540	45,161	9,168
Prepaid operating expenses		9,319	11,048	194	104
Derivatives	21	134	2,650	–	7
Short term deposits pledged	23	4,958	6,970	–	–
Cash and cash equivalents	23	208,146	131,621	12,817	16,344
		818,496	638,246	62,340	28,992
Assets of disposal group classified as held for sale	12	–	389	–	–
		818,496	638,635	62,340	28,992
Current liabilities					
Trade and other payables	24	339,013	247,592	8,199	10,421
Accrued operating expenses		68,354	51,428	7,567	4,140
Provisions	25	–	7,063	–	–
Loans and borrowings	26	212,477	101,632	37,015	12,624
Income tax payable		12,379	16,379	530	–
Derivatives	21	3,352	119	611	119
		635,575	424,213	53,922	27,304
Liabilities directly associated with disposal group classified as held for sale	12	–	156	–	–
		635,575	424,369	53,922	27,304

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Net current assets		182,921	214,266	8,418	1,688
Non-current liabilities					
Loans and borrowings	26	2,785	1,601	232	–
Deferred tax liabilities	27	3,088	1,443	1,770	–
		5,873	3,044	2,002	–
Net assets		606,929	599,059	387,499	362,949
Equity attributable to owners of the Company					
Share capital	28(a)	119,725	119,725	119,725	119,725
Treasury shares	28(b)	(51,035)	(50,361)	(51,035)	(50,361)
Accumulated profits	29	474,579	469,249	309,387	284,880
Other reserves	29	62,650	55,425	9,422	8,705
Reserve of disposal group classified as held for sale	12	–	4,037	–	–
		605,919	598,075	387,499	362,949
Non-controlling interests		1,010	984	–	–
Total equity		606,929	599,059	387,499	362,949

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 2014

	Attributable to owners of the Company							
Group	Share capital (Note 28(a)) $'000	Treasury shares (Note 28(b)) $'000	Other reserves (Note 29) $'000	Reserve of disposal group classified as held for sale (Note 12) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Opening balance at 1 January 2014	119,725	(50,361)	55,425	4,037	469,249	598,075	984	599,059
Profit for the year	–	–	–	–	10,464	10,464	5	10,469
Other comprehensive income								
Foreign currency translation	–	–	6,245	–	(2)	6,243	21	6,264
Share of other comprehensive income of an associated company	–	–	56	–	(15)	41	–	41
Other comprehensive income for the year, net of tax	–	–	6,301	–	(17)	6,284	21	6,305
Total comprehensive income for the year	–	–	6,301	–	10,447	16,748	26	16,774
Contributions by and distributions to owners								
Employee share option and award schemes – Equity compensation benefits (Note 29(d))	–	–	793	–	–	793	–	793
Purchase of treasury shares (Note 28(b))	–	(750)	–	–	–	(750)	–	(750)
Treasury shares reissued pursuant to employee share award scheme (Note 28(b))	–	76	(76)	–	–	–	–	–
Dividends on ordinary shares (Note 31)	–	–	–	–	(4,910)	(4,910)	–	(4,910)
Total transactions with owners in their capacity as owners	–	(674)	717	–	(4,910)	(4,867)	–	(4,867)
Others								
Transfer from retained earnings to statutory reserve fund (Note 29(a))	–	–	207	–	(207)	–	–	–
Reserves recognised in profit or loss following the liquidation of a subsidiary	–	–	–	(4,037)	–	(4,037)	–	(4,037)
Total others	–	–	207	(4,037)	(207)	(4,037)	–	(4,037)
Closing balance at 31 December 2014	119,725	(51,035)	62,650	–	474,579	605,919	1,010	606,929

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 2014

	Attributable to owners of the Company							
Group	**Share capital (Note 28(a))** $'000	**Treasury shares (Note 28(b))** $'000	**Other reserves (Note 29)** $'000	**Reserve of disposal group classified as held for sale (Note 12)** $'000	**Accumulated profits** $'000	**Total equity attributable to owners of the Company** $'000	**Non-controlling interests** $'000	**Total equity** $'000
Opening balance at 1 January 2013	119,725	(44,285)	25,088	3,890	474,409	578,827	923	579,750
Profit for the year	–	–	–	–	6,398	6,398	4	6,402
Other comprehensive income								
Foreign currency translation	–	–	27,713	–	–	27,713	57	27,770
Share of other comprehensive income of an associated company	–	–	149	–	(6)	143	–	143
Other comprehensive income for the year, net of tax	–	–	27,862	–	(6)	27,856	57	27,913
Total comprehensive income for the year	–	–	27,862	–	6,392	34,254	61	34,315
Contributions by and distributions to owners								
Employee share option and award schemes – Equity compensation benefits (Note 29(d))	–	–	978	–	–	978	–	978
Purchase of treasury shares (Note 28(b))	–	(6,076)	–	–	–	(6,076)	–	(6,076)
Dividends on ordinary shares (Note 31)	–	–	–	–	(9,908)	(9,908)	–	(9,908)
Total transactions with owners in their capacity as owners	–	(6,076)	978	–	(9,908)	(15,006)	–	(15,006)
Others								
Transfer from retained earnings to statutory reserve fund (Note 29(a))	–	–	1,644	–	(1,644)	–	–	–
Reserve attributable to disposal group classified as held for sale (Note 12)	–	–	(147)	147	–	–	–	–
Total others	–	–	1,497	147	(1,644)	–	–	–
Closing balance at 31 December 2013	119,725	(50,361)	55,425	4,037	469,249	598,075	984	599,059

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 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Profit before tax		15,713	11,187
Adjustments for:			
Depreciation of property, plant and equipment	14	77,749	86,561
Amortisation of intangible assets	15	1,409	916
Amortisation of land use rights	16	266	263
Impairment loss on property, plant and equipment	14	1,551	12,923
Net loss on disposal of property, plant and equipment	8	24	257
Property, plant and equipment written off	8	1,540	211
Inventory provisions	19	9,516	13,577
Inventories written back	19	(508)	(2,060)
(Reversal of provision)/ provision for warranty costs	25	(6,942)	3,014
Write-back on doubtful receivables	9	(200)	(293)
Bad debts recovered	9	–	(68)
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	9	(180)	1,548
Trade/ other payables written off	6	(692)	(429)
Equity compensation expense	9	793	978
Financial costs	7	1,688	2,076
Interest income	5	(2,373)	(2,685)
Net fair value loss/ (gain) on derivatives- unrealised		5,749	(1,807)
Net unrealised exchange difference		(2,104)	2,591
Net gain on liquidation of investment in subsidiaries	6,8	(3,937)	–
Share of results of an associated company		(157)	30
Operating cash flows before changes in working capital		98,905	128,790
Changes in working capital			
Increase in inventories		(65,438)	(19,982)
(Increase)/ decrease in trade and other receivables		(47,387)	14,546
Decrease in prepaid operating expenses and other long term asset		2,004	6,027
Increase/ (decrease) in trade and other payables		86,389	(59,389)
Increase in accrued operating expenses		16,428	19,559
Total changes in working capital		(8,004)	(39,239)
Cash flows generated from operations		90,901	89,551
Income taxes paid		(11,750)	(7,571)
Net cash flows generated from operating activities		79,151	81,980

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Cash flows from investing activities			
Dividends received from an associated company		–	150
Interest received		1,942	2,525
Proceeds from disposal of property, plant and equipment		1,266	2,886
Purchase of property, plant and equipment	a	(108,336)	(66,187)
Acquisition of intangible assets	a	(251)	(472)
Acquisition of land use rights		–	(6,732)
Net cash flows used in investing activities		(105,379)	(67,830)
Cash flows from financing activities			
Decrease in short term fixed deposits pledged		2,012	4,521
Dividends paid on ordinary shares	31	(4,910)	(9,908)
Purchase of treasury shares	28(b)	(750)	(6,076)
Interest paid	7	(1,688)	(2,076)
Repayment of loans and borrowings		(208,280)	(110,856)
Proceeds from loans and borrowings		316,419	66,925
Repayments of obligations under finance lease		(647)	(558)
Net cash flows generated from/ (used in) financing activities		102,156	(58,028)
Net increase/ (decrease) in cash and cash equivalents		75,928	(43,878)
Effect of exchange rate changes on cash and cash equivalents		284	8,741
Cash and cash equivalents at beginning of year		131,934	167,071
Cash and cash equivalents at end of year		208,146	131,934

Note to Consolidated Cash Flow Statement

(a) Purchase of property, plant and equipment and intangible assets

	Note	2014 $'000	2013 $'000
Current year additions	14,15	113,893	77,254
Less: Payable to creditors		(18,662)	(32,164)
Acquired by means of finance leases		(4,690)	–
		90,541	45,090
Payments for prior year purchases		18,046	21,569
Net cash outflow for purchase		108,587	66,659

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. Corporate information

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

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

The principal activities of the Company are design and fabrication of mold ("MDF"), precision plastic injection molding ("PPIM"), assembly and provision of ancillary value-added services (mainly surface finishing services). The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment and* FRS 38 *Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

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

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(d) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 1 *Disclosure initiative*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial instruments*	1 January 2018

Except for FRS 115, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the period of initial application. The nature and the impending changes in accounting policy on adoption of FRS 115 is described below.

FRS 115 Revenue from contracts with customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

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

(a) Basis of consolidation (cont'd)

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

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

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

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

(b) Business combinations

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

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 profit or loss.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

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

(b) Business combinations (cont'd)

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

2.5 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.6 Subsidiaries

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

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

2.7 Transactions with non-controlling interests

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

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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 the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.8 Associates (cont'd)

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 the end of each reporting period 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.

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.

2.9 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 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:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.9 Property, plant and equipment (cont'd)

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

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

2.10 Intangible asset

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

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

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

(a) Club membership

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 10 years.

(b) Licensed rights

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

2.11 Land use rights

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

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 an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of disposal, recent market transactions are taken into account. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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 instruments

(a) Financial assets

<u>*Initial recognition and measurement*</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

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

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

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

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

(ii) Loan and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

De-recognition

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

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost

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

De-recognition

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

2.14 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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)*

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

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

(b) *Financial assets carried at cost*

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

2.15 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. These costs are assigned on a first-in first-out basis.

Where necessary, adjustment is made 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, less short term deposits pledged.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.17 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.

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

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiaries incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations.

Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

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

(b) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.19 Employee benefits (cont'd)

(c) Employee share option schemes

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

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. 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.

(d) Employee share award schemes

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

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.20 Leases (cont'd)

(a) Finance lease

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

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

(b) Operating lease

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

2.21 Assets of disposal group classified as held for sale

Assets of disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets of disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset of disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.22 Revenue

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.22 Revenue (cont'd)

(b) *Service income*

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

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

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

2.23 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 the accounting profit nor taxable profit or loss; and

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

2.24 Share capital and share issuance expenses

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

2.25 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.

2.26 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.

2.27 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Significant accounting judgements and estimates

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

3.1 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 consolidated 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 2014 were $12,379,000 (2013: $16,379,000) and $23,478,000 (2013: $19,678,000) 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 2014 was $150,504,000 (2013: $132,026,000) and the unrecognised tax losses as at 31 December 2014 was $136,193,000 (2013: $138,518,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at least on an annual basis. When impairment indicator exists, the computation of impairment requires an estimation of the value in use of the cash-generating units which required the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was $384,130,000 (2013: $346,382,000). More details are given in Note 14.

4. Revenue

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

5. Interest income

	Group	
	2014	**2013**
	$'000	$'000
Interest income from loans and receivables:		
- Bank balances and short term deposits	2,373	2,685

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

6. Other income

	Group 2014 $'000	Group 2013 $'000
Sale of scrap materials	3,620	4,120
Sale of molding samples	587	394
Compensation from customers	1,979	2,259
Incentives from government[1]	1,220	3,329
Service income from testing/ rework conducted for customers	2,411	560
Trade/ other payables written off	692	429
Insurance claim	5,172	–
Gain on liquidation of investment in a subsidiary	3,996	–
	19,677	11,091

[1] Incentives from government include mainly subsidies received from government in China to ease the business costs, childcare leave grants, special employment credit for older employees from Singapore government and PIC bonus from Inland Revenue Authority of Singapore ("IRAS").

7. Financial costs

	Group 2014 $'000	Group 2013 $'000
Interest expense on		
- Term loans and other bank facilities	1,515	1,857
- Obligations under finance leases	173	219
	1,688	2,076

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8. Other expenses

	Group	
	2014	**2013**
	$'000	$'000
Net loss on disposal of property, plant and equipment	24	257
Property, plant and equipment written off	1,540	211
Impairment loss on property, plant and equipment	1,551	12,923
Net fair value loss/ (gain) on derivatives	5,179	(6,941)
Net foreign exchange gain	(4,019)	(850)
Net gain on sale of raw materials	(13)	(114)
Loss on liquidation of investment in a subsidiary	59	–
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(180)	1,548
Others	(339)	581
	3,802	7,615

9. Profit before tax

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

	Group	
	2014	**2013**
	$'000	$'000
Audit fees:		
- Auditor of the Company	736	745
- Other auditors[2]	126	122
Non-audit fees:		
- Auditor of the Company	215	427
- Other auditors[2]	12	113
Total audit and non-audit fees[1]	1,089	1,407

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

[2] Other auditors refer to local auditors in respective countries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

9. Profit before tax (cont'd)

	Group 2014 $'000	Group 2013 $'000
Depreciation of property, plant and equipment	77,749	86,561
Amortisation of intangible assets	1,409	916
Amortisation of land use rights	266	263
Directors' fees	358	358
Directors' remuneration (Note 10)		
- Directors of the Company [1]	1,463	1,486
Other personnel expenses (Note 10)	270,850	296,350
Equity compensation expense (Note 10)	793	978
Impairment loss on property, plant and equipment	1,551	12,923
Net loss on disposal of property, plant and equipment	24	257
Property, plant and equipment written off	1,540	211
Inventory provisions	9,516	13,577
Inventories written back	(508)	(2,060)
(Reversal of provision)/ provision for warranty costs	(6,942)	3,014
Bad debts recovered	–	(68)
(Write back)/ impairment loss on doubtful receivables		
- Trade receivables	(277)	(281)
- Other receivables	77	(12)
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(180)	1,548
Trade/ other payables written off	(692)	(429)
Inventories recognised as an expense in cost of sales (Note 19)	510,639	751,359
Operating lease expenses (Note 32(b))	19,858	18,691

[1] Amount includes bonus amounting to approximately $143,000 (2013: $236,000) pursuant to the Service Agreement entered into with directors.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

10. Personnel expenses

	Group	
	2014	**2013**
	$'000	$'000
Wages, salaries and bonus	218,546	233,240
Defined contribution plans	28,597	31,137
Other short-term benefits	25,170	33,459
Equity compensation expense (Employee share option and award schemes (Notes 9 and 29(d)))	793	978
Total personnel expenses	273,106	298,814

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

Equity compensation benefits are disclosed in Note 30.

11. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013**
	$'000	$'000
Current income tax		
- Current income taxation	9,256	13,245
- (Excess provision)/ provision for Flat Rate Business Tax ("IETU")	(19)	197
- Over provision in respect of previous years	(850)	(995)
	8,387	12,447
Deferred tax		
- Origination and reversal of temporary differences	(3,041)	(9,162)
- Excess provision for IETU	–	(215)
- Effect of changes in tax rates	(325)	286
- Under provision in respect of previous years	223	1,429
	(3,143)	(7,662)
Income tax expense recognised in profit or loss	5,244	4,785

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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 2014 and 2013 are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Accounting profit before tax	15,713	11,187
Income tax expense at statutory rate of 17%	2,671	1,902
Tax effect of different tax rates of overseas operations	(1,279)	911
Tax effect of exempt income and rebate	(2,842)	(1,642)
Tax effect of non-deductible expenses	785	403
Tax effect of income not subject to taxation	(1,383)	(2,355)
Deferred tax assets not recognized	8,269	4,836
(Over)/ under provision in respect of previous years	(627)	434
Excess provision for IETU	(19)	(18)
Withholding tax	59	129
Effect of changes in tax rates[1]	(325)	286
Share of results of an associated company	37	44
Others	(102)	(145)
Income tax expense recognised in profit or loss	5,244	4,785

[1] In 2014, one of the subsidiaries in Shanghai obtained concessionary tax rate from China Tax Authority. Its tax rate has decreased from 25% to 15%. In 2013, the concessionary tax rate status for one of the subsidiaries in Shanghai expired. Its tax rate increased from 15% to 25%.

12. Disposal group classified as held for sale

On 16 July 2012, the Company announced the decision of its board of directors to cease business operation of one of its wholly-owned subsidiaries, High Precision Moulding and Tools, S.A. de C.V. ("Hi-P Mexico"), with effect from 30 September 2012. Hi-P Mexico remains a dormant company thereafter.

Activities corresponding to the liquidation process were concluded in November 2014. As at 31 December 2014, the assets and liabilities related to Hi-P Mexico have been liquidated. A gain of $3,996,000, which mainly arose from the related translation reserve, was recognised in profit or loss upon completion of the liquidation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

12. Disposal group classified as held for sale (cont'd)

Balance sheet disclosure

The major classes of assets and liabilities of Hi-P Mexico classified as held for sale and the related foreign currency translation reserve as at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Assets		
Trade and other receivables	–	75
Prepaid operating expenses	–	1
Cash and cash equivalents	–	313
Assets of disposal group classified as held for sale	–	389
Liabilities		
Trade and other payables	–	91
Accrued operating expenses	–	65
Liabilities directly associated with disposal group classified as held for sale	–	156
Net assets of disposal group classified as held for sale	–	233
Reserve		
Foreign currency translation reserve	–	4,037

13. Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

13. 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	
	2014	**2013**
Profit for the year attributable to owners of the Company ($'000)	10,464	6,398
Weighted average number of ordinary shares for basic earnings per share computation ('000)	818,160	821,066
Dilution effects of share awards/ share options ('000)	626	217
Weighted average number of ordinary shares for the effect of dilution ('000)	818,786	821,283
Basic earnings per share (cents)	1.28	0.78
Diluted earnings per share (cents)	1.28	0.78

There were 14,302,888 (2013: 21,199,159) options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Schemes which have not been included in the calculation of diluted earnings per share as the stock option exercise prices are above the market price.

Since the end of the financial year, senior executives have not exercised any options to acquire ordinary shares. There have been no other significant transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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14. Property, plant and equipment

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction -in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2013	16,936	45,348	19,798	83,271	463,808	1,119	36,009	666,289
Additions	–	–	43,081	9,297	15,552	68	2,663	70,661
Reclassification	–	3,311	(20,521)	6,419	9,010	–	1,781	–
Reclassification to land use rights	–	(4,918)	–	–	–	–	–	(4,918)
Disposals	–	–	–	(770)	(14,794)	–	(600)	(16,164)
Written off	(50)	(1)	–	(5,233)	(2,441)	–	(414)	(8,139)
Translation difference	–	2,568	621	4,962	26,121	40	1,983	36,295
At 31 December 2013 and 1 January 2014	16,886	46,308	42,979	97,946	497,256	1,227	41,422	744,024
Additions	–	–	20,201	11,539	78,806	686	2,410	113,642
Reclassification	–	–	(4,768)	3,744	–	–	1,024	–
Disposals	–	–	–	(3,048)	(17,599)	(480)	(1,145)	(22,272)
Written off	–	–	–	(11,080)	(8,865)	–	(203)	(20,148)
Translation difference	–	21	1,754	2,228	8,723	15	743	13,484
At 31 December 2014	16,886	46,329	60,166	101,329	558,321	1,448	44,251	828,730

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction -in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment loss								
At 1 January 2013	4,218	11,510	–	39,717	217,241	872	28,819	302,377
Charge for the year	314	3,550	–	12,373	65,233	107	4,984	86,561
Impairment loss provided	–	–	–	5,751	7,167	–	5	12,923
Reclassification	–	–	–	73	–	–	(73)	–
Reclassification to land use rights	–	(417)	–	–	–	–	–	(417)
Disposals	–	–	–	(767)	(11,663)	–	(591)	(13,021)
Written off	(13)	(1)	–	(5,213)	(2,293)	–	(408)	(7,928)
Translation difference	–	841	–	2,477	12,698	33	1,098	17,147
At 31 December 2013 and 1 January 2014	4,519	15,483	–	54,411	288,383	1,012	33,834	397,642
Charge for the year	314	3,578	–	10,836	58,482	132	4,407	77,749
(Reversal of impairment loss)/ impairment loss provided	–	–	–	(370)	1,925	–	(4)	1,551
Reclassification	–	–	–	219	(232)	–	13	–
Disposals	–	–	–	(2,991)	(16,410)	(458)	(1,123)	(20,982)
Written off	–	–	–	(9,897)	(8,510)	–	(201)	(18,608)
Translation difference	–	(95)	–	1,326	5,777	13	227	7,248
At 31 December 2014	4,833	18,966	–	53,534	329,415	699	37,153	444,600
Net carrying amount								
At 31 December 2014	12,053	27,363	60,166	47,795	228,906	749	7,098	384,130
At 31 December 2013	12,367	30,825	42,979	43,535	208,873	215	7,588	346,382

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Company	Long term factory building	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2013	16,936	992	21,445	480	3,267	43,120
Additions	–	104	1,342	–	55	1,501
Disposals	–	–	(66)	–	(2)	(68)
Written off	(50)	(80)	(381)	–	(174)	(685)
At 31 December 2013 and 1 January 2014	16,886	1,016	22,340	480	3,146	43,868
Additions	–	32	339	686	81	1,138
Disposals	–	–	–	(480)	–	(480)
Written off	–	–	(664)	–	(19)	(683)
At 31 December 2014	16,886	1,048	22,015	686	3,208	43,843
Accumulated depreciation and impairment loss						
At 1 January 2013	4,218	758	17,705	322	3,033	26,036
Charge for the year	314	99	1,858	86	114	2,471
Disposals	–	–	(18)	–	(2)	(20)
Written off	(13)	(80)	(381)	–	(173)	(647)
At 31 December 2013 and 1 January 2014	4,519	777	19,164	408	2,972	27,840
Charge for the year	314	97	1,444	99	100	2,054
Disposals	–	–	–	(458)	–	(458)
Written off	–	–	(664)	–	(19)	(683)
At 31 December 2014	4,833	874	19,944	49	3,053	28,753
Net carrying amount						
At 31 December 2014	12,053	174	2,071	637	155	15,090
At 31 December 2013	12,367	239	3,176	72	174	16,028

NOTES TO THE FINANCIAL STATEMENTS

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

Assets held under finance leases

During the current financial year, the Group acquired a motor vehicle and machineries with cost of \$581,000 (2013: \$Nil) and \$6,285,000 (2013: \$Nil) respectively by means of finance lease.

The carrying amount of leasehold improvements, motor vehicle and machineries held by the Group under finance leases at the end of reporting period were \$982,000 (2013: \$1,599,000), \$533,000 (2013: \$Nil) and \$6,285,000 (2013: \$Nil) respectively.

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

Impairment of assets

During the financial year, the Group recognised a net impairment loss of \$1,551,000 (2013: \$12,923,000) in the "Other expenses" (Note 8) line item in profit or loss.

The impairment loss recognised during the financial year was mainly in relation to the plant and machinery which had been persistently idle in some subsidiaries of the Group, where their recoverable amounts were estimated to be \$Nil in view of the plant and machinery impaired were mainly custom made and project specific and no active market was available for these plant and machinery.

In prior year, a subsidiary of the Group in Shanghai recognised an impairment loss of \$3,810,000 on renovation and machineries damaged when a fire broke out on 19 February 2013, representing a full write-down of damaged assets. The expected cashflow for the assets were estimated to be \$Nil due to the fire. Accordingly under both the fair value less cost of disposal and value in use methods, the recoverable amount is estimated to be \$Nil without having to go into the other parameter. The Group also recognised an impairment loss of \$8,446,000 in relation to consolidation and relocation of Tianjin plant to another plant in Suzhou in prior year, representing the write-down of these assets to the recoverable amount.

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15. Intangible assets

Group	Licensed Rights	Club Membership	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2013	–	36	36
Additions	6,593	–	6,593
At 31 December 2013 and 1 January 2014	6,593	36	6,629
Additions	251	–	251
At 31 December 2014	6,844	36	6,880
Accumulated amortisation and Impairment loss:			
At 1 January 2013	–	24	24
Charge for the year	916	–	916
At 31 December 2013 and 1 January 2014	916	24	940
Charge for the year	1,409	–	1,409
At 31 December 2014	2,325	24	2,349
Net carrying amount:			
At 31 December 2014	4,519	12	4,531
At 31 December 2013	5,677	12	5,689

Company	Club Membership
	$'000
Cost:	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	36
Accumulated amortisation and Impairment loss:	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	24
Net carrying amount:	
At 31 December 2014	12
At 31 December 2013	12

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15. Intangible assets (cont'd)

Licensed rights

Licensed rights relate to the rights acquired that are essential to telecommunication standards, such as the third generation cellular ("3G") and 4G standards. The useful lives of the licenses range from 3 to 5 years.

Club membership

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

Amortisation expense

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

16. Land use rights

	Group	
	2014	**2013**
	$'000	$'000
Cost:		
At 1 January	13,251	1,365
Additions	–	6,732
Reclassification from property, plant and equipment	–	4,918
Translation differences	215	236
At 31 December	13,466	13,251
Accumulated amortisation:		
At 1 January	687	–
Amortisation for the year	266	263
Reclassification from property, plant and equipment	–	417
Translation differences	15	7
At 31 December	968	687
Net carrying amount	12,498	12,564
Amount to be amortised:		
- Not later than one year	274	268
- Later than one year but not later than five years	1,097	1,073
- Later than five years	11,127	11,223

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16. Land use rights (cont'd)

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

17. Investment in subsidiaries

	Company	
	2014	**2013**
	$'000	$'000
Shares, at cost	274,202	312,632
Amount due from a subsidiary	25,556	25,556
	299,758	338,188
Impairment losses	(51,876)	(85,033)
	247,882	253,155
<u>Movement in impairment losses:</u>		
At 1 January	85,033	84,410
Additional provision during the year	–	623
Disposal	(33,157)	–
At 31 December	51,876	85,033

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

NOTES TO THE FINANCIAL STATEMENTS

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17. Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2014	2013	2014	2013
			%	%	$'000	$'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 equipment	People's Republic of China	100	100	8,489	8,489
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	100	100	3,769	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. ***[2]	Manufacture of molds, related housing appliance plastic components and equipment, water treatment equipment	People's Republic of China	100	100	15,001	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	4,258	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***[2]	Manufacture and sale of plastic product modules	People's Republic of China	100	100	12,849	12,849
High Precision Moulding and Tools, S.A. de C.V. ^[1]	Liquidated	Mexico	–	100	–	38,379
Hi-P Poland SP. ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342

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17. 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	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***2	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Manufacture and sale of molds, plastic and electric components	People's Republic of China	100	100	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***2	Manufacture and sale of trays, mobile phones & telecommunication products, digital cameras & related electronic products, electric toothbrush, assembly of coffee machines & parts, SMT assembly, and provide related maintenance and after sale services	People's Republic of China	100	100	8,311	8,311

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17. 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	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company (cont'd)						
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. ***[2]	Manufacture and sale of molds, plastic components and equipment, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	14,367	14,367
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	6,506	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	7,590	7,590
Hi-P North America, Inc. ^	Provision of engineering support services	United States of America	100	100	676	676
Hi-P GmbH[1] #	Liquidated	Germany	–	100	–	51
Hi-P (Singapore) Technology Pte. Ltd. *	General wholesale trade (including general importers and exporters), research and experimental development on electronics	Singapore	100	100	1,500	1,500

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17. 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	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Shanghai) Metal Industries Co., Ltd. (f.k.a. Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd.)***2	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	11,260	11,260
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, research and experimental development on electronics	Singapore	100	100	1,000	1,000
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	100	100	42,130	42,130
Hi-P (Shanghai) Precision Metal Co., Ltd. ***2	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

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31 DECEMBER 2014

17. 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	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Nantong) Technology Co., Ltd.***[2]	Manufacture, wholesale, import & export and sale of electronic telecommunication devices, housing appliances, automated equipment and related components, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	40,831	40,831
Hi-P Holdings Pte. Ltd. *[3]	Investment holding	Singapore	100	100	–	–
Held through a subsidiary						
Hi-P (Suzhou) Electronics Technology Co., Ltd. ***[2]	Manufacture, SMT, assembly and trading of flexible printed circuit boards and flexible rigid printed circuit boards. Manufacture, assembly and sales of molds and plastic components	People's Republic of China	100	100	–	–
					274,202	312,632

* 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.

^ Reviewed by local auditors in respective countries

1 Hi-P GmbH and High Precision Moulding and Tools, S.A. de C.V. have filed for voluntary liquidation successfully in May 2014 and November 2014 respectively.

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

3 Hi-P Holdings Pte. Ltd. is a wholly owned subsidiary newly set up in August 2014 with a paid-up capital of $2.

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18. Investment in associates

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	984	984	984	984
Share of post-acquisition reserves	981	822	–	–
Amortisation of goodwill acquired	124	124	–	–
	2,089	1,930	984	984

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	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company						
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts and being an additive manufacturing service bureau	Singapore	30	30	503	503
Design Exchange Pte. Ltd. **	Provision of product design and development services from concept ideation to mass production support	Singapore	40	40	481	481
					984	984

* Audited by Ascent Accounting Corporation PAC.

** Audited by Wong, Lee & Associate.

The Group has not recognised losses relating to Design Exchange Pte. Ltd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $118,000 (2013: $69,000), of which $49,000 (2013: $67,000) was the share of the current year's losses. The Group has no obligation in respect of those losses.

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18. 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:

	2014	2013
	$'000	$'000
Assets and liabilities:		
Current assets	12,890	13,441
Non-current assets	1,055	977
Total assets	13,945	14,418
Current liabilities	7,009	7,954
Non-current liabilities	124	204
Total liabilities	7,133	8,158
Results:		
Revenue	9,836	10,026
Profit for the year	438	115

19. Inventories

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance sheet:				
Work-in-progress (at cost)	84,834	57,110	1,645	1,691
Raw materials (at cost)	76,794	64,544	589	389
Finished goods (at cost or net realisable value)	61,454	41,763	1,934	1,289
	223,082	163,417	4,168	3,369

	Group	
	2014	2013
	$'000	$'000
Income statement:		
Inventories recognised as an expense in cost of sales	510,639	751,359
inclusive of the following charge:		
- Inventories written back	(508)	(2,060)
- Inventory provisions	9,516	13,577

The inventories written back mainly arose from recycle of tools and consumables.

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20. Trade and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	276,895	277,310	11,605	6,501
Other receivables	20,407	5,765	1	–
USD loan to a subsidiary	–	–	15,193	–
Amounts due from subsidiaries	–	–	17,988	2,437
Amounts due from related companies	900	998	–	–
Input tax/ VAT	64,971	35,912	345	200
Refundable deposits	9,684	2,555	29	30
	372,857	322,540	45,161	9,168
Other receivables (non-current):				
USD loans to subsidiaries	–	–	117,115	91,082
Total trade and other receivables (current and non-current)	372,857	322,540	162,276	100,250
Add: Cash and cash equivalents and short term deposits pledged (Note 23)	213,104	138,591	12,817	16,344
Total loans and receivables	585,961	461,131	175,093	116,594

Trade and other receivables

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

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
United States Dollar	234,801	260,033	11,605	6,501
Euro	4,013	2,990	–	–

USD loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest at 2% (2013: 2%) per annum. The loans are repayable within 1 year to 5 years (2013: 3 years to 4 years) and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other receivables (cont'd)

Related party balances

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

- Amounts due from related companies 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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $58,395,000 (2013: $52,919,000) that are past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Trade receivables past due :		
Lesser than 30 days	52,167	43,950
30 to 60 days	5,287	5,445
61 to 90 days	414	3,191
More than 90 days	527	333
	58,395	52,919

Receivables that are impaired

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

	Group Individually impaired	
	2014	**2013**
	$'000	$'000
Trade receivables – nominal amounts	174	435
Less: Allowance for impairment	(174)	(435)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	435	874
Write-back for the year	(277)	(281)
Written off	–	(178)
Exchange differences	16	20
At 31 December	174	435

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other receivables (cont'd)

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

At the end of reporting period, the Group has provided an allowance of $14,000 (2013: $14,000) for impairment of the unsecured amounts due from related companies with a net amount of $900,000 (2013: $998,000).

21. Derivatives

	2014			2013		
	Contract/ Notional Amount	**Assets**	**Liabilities**	**Contract/ Notional Amount**	**Assets**	**Liabilities**
	USD'000	$'000	$'000	USD'000	$'000	$'000
Group						
Forward currency contracts	134,523	134	(3,352)	122,500	2,650	(119)
Total financial assets/ (liabilities) at fair value through profit or loss classified as held for trading		134	(3,352)		2,650	(119)
Company						
Forward currency contracts	15,500	–	(611)	18,000	7	(119)
Total financial (liabilities)/ assets at fair value through profit or loss classified as held for trading		–	(611)		7	(119)

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of reporting period (Note 35(b)).

22. Other long term asset

Other long term asset relates to prepayment by subsidiaries of the Group for upgrading the electric capacity of factories in Shanghai (2013: Tianjin and Shanghai). The prepayments made will be amortised over a period of 5 years (2013: 3 and 5 years respectively).

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23. Cash and cash equivalents and short term deposits pledged

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at banks and in hand	122,831	81,548	12,817	16,344
Short term fixed deposits	90,273	57,043	–	–
Cash and short term deposits	213,104	138,591	12,817	16,344
Less: Short term deposits pledged	(4,958)	(6,970)	–	–
Cash and cash equivalents	208,146	131,621	12,817	16,344

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 1 year depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The average effective interest rates for the year ended 31 December 2014 for the Group and the Company were 1.35% (2013: 1.69%) and 0.89% (2013: 0.24%) respectively.

Cash and cash equivalents and short term deposits pledged not denominated in functional currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
United States Dollar	45,349	27,519	6,312	2,823
Renminbi	8,534	8,344	–	–
Euro	3,283	6,344	25	18
Singapore Dollar	50,184	–	–	–
Japanese Yen	312	–	–	–

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24. Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	265,615	189,283	5,519	3,023
Other payables	73,398	58,309	221	227
Amounts due to subsidiaries	–	–	2,459	2,113
USD loan from a subsidiary	–	–	–	5,058
Total trade and other payables	339,013	247,592	8,199	10,421
Add: Accrued operating expenses	68,354	51,428	7,567	4,140
Loans and borrowings (Note 26)	215,262	103,233	37,247	12,624
Total financial liabilities carried at amortised cost	622,629	402,253	53,013	27,185

Trade payables

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

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
United States Dollar	60,754	38,251	3,698	1,917
Singapore Dollar	–	7	–	–
Renminbi	3	–	–	–
Euro	3,950	1,860	–	–
New Taiwan Dollar	7	22	7	22
Japanese Yen	1,326	1	–	–
Hongkong Dollar	7	8	–	–
Sterling Pound	501	257	–	–
Swiss Franc	69	11	–	–

USD loan from a subsidiary

USD loan from a subsidiary is unsecured and bear interest of 2% per annum. The loan has been fully settled during the year.

NOTES TO THE FINANCIAL STATEMENTS

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24. 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 for 2013 include an amount of $6,103,000 pertaining to a China subsidiary of the Group which has arrangements with a China bank that appoints its overseas agent bank to settle trade payable owing by the subsidiary. These other payables bear interest at 2.30% per annum with repayment period of 1 year. Fixed deposit of $6,970,000 which earns interest at 3.30% per annum has been held as collateral against these payables. These payables have been fully settled in 2014.

Amounts due to subsidiaries

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

25. Provisions

	Group	
	2014	**2013**
	$'000	$'000
At 1 January	7,063	3,918
(Reversal)/ arose during the financial year	(6,942)	3,014
Translation differences	(121)	131
At 31 December	–	7,063

A provision is recognised for expected warranty claims based on current sales levels and estimated level of repairs and returns and terms of warranty programs. As at the end of reporting period, the provision was reversed upon expiry of the related warranty given.

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31 DECEMBER 2014

26. Loans and borrowings

		Group		Company	
	Maturity	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Current:					
Short term loans	2015	209,130	100,992	36,991	12,624
Obligations under finance lease	2015	3,347	640	24	–
		212,477	101,632	37,015	12,624
Non-current:					
Obligations under finance lease	2016 - 2019	2,785	1,601	232	–
Total loans and borrowings		215,262	103,233	37,247	12,624

Short term loans (unsecured)

The Group and the Company have drawn down short term loans at fixed rates of interest for hedging and general working capital purposes. The weighted average interest rate for the year ended 31 December 2014 for the Group and the Company were 1.24% (2013: 1.29%) and 1.30% (2013: 1.30%) per annum respectively. The loans are repayable in 2015.

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 14). The effective interest rate on the finance lease ranges from 4.48% to 9.00% (2013: 9.00%) per annum. These obligations are denominated in the functional currency of the relevant entity in the Group.

The Group has finance leases for certain items of leasehold improvements, a motor vehicle and machineries (Note 14). The leasehold improvements lease has 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. The leases of motor vehicle and machineries transfer ownership of the assets to the specific entities that hold the lease by the end of the lease term.

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26. 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:

	Group		Company	
	Total minimum lease payments	Present value of payments	Total minimum lease payments	Present value of payments
	$'000	$'000	$'000	$'000
2014				
Within one year	3,667	3,347	27	24
After one year but not more than five years	3,128	2,785	259	232
Total minimum lease payments	6,795	6,132	286	256
Less: Amounts representing finance charges	(663)	–	(30)	–
Present value of minimum lease payments	6,132	6,132	256	256
2013				
Within one year	816	640	–	–
After one year but not more than five years	1,768	1,601	–	–
Total minimum lease payments	2,584	2,241	–	–
Less: Amounts representing finance charges	(343)	–	–	–
Present value of minimum lease payments	2,241	2,241	–	–

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27. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and allowances	13,665	10,278	(3,032)	(2,520)
Unutilised tax losses	12,729	11,219	(1,210)	(5,330)
Differences in depreciation for tax purposes	184	(371)	(554)	349
Other items	(12)	(5)	7	5
	26,566	21,121		
Deferred tax liabilities				
Differences in depreciation for tax purposes	(1,741)	(251)	1,490	72
Fair value adjustments on acquisition of subsidiary	(1,076)	(1,182)	(106)	–
Interest income accrued from fixed deposits and shareholder's loans	(250)	(2)	248	(14)
Other items	(21)	(8)	14	(9)
	(3,088)	(1,443)		
Deferred tax credit			(3,143)	(7,447)

	Company			
	Balance sheet		Income statement	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(1,522)	–	1,522	–
Interest income accrued from fixed deposits and shareholder's loans	(248)	–	248	–
	(1,770)	–		
Deferred tax expense			1,770	–

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27. Deferred tax (cont'd)

Unrecognised tax losses

At the end of reporting period, the Group has tax losses of approximately $136,193,000 (2013: $138,518,000) 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
Thailand	5
Poland	5

Unrecognised temporary differences relating to investments in subsidiaries

At the end of reporting period, the Group has recognised withholding tax liabilities of $5,350,000 (2013: $5,851,000) 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% (2013: 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 $107,007,000 (2013: $117,013,000). Such withholding tax liability is estimated to be $5,350,000 (2013: $5,851,000).

Tax consequences of proposed dividends

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

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28. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2014		2013	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	887,175	119,725	887,175	119,725

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

The Company has employee share option schemes (Note 30) and employee share award scheme (Note 30) pursuant to which options to acquire the Company's ordinary shares have been granted to the participants of share option schemes and ordinary shares of the Company will be allocated to the participants of share award scheme.

(b) Treasury shares

	Group and Company			
	2014		2013	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
At 1 January	(68,953)	(50,361)	(61,473)	(44,285)
Acquired during the financial year	(1,107)	(750)	(7,480)	(6,076)
Reissued pursuant to employee share award scheme:				
- Transferred from employee share award reserve	105	72	–	–
- Loss transferred to gain or loss on reissuance of treasury shares	–	4	–	–
	105	76	–	–
At 31 December	(69,955)	(51,035)	(68,953)	(50,361)

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

The Company acquired 1,107,000 (2013: 7,480,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $750,000 (2013: $6,076,000) and this is presented as a component within shareholders' equity.

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29. Other reserves and accumulated profits

Other reserves

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Statutory reserve fund (a)	50,838	50,616	–	–
Foreign currency translation reserve (b)	2,221	(4,065)	–	–
Capital reserve (c)	169	169	–	–
Employee share option and award reserve (d)	9,422	8,705	9,422	8,705
	62,650	55,425	9,422	8,705

(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	
	2014	**2013**
	$'000	$'000
At 1 January	50,616	48,967
Transfer from retained earnings	207	1,644
Share of other comprehensive income of associates	15	5
At 31 December	50,838	50,616

NOTES TO THE FINANCIAL STATEMENTS

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29. Other reserves and accumulated profits (cont'd)

Other reserves (cont'd)

(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	
	2014	**2013**
	$'000	$'000
At 1 January	(4,065)	(31,775)
Net effect of exchange differences arising from translation of financial statements of foreign operations	6,286	27,857
Reserve attributable to disposal group classified as held for sale	–	(147)
At 31 December	2,221	(4,065)

(c) Capital reserve

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

	Group	
	2014	**2013**
	$'000	$'000
At 1 January and 31 December	169	169

(d) Employee share option and award reserve

Employee share option and award reserve represents the equity-settled share options/ awards granted to employees (Note 30). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options/ awards and is reduced by the exercise of the share options or vesting of the share awards.

	Group and Company	
	2014	**2013**
	$'000	$'000
At 1 January	8,705	7,727
Equity compensation expense	831	1,043
Cancelled/ lapsed during the year	(38)	(65)
Exercised/ vested during the year	(76)	–
At 31 December	9,422	8,705

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

29. Other reserves and accumulated profits (cont'd)

Accumulated profits

	Company	
	2014	**2013**
	$'000	$'000
At 1 January	284,880	250,947
Profit net of tax and total comprehensive income for the year	29,417	43,841
Dividends on ordinary shares (Note 31)	(4,910)	(9,908)
At 31 December	309,387	284,880

30. Equity compensation benefits

Share options

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

Other information regarding the Option Schemes are set out below:

(i) The exercise price of an option is determined at a price equal to the Market Price or a price which is set at a discount to the Market Price (subject to a maximum discount of 20%). Market price 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 trading days immediately preceding the date of grant of such option.

(ii) 50% of the options granted in each year vest one year after the grant date, and the remaining 50% vest two years after the grant date, with the exception of the options granted in 2012 and 2014 respectively. For options granted in 2012, 33% of which vest one year after the grant date, 33% of which vest two years after the grant date, and the remaining 34% of which vest three years after the grant date, pursuant to the Resolutions in Writing of the Remuneration Committee passed on 11 April 2012. For options granted in 2014, 25% of which vest each year over 4 years starting from one year after the grant date, pursuant to the Resolutions in Writing of the Remuneration Committee passed on 5 May 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

30. Equity compensation benefits (cont'd)

Share options (cont'd)

Other information regarding the Option Schemes are set out below (cont'd):

(iii) The options expire 10 years after the grant date except for options granted to non-executive directors under the 2014 ESOS, which will expire 5 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

(iv) The options are only settled by equity.

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

	No. 2014	WAEP 2014	No. 2013	WAEP 2013
	'000	$	'000	$
Outstanding at 1 January	21,199	1.00	22,302	1.01
- Granted	3,000	0.57	743	0.70
- Cancelled or lapsed or expired	(3,931)	1.19	(1,846)	1.04
Outstanding at 31 December	20,268	0.90	21,199	1.00
Exercisable at 31 December	15,234	0.96	16,552	1.02

The range of exercise prices for options outstanding at the end of the year was $0.57 to $1.48 (2013: $0.67 to $1.48). The weighted average remaining contractual life for these options is 6.99 years (2013: 6.59 years).

There were 3,000,000 (2013: 743,048) options granted during the financial year ended 31 December 2014.

Share awards

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

Other information regarding the Award Scheme is set out below:

(i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award which shall not exceed 50% of the annual bonus of the participant, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

30. Equity compensation benefits (cont'd)

Share awards (cont'd)

Other information regarding the Award Scheme is set out below (cont'd):

(ii) No minimum vesting periods are prescribed under the Award Scheme and the length of vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Award Scheme shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Award Scheme.

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

	No. 2014 '000	No. 2013 '000
Outstanding at 1 January	212	–
- Granted	234	219
- Cancelled or lapsed	(32)	(7)
- Vested	(105)	–
Outstanding at 31 December	309	212

There were 233,675 share awards granted during the financial year ended 31 December 2014.

31. Dividends

	Group and Company	
	2014 $'000	2013 $'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
■ Final exempt one-tier dividend for 2013: 0.6 cents (2012: 1.2 cents) per share	4,910	9,908
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 2014: 1.0 cents (2013: 0.6 cents) per share	8,172	4,909

NOTES TO THE FINANCIAL STATEMENTS

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32. Commitments

(a) Capital commitments

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	70,802	10,955	377	128

(b) Operating lease commitments

The Group and the Company have entered into commercial leases on plant and machinery, land use rights, 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 31 December 2014 amounted to $19,858,000 (2013: $18,691,000) (Note 9).

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Within one year	21,915	15,204	270	266
Later than one year but not later than five years	23,287	17,503	1,036	982
Later than five years	1,442	1,616	1,439	1,610
	46,644	34,323	2,745	2,858

33. Contingencies

Guarantees

The Company granted corporate guarantees of $17,492,000 (2013: $111,768,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2014.

The Company granted corporate guarantees of $54,958,000 (2013: $95,942,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2014.

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34. 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	
	2014	**2013**
	$'000	$'000
Income		
Sales to a corporate shareholder and companies related to the shareholder	514	840
Expenses		
Purchase of materials from a corporate shareholder and companies related to the shareholder	1,496	7,521
Services rendered from companies related to directors	–	8

(b) *Compensation expenses of key management personnel*

	Group	
	2014	**2013**
	$'000	$'000
Directors' fees	110	110
Defined contribution plans	174	149
Wages, salaries, bonus and other short-term employee benefits	6,398	6,301
Equity compensation expense	510	610
Total compensation expenses of key management personnel	7,192	7,170
Comprise amounts for :		
Directors of the Company	1,791	1,917
Other key management personnel	5,401	5,253
	7,192	7,170

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

NOTES TO THE FINANCIAL STATEMENTS

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34. Related party transactions (cont'd)

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

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

During the year ended 31 December 2014, Nil (2013: 243,329) options and 108,301 (2013: 126,831) awards were granted to the aforementioned executive directors. No (2013: Nil) options were exercised by the executive directors during the year while 63,415 (2013: Nil) share awards were vested to the executive directors during the year.

35. 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 the 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.

(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 end of reporting period, the Group has sufficient standby credit facilities with several banks. At 31 December 2014, the Group was at net debt position of $2 million (2013: net cash position of $35 million).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

35. 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 end of reporting period based on contractual undiscounted repayment obligations.

Group	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2014				
Financial assets				
Trade and other receivables	307,886	–	–	307,886
Derivatives	134	–	–	134
Short term deposits pledged	5,729	–	–	5,729
Cash and cash equivalents	208,146	–	–	208,146
Total undiscounted financial assets	521,895	–	–	521,895
Financial liabilities				
Trade and other payables	335,887	–	–	335,887
Accrued operating expenses	68,354	–	–	68,354
Derivatives	3,352	–	–	3,352
Loans and borrowings	212,881	3,128	–	216,009
Total undiscounted financial liabilities	620,474	3,128	–	623,602
Total net undiscounted financial liabilities	(98,579)	(3,128)	–	(101,707)
2013				
Financial assets				
Trade and other receivables	286,628	–	–	286,628
Derivatives	2,650	–	–	2,650
Short term deposits pledged	7,271	–	–	7,271
Cash and cash equivalents	131,621	–	–	131,621
Total undiscounted financial assets	428,170	–	–	428,170
Financial liabilities				
Trade and other payables	239,349	–	–	239,349
Accrued operating expenses	59,671	–	–	59,671
Derivatives	119	–	–	119
Loans and borrowings	101,878	1,768	–	103,646
Total undiscounted financial liabilities	401,017	1,768	–	402,785
Total net undiscounted financial assets/ (liabilities)	27,153	(1,768)	–	25,385

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

(a) Liquidity risk (cont'd)

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

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2014				
Financial assets				
Trade and other receivables	47,462	121,598	–	169,060
Cash and cash equivalents	12,817	–	–	12,817
Total undiscounted financial assets	60,279	121,598	–	181,877
Financial liabilities				
Trade and other payables	8,123	–	–	8,123
Accrued operating expenses	7,567	–	–	7,567
Derivatives	611	–	–	611
Loans and borrowings	37,055	259	–	37,314
Total undiscounted financial liabilities	53,356	259	–	53,615
Total net undiscounted financial assets	6,923	121,339	–	128,262
2013				
Financial assets				
Trade and other receivables	10,790	94,545	–	105,335
Derivatives	7	–	–	7
Cash and cash equivalents	16,344	–	–	16,344
Total undiscounted financial assets	27,141	94,545	–	121,686
Financial liabilities				
Trade and other payables	10,522	–	–	10,522
Accrued operating expenses	4,140	–	–	4,140
Derivatives	119	–	–	119
Loans and borrowings	12,637	–	–	12,637
Total undiscounted financial liabilities	27,418	–	–	27,418
Total net undiscounted financial (liabilities)/ assets	(277)	94,545	–	94,268

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

35. 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.

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2014				
Financial guarantees	72,067	383	–	72,450
2013				
Financial guarantees	207,458	252	–	207,710

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

(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), Polish Zloty (PLN) and Thai Baht (THB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 93% (2013: 95%) of the Group's sales and 52% (2013: 63%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2014 is approximately USD537 million (2013: USD609 million). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

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

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

The Group has drawn-down USD158 million (2013: USD80 million) short term loans as at 31 December 2014 partly for hedging purpose.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

35. 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	
	2014	**2013**
	$'000	$'000
USD/ RMB – strengthened 3.0% (2013: 3.0%)	-2,394	+475
– weakened 3.0% (2013: 3.0%)	+2,394	-475
USD/ SGD – strengthened 3.0% (2013: 3.0%)	+2,366	+3,083
– weakened 3.0% (2013: 3.0%)	-2,366	-3,083

(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 short term deposits pledged 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.

Excessive risk concentration

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

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

Exposure to credit risk

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

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

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 end of reporting period is as follows:

	Group			
	2014		2013	
	$'000	% of total	$'000	% of total
By country:				
Europe	54,245	19%	18,190	7%
USA and other parts of American Continent	57,686	21%	92,113	33%
People's Republic of China	134,828	49%	146,464	53%
Singapore	2,520	1%	996	#
Malaysia	2,137	1%	1,053	#
Thailand	8,333	3%	4,183	2%
Other countries	17,146	6%	14,311	5%
	276,895	100%	277,310	100%

- Amount less than 1%

At the end of reporting period, approximately 62% (2013: 78%) of the Group's trade receivables were due from 4 (2013: 4) major end customers who are multinational conglomerates. The credit risk concentration is considered low in view of the diversified concentration profile by country and by major customer presented above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

(c) Credit risk (cont'd)

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 short term deposits pledged and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

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

36. Fair value of financial instruments

(a) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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36. Fair value of financial instruments (cont'd)

(b) Assets and liabilities measured at fair value

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

	2014 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Group				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	134	–	134
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(3,352)	–	(3,352)
Company				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	–	–	–
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(611)	–	(611)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

36. Fair value of financial instruments (cont'd)

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

	2013 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Group				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	2,650	–	2,650
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(119)	–	(119)
Company				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	7	–	7
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(119)	–	(119)

(c) Level 2 fair value measurements

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

Determination of fair value

Derivatives (Note 21): 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

36. Fair value of financial instruments (cont'd)

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed

Determination of fair value

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

(e) 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 are as follows:

	Carrying amount		**Fair value**	
Group	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Financial liabilities:				
Obligations of finance lease (non-current) (Note 26)	2,785	1,601	2,575	1,530
Company				
Financial assets:				
Amount due from a subsidiary (Note 17)	25,556	25,556	*	*
Financial liabilities:				
Obligations of finance lease (non-current) (Note 26)	232	–	213	–

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

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

Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

37. Capital management

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

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2014, the Group has declared a final dividend payment of $8.2 million (2013: $4.9 million) to shareholders (as disclosed in Note 31).

As disclosed in Note 29(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 2014 and 2013.

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

As the Group is at net cash position at the end of the year 2013, disclosure of gearing ratio is hence not meaningful.

	Group	
	2014	**2013**
	$'000	$'000
Cash and short term deposits (Note 23)	213,104	138,591
Loans and borrowings (Note 26)	(215,262)	(103,233)
Net (debt)/ cash	(2,158)	35,358
Equity attributable to owners of Company	605,919	598,075
Less: Statutory reserve fund (Note 29(a))	(50,838)	(50,616)
Total capital	555,081	547,459
Gearing ratio	0.4%	n.m.

38. 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")

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

38. Segment information (cont'd)

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

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

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

2014	**PPIM**	**MDF**	**Assembly**	**Eliminations**	**Notes**	**Consolidated**
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	582,267	37,492	331,637	–		951,396
Inter-segment sales	63,305	38,716	–	(102,021)	A	–
	645,572	76,208	331,637	(102,021)		951,396
Results:						
Loss from operations	(557)	(10)	(437)	–		(1,004)
Interest income						2,373
Other income						19,677
Financial costs						(1,688)
Other expenses						(3,802)
Share of results of associates						157
Profit before tax						15,713
Income tax expense						(5,244)
Profit, net of tax						10,469
Other information						
Depreciation of property, plant and equipment	63,954	5,173	8,622			77,749
Amortisation of intangible assets	–	–	1,409			1,409
Amortisation of land use rights	266	–	–			266
Reversal of provision for warranty costs	–	–	(6,942)			(6,942)
Inventory provisions	5,276	94	4,146			9,516
Impairment loss of property, plant and equipment	1,457	59	35			1,551
Net gain on liquidation of subsidiaries	(3,937)	–	–			(3,937)
Other non-cash expenses	531	9	417		B	957

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

38. Segment information (cont'd)

2013	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	559,742	46,562	656,163	–		1,262,467
Inter-segment sales	78,518	49,170	–	(127,688)	A	–
	638,260	95,732	656,163	(127,688)		1,262,467
Results:						
Profit from operations	3,040	1	4,091	–		7,132
Interest income						2,685
Other income						11,091
Financial costs						(2,076)
Other expenses						(7,615)
Share of results of associates						(30)
Profit before tax						11,187
Income tax expense						(4,785)
Profit, net of tax						6,402
Other information						
Depreciation of property, plant and equipment	71,138	6,709	8,714	–		86,561
Amortisation of intangible assets	–	–	916	–		916
Amortisation of land use rights	263	–	–	–		263
Provision for warranty costs	–	–	3,014	–		3,014
Inventory provisions	5,787	2	7,788	–		13,577
Impairment loss of property, plant and equipment	4,477	247	8,199	–		12,923
Other non-cash expenses	(598)	–	(806)	–	B	(1,404)

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 doubtful receivables, physical inventory write back, equity compensation expenses, property, plant and equipment written off, net loss on disposal of property, plant and equipment and trade/other payables written off as presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

38. 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Asia				
People's Republic of China	410,191	374,541	372,394	333,175
Singapore	11,055	7,210	23,670	24,165
Malaysia	6,295	5,878	–	–
Taiwan	30,855	64,301	–	–
Thailand	34,707	23,063	880	1,205
Others	20,444	22,126	–	–
	513,547	497,119	396,944	358,545
Europe	151,050	130,883	4,152	6,070
United States and the rest of Americas	286,799	634,465	63	20
	951,396	1,262,467	401,159	364,635

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

Information about major customers

The Group has 4 (2013: 3) major end customers for PPIM segment with revenue amounting to $430,999,000 (2013: $433,112,000) and 6 (2013: 3) major end customers for Assembly segment with revenue amounting to $215,359,000 (2013: $475,731,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

39. Comparative figures

For comparison purposes, the following have been re-presented to be consistent with the current year's presentation and to better reflect the nature of the Group's operations.

	Group	
	Represented 2013	**Previous 2013**
	$'000	$'000
Presented in the Balance Sheets		
Current liabilities		
Trade and other payables	247,592	239,349
Accrued operating expenses	51,428	59,671
	299,020	299,020
Presented in the Consolidated Cash Flow Statement		
Cash flows from operating activities		
Allowance on non-cancellable purchase commitments	1,548	–
Changes in working capital		
Decrease in trade and other receivables	14,546	14,757
Decrease in trade and other payables	(59,389)	(64,580)
Increase in accrued operating expenses	19,559	26,298
Increase in amounts due from related parties	–	(211)
	(23,736)	(23,736)

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 2 April 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2015

Distribution of Shareholders By Size of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 999	11	0.48	1,463	0.00
1,000 - 10,000	1,319	57.17	8,021,242	0.98
10,001 - 1,000,000	957	41.48	47,885,989	5.86
1,000,001 and above	20	0.87	761,310,645	93.16
Grand Total	**2,307**	**100.00**	**817,219,339**	**100.00**

Twenty Largest Shareholders As At 16 March 2015

No.	Name of Shareholder	No. of Shares	% of Shareholdings[1]
1	YAO HSIAO TUNG	492,576,144*	60.27
2	MOLEX INTERNATIONAL INC	178,236,020	21.81
3	DBS NOMINEES PTE LTD	25,771,062	3.15
4	RAFFLES NOMINEES (PTE) LTD	22,182,499	2.71
5	CITIBANK NOMINEES SINGAPORE PTE LTD	14,719,000	1.80
6	UNITED OVERSEAS BANK NOMINEES	4,836,500	0.59
7	HSBC (SINGAPORE) NOMINEES PTE LTD	2,877,560	0.35
8	RODERICK SER PHUAY KEE	2,600,000	0.32
9	DBSN SERVICES PTE LTD	2,531,700	0.31
10	CHESTER LIN CHIEN	2,000,000#	0.25
11	WEE BEE HOON	1,587,000	0.19
12	PHILLIP SECURITIES PTE LTD	1,575,400	0.19
13	SOH SAI KIANG	1,480,000	0.18
14	ONG ENG LOKE	1,397,000	0.18
15	WONG HUEY FANG	1,358,751^	0.17
16	SZETO TZEN	1,282,000	0.16
17	OCBC SECURITIES PRIVATE LTD	1,207,009	0.15
18	EST OF KUEK SER BENG, DECEASED	1,060,000	0.13
19	OCBC NOMINEES SINGAPORE	1,025,000	0.13
20	LIM & TAN SECURITIES PTE LTD	1,008,000	0.12
	TOTAL	**761,310,645**	**93.16**

Note:

1 Based on 817,219,339 shares (excluding shares held as treasury shares) as at 16 March 2015.

* Mr Yao Hsiao Tung's shares are held (1) 489,576,144 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) 358,751 under CDP direct account (2) 1,000,000 under Raffles Nominees (Pte) Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2015

Shareholders' Information

No. of issued shares (excluding treasury shares)	:	817,219,339
No. and percentage of treasury shares	:	69,955,661 (8.56%)
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 16 March 2015.

Name	Direct interest	%[3]	Deemed Interest	%[3]
Yao Hsiao Tung (Note 1)	492,576,144	60.27	–	–
Molex International Inc	178,236,020	21.81	–	–
Molex Incorporated (Note 2)	–	–	178,236,020	21.81

Notes:

1. Mr Yao Hsiao Tung's shares are held:
   (1) 489,576,144 under CDP direct account (2) 3,000,000 under Raffles Nominees (Pte) Ltd.

2. 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.

3. Percentage shareholding is based on the Company's total issued shares of 817,219,339 shares as at 16 March 2015 (excluding treasury shares).

Free Float

As at 16 March 2015, approximately 17.41% 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 16 March 2015, the Company held 69,955,661 treasury shares, representing 8.56% 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 Ficus 3 Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Tuesday, 28 April 2015 at 2.30 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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 1.0 cents per ordinary share for the year ended 31 December 2014. [2013: 0.6 cents per ordinary share] **(Resolution 2)**

3. To re-elect Mr Yeo Tiong Eng retiring pursuant to Article 91 of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Gerald Lim Thien Su retiring pursuant to Article 91 of the Company's Articles of Association.
   [See Explanatory Note (ii)] **(Resolution 4)**

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 (iii)] **(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 (iv)] **(Resolution 6)**

6. To approve the payment of Directors' fees of S$358,000.00 for the year ended 31 December 2014. (2013: S$358,000.00) **(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

NOTICE OF ANNUAL GENERAL MEETING

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

(a) allot and issue shares in the Company; and

(b) issue convertible securities and any shares in the Company pursuant to convertible securities

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed after adjusting for:-

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares."
[See Explanatory Note (v)] **(Resolution 9)**

10. Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme 2014

"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 2014 (the "2014 ESOS") and to allot and issue such number of fully paid up shares as may be required to be issued pursuant to the exercise of options granted under the 2014 ESOS provided always that the aggregate number of shares issued or issuable pursuant to the 2014 ESOS, which together with the aggregate number of shares issued or issuable pursuant to the Hi-P Employee Share Award Scheme and any other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any option."
[See Explanatory Note (vi)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

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 "ESAS") 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 ESAS provided always that the aggregate number of shares issued or issuable pursuant to the ESAS, which together with the aggregate number of shares issued or issuable pursuant to the Hi-P Employee Share Option Scheme 2014 and any other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award."
    [See Explanatory Note (vii)] **(Resolution 11)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) If re-elected under Resolution 3, Mr Yeo Tiong Eng, retiring pursuant to Article 91 of the Company's Articles of Association, will continue in office as Independent Director, a member of the Audit Committee and a member of Nominating Committee, and be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(ii) If re-elected under Resolution 4, Mr Gerald Lim Thien Su, retiring pursuant to Article 91 of the Company's Articles of Association, will continue in office as Independent Director, Chairman of the Audit Committee and a member of Remuneration Committee, and be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(iii) 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. Mr Yao Hsiao Tung is the spouse of Mdm Wong Huey Fang.

(iv) 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.

(v) 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.

(vi) 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 options under the Hi-P Employee Share Option Scheme 2014, which together with the allotment and issue of shares pursuant to the Hi-P Employee Share Award Scheme and any other share schemes of the Company, do not exceed in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any option.

(vii) 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, which together with the allotment and issue of shares pursuant to the Hi-P Employee Share Option Scheme 2014 and any other share schemes of the Company, do not exceed in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award.

Notes:

1. Detailed information of Mr Yeo Tiong Eng, Mr Gerald Lim Thien Su, Mr Yao Hsiao Tung and Mr Chester Lin Chien can be found under the "Board of Directors" section in the Company's Annual Report 2014.

2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

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

4. The instrument appointing a proxy 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.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HI-P INTERNATIONAL LIMITED

Company Registration Number 198004817H
(Incorporated in the Republic of Singapore)

PROXY FORM

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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

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 Ficus 3 Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Tuesday, 28 April 2015 at 2.30p.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 2014		
2.	Payment of first and final dividend		
3.	Re-election of Mr Yeo Tiong Eng		
4.	Re-election of Mr Gerald Lim Thien Su		
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 2014		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
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 2014		
11.	Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme		

Dated this __________ day of ______________ 2015

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.

Designed and Produced by SageStudio +65 6438 2990

Hi-P International Limited
赫比国际有限公司
11 International Business Park
Singapore 609926
Company Registration Number: 198004817H

Hi-P INTERNATIONAL LIMITED

ANNUAL REPORT 2014